DAIKIN

SUSTAINABILITY REPORT 2023

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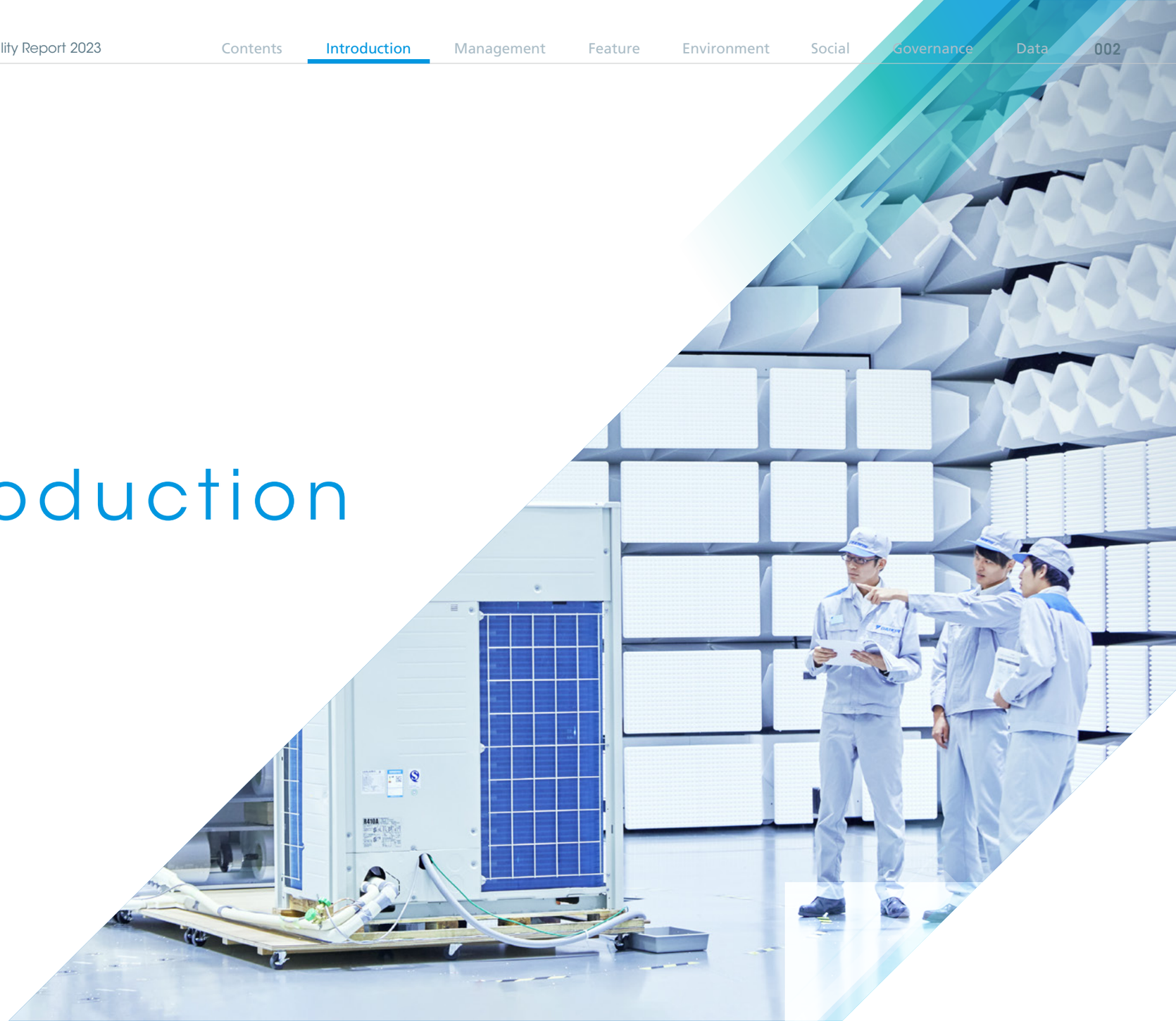

Introduction

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Editorial Policy

The Daikin Group Sustainability Report 2023 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.

Going forward, Daikin will publish 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.

164 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

Financial ← → Non-Financial

Integrated Report

Securities Report	Sustainability Report
Brief Report on the Settlement of Accounts	Corporate Governance Report
Web page (Investor Relations) https://www.daikin.com/investor	Web page (Sustainability) https://www.daikin.com/csr

Cautionary Statement

In reporting on fiscal 2022 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 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 Group. 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.

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What This Report Covers

Term Covered

April 1, 2022 to March 31, 2023

Daikin Organizations Covered

This report covers Daikin Industries and its consolidated subsidiaries.
Financial: Covers Daikin Industries and its 347 consolidated subsidiaries (total 348 companies).
Social: Covers Daikin Industries and its consolidated subsidiaries; however, the coverage may differ by each item (data coverage range is specified per item).
Environment: 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.
Toho Kasei Co., 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 Refrigerants Frankfurt GmbH
Daikin Chemical France S.A.S.
Daikin Chemical Netherlands B.V.
DAIKIN COMPOUNDING ITALY S.p.A.
Daikin America, Inc.

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Update History

September 2023: Published Sustainability Report 2023 (English Version)

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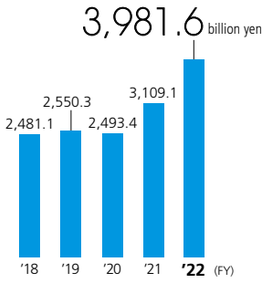
Business Lines and Network

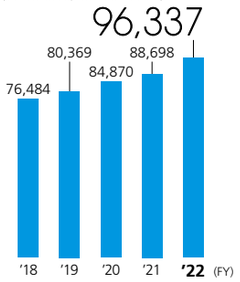
Bringing the World Healthy, Comfortable Lifestyles

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.

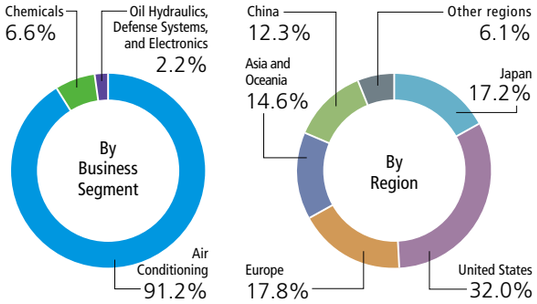
Net Sales (Consolidated)



Number of Employees (Workforce, Consolidated)



Ratio of Sales (Consolidated / Fiscal 2022)



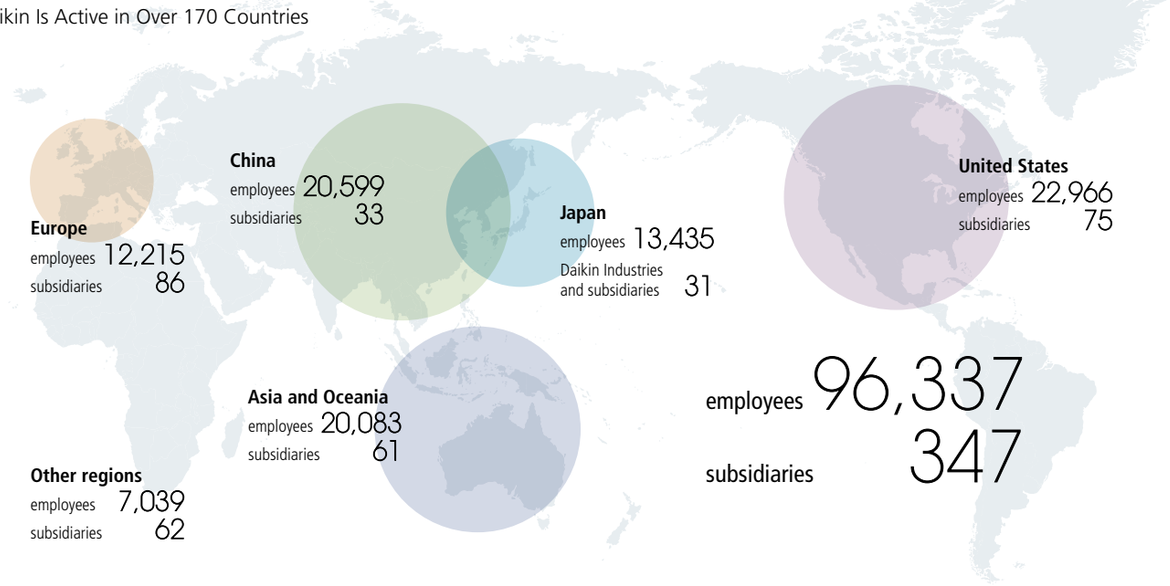
Our Business

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



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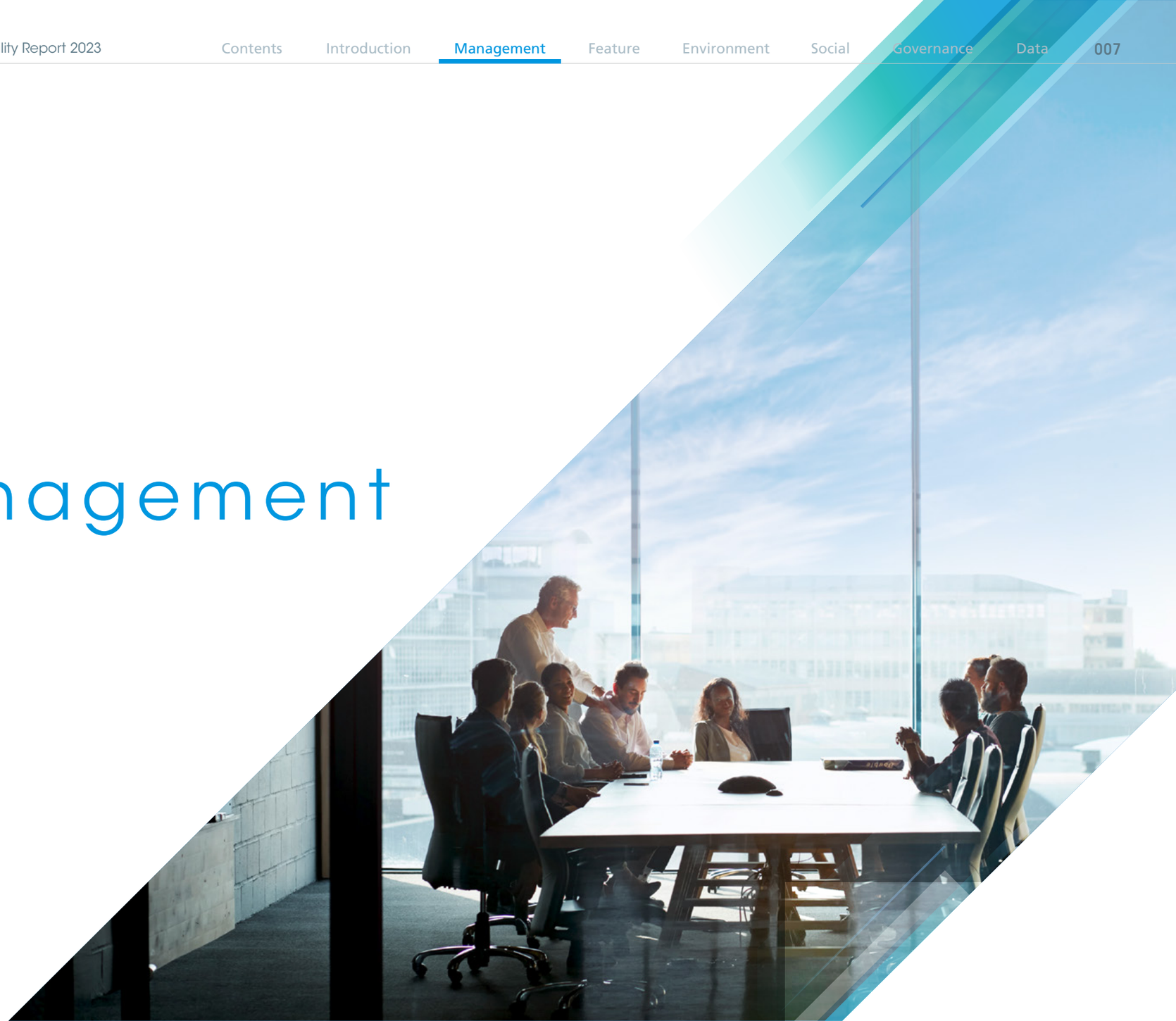

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Message from the President

Masanori Togawa
President and CEO, Daikin Industries, Ltd.

Aiming for Sustainable Growth by Viewing Societal Changes as Opportunities

Harnessing Our Strengths in a Changing Business Environment

In fiscal 2022, we broke records for net sales and operating income by taking action flexibly to expand our sales network and provide a stable supply of products, viewing change as an opportunity, despite the worsening business environment symbolized by surging raw materials and logistics costs, soaring inflation, and an economic slowdown. This positive outcome represents our ability to maximize our long-standing strengths.

Fulfilling Our Societal Mission as an Air Conditioner Manufacturer

As the only company in the world to manufacture both air conditioners and refrigerants, Daikin provides products and services utilizing environmental technologies to people around the world. Our core air conditioning business represents a critical component of social infrastructure. Together with transforming the indoor environment in hot regions, we have contributed to people's health through heatstroke prevention and improvement of air quality, which has also helped to increase labor efficiency.

On the other hand, growing electricity demand resulting from the use of air conditioning has become a major issue. Worldwide demand for air conditioning is forecast to triple current levels by 2050. Our mission to society is to reduce the future impacts of global warming to every extent possible while providing a safe, reliable, comfortable, and healthy air environment in response to elevated demand from the COVID-19 pandemic. We remain committed to being a company that can recognize the actions that must be taken in order to use these solutions to environmental and social issues as a way of unlocking business growth.

Implementing Our Strategic Management Plan to Resolve Environmental and Social Issues

One of the growth strategy themes in our Fusion 25 strategic management plan ending in fiscal 2025, is "Challenge to achieve carbon neutrality." This includes the target of reducing greenhouse gas emissions throughout the life cycle by 30% or more in 2025 and 50% or more in 2030 compared to business as usual (BAU)* with 2019 as the baseline year. In fiscal 2022, we reduced these emissions by 14% after expanding sales of environmentally conscious products using inverter technology or low global warming potential (GWP) refrigerants.

In 2023, the midpoint we formulated a three-year second half plan for Fusion 25. Recognizing the accelerating move toward carbon neutrality worldwide as a good opportunity for growth, in addition to existing measures, which have included spreading inverter products globally, we will newly launch net-zero initiatives at our

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air conditioning business bases targeting 2030, and at the same time, focus more on businesses that can contribute to net-zero green house gas emissions.

One such business is space and water heating. In addition to the growing momentum for decarbonization, soaring energy prices and concerns about the procurement of fossil fuels have led to a shift from combustion to heat pump heating, predominantly in Europe. This replacement in favor of heat pumps, which use heat from the air, can help to greatly reduce CO_2 emissions. In response to growing demand, we plan to start operations at a new plant in Europe in 2024 and quadruple our production capacity of heat pump space and water heaters by 2025.

Moreover, the transition to a circular economy is also an important requirement today. In addition to utilizing recycled materials, we believe that the establishment of a "refrigerant eco-cycle" recovering and reclaiming refrigerants indispensable for air conditioning represents our greatest contribution to a circular economy. Commercialization is not easy. Nevertheless, we will first build a recovery and reclaiming network in Europe, Japan, and the United States.

On the other hand, after the COVID-19 pandemic, people's needs for air and ventilation solutions and awareness of indoor air quality are increasing. Utilizing our proprietary technologies, we aim to provide new value to our customers, including spaces that reduce the risk of infectious diseases and that are allergen-free.

* Business As Usual: In this context, BAU refers to emissions in case of normal business growth without the implementation of countermeasures.

People are the Source Behind Corporate Competitiveness

Today, human capital management, which regards human resources as important capital rather than cost, is garnering attention. We have been building our management foundation based on the belief that people are the source of corporate competitiveness. Our Group Philosophy also states that "The Cumulative Growth of All Group Members Serves as the Foundation for the Group's Development."

Daikin's sustainable growth is underpinned by Fast & Flat management, which aims to operate the company with a sense of unity and close proximity between top management and workers, and our approach to diversity management. The diverse values of more than 90,000 employees around the world, backed by a sense of unity and trust between management and the workplace, symbolize the source of our competitiveness. We have brought together human resources of diverse cultures, ethnicities, generations and lifestyles, and have utilized their individuality and strengths to power our organization.

Looking ahead to our 100th anniversary in 2024, we will continue to be a company that will continue to provide its diverse workforce with the joy of working and opportunities to tackle new challenges, and we will link the power of our "people" to the sustainable growth and development of society and the company.

Continuing to Live Up to the Expectations of Stakeholders

Daikin supports the 10 principles of the United Nations Global Compact. We also endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In 2023, Daikin joined the World Business Council for Sustainable Development (WBCSD). We are now working to resolve societal issues including climate change together with many likeminded companies across sectors and regions.

We stand committed to meeting the expectations of our stakeholders as a company that creates value for society and grows through mutual cooperation built atop two-way communication with national and local governments, international organizations, and NGOs.

Masanori Togawa
President and CEO
Daikin Industries, Ltd.
July 2023

	FY2020	FY2022	FY2025 target
Net sales	2.49 trillion yen	3.98 trillion yen	4.55 trillion yen
Reduction rate of net greenhouse gas (GHG) emissions* (compared to BAU with 2019 as base year)	7 %	14 %	Over 30 % reduction

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

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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.

International Frameworks toward Resolving Society's Problems 011

Daikin's Business Characteristics 012

Identifying Material Issues 014

Our Group Philosophy

The basic management philosophy for the thoughts and actions of all employees

Targets for Sustainability 022

Strategic Management Plan Fusion 016

Environmental Vision 2050 015

2020 2025 2030 2035 2040 2045 2050

Daikin's Aims for Value Creation 017

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 017

- Human Resources
- Co-creation

Related SDGs

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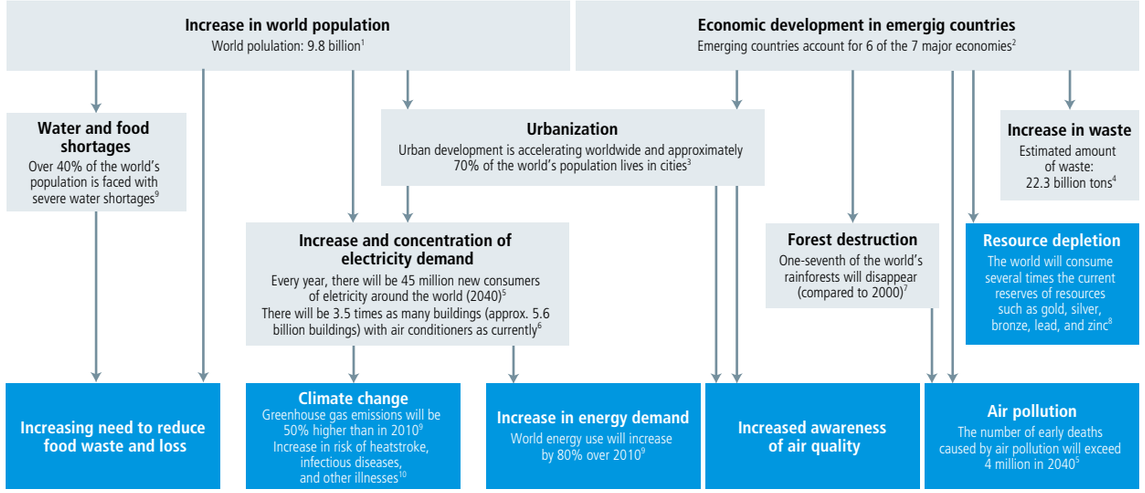
International Frameworks toward Resolving Society's Problems

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

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Daikin's Business Characteristics

Business Characteristics

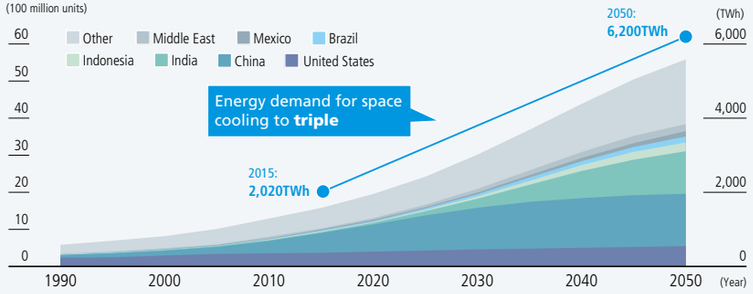
- The spread of Daikin's air conditioning, our core business, represents one form of climate change adaptation, which will be required more in the future. 1
- Daikin possesses technologies that meet the increased demand 2 for air purification due to the COVID-19 pandemic.
- Electricity used to power 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 *World Energy Outlook 2022*

1 IEA The Future of Cooling Forecast

In May 2018, the International Energy Agency (IEA) released *The Future of Cooling*. The report looks at air conditioning and how the rise in its use is driving global energy demand.
According to *The Future of Cooling*, estimates are for air conditioning demand to rise rapidly and for energy demand for space cooling to triple by 2050.

Worldwide air conditioner stock (number of units) and electricity demand[2]



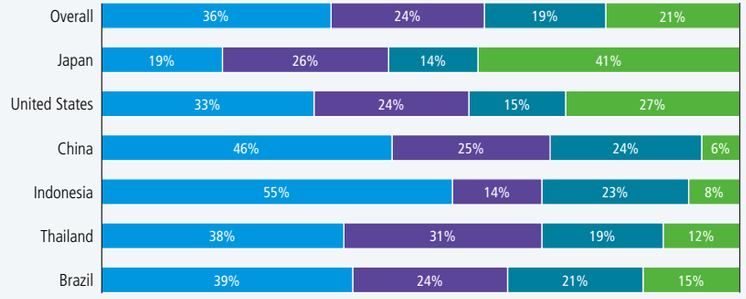
[2] Graph figures compiled by Daikin based on IEA *The Future of Cooling*

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 due to the COVID-19 pandemic.

Results of Survey on Air Quality at Home[3]

Has the COVID-19 pandemic affected awareness of air quality within the home?



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

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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

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

Development, Design
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

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

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

Usage
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

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

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

Relationship with Procurement Society
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

Procurement
- ■ Response to climate change
- ■ Supply chain management
- ■ Respect for human rights

Development, Design
- ■ Response to climate change
- ■ Prevent air and water pollution
- ■ Provide safe and reliable air environments
- ■ Increase the valued-added nature of air
- ■ Create innovation through co-creation

Manufacturing
- ■ Response to climate change
- ■ Quality and customer satisfaction
- ■ Anti-corruption

Sales, Transportation, Installation
- ■ Response to climate change
- ■ Prevent air and water pollution
- ■ Quality and customer satisfaction
- ■ Information security

Usage
- ■ Response to climate change
- ■ Response to resource recycling
- ■ Quality and customer satisfaction

Business Activity Foundation
- ■ Human resource development
- ■ Diversity management
- ■ Corporate governance
- ■ Risk management

Relationship with Procurement Society
- ■ Response to climate change
- ■ Create innovation through co-creation
- ■ Stakeholder engagement
- ■ Communities

Greenhouse Gas Emissions*

Procurement	Development, Design	Manufacturing	Sales, Transportation, Installation	Usage
4.70 million tons-CO_2	**1.03** million tons-CO_2	(0.042 million tons-CO_2)	**283.16** million tons-CO_2	**47.50** million tons-CO_2

* The figures on this page represent the total for the group in fiscal 2022. Figures in ( ) is for Daikin Industries, Ltd. only.

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Identifying Material Issues

Identified Material Issues

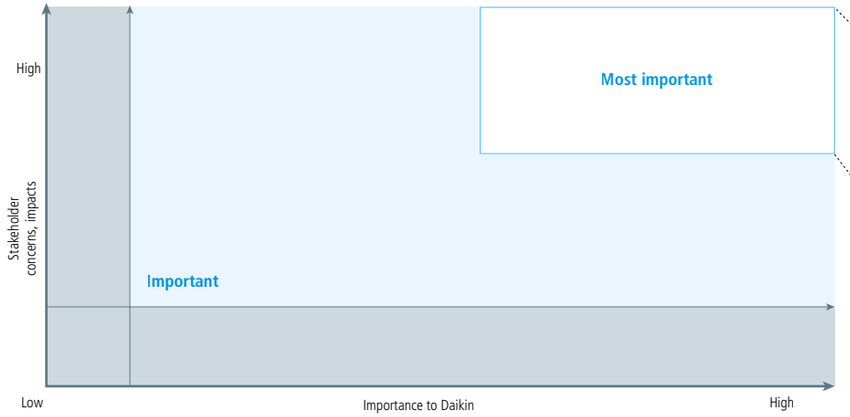
Emphasis Placed on Climate Change

We reviewed materiality at the time of formulating the Fusion 25 Strategic Management Plan and identified the following seven as top priorities shown in the figure below. Climate change is a theme of particular emphasis.

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 reduce society's carbon footprint. With our Environmental Vision 2050 to achieve net zero greenhouse gas emissions, we are promoting efforts under the key themes of the Fusion 25 Strategic Management Plan.

Materiality analysis



Process for Identifying Material Issues

Step 1 Understanding Stakeholder Concerns and Impacts
- Social Problems Daikin Can Help Resolve 011
- International Frameworks

Step 2 Assessing the Impact of Our Business on Society
- Daikin's Business Characteristics 012

Step 3 Identifying Material Issues for Daikin and Society

Prior to formulating the Fusion 25 Strategic Management Plan, we reviewed our materiality.

We narrowed down highly important initiatives by evaluating the impacts our business has on society across the entire value chain following steps 1 to 3. On top of this, we evaluated the materiality for Daikin in terms of stakeholder's concerns and impacts by soliciting the views of investors, experts, and external directors and then conducting interviews with employees and senior management. This culminated in the CSR Committee finalizing material issues from the perspective of Daikin and society.

Material Issues

■ Environmental ■ Social

Most important

- ■ Response to climate change
- ■ Provide safe and reliable air environments
- ■ Increase the valued-added nature of air
- ■ Create innovation through co-creation
- ■ Quality and customer satisfaction
- ■ Human resource development
- ■ Diversity management

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Environmental Vision 2050

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

Toward Net-Zero Greenhouse Gas Emissions

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

Environmental Vision 2050

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

190 Data Process Used to Formulate Environmental Vision 2050

Setting Targets Aimed at Realizing Environmental Vision 2050

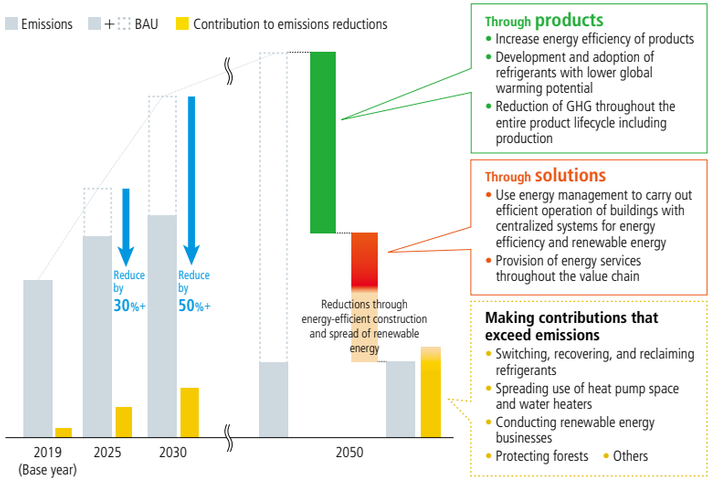
Daikin has established a greenhouse gas emissions reduction target after analyzing the future of its business operations in order to reduce these emissions to net zero while bringing the added value nature of air to people around the world.

Through products | **Through solutions**

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

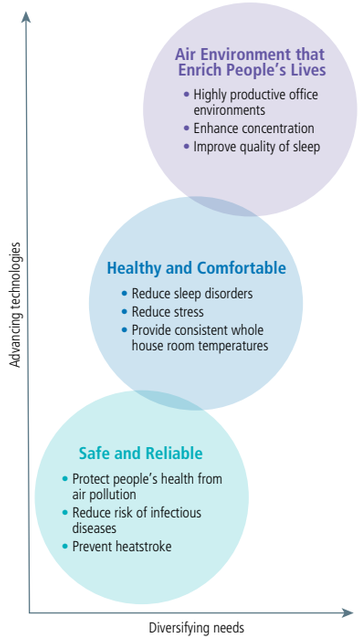
* Defined as the total after subtracting our contribution to remissions reduction from our total greenhouse gas emissions.

With 2019 as the base year, reduce net greenhouse gas emissions
by 30% or more in 2025 and by 50% or more in 2030
compared to emissions without measures (business as usual: BAU).
FY2022 results: **14% reduction**



Through the power of air

Image: The power of air



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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, 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 Fusion

1. Fusion defines the 5-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 3–year quantitative targets and implementation plan are finalized
3. Upon the elapse of 2 years from the start, establish a new quantitative target for the final year (3-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.

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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

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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 the President and 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 triple from current levels by 2050. As demand increases, there is a possibility that each country will tighten their 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, by expanding environmentally conscious products and services, we aim to achieve net zero greenhouse gas emissions throughout the entire lifecycle from our 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.

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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 billion yen in carbon taxes
1.5-degree scenario: 10.6 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 30 US dollars/ton-CO_2 in China and 65 US dollars/ton-CO_2 in the EU (according to the IEA *World Energy Outlook 2021* and *Net Zero 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 130 US dollars/ton-CO_2 in developed countries, 90 US dollars/ton-CO_2 in emerging countries, and 15 US dollars/ton-CO_2 in developing countries (according to the IEA).

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 medium-term management plans are formulated and reviewed. 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 the medium-term management plan 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 CEO and reported to the Board of Directors.

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

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, 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 our company.

→ **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 President and 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 CEO monitors the management status of company-wide risks and reports 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 55% in 2030 compared to 2019.

036 Environment Environmental Management Environmental Management System Indicators and Results at Manufacturing Bases
015 Management Overview of Sustainability Environmental Vision 2050

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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.

In fiscal 2022, the CSR Committee discussed individual themes, such as promoting CSR in the supply chain and using sustainable resources, after confirming the big picture and themes of our sustainability initiatives.

Material Issues

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

Materiality

014 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 are environment, value of air, customer satisfaction, human resources, and co-creation. Second, under "fundamental," there are 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.

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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.

		Key Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2022 Achievements	Explanation of Index
Value Provision Themes	E	**Environment** Introduce state-of-the-art technologies to the market in order to address environmental and energy issue	Reduce net greenhouse gas emissions throughout the entire lifecycle in an effort to achieve carbon neutrality by 2050	• 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	• **14% reduction** • **1.03 million tons-CO_2** (43% reduction compared to fiscal 2015)	• 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
	S	**Value with Air** We will contribute to healthy and comfortable living using the power of air	Focus on businesses that help control air pollution and infectious diseases to provide a safe, reliable, healthy and comfortable air environment	• Net sales of IAQ/Ventilation business: **380** billion yen in fiscal 2025	• Net sales of IAQ/Ventilation business	• **294 billion yen**	• We used net sales to measure the extent to which we provide a safe, reliable, healthy and comfortable air environment
		Customer Satisfaction Provide peace of mind and reliability through a focus on customer orientation, experience, performance, and advanced technologies	Elevate customer value by connecting with customers and providing detailed proposals in response to the needs of each vertical market	• Net sales of the Air Conditioning Solutions business: **870** billion yen in fiscal 2025 • Establish service network covering all regions worldwide	• Net sales of Air Conditioning Solutions business • Customer satisfaction with after-sales services	• **684 billion yen** • Japan: **1.15** • China: **1.01** • India: **1.22** • France: **1.00**	• 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 Respect individual personalities and values, and maximize the potential of each employee so that they can benefit Daikin and society as a whole	Strengthen human resource capabilities by deepening diversity management	• Maintain and increase the development of global leaders • Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions: **1** in **4** in fiscal 2025	• Number of persons participating in executive management and leadership development programs • Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions	• Held in regions around the world including North America and Asia. There were **58** participants in the Group's next-generation leadership development program • **1** in **8.0** employees	• 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 • 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	• **95 employees (7.6%)** (Daikin Industries, Ltd. only) • **44%** (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	• **1.35**	• We measured whether manufacturing bases are operating safely
		Co-creation We will combine people, knowledge, and information from around the world to create social value	Collaborate, partner, and combine efforts with other companies, universities, and research institutes to achieve manufacturing and also to create experiences of new value for society	• R&D expenditure **390** billion yen from 2023 to 2025 • Promotion of industry-industry and industry-academia collaboration	• R&D expenditure • Number of cases of industry-industry and industry-academia collaboration	• **102.2 billion yen** • **9** industry-industry and **128** industry-academia cases (Daikin Industries, Ltd. only)	• We measured the investment amount for value creation • We measured the number of cases of industry-industry and industry-academia collaboration

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		Key Themes		Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2022 Achievements	Explanation of Index
Foundational Themes	S	Respect for Human Rights		Show respect for basic human rights in accordance with all international norms based on the laws and regulations of each country and region	• Thoroughness of respect for human rights and implementation of human rights due diligence	• Self-assessment implementation rate	• 99%	• We measured how thorough we were in respect for human rights through the implementation rate of self-assessments
		Supply Chain Management		Build a robust and resilient supply chain that minimizes risk	• Increase Class A CSR procurement achievement rate among all suppliers	• Class A CSR procurement achievement rate	• 75%	• We measured the ratio of suppliers who satisfied Daikin's Class A in-house standards to total procurement value
		Stakeholder Engagement		Respond appropriately to society's needs and expectations through two-way communication	• Engage in dialogue with stakeholders and reflect this dialogue into management	• Number of air conditioner forums held, number of outside participants	• Held 8 times around the world with a total of 130 people, including university professors and specialists from 33 countries taking part	• We measured the number of dialogue sessions with experts around the world related to our core business of air conditioning
		Communities		Create strong bonds with communities as a good corporate citizen	• 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	Accelerate decision-making and operational execution in response to management tasks and the changing management environment, and raise the level of management transparency and soundness to raise corporate value	• 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, 1 female director, 1 foreign national director among the 10 directors (Daikin Industries, Ltd. only) • 1 (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
			Risk Management	Support the Group's sound development	• Strengthen appropriate and smooth risk management capabilities	• Number of meetings of the Corporate Ethics and Risk Management Committee and regional legal and compliance committees • Self-assessment implementation rate	• Held committee meetings 2 times and 4 times, respectively	• We measured the number of meetings as a way to ensure thorough implementation of policies globally • We measured the implementation rate of self-assessment as a way to foster compliance awareness among each and every employee
			Compliance		• Strengthen and upgrade global legal and compliance systems		• 99%	

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

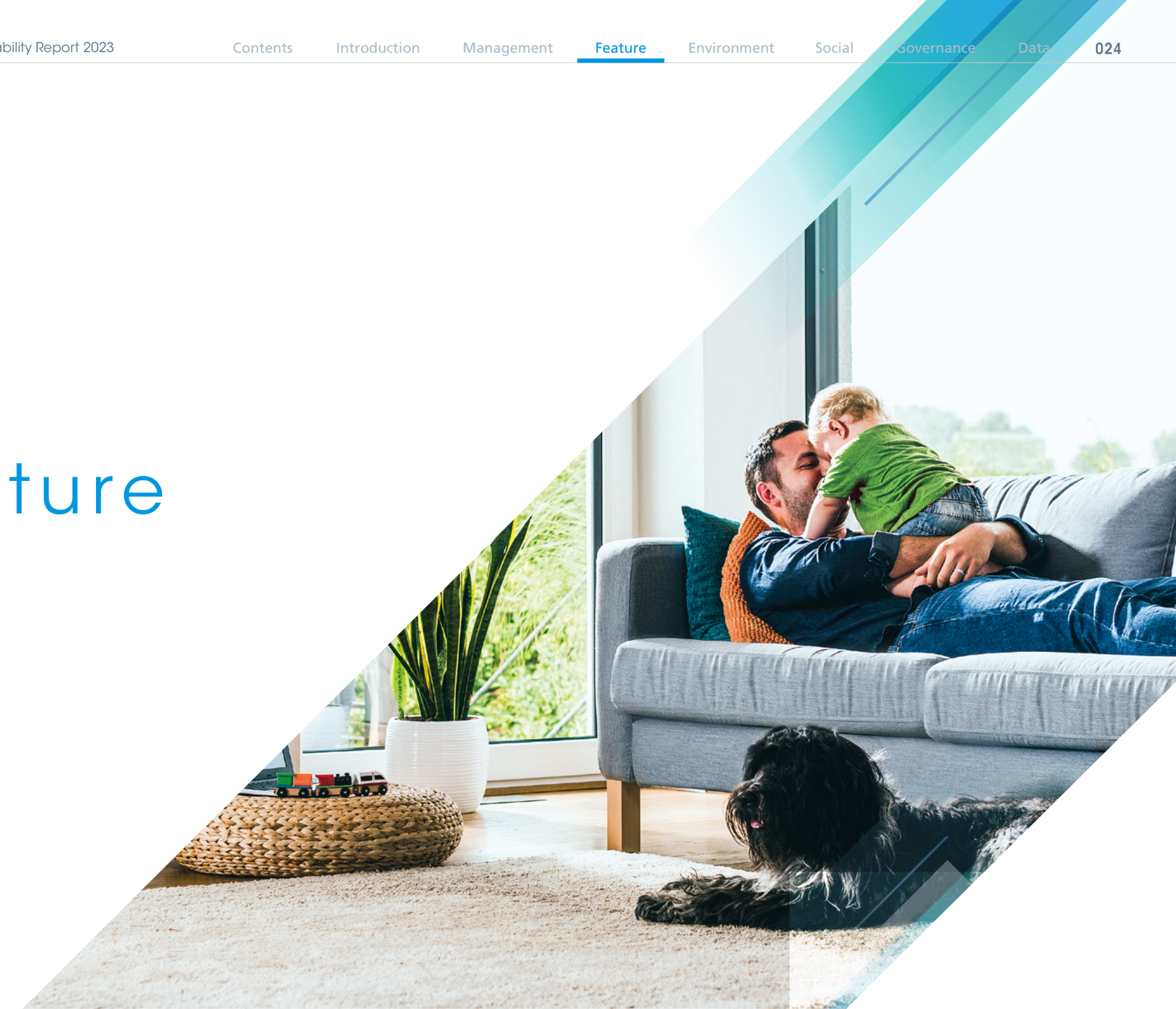
Feature

Environment
Contributing to a Carbon-Neutral Society by Promoting Heat Pump Heating

Value with Air
Making Exercise a Good Habit Using the Power of Air

Human Resources
Accelerating Our Business Transformation through the Development of Human Resources in DX

Feature



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Contributing to a Carbon-Neutral Society by Promoting Heat Pump Heating

Why is it important?

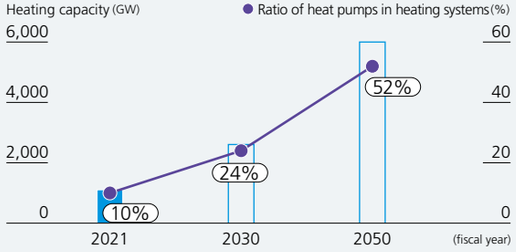
Since switching from combustion heating will help control global CO_2 emissions

At the 26th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 26) held in 2021, many countries around the world chose to increase their CO_2 emission reduction targets for 2030. As such, the conversion of heating systems are attracting attention as one way to achieve decarbonization. While temperature control is an important part of infrastructure for human health and productivity, it emits large amounts of greenhouse gases when used. It is important to have measures in place for both cooling as well as heating.

Looking at the global heating market, combustion heating, which is heated by direct burning of fossil fuels such as gas and oil, remains the current mainstream heat source because of its low initial cost and operational performance in cold regions. The global market share of heat pump heating systems remains at 10%. The IEA projects that switching to heat pump type heating systems, which require less energy to heat a room, could reduce CO_2 emissions by about 500 million tons by 2030.*

Daikin will contribute to global decarbonization by expanding its heat pump space and water heating business, as set out in the Fusion 25 Strategic Management Plan.

Heating demand forecast*



Note: Compiled by Daikin based on the IEA's *The Future of Heat Pumps* using projections from the NZE scenario (where emissions are reduced to net zero in 2050)

* Source: IEA *The Future of Heat Pumps*

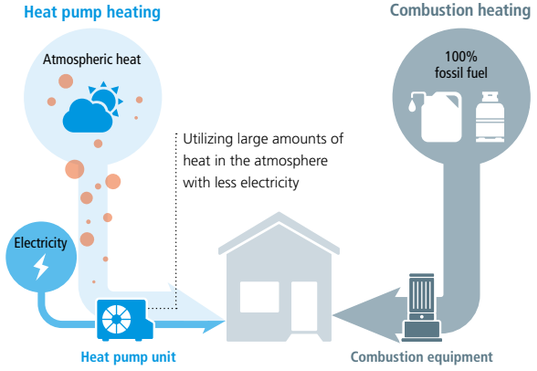
Daikin's Approach

Working to Promote Heat Pump Heating, Which Collects and Utilizes Heat from the Air

The heat pump is one of Daikin's core technologies. One advantage of heat pump technology is that it allows the collection and utilization of heat that is naturally present in the air. It also makes it possible to supply enormous amounts of thermal energy with low energy input. Heat pumps can significantly reduce CO_2 emissions compared with combustion-type systems.

In addition to the growing momentum toward decarbonization, rising energy prices and fears about the procurement of fossil fuels have led to a sharp increase in the number of countries adopting policies to encourage switching to heat pumps. Following this trend, Daikin has further strengthened its partnership with various stakeholders, including governments and industry groups, in establishing standards with the goal of promoting the technology. Daikin has strengthened its business, particularly in Europe and North America, with sales in our heat pump space and water heating business growing in fiscal 2021 greatly exceeding the previous year.

Heat Pump Heating and Combustion Heating Mechanisms



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Daikin's Performance

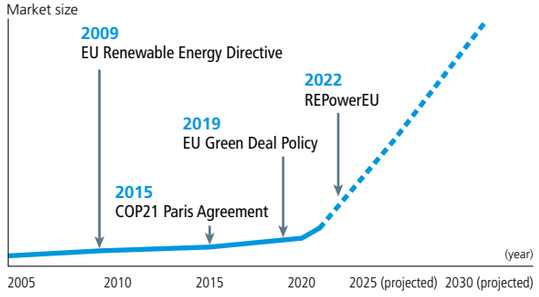
Transforming Heating Systems in Europe through Multifaceted Proposals

The switch to heat pump heating in Europe, where the climate is particularly cold and where heating and hot water supply account for a high percentage of household energy consumption, will lead to a significant reduction in CO_2 emissions. Since the release of Daikin Altherma, a heat pump space and water heater in 2006, we have continued to undertake various efforts to promote the shift toward heat pump heating.

One of the examples was our initiative to provide information and policy recommendations on the environmental performance of heat pump heaters to national governments and international agencies via dialogue in collaboration with industry groups. As a result, heat pumps became recognized by the EU as a technology that utilizes renewable energy in the 2009 Renewable Energy Directive. Since then, heat pumps have been recommended by the EU and member countries with the announcement of Green Deal Policy in 2019, and the rate of utilization has increased in the European market given the increasingly stringent regulations and incentives.

Furthermore, the EU announced REPowerEU in 2022, which sets the target of introducing a cumulative total of 10 million heat pump units within the next five years.

Diagram of Heat Up Heating Market Growth Influenced by European Environmental Policies



Daikin has paved the way for heat pumps to become popular by enhancing its product line up. For example, Daikin Altherma 3H HT improves the heating capacity in extremely cold regions as the only product in the industry capable of delivering hot water at high temperature without an electric heater in minus 15°C conditions. As some parts of existing combustion heating equipment can be used as they are, combustion heaters can easily be replaced by heat pumps.

At the same time, we are also strengthening our sales capacity. We have set up interactive showrooms in Europe, as well as rolled out a BtoBtoC business model that links Daikin with dealers and users through an online platform called Stand By Me. We support dealers throughout the life cycle, from model selection to maintenance, and propose solutions closely linked with customer needs.

Daikin reached the top share in the European heat pump heating market in 2019 and recorded more than 150% year on year growth in the number of heat pump space heaters sold in fiscal 2022.

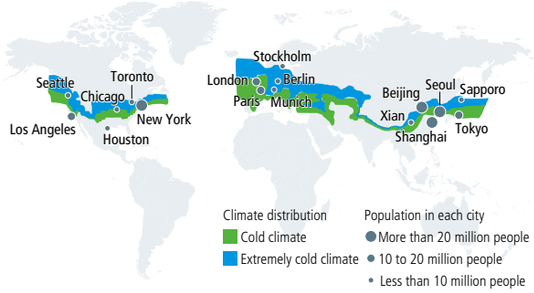
Next Challenge

New Manufacturing/R&D Bases in Europe Pursuing Global Expansion

Heat pumps are expected to further reduce CO_2 emissions with the use of renewable energy sources. In this context, Daikin strives to contribute to the environment while expanding its business. In Europe, for example, we plan to begin operations of a new plant for manufacturing heat pumps in Poland in July 2024. Combined with our existing plant, this new facility will increase production capacity by four-fold in 2025 compared to 2021. In addition, in 2024 we will open a new research and development center, the EMEA Development Center, in Ghent, Belgium, to develop products tailored to regional characteristics, while keeping up with trends in Europe's advanced environmental policies.

Europe is not the only region looking to move away from combustion heating. There are cold and extremely cold regions on both continents of North America and Asia where growth of the heat pump heating system is anticipated. Daikin will also develop products in North America, Japan, China and other parts of the world according to local needs and contribute to the reduction of global CO_2 emissions by further expanding the application of heat pump heating worldwide.

Areas with Expected Growth in Penetration Rate of Heat Pump Heating



Note: Compiled by Daikin based on ASHRAE CLIMATIC DESIGN CONDITIONS

The Spread of Heat Pumps is Essential as a Countermeasure to Climate Change

Laura Cozzi
Director of Sustainability,
Technology and Outlooks,
International Energy Agency (IEA)

Global sales of heat pumps grew by 11% in 2022, marking a second year of double-digit growth for the core technology as the world transitions toward secure and sustainable heating. At the same time, IEA analysis shows that their deployment must further accelerate if the world is to maintain a temperature increase of 1.5°C or lower.

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Making Exercise a Good Habit Using the Power of Air

Why is it important?

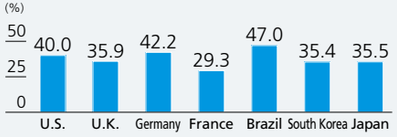
Insufficient Physical Activity Has Become a Worldwide Social Issue Today

The insufficient physical activity of people today has become a social issue amid enhancements in transportation and telecommunication infrastructure and the increase in intellect-based jobs. This has raised the risk of non-communicable diseases such as cancer and diabetes, while estimates put the economic impact of medical costs at around 54 billion US dollars worldwide.

The World Health Organization (WHO) has established a goal to reduce the number of people with insufficient physical activity by 15% by 2030. It recommends that adults get 30 minutes of moderate to high intensity exercise at least five days a week, such as brisk walking, and do weight training at least twice a week. The WHO also urges people to avoid sitting continuously for long periods of time.

Following such a regimen, however, is no easy task, as more than one in four adults are believed to be insufficiently active. Why is it that people find it difficult to exercise? In Japan, the Sports Agency conducted a survey that found reasons include being too busy due to work or family obligations, or various other distractions. This necessitates measures to reduce these reasons, prevent NCDs and improve well-being.

Percentage of Adults with Insufficient Physical Activity



Note: Prepared by Daikin based on *Worldwide trends in insufficient physical activity from 2001 to 2016* by The Lancet Global Health.

Daikin's Approach

Developed a Hypoxic System Even for Offices from the Standpoints of Location and Air Environment

Today, office workers are susceptible to insufficient physical activity because they spend long hours performing desk work. Daikin, which supplies air conditioners to a large number of office buildings, is looking to support the health of the people that work in these buildings by using the power of air. In April 2022, we commercialized a hypoxic system* that can be installed in offices as a solution for people who are too busy and cannot get to a gym or who cannot commit continuously to exercise, even if they know they are not active enough.

A challenge in development was how to come up with a solution that enables someone to continue exercising without spending too much time during their busy daily life. One perspective behind the solution was location. Creating a place to exercise inside an office will reduce the amount of time spent traveling to a gym. Employee health is an important issue for companies and creating opportunities for exercise at work will lead to the health and productivity management practiced today.

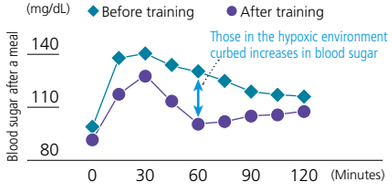
Another perspective was the air environment when exercising. To increase the effectiveness of exercise, we decided to tackle the challenge of hypoxic spaces, gaining a hint from athletes who train at high elevations. Harnessing our oxygen concentration control technologies cultivated from the development of medical-use oxygen concentrators, we created a hypoxic system that can be installed in offices.

The system offers simple installation work and can control the indoor oxygen concentration level within a range of elevations between 1,200 and 3,900 meters. Recent research has found that exercising under hypoxic conditions similar to a high elevation results in better health compared to exercise in normal oxygen levels, including making it difficult for blood sugar to spike, promoting release of growth hormone, and expanding the size of blood vessels.

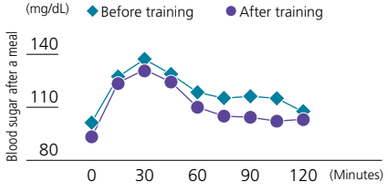
*This product is not a medical device.

Trend in Change in Blood Sugar After Eating Before/After 4-Week Training Period

Persons working out in a hypoxic environment



Persons working out in a normal oxygen environment



Note: Prepared by Daikin based on *Whole body, regional fat accumulation, and appetite-related hormonal response after hypoxic training* authored by Takuma Morishima, Toshiyuki Kurihara, Takafumi Hamaoka, and Kazushige Goto.

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Daikin's Performance

Proposing Environments that Make Continuous Exercise Accessible and More Effective

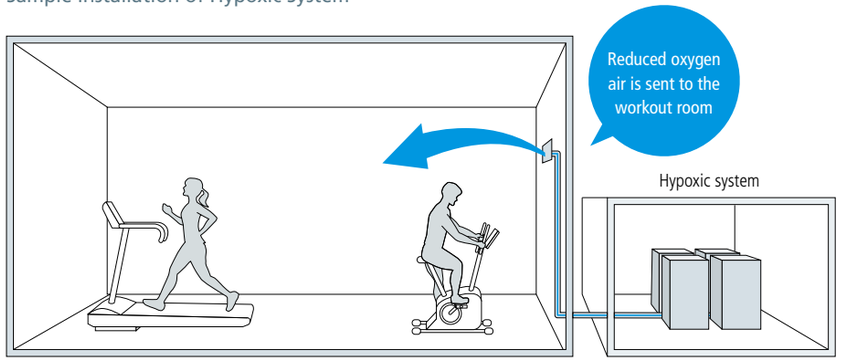
Behind the commercialization of the hypoxic system for offices is Daikin's unique technological capabilities and know-how.

Hypoxic systems have also been introduced in gyms, but these are noisy and large, making them difficult to install in offices and other places with limited available space. Daikin has overcome these problems by applying the technology of in-home medical equipment requiring compact design and quiet operation. In particular, we have achieved a level of sound so low that it would not interfere with sleep.

Furthermore, our system also offers the same quality and reliability as medical devices. Multiple hypoxic units based on oxygen concentrators can be connected to achieve the desired performance. This also offers redundancy where if one unit fails, the system can be supplemented by other units to provide a stable hypoxic space. It is also possible to propose the optimal system according to customer needs based on the space and the intensity of exercise.

Daikin has set up a hypoxic room in point 0 marunouchi, a members-only co-working space in which Daikin participates, and since April 2022, we have been using this space to conduct real life testing. Subjects who exercised for 30 minutes one or more times per week showed a decrease in body fat, visceral fat, and blood pressure. In addition, in a questionnaire conducted in July 2022, 86% of the subjects responded that the hypoxic room made them more motivated to exercise.

Sample Installation of Hypoxic System



Next Challenge

Bringing Well-being to More and More People

Daikin's hypoxic system can be installed in various places in a building, from small rooms to large spaces, as long as a certain degree of airtightness is ensured. Going forward, we plan to expand our proposals to include not only company offices, but also schools and local governments.

Maintaining health and reducing the risk of disease will also lead to lower medical costs, an issue faced by many local governments. To help solve this problem through hypoxic spaces, Daikin plans to evaluate the effectiveness of the system in parallel with its ongoing real life testing. In addition to medical verification on the effect of improved sleep quality and lowering blood sugar levels by improving glucose metabolism, we intend to obtain evidence on health benefits such as increased muscle strength and anti-aging in collaboration with various universities.

In the future, we will also work to improve people's living habits by linking users' vital sign data with sleep and eating habits to provide optimal exercise regimens.
Daikin will help people to stay healthy and active both physically and mentally, including improving intellectual productivity by utilizing oxygen concentration control technology.

Daikin will continue to pursue the possibilities of air for the well-being of all people.

Focus on the Power of Air and How it Benefits People's Health

Kazushige Goto
Professor
Faculty of Sport and Health Science, Ritsumeikan University

Many studies have proven that exercise is an effective way to improve health; yet, making exercise a habit can be difficult given today's busy lives. I have high expectations for the social implementation of Daikin's groundbreaking concept of using the power of air to improve health.

For example, if we can make exercise in a hypoxic environment commonplace, such as by making office spaces a hypoxic environment timed for when blood sugar levels spike after lunch, we should be able to reduce these spikes and improve blood vessel function. Additionally, exercise in a hypoxic environment has the potential over the long term to reduce the risk of diabetes and high blood pressure, and help to improve worker health and productivity. I am really impressed with Daikin's initiative to create an innovative, new tomorrow using advanced technologies.

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Human Resources
Accelerating Our Business Transformation through the Development of Human Resources in DX

Accelerating Our Business Transformation through the Development of Human Resources in DX

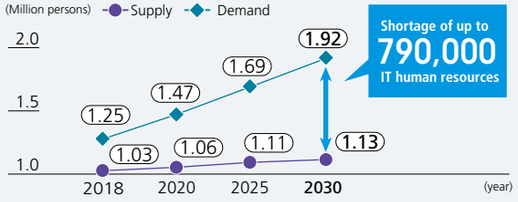
Why is it important?

We Require Human Resources to Accelerate DX as a Management Issue

With revolutionary advances in digital technology, digital transformation (DX) has become today's key challenge. DX refers not only to the adoption of information systems or utilization of data, but also transformation of business models and work processes using digital technology, including AI and IoT, as well as the enhancement of an organization's value and competitiveness. The Government of Japan is also promoting DX among businesses and local governments. With plentiful talent capable of delivering DX, there is fierce competition for personnel hiring among Japanese companies. Many businesses recognize this challenge. In fiscal 2022, 83.5% of companies surveyed by the Ministry of Economy, Trade and Industry responded that they face a shortage of human resources in DX.

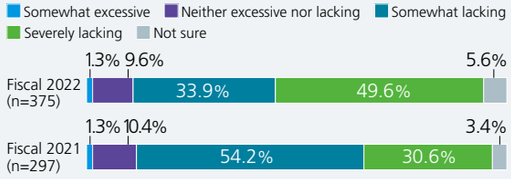
Daikin also strives for business transformation; thus, the acquisition of talent to lead this change is a critical issue.

Estimated Shortage of IT Human Resources in Japan



Note: Compiled by Daikin based on Survey on Demand for IT Human Resources (Upper Scenario) (April 2019) by Japan's Ministry of Economy, Trade and Industry

Sufficiency of Human Resources for Promoting DX in Japanese Companies



Source: White Paper on DX 2023, Information-technology Promotion Agency, Japan (IPA)

Daikin's Approach

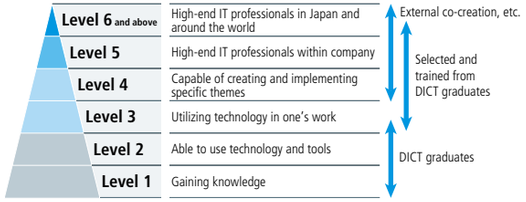
Fostering Human Resources in DX In-House with Collaboration from Osaka University

At Daikin, we believe that to utilize digital technology, it is not only important to have IT knowledge but also to pursue effectiveness by integrating knowledge with frontline experience. As such, Daikin launched the in-house Daikin Information and Communications Technology College (DICT) in December 2017. With the full cooperation of Osaka University, and under the guidance of expert instructors, Daikin is fostering human resources in DX in-house who can engage in business with an understanding and command of digital technology and can implement specific themes.

Over the course of two years, DICT trains personnel selected from new employees of all job types, as well as offers lectures for all job ranks including managers and executives, with a systematic plan to expand human resources in DX that are essential to the realization of the Fusion 25 strategic management plan.

As of the end of fiscal 2022, a total of 1,300 employees have completed courses at DICT. These graduates are now involved in creating new businesses and improving work process efficiency centered on digital technology.

Development Steps at Daikin for Human Resources in DX



Source: Compiled by Daikin based on skill standards of the Information-technology Promotion Agency, Japan (IPA)

See below for our development of human resources in AI
079 Social Human Resources Fostering Human Resources

Feature

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Daikin's Performance

Promoting Digital Transformation by Adding DICT Graduates to Workplaces

Graduates who completed courses at DICT are placed in various departments, from sales to development, manufacturing, and corporate, to take on the challenge of resolving issues while gaining work experience in the field. They look for better solutions not only through working collaboratively within the workplace but also identifying the essence of issues through active dialogue with various stakeholders such as suppliers. With the active participation of talent with this specialized knowledge, we have gradually been overcoming various challenges and seeing the results of digital transformation that we were not able to obtain in the past. In addition to the direct results of utilizing tools and systems, this change also enabled mutual learning and improved motivation toward transformation among colleagues through projects.

Example 1: Development of a Tool That Can Easily Connect VRV to a Building Management System

The field of instrumentation* of multi-split air conditioners for buildings is critical for Daikin's solution business since we remain in contact with customers after product delivery. Geared toward our full-fledged entry to the market, Daikin developed a tool for easy connection between a BMS* of partner companies with our VRV (multi-split air conditioner for buildings) system. This tool eliminates manual labor for connections and makes it possible to reduce work hours by 30 to 50%. The addition of people capable of operating the latest digital technology also motivates younger employees, which also enhances our overall capabilities including the ability to propose technologies.

Through this development project, graduates deepened their appreciation of the cycle, sales channels and frontline knowledge of the solutions business, and acquired analytical skills, practical DX abilities and project promotional skills. The developed tool will be introduced in the Asia/Oceania region, particularly for medium-scale BMS in Singapore, where the market is expected to grow steadily. In addition, it will also be implemented to enhance service solutions globally.

* Instrumentation refers to the control and monitoring of building equipment operations, including air conditioners, lighting, and security devices. Building Management System (BMS) is a system of integrated management of instrumentation.

Example 2: Establishment of a Management System That Can Reduce Production Losses and Improve Processes

To standardize production processes, we use AI to analyze the detailed movement of workers on camera to visualize the work hours by model type under production and by each worker. We combine this data with equipment data and operate a production management system that allows us to review the process according to the situation. We are running a production management system capable of reviewing work processes according to the situation by integrating this data with equipment data. The combination of various digital technology, such as this and strong ability for improvement on-site, allowed us to implement measures even promptly and accurately when the supply of parts, production units and personnel fluctuated sharply due to the COVID-19 pandemic, and led to a reduction of work hours by about 3,700 hours a year. Seeing the results in real time also improves employee motivation and further stimulates improvement activities.

The key to this development was that we reflected the experience level of skilled workers, which was difficult to quantify, in the system. The success with the development of a high-quality tool based on research on the frontline going beyond tabletop learning contributed drastically to improving on-site productivity, and also elevated the skill level and adaptability of the graduates. Going forward, this system will be introduced in plants in Japan and overseas.

Next Challenge

Expanding the Range of Talent and Further Elevating Their Level

Daikin believes that human resources in DX will become even more important in the future. Therefore, we will continue to provide training and skill support.

Our target is to provide training to 1,500 employees, including both existing and new employees, by fiscal 2023. In order to expand advanced human resources in DX who can take the lead in creating and executing their own project theme, starting in fiscal 2023, Daikin plans to establish opportunities for regular communication with executives to foster management perspective as well as to improve business knowledge and understanding through cross-functional projects.

Through these efforts, we hope to not only improve internal job efficiency but also spur on innovations that will help to resolve energy and environmental issues and further develop industries and technologies.

Further Promotion of DX for Advanced Problem Solving

Yasushi Yagi
President of DICT, Professor of The Institute of Scientific and Industrial Research, Osaka University

DICT is a place to systematically learn how to apply knowledge for problem-solving. It provides training that emphasizes critical thinking, practical application, and execution. Daikin's human resources in DX will be responsible for addressing social issues and serve as the key to sustainable growth. I hope that they will adopt new and improved technology and evolve into someone who can contribute to society in the era of digital transformation.

Environment

Environmental Management
Response to Climate Change
Sustainable Use of Resources
Protecting Biodiversity
Environmental Impacts in Business Activities

Environment

Environment

Environmental Management
Management Structure
Environmental Risks and Opportunities
Environmental Management System
Environmentally Conscious Design
Response to Climate Change
Sustainable Use of Resources
Protecting Biodiversity
Environmental Impacts in Business Activities

Environmental Management

Management Structure

Basic Policy on Environmental Management and Structure

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.

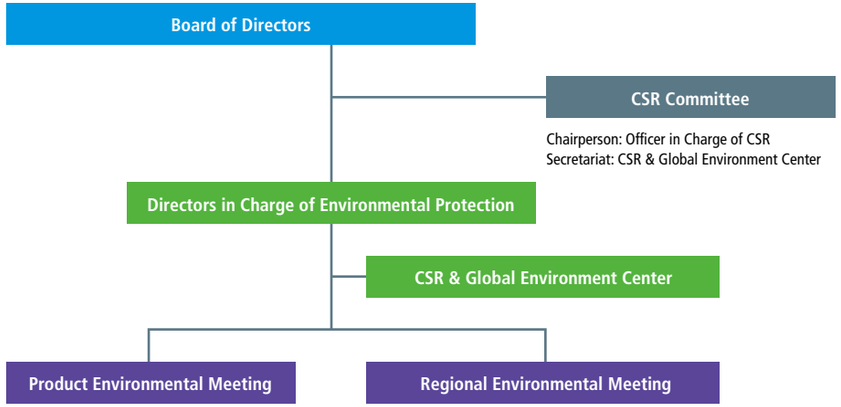
Regional environmental meetings are held in each region annually and attended by environmental managers from each base. Efforts aimed at environmental burden reduction and biodiversity preservation are implemented at manufacturing bases.

In addition, 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.

174 Data Policies, Regulations and Guidelines Basic Environmental Policy

Structure Driving Environmental Management



Environment

Environmental Management
Management Structure
Environmental Risks and Opportunities
Environmental Management System
Environmentally Conscious Design
Response to Climate Change
Sustainable Use of Resources
Protecting Biodiversity
Environmental Impacts in Business Activities

Environmental Management

Environmental Risks and Opportunities

Daikin's Environmental Risks and Opportunities

In 2018, we identified environment-related risks and opportunities pertinent to our company, including climate-related risks. The process involved taking in feedback and opinion 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 their degree of impact on business and likelihood of occurrence, and used for identifying environmental-related risks and opportunities of important relevant 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 President and 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

Environmental Management
Management Structure
Environmental Risks and Opportunities
Environmental Management System
Environmentally Conscious Design
Response to Climate Change
Sustainable Use of Resources
Protecting Biodiversity
Environmental Impacts in Business Activities

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		**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
		Depletion of raw material resources Resources for raw material deplete, affecting business operation	High	Large
		Environmental pollution from manufacturing bases Chemical substance management at manufacturing bases not functioning, and harmful substances released causing regional environmental pollution	Medium	Medium
		Conservation of ecosystem Response demanded as a member of the society to address the losing balance of the ecosystem	Medium	Small
Opportunities		**Increased awareness toward air quality** As air pollution becomes more serious, the needs for quality air increases	High	Large

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Environmental Management

Environmental Management System

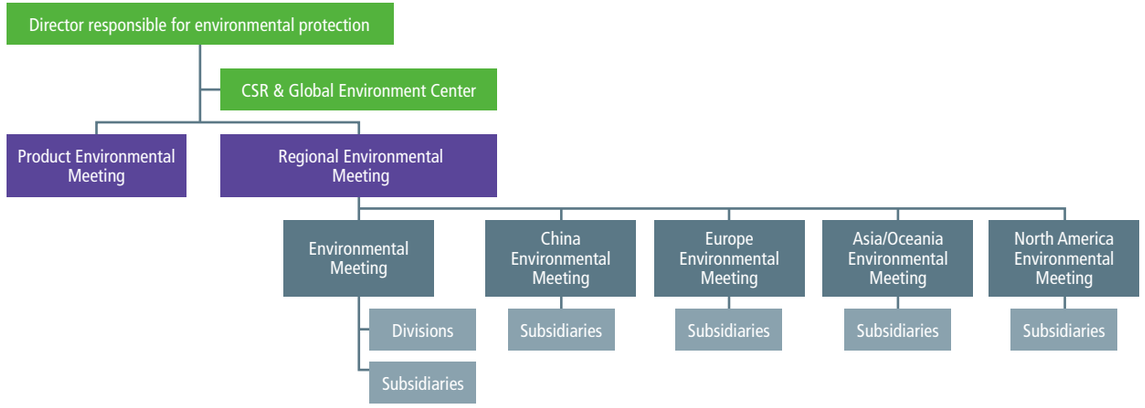
Basic Policy

Building a Group-Wide Environmental Management Promotion System

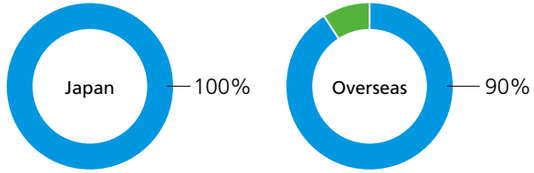
Daikin has built and operates an environmental management system (EMS) in accordance with ISO 14001. This EMS is shown in the diagram below.

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.

Environmental Management System



Ratio of Employees Belonging to Facilities with ISO 14001 Certification (FY2022)



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

Promoting Environmental Management Globally

Finalized Action Plan to Achieve Environmental Vision 2050

To ensure the continuous improvement of the entire Daikin Group's environmental management, environmental meetings are held once a year in four regions (Europe, the U.S., China, and Asia/Oceania). In addition, once every two years Global Environmental Meetings are held.* At the meetings, local base presidents, environmental heads, and environmental managers in each division, along with the environmental managers in each division in Japan, share Group policy and medium- and long-term targets.

In 2019, at the 4th Global Environmental Meeting, we officially kicked off the Environmental Vision 2050 formulated in fiscal 2018. In aiming to achieve net zero greenhouse gas emissions by 2050, we agreed to further reduce waste, ensure thorough horizontal implementation based on examples of improvement, develop energy saving technology, and proceed with energy conversion.

In fiscal 2022, at environmental meetings held in each region, we discussed the direction of our initiatives to achieve net-zero greenhouse gas emissions. With the goal of helping achieve the targets of the Paris Agreement, we are stepping up energy-efficiency efforts at our worldwide bases.

* The event was postponed since fiscal 2021 due to the COVID-19 pandemic.

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Indicators and Results at Manufacturing Bases

We have established targets and indicators at our manufacturing sites targeting fiscal 2025 under the Fusion 25 Strategic Management Plan.
We are committed to reducing environmental impacts from production activities in an effort to balance sustainable business growth and environmental conservation.

Indicators and Results at Manufacturing Sites

Main initiatives	Management items	Fiscal 2025	Fiscal 2022		
		Targets	Targets	Results	Self-assessment
a) Greenhouse Gas	Reduce greenhouse gas emissions (fluorocarbons and energy)	1.10 million tons-CO_2 (40% reduction compared to fiscal 2015)	1.17 million tons-CO_2 (36% reduction compared to fiscal 2015)	1.03 million tons-CO_2 (43% reduction compared to fiscal 2015)	
b) Emissions	Reduce waste generated	Unit reduction in emissions of 10% against standard value*	Unit reduction in emissions of 10% against standard value*	13% reduction	
c) Water	Reduce water usage	Unit reduction in water intake of 10% against standard value*	Unit reduction in water intake of 10% against standard value*	26% reduction	
d) Chemicals	Reduce VOC emissions	Unit reduction in chemical emissions of 10% against standard value*	Unit reduction in chemical emissions of 10% against standard value*	51% reduction	

* Average for fiscal 2013–2015. Most recent figures are used for manufacturing bases that newly joined the Group.

Self-assessment: Shows level of achievement of targets in three designations:
: Succeeded
: Will soon succeed
: Doing all we can

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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.

Internal audits conducted on Daikin Group companies in Japan in fiscal 2022 focused on the legal compliance structure and operations. No major nonconformities were found in these audits.

At each Daikin manufacturing site and manufacturing subsidiary, 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.

See below for findings from our environmental audits
145 Data ESG Data Environment

Internal Auditor Training

As of the end of fiscal 2022, there are currently 85 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 14 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 fiscal 2022, we conducted online training covering key points of legal compliance audits.

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

Since fiscal 2005, Daikin has utilized in-house standards for evaluating and certifying environmentally conscious plants for their environmental and social performance. Certification is conducted 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. In fiscal 2022, we continued strengthening these initiatives, and as a result, all offices received the same certification.

In fiscal 2022, we conducted a survey following the video we streamed on our sustainability initiatives to check the comprehension of employees.

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Environmentally Conscious Design

Environmentally Conscious Air Conditioners

Commercialize Only Products that Meet 13 Assessment Criteria

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
179 Data Policies, Regulations and Guidelines Product Assessment Items

Environmentally Conscious Fluorochemical Products

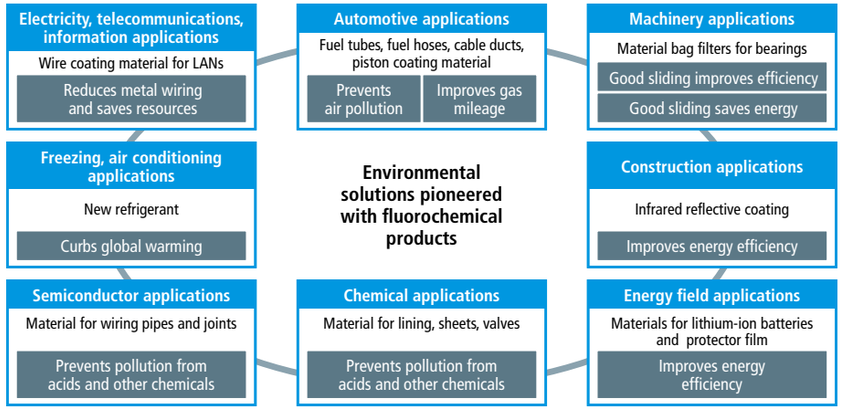
Fluorine Materials Help to Mitigate Environmental Impacts in a Range of Areas

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.

Capitalizing on these characteristics, Daikin is working to research and develop as well as supply fluorine products that help to conserve the environment or mitigate environmental impacts in a range of fields, including semiconductors, next-generation vehicles, telecommunications, and energy. For example, fluorine is used in electrode binders since it can increase the capacity of lithium-ion batteries. It is also used in turbo hoses and sealants because its high heat resistance helps to increase fuel economy and prevent air pollution by improving the functioning of automobile turbocharger systems. Going forward, we intend to expand the possibilities of fluorine to a variety of applications that benefit the environment, including renewable energy, new energy, and energy conservation.

Energy solutions
https://www.daikinchemicals.com/solutions/industries/energy-solutions.html

Environmental Solutions Pioneered with Fluorochemical Products



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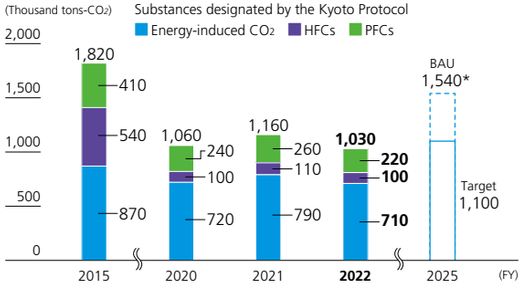
Reduction during Development, Manufacturing and Transportation

Reducing Greenhouse Gas Emissions during Development and Production

Daikin emits two kinds of greenhouse gases* during development and production processes: CO_2 from energy use, and fluorocarbons. We have set a goal for reducing greenhouse gas emissions during the product development and production processes in fiscal 2025 by 1.1 million tons-CO_2 (40% reduction in comparison to fiscal 2015). In fiscal 2022, our greenhouse gas emissions totaled 1.03 million tons-CO_2 (43% reduction in comparison to fiscal 2015) after we expanded purchasing of renewable energy. As for fluorocarbons, we have improved the results of PFC recovery measures at the chemical divisions in Japan and the United States.

* CO_2, CH_4, N_2O, and four fluorinated gases (HFCs, PFCs, SF_6, and NF_3), which are considered the main causes of global warming, are subject to regulation based on the United Nations Framework Convention on Climate Change.

Greenhouse Gas Emissions
(during development and production)



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

Reducing Energy-Induced CO_2

The Daikin Group as a whole is taking a systematic approach to reduce energy-induced CO_2 emissions by improving energy efficiency during development and production processes. We have continued to visualize energy usage, install solar panels, and expand purchasing of green electricity at each of our bases around the world. As a result, in fiscal 2022, CO_2 emissions totaled 710,000 tons-CO_2.

See below for method of calculating greenhouse gas emissions data and greenhouse gas emissions related data
144 Data

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 15,400 MWh in fiscal 2022, which is equivalent to CO_2 emission reductions of 7,400 tons-CO_2 (estimated by Daikin). In fiscal 2022, we launched a plan to introduce solar power generation to all of our plants in China by 2025.

Moreover, we have been encouraging the use of renewable energy at our bases. For instance, renewable energy is already in use to power 100% of our operations at Daikin Europe N.V. and Daikin Applied Europe. In fiscal 2022, the rate of renewable energy use was increased to 50% at Daikin Comfort Technologies North America, Inc.

In Japan, the energy used at our distribution center in Soka City, Saitama Prefecture is 100% renewable energy.

Solar power generation system has panels that move to track the sun's position (at TIC)

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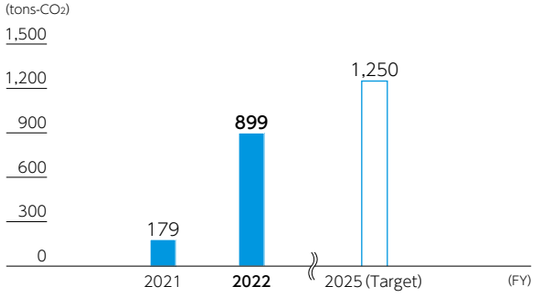
Reducing CO_2 Emissions in Logistics Processes

We have set a goal to reduce CO_2 emissions in logistics processes (transportation, packaging and warehousing) to 1,250 tons-CO_2 by 2025. In fiscal 2022, these emissions totaled 899 tons-CO_2. We are now promoting expanded modal shift, switching transport methods from trucks to freight trains and ferries, and introduction of more energy efficient trucks. In fiscal 2022, our modal shift transition rate stood at 21%.

CO_2 Emissions Reduction in Logistics Process



Reducing Other Environmental Impact in Logistics

- At manufacturing bases in Japan and overseas, we are promoting the replacement of engine-powered forklifts with electric models.
- We practice start-stop for all vehicles on the premises including vehicles of our transport partners.
- We are engaged in reducing CO_2 emissions through improved transportation efficiency and decreased packaging volume, and reducing electricity consumption through shorter working hours.
- We are working with overseas development bases on promoting material-saving packaging designs to reduce packaging volume.
- We are expanding the use of renewable energy at our in-house delivery centers.

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Reducing Energy Consumption during Product Use

Increasing Air Conditioner Efficiency

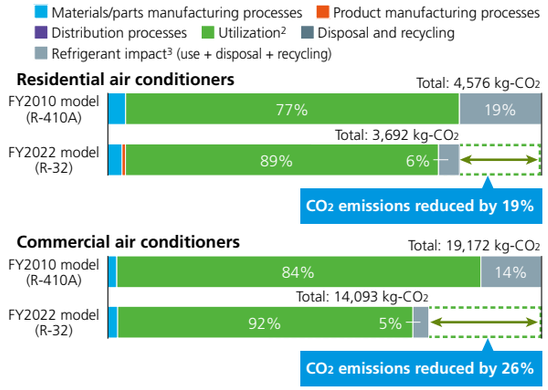
As a manufacturer of air conditioners doing business globally, Daikin makes it its mission to reduce energy consumption in order to provide people with safe and comfortable air and contribute to reducing global warming. To this end, we conduct quantitative environmental assessments for each product life 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. That is why we focus on reducing the impact of these two. In addition to incorporating inverter technology to reduce power consumption, we employ R-32, a refrigerant with low global warming potential, to achieve greater energy efficiency. In fiscal 2022, 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)[4] and integrated part load value (IPLV),[5] which are used as indicators of energy efficiency. Among our top models in fiscal 2022, residential air conditioner 6.8 and commercial air conditioner 6.0 saw their APF increase.

[4] Annual performance factor (APF): 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 an air conditioner's energy efficiency.
[5] Integrated part load value (IPLV): 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.

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Promoting the Use of Inverter Products

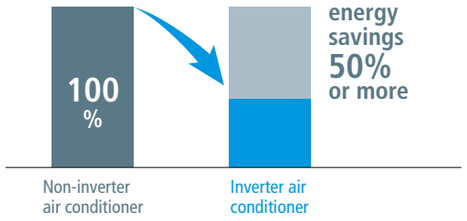
To reduce global warming worldwide, it is crucial to spread the use of highly energy efficient products, such as inverter air conditioners, to all countries. Daikin aims to reduce CO_2 emissions from the use of air conditioners through its initiatives to promote the spread of these products.

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 Latin America, the Middle East and other areas to introduce indicators and standards as well as create energy labelling systems as part of support for creating evaluation standards.

Inverter Products as Percentage of All Residential Air Conditioners Worldwide (FY2022)

Market	Inverter percentage
Japan	100%
EU	100%
Australia	100%
China	97%
India	70%
Brazil	55%
Saudi Arabia	37%

Source: BSRIA World Air Conditioning Overview 2023

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/new/pdf/feature2018/env-pdf

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

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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 problems. In addition, through the creation of cyclical systems and new energy sources, we are also contributing to the creation of sustainable cities.

Proposing Net Zero Energy Buildings (ZEBs)

Daikin is providing building-wide energy solutions that use the company's technologies to solve energy problems. One way we are doing this is by promoting the spread of net zero energy buildings (ZEBs).

A ZEB is a building that achieves dramatic energy savings (at least 50% greater than standards) while maintaining a comfortable air environment. There are three categories: ZEB, Nearly ZEB, and ZEB Ready[1] 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 such as air conditioners, ventilation, lighting, and elevators, and using advanced control. Daikin has accumulated knowledge and advanced technology on LED lighting control as well as air conditioners and ventilation systems and their controls. It is possible to achieve ZEB using our unique system that is versatile and popular for application in existing small- and medium-sized buildings with high energy-saving potential as well as new buildings.

Daikin Industries, Ltd. registered as a ZEB planner in response to call for applications by the Sustainable open Innovation Initiative in 2017 and based on its track record of making its own facilities into ZEBs. Going forward, we are focusing on making proposals with ZEB, as well as collaborating on projects with general contractors advanced in making ZEBs in Japan and overseas. In fiscal 2022, all 10 companies in the Daikin HVAC Solution Group which has a network of domestic sales offices, registered as a ZEB planner.

Results of ZEB related activities by Daikin

Activities		Third-party evaluation and recognition
Time	Details	
2015	• Achieved ZEB for new, large-scale building at our Technology Innovation Center (TIC)	• ZEB • LEED® Platinum certification (July 2016) • CASBEE certification in the S class (evaluation agency: Institute for Building Environment and Energy Conservation [IBEC]) • ASHRAE Honors and Awards (October 2017)
2017	• Received ZEB Ready Distinction in the renovation of Daikin Industries, Co., Ltd. Fukuoka Building Transforming 20-year old small- and medium-sized buildings (constructed in 1996) with high-efficiency air conditioner and ventilation system and control system for AC and LED lighting.	• ZEB Ready • 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
	• Daikin Industries, Ltd. registered as a ZEB planner	
2019	• Received ZEB Ready Distinction for a building owned by Anabuki Kosan Inc. Daikin provided energy-saving consulting and ZEB support. First tenant building in Japan to achieve the distinction with over 30-years of age.	• ZEB Ready • Chairman Prize of Energy Conservation Center, Japan, at the fiscal 2020 Energy Conservation Grand Prize, Energy Conservation Case Category
2020	• Esaka Building owned by Daikin Industries, Ltd. received ZEB Ready Distinction A 67% reduction in annual energy consumption compared to the standard value.[2] Received both ZEB and CASBEE Wellness Office certification for energy conservation as well as taking workers health into consideration in the refurbishing of the small- and medium-sized building.	• ZEB Ready • Received certification of CASBEE Wellness Office A class (evaluation agency: Institute for Building Environment and Energy Conservation [IBEC])
June 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	
July 2022	• The Omiya Office of Daikin HVAC Solution Tokyo Co., Ltd. was recognized as ZEB Ready Achieved ZEB Ready by renovating air conditioning, ventilation, and lighting equipment without renovating the frame in a 24-year-old building.	• ZEB Ready

[1] ZEB Ready: A building that consumes at least 50% less energy compared to normal building energy standards.
[2] Standard value: Energy consumption value of common buildings of the same size (reference building).

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Optimal Energy Management at Plants and Factories

The Sakai Plant's Rinkai No. 1 Factory, which commenced operations in June 2018, has been able to reduce electricity consumption during the first year after it began operating by 74.9% compared to the use of a factory-wide air conditioning system. We introduced a task and ambient system that incorporates the optimum air conditioning system for each line. This system also utilizes outdoor air treatment units. Analysis of data from air conditioning monitor system D-BIPS is used to speed up energy efficiency improvements and for optimum controls.

Daikin is now using the knowledge gained from Sakai Plant's Rinkai No. 1 Factory at other plants and factories. In fiscal 2022, we moved ahead with energy efficiency improvements using data analysis at Sakai Plant's Kanaoka Factory and Shiga Plant.

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).

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Developing Energy-Efficient Products

Urusara X (R Series) Energy Efficient Residential Air Conditioners

The Urusara X (R Series) of energy efficient residential air conditioners released in October 2021 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. For example, when the indoor temperature is higher than the outdoor temperature in summer, exhaust ventilation is performed, and after the hot air is exhausted, it automatically switches to air supply ventilation. Moreover, we have further enhanced energy saving and comfort with additional features such as the new high-efficiency dehumidifier that applies fine control of the dehumidification level, and Power Select limiting the maximum current.

These products have been awarded the Chairman Prize of Energy Conservation Center, Japan, in the products and business model category of the fiscal 2021 Energy Conservation Grand Prize.

Urusara X

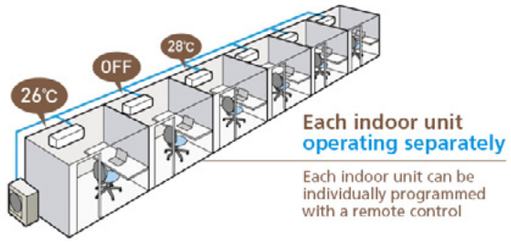
The machi Multi Commercial Multi-Split Type Air Conditioner for Private or Small Rooms

The machi Multi is a commercial multi-split type of air conditioner ideal for private or small rooms in offices or stores launched in October 2021. The machi Multi's outdoor unit and 1.6 kW indoor unit with operating controls suited to small rooms reduce electricity consumption by around 50%[1] compared to conventional models. System settings can also be set individually for each small room.

In fiscal 2022, we released machi Multi for cold regions that delivers stable heating performance even when the outdoor temperature is minus 25°C.

[1] Assumed load conditions: 1 small room of 10 m², cooling according to JIS standard conditions, and temperature set to 25°C.

Individual operation image of machi Multi



SkyAir 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.

In fiscal 2022, we added a new function known as Daikin Smart AI. This function is able to control energy efficiency and electricity conservation of the air conditioner automatically in response to growing demand for greater energy efficiency performance around the world amid surging energy prices.

VRV Series of Multi-Split Type Air Conditioners for Commercial Buildings with Industry-Leading Energy Efficiency Performance

The new VRV6, a multi-split type air conditioner for commercial buildings, uses a complete microchannel heat exchanger to achieve high energy efficiency performance. The GREEN Multi-Split released in 2018, is the first air conditioner for commercial buildings in the industry to adopt R-32 refrigerant with a low global warming potential. This product's global warming potential (GWP) multiplied by refrigerant quantity makes it possible to meet the Kigali Amendment target for 2029. The new model of VRV X released in 2020 is at the top of the industry in the field of multi-split type air conditioners for commercial buildings in terms of energy saving performance.[2]

In fiscal 2022, we added a new and improved compressor and now the VRV X series ranks at the top of the industry[3] in terms of APF. At the same time, we released a high COP type model in the VRV X series that optimizes air conditioning design to achieve ZEB status.

Furthermore, our multi-split type air conditioner for commercial buildings offering substantial energy efficiency performance through linkages with ventilation received the Chairman Prize of Energy Conservation Center, Japan in the product and business category at the fiscal 2022 Energy Conservation Grand Prize, having been recognized for its active Te control introduced in fiscal 2021.

[2] Daikin research as of December 2019.
[3] As of July 19, 2022, based on research by Daikin (in multi-split type air conditioners for buildings).

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Retrofit Maintenance Plan: Maintenance Service Makes Existing VRV Multi-Split Type Air Conditioners for Commercial Buildings More Energy Efficient

The Retrofit Maintenance Plan that Daikin has come up with is a service that reduces energy consumption from existing multi-split air conditioners for commercial buildings. The Retrofit System entails replacing parts in the control panel, the air conditioner's brain, and the compressor, the machine's heart, and reducing power consumption by around 13% a year. The replacement parts used with the system weigh less than one-third those normally used in upgrading VRV multi-split type air conditioners for commercial buildings, thereby it also contributes to saving resources.

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

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 automation of an energy-saving operation schedule that suits each user and regular suggestions made to improve operations based on the remote monitoring data. 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 in air conditioner use.

This service received the Agency for Natural Resources and Energy Commissioner's Award in the products and business model category of the fiscal 2021 Energy Conservation Grand Prize.

Daikin energy management system Ene Focus α (available in Japanese only)

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

Industrial Chillers with Low GWP Refrigerants

In February 2021, Daikin became the first in Japan to adopt low global warming potential (GWP) R-32 refrigerant in its 8 to 30 horsepower class air-cooled small- to mid-sized chillers. At the same time, the all-aluminum micro channel heat exchanger significantly reduces the refrigerant charge amount. As a result, it offers best-in class environmental and energy efficiency performance. In fiscal 2022, we adopted R-32 for our 5-horsepower model as well.

In addition, in fiscal 2022, we released an industrial water chiller that adopts R-513A with low GWP.

Air cooled heat pump chiller 10 horsepower (left), 30 horsepower (right)

HEXAGON Force 32 Module Chiller with Expanded Applications for Industrial Processes

In fiscal 2022, Daikin changed the design specifications of its HEXAGON Force 32 high efficiency module chiller, expanding its conventional application from general air conditioning to industrial processes at factories. We are proposing high energy efficiency modular chillers with the aim of helping plants and factories achieve carbon neutrality.

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Promoting the Use of Heat Pump Space and Water Heaters

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.

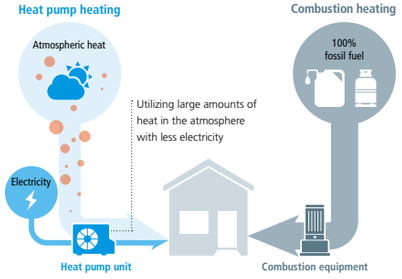
Daikin is engaged in the development and promotion of water heaters and space heaters using highly energy-efficient heat pump technology while striving to increase comfort and reduce CO_2 emissions.

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 reduces CO_2 emissions.

Heat Pump Heating and Combustion Heating Mechanisms



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. A number of subsidy programs and tax refunds have been announced, leading to the rapid growth of the heat pump market there.

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. Furthermore, sales of Altherma are increasing sharply thanks to our fine-tuned services including installation and maintenance.

Product Lineup of Heat Pump Space and Water Heaters in Europe

Time	Details and results 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	Expansion of models that enable easy plumbing work on site Introduction of R-32 in the large capacity class of Monoblock which requires no refrigerant piping connection process
2020	Released Daikin Altherma 3H HT, an R-32 high temperature discharge type that can replace oil-fired boilers in existing building markets
2021	Released Water Plumbing Kit, which simplifies on-site plumbing construction

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

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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. The momentum for energy conservation is anticipated to rise even in the market of space and hot water heating.

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

Promoting Residential Water Heaters and Floor Heaters in Japan

In Japan, water heaters account for 25% 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 source units for replacement use that can improve energy savings on existing units through partial upgrades.

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 December 2021, we launched the industry's first household heat pump water heater that boils water during daytime* using excess solar power. On occasion of the 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.

* The ECOCUTE model automatically boils water daily to be stored in the water tank.

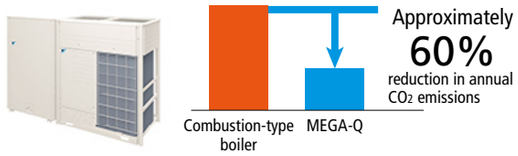
Promoting Highly Energy-efficient Products Including MEGA-Q Large-Scale Heat Pump Hot Water Supply System in the Japanese Commercial Market

In Japan, we are marketing space and water heaters for the commercial market as well using highly energy efficient heat pump technology.

For example, we began selling a new model of the commercial heat pump water heating system (MEGA-Q) for large-scale facilities such as hotels and welfare facilities. Compared to gas-combustion types the updated model in 2012 releases about 60% less CO_2 emissions and is able to reduce running cost by about 60%. Facilities like hospitals and golf courses require changing volumes of hot water daily, and Daikin meets this challenge with a hybrid hot water supply system that provides hot water during base periods with MEGA-Q and that switches to boiler operation during peak periods.

In addition to commercial applications such as these, we will come out with products for processes in factories that must urgently respond to environmental requirements.

Comparison of Annual CO_2 Emissions:
MEGA-Q Large-Scale Commercial Heat Pump Hot Water Supply System versus Combustion-Type Boiler



025 Feature Environment Contributing to a Carbon-Neutral Society by Promoting Heat Pump Heating

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

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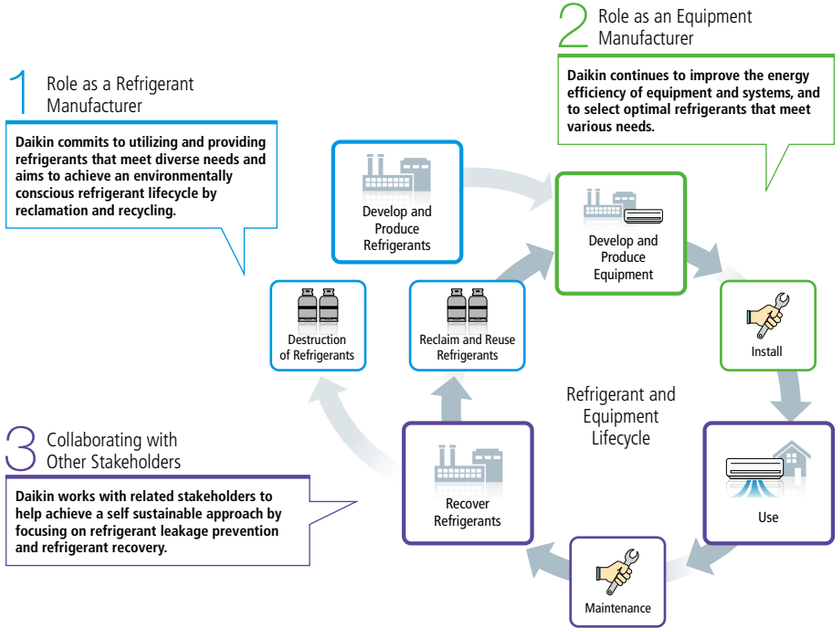
Initiatives for Protecting the Ozone Layer and Mitigating Global Warming

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 potentioal (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 phase-down 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 evaluating and identifying 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.

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Mitigate the Global Warming Impact

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 associations 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 42 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 230 million units, whose contribution to CO_2 emissions reduction is estimated at 370 million tons (calculated by Daikin as of December 2022).

Cumulative Total of R-32 Air Conditioners Sold by Daikin (As of December 2022)

Over **42** million air conditioners sold in more than **130** countries worldwide

(Approx. 16 million in Japan and 26 million overseas)

As of December 2022

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.

Recovery, Reclamation and Destruction of Refrigerants

Reducing the 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 of refrigerants and air conditioners and engaging in the recovery, 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.

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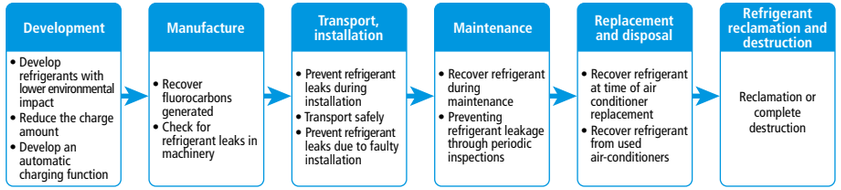
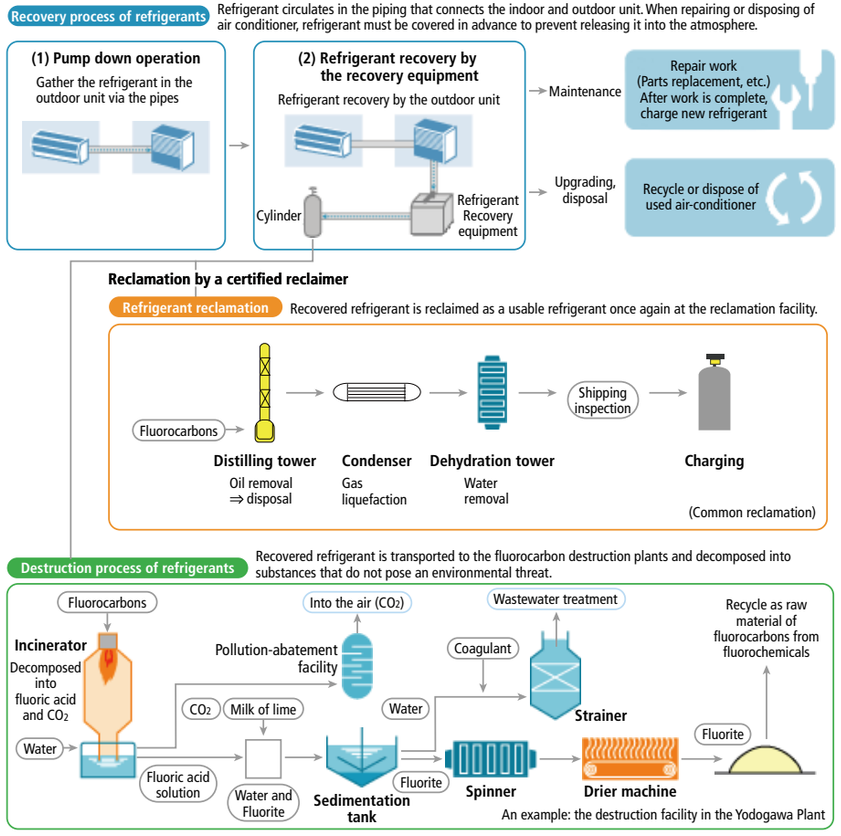
Efforts to Prevent Environmental Impact of Fluorocarbon Emissions



Recovery, Reclamation, and Destruction of Refrigerants



Refrigerant Related 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 Japan, 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. 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.

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

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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 free smartphone app "Daikin Fluorocarbon Check Tool (Dfct)" that can easily manage fluorocarbons.

Moreover, in fiscal 2018, we launched the Assisnet Service for use on IoT terminals during inspections. We have made refrigerant leak detection function a standard feature in the VRV6 series of multi-split type air conditioners for commercial buildings released in October 2021, with the email notification feature via Assisnet Service enabled in case of a refrigerant leak. This detection function was recognized as one method for simple statutory inspections in fiscal 2022.

Daikin Industries, Ltd. has operated and managed all equipment in-house using Dfct since fiscal 2018. Moreover, incidents of refrigerant leakage are shared and inspections implemented in striving to prevent future leakage incidents.

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

Reliable Repair Work Starting with Refrigerant Recovery

To prevent refrigerant from being released into the atmosphere when repairing air conditioning equipment, the Daikin Group in Japan has deployed refrigerant recovery devices at repair bases nationwide. Repair work is carried out after recovering the refrigerant inside the equipment.

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

System for Recovery, Reclamation and Destruction of Refrigerants in Europe

In Europe, where people are advocating for a circular economy, there is growing demand for the recovery 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 Europe 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.

Supporting the Recovery, 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, reclamation and destruction schemes. In fiscal 2020, a recovery and reclamation system was established in Singapore. Since 2021, Daikin has been considering a recovery system in Thailand and Vietnam.

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

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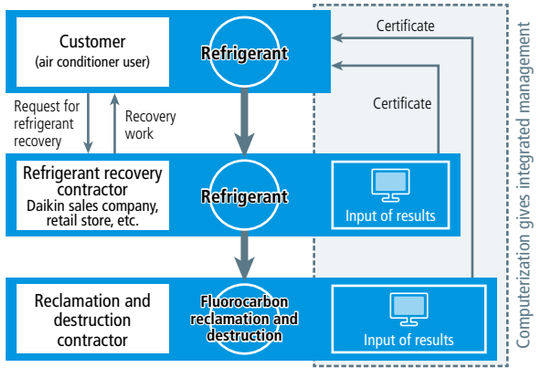
Fluorocarbon Recovery Network System in Japan

In Japan, we are thorough in our recovery of fluorocarbons (refrigerants) from commercial refrigeration and air conditioning equipment. We have created a network system for the integrated management of all information from recovery to reclamation and destruction of refrigerants, including the amount of refrigerant recovered and the amount reclaimed and destroyed by contractors. We are also contributing to the increased efficiency of statutory administrative work conducted by charging, recovery, reclamation and destruction providers to ensure complete compliance with the Act on Rational Use and Proper Management of Fluorocarbons.

Daikin aims to improve the refrigerant recovery rate in Japan by establishing an integrated management structure for the chemical and air conditioning divisions in FY2021 to commercialize the recovery and reclamation of refrigerants.

Fluorocarbon Recovery Network System



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

145 Data ESG Data Environment

Fluorocarbon Recovery and Destruction Business on Consignment

We take requests from dealers and other businesses for the proper recovery and destruction of refrigerants. The Daikin Contact Center receives calls all day, every day. Recovered refrigerants are taken to one of the contracted destruction facilities around Japan where they are properly destroyed or handed over to reclaimers authorized under the Act on Rational Use and Proper Management of Fluorocarbons.

Training Technicians for Refrigerant Recovery and Installation

Daikin provides training to its employees and business partners that covers the specialist knowledge and techniques required for recovering refrigerants.

In Japan, we hold training and workshops to educate employees to obtain certifications related to the Act on Rational Use and Proper Management of Fluorocarbons, as well as organize seminars to promote understanding among business partners. Overseas, for example, we conduct certification courses in France and Italy for employees to acquire national qualifications for handling fluorocarbons. In Singapore, we also hold R-32 air conditioner installation and refrigerant recovery technician workshops.

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

Name of training	Fiscal 2022 results
Refrigerant Recovery Technician preparatory workshop	Target: all employees in Japan handling refrigerants Number of participants: 2,367
First and Second Grade Refrigerant Fluorocarbons Handling Technician preparatory workshop	Target: all employees in Japan handling refrigerants Number of participants: 5,348

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Initiatives for a Carbon Neutral Society

Tackling the Challenges of New Environmental Businesses

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.

Since first participating in the Smart Communities Project in Greater Manchester, UK, in fiscal 2014, we have gone to be involved with a decarbonization verification projects for home heating in Lisbon, Portugal and Brussels, Belgium, along with the Innovation Ecosystem project for the redevelopment of the former site of Expo Milano in Italy. Since fiscal 2020, we have been 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 in 2024)

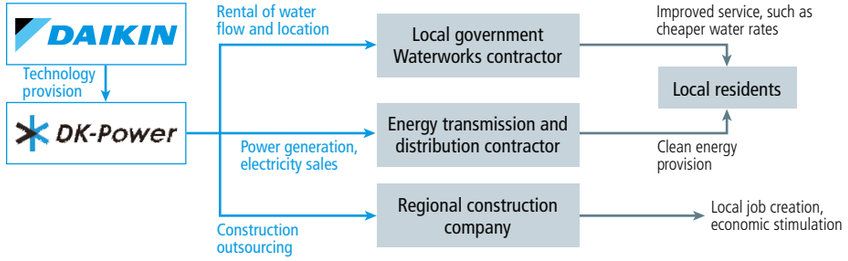
Creating Energy with Micro-hydroelectric Power Generation

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 not only in mountainous regions, but also in a number of different locations closer to communities as long as there is a flow of water. This energy source has garnered high expectations as the water wheel of the future. 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, Daikin Industries, Ltd. established DK-Power, Ltd., a subsidiary engaged in the power generation business using micro-hydroelectric power generation systems. DK-Power installs micro-hydroelectric power generation systems at facilities owned by local governments and then manages and operates them while selling the electricity generated. Going forward, DK-Power will continue to engage in the renewable energy power generation business together with the cooperation of various water service providers of local governments along with construction companies and electricity transmission providers in the local community.

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



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

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Contribution through Fluorochemical Products and Oil Hydraulic Products

Fluorochemical Products

Fluorine Characteristics Help Improve the Performance of Lithium-Ion Batteries

As the promotion of renewable energy is seen in policies of each country and region globally, lithium-ion batteries as power storage system that are indispensable have attracted attention.

We offer gasket and binder materials that utilize the characteristics of fluorine for use in lithium-ion batteries. In addition, we are also undertaking development of binders that do not rely on solvents as a next-generation material.

Apart from in-house development, we also emphasize developing and expanding applications for fluorine materials through collaboration with other businesses. As part of this, we have been investing in other companies, including start-up businesses. In fiscal 2021, we invested in OCSiAl S.A., a Luxemburg-based single wall carbon nanotube manufacturer. In fiscal 2022, we purchased shares of TeraWatt Technology Inc. based in the United States in July through third-party allotment. The company is a start-up business involved in research and development of next-generation high energy density lithium-ion batteries.

Development of Next-Generation Refrigerants for Electric Vehicles (EV)

Daikin has been developing next generation refrigerants for automobile air conditioning systems.

Heat pumps are gradually being used in battery-powered electric vehicles (BEV) since it is difficult to utilize waste heat from air conditioners. However, the existing R-1234yf refrigerant has a limited heating performance when the outside temperature is low, and must be used in conjunction with an electric heater, which results in loss of driving range. The new refrigerants under development are capable of heating when outside temperature is low, thereby reducing the burden on the electric heater, which can dramatically extend the driving range of BEV. It also features a small global warming potential at under 10. Going forward, we will continue to evaluate its performance with the aim to eventually introduce it to vehicles.

Refrigeration Equipment Lineup with Lower Global Warming Potential Refrigerants

Daikin is gradually expanding product lineup of refrigerants with a lower global warming potential (GWP) than the R-404A refrigerants used in most conventional refrigeration equipment.

In addition to our R-407H refrigerant developed in-house, we also released the R-448A product manufactured by Honeywell International Inc. in Japan in 2020. We are also conducting in-house development of next generation refrigerants with zero GWP for air conditioners use.

NEOFLON ETFE EP-Series
https://www.daikinchemicals.com/solutions/products/fluoropolymers/neoflon-etfe.html

Oil Hydraulic Equipment

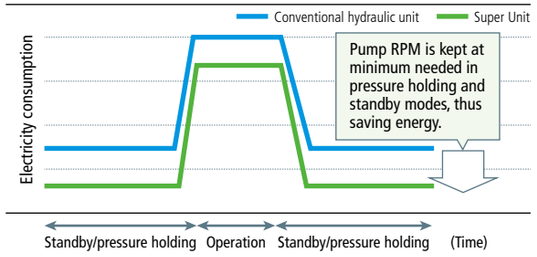
Energy-Efficient Hybrid Hydraulic Super Unit

Daikin also continuously pursues greater energy efficiency for hydraulic units for factory production lines.

The energy-efficient hybrid hydraulic Super Unit employs the same motor inverter technology that is used in Daikin's energy-efficient air conditioners. The Super Unit determines the load on the machine, depending on whether it is in standby, operation, or pressure holding mode, and automatically controls the pump at the necessary RPM. The result is energy savings of more than 50% in pressure holding mode (compared to Daikin piston pumps). For use on presses, vulcanizers, casting machines, and a wide range of other industrial equipment, it contributes to dramatic energy savings and lower CO_2 emissions. We introduced new models and expanded the lineup in 2014. In 2017, we launched two 37-kW-models compatible with large machines.

The Super Unit is widely used on industrial equipment around the world and has been highly rated for its superior precision and energy efficiency.

Electricity Consumption of Super Unit and Conventional Hydraulic Unit



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EcoRich Energy-Efficient Hydraulic Unit

EcoRich was developed in 1999 and was the world's first product to combine hydraulics technology and air conditioner motor inverter technology. It achieved approximately 50% lower energy consumption compared to Daikin's piston pump.

In 2016, this product underwent a model change with the incorporation of a high-efficiency IPM motor. 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.

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. In addition, with inverter control and the most advanced compressor, it offers 45% greater energy efficiency than conventional on/off controllers. In fiscal 2020, we left the 9 Series as is with its high energy efficiency, and released the 10 Series, a compact, light-weight, transformerless 400 V model, and expanded our product lineup in fiscal 2021.

At the same time, we are also developing some models in the oil cooling unit lineup in a water-cooling type. This style of product eliminates heat outside of the factory using cooling water in order to eliminate waste heat from general air-cooling-type Oil Cooling Units inside a factory. We released some models in fiscal 2018, and have been gradually expanding on the model lineup.

Transformerless 400 V Oil Cooling Unit

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

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Sustainable Use of Resources

Resource Recycling

Basic Policy

Contributing to a circular economy requires the effective utilization of resources during product design and production processes. Daikin is working to reduce its use of resources, recycle, and increase the recyclability of its products. Our priority is to establish a recovery and reclaiming system of refrigerants that are essential to our mainstay 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 Managing and Reducing Emissions and Chemical Substances

Recovery and Recycling of Resources

Establishing an Eco-cycle of Refrigerants (Recovery, Reclamation, and Destruction)

The recovery and reclamation of used air conditioner refrigerants from the market not only contributes to reduced emissions of greenhouse gas, but is also important in terms of resource recycling and stable supply of refrigerants. As part of our social responsibility as an air conditioner manufacturer, Daikin promotes the establishment of a refrigerant recovery and reclamation system.

See below for our efforts to reduce the impacts of refrigerants and build a system for the eco-cycle of refrigerants
049 Environment Response to Climate Change Reducing the Impact of Refrigerants and Building a Refrigerant Eco-cycle

Reducing the Amount of Resources Used

Repair System Aimed at Increasing Product Longevity

Making products that last longer means that fewer resources are used. To this end, 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. We strive for even greater customer satisfaction by improving the technical expertise and etiquette of our service engineers through an engineer certification system. Also, to make repair requests more accessible, 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 more ways of reaching us other than by telephone, such as through the Internet.

We are also working to strengthen our service network in each country. By introducing service management systems, we are making workflow more efficient and providing more high-quality and transparent service in every phase of customer interaction including through our service engineers and our partner companies.

Making Smaller and Lighter Products

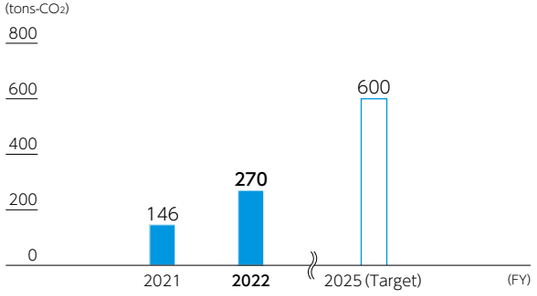
Making products smaller and lighter is effective for reducing the amount of resources used. When making air conditioners, for each product we set weight reduction targets for both the entire product and its components.

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.

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 2022, we established a target of 240 tons-CO_2 and achieved positive results in reducing our use of polystyrene foam. We will continue working toward adopting alternative materials to eventually eliminate our use of polystyrene foam to rein in any increases in our total use of packaging materials.

CO_2 Emissions Reduction Achieved with Packaging Improvements* (Air Conditioners)



* Reduced usage of packaging materials and promotion of returnable packaging.

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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.

Promoting Recycling

Product Design That Enables Easy Sorting and Recycling

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

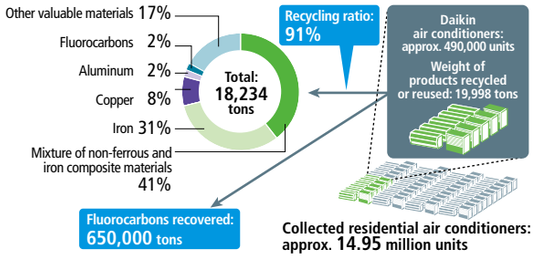
See below for our environmentally conscious design
038 Environment Environmental Management Environmentally Conscious Design

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 2022, we recovered about 490,000 units totaling 19,998 tons. The recycling ratio was 91% and the amount of fluorocarbons recovered was 650,000 tons-CO_2.

Recycling of Residential Air Conditioners in FY2022 (Japan)



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

Main Results in Fiscal 2022

The main results of development and other initiatives in fiscal 2022 related to resource conservation and resource recycling are presented below.

Small capacity ZEAS

- Reduced weight by adding aluminum finned coil heat exchanger unit
- Switched heat exchanger tubes from copper to aluminum and improved recyclability by using fully aluminum heat exchangers
- Changed four-way valve from brass to stainless steel

VRV

- Added scroll compressor and reduced weight
- Changed some piping from copper to stainless steel
- Changed fan motor coil from copper to aluminum

Reduction of packaging materials

- Reduced the amount of packaging material for ducted air conditioning units manufactured in Thailand for the United States market by 37% by changing the orientation during transport from horizontal to vertical. Realizing improved container load efficiency.
- Adopted returnable packaging for part of the VRV series

Topics

Received Packaging Technology Award at the Fiscal 2022 Japan Packaging Contest

The EcoCute packaging design developed by Daikin Industries, Ltd., Rengo Co., Ltd., and Showa Marutsutsu Company Ltd. received the Packaging Technology Award at the 2022 Japan Packaging Contest organized by the Japan Packaging Institute.

During development, the team sought the cooperation of a logistics provider to investigate loading work using the actual load-carrying tray for the EcoCute W-angled type tank. The team identified areas where the product needed to be protected and quantitatively analyzed the appropriate buffer distance. In addition, the material and size of the packaging material were improved. The design philosophy was also changed to protect the product by the buffer distance rather than the strength of the containerboard.

As a result, the design reduces the amount of containerboard used and the total usage of packaging materials, which in turn reduces annual CO_2 emissions by an equivalent of 260 tons.

Packaging used for EcoCute W-angled type tank after modification

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Protecting Biodiversity

Basic Policy

Protect and Rejuvenate the Gifts of Nature

Our society today is made possible in many ways by the riches of nature. The lifeblood of nature is biodiversity. Daikin promotes a balance between irreplaceable nature and ecosystems around the world and makes efforts to restore nature's riches and vibrancy.

Greenhouse gas emissions that occur during the course of our business activities have a major impact on biodiversity. We strive to reduce these emissions through the entire lifecycle of our products and minimize how our business activities affect biodiversity.

At our business locations and in local communities, our employees actively work with governments, local community members, and NPOs or NGOs on initiatives to preserve and restore nature. We are also committed to forest conservation around the world as part of our environmental and social contribution activities. Forests provide us with oxygen through photosynthesis, they act as natural air conditioners by giving off water vapor that keeps atmospheric temperature from rising, and they act as air purifiers by removing pollutants from the atmosphere. As a company whose job is to provide comfortable air environments, Daikin focuses on protecting and fostering the natural riches of forests, which we call "nature's air conditioners."

The ideas stated here form our Basic Philosophy on Protecting Biodiversity, which we established in September 2010.

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

Efforts at Bases

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

In 2012, the Shiga Plant began developing a biotope on its premises called the Daikin Shiga Forest in an effort to reproduce the satoyama once found in this area. Satoyama is a Japanese term that refers to the area between arable land and mountain forests. To create a forest habitat for native fireflies, employees are working to remove non-native species, tend to the forest, raise and release local firefly larvae, conduct surveys of their population and host firefly viewing events.

In fiscal 2020, employees planted 50 water iris seedlings grown locally to commemorate the Shiga Plant's 50th anniversary. By replacing the yellow iris, a non-native species that had propagated in the plant's pond, with water iris,[1] employees are helping to restore the rich waterscapes once found there. In fiscal 2021, employees successfully began breeding frogbit,[2] a freshwater herb, collected from Yabase Kihan Island in Shiga Prefecture.

The plant is also committed to environmental education. For example, it uses the Daikin Shiga Forest as a venue for nature viewing events for employees' families and students from nearby elementary schools.

1. A naturalized native plant from Western Asia to Europe designated as an invasive alien species for priority removal in the Ministry of the Environment's list of alien species.
2. A floating native plant distributed 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.

Daikin Shiga Forest

Firefly viewing event

Employee-led forest stewardship activities

Nature Forest at Yodogawa Plant

The Nature Forest at Yodogawa Plant was developed in conjunction with the opening of the Technology and Innovation Center (TIC) as a place for engineers to relax, unwind, and shift their thinking in fiscal 2015. Natural tree species and shapes are planted here to recreate the original landscape of the satoyama in Hokusetsu. Instead of leaving the forest up to natural selection, our employee volunteers have been working steadily to prune and thin out plants. As a result, the forest has evolved into a place where a variety of species live and visit, including Peregrine falcon, musk swallowtail, Calopteryx atrata, and raccoon dog. We aim to create a forest of fireflies, a symbol of the plant's safety, reliability and cleanliness that also serves as a place for employees to increase their environmental awareness and interact with the local community.

Riverbed cleaning

Stag beetle

Musk swallowtail

Creating Habitats for Living Things with the Biotope at the Sakai Plant

A biotope was set up at the Sakai Plant in 2012 to establish a habitat for living things found in Sakai City. Since then, greening activities have been conducted around the biotope involving employees and their families through company functions and events.

Currently there are many aquatic lifeforms in the biotope at Kanaoka Factory, which is surrounded by residential areas, including fish such as Oryzias and Pseudorasbora parva, and others like giant dragonfly larva and Bellamya quadrata histrica. Also, birds such as spot-billed ducks and wagtails have come to visit. Going forward, we will further promote our activities with a

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medium- to long-term vision to host living things using rare butterfly species, such as chestnut tiger and musk swallowtail, as indicators, while obtaining advice from experts.

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 in Tottori Prefecture, Japan is a center for the training of employees who will be active on the world stage.

The facility is located at Idegahama, a beach 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)

Projects in Surrounding Neighborhoods

Rejuvenating Community Forests in Osaka Prefecture

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. Both of these efforts are part of the Prefecture of Osaka's "Adopt a Forest" project, in which the prefecture mediates companies' purchases from private landowners so that forest land is preserved.

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 and rejuvenate this local forest in order to restore productivity of the bamboo forests that have fallen into disrepair due to overgrowth. In fiscal 2022, we held six forest development activities, with 35 employees participating at Harashiroyama and 77 at Izuhara.

Initiatives around the World

Biodiversity Conservation Activities at Overseas Bases

Daikin is working at its worldwide business locations to conserve biodiversity through activities such as tree-planting, and protection of nearby oceans and rivers.

Daikin Airconditioning (Singapore) Pte. Ltd.
Tree-planting activity in the community

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

123 Social Communities Protecting the Environment

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

In 2014, Daikin launched its "Forests for the Air" project aimed at preserving valuable forests in seven locations around the world. The goal for the project's 10-year period is to conserve forests covering some 11 million hectares and in the process contribute to reducing over 7 million tons of CO_2 emissions.

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

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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.

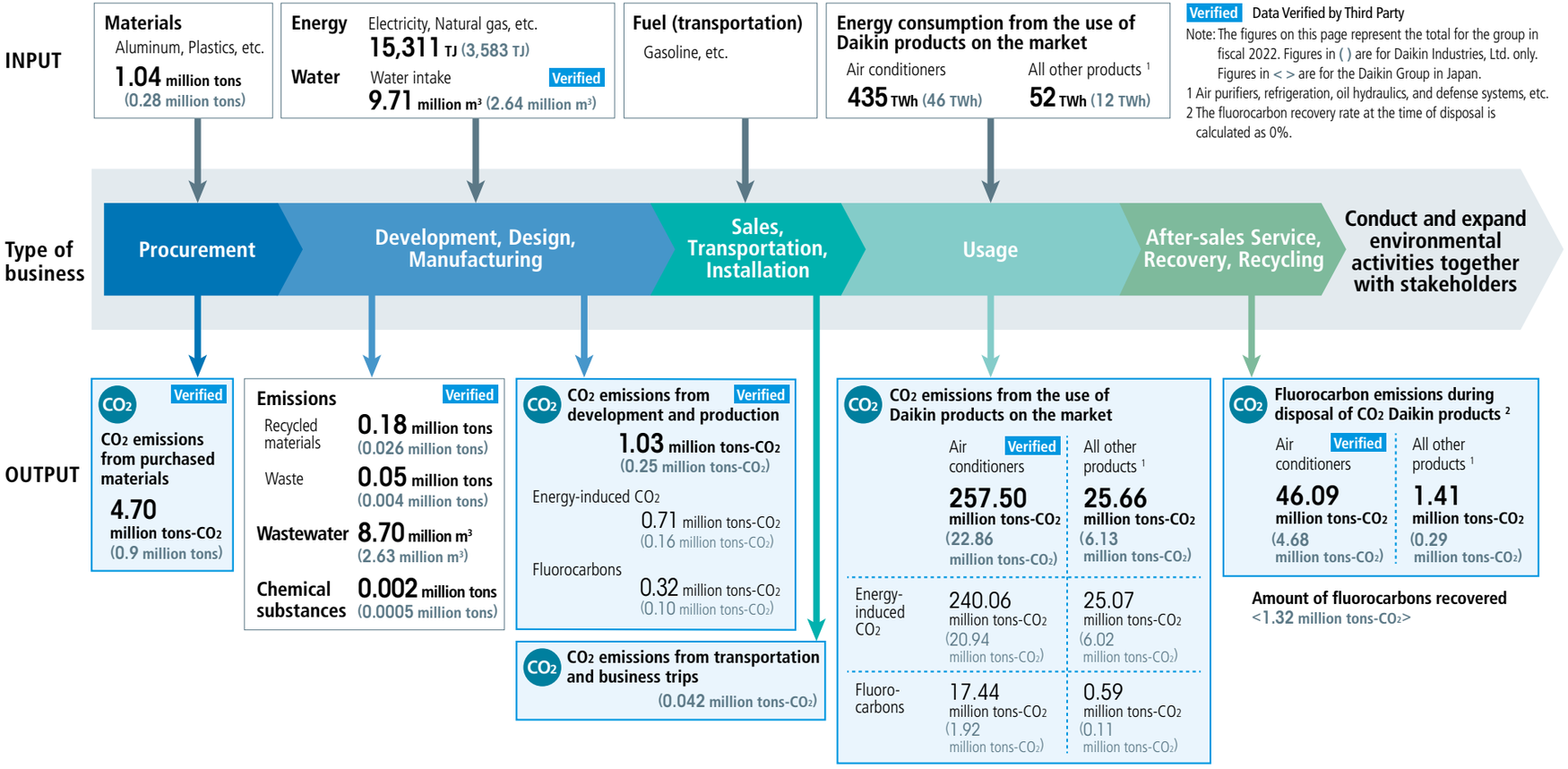
See below for our method of calculating greenhouse gas emissions data, ESG data: GHG emissions in the value chain (Scope 1, 2, 3)
166 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data

Verified Data Verified by Third Party

Note: The figures on this page represent the total for the group in fiscal 2022. Figures in ( ) are for Daikin Industries, Ltd. only. Figures in < > are for the Daikin Group in Japan.

1 Air purifiers, refrigeration, oil hydraulics, and defense systems, etc.

2 The fluorocarbon recovery rate at the time of disposal is calculated as 0%.



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Environmental Impacts in Business Activities—Production

Water Resource Conservation

Risks and Opportunities Related to Water Resources

Daikin is improving its management of water use at its manufacturing bases around the world.

Recognizing that impacts on operations caused by water shortages pose a risk, we assess 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 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.

Amount of Water Intake and Wastewater in Water-stressed Regions (India, China)

(thousand m^3)

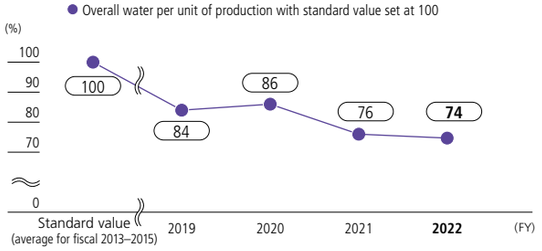
		2018	2019	2020	2021	2022
India	Water intake	59	58	50	57	53
	Wastewater	59	43	37	48	42
China	Water intake	26	25	26	22	23
	Wastewater	21	20	21	17	19

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 a baseline comprising the average water intake between fiscal 2013 and fiscal 2015. For example, we reduced water intake volumes by reusing water used for cleaning and other processes after purifying it with reverse osmosis membranes and activated carbon.

Water Intake per Unit of Production



See below for our water intake and wastewater trends, Chemical Oxygen Demand (COD) emissions

145 Data ESG Data Environment

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 once every year where we share information about such initiatives concerning water.

Environment

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Environmental Impacts in Business Activities
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Water Resource Conservation
Managing and Reducing Emissions and Chemical Substances
Developing and Promoting Products and Services That Reduce Environmental Impact

Environmental Impacts in Business Activities—Production

Managing and Reducing Emissions and Chemical Substances

Reducing Emissions

Basic Policy and Initiatives in the Production Process

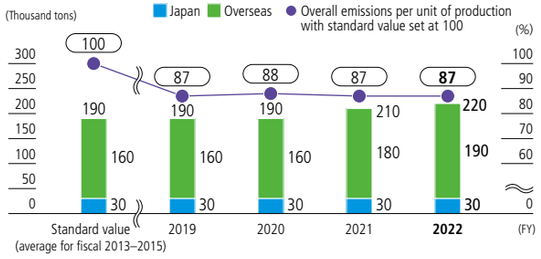
Daikin is working not only to recycle waste generated during its production processes, but is also to reduce the amount of waste it generates.

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. With the average for fiscal 2013 to 2015 as our standard value, we have set a target of reducing fiscal 2025 emissions per unit of production across the entire Group by 10%. In order to reach this target, we are committed to reviewing the production process and reducing deficiencies through equipment renewal.

In fiscal 2022, we achieved a 13% reduction in emissions per production unit against the standard value.

Emissions/Emissions per Unit of Production



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.

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

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

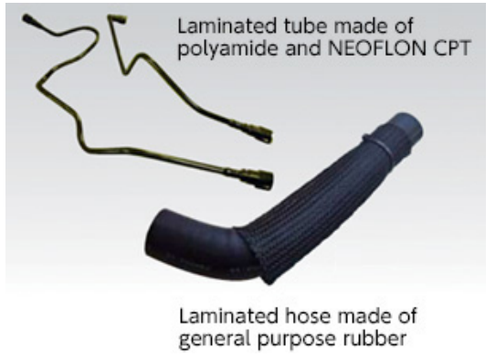
Products that Help Prevent Air Pollution

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. The DACS VOC processing device is a system that purifies air by breaking down, condensing, and oxidizing harmful substances in exhaust gases, such as VOCs and odors.

Automobile Fuel Hose Made of Fluororesin



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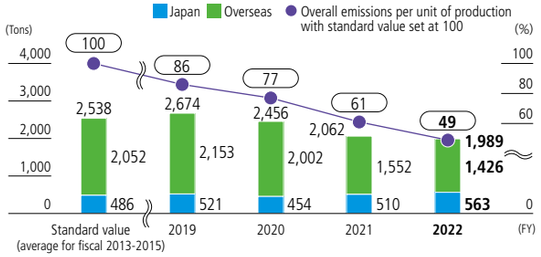
Management and Reduction of Chemical Substances during Production

Establishing Reduction Targets for PRTR-regulated Substances and VOC

Each Daikin business base in Japan and overseas takes initiative in reducing a variety of chemical substances.

We are working toward a target of reducing emissions per unit of production (total of PRTR substances and VOCs) in fiscal 2025 by 10% against the standard value (average for fiscal 2013–2015). In fiscal 2022, we achieved a 51% reduction against the standard value.

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



See below for our compilation of PRTR substances

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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.

Initiatives for PFOA
https://www.daikinchemicals.com/jp/company/sustainability/pfoa_top

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 twice at Shiga Plant and four times at Sakai Plant in fiscal 2022.

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.

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Environmental Impacts in Business Activities—Production

Developing and Promoting Products and Services That Reduce Environmental Impact

Daikin is working in numerous areas to reduce environmental impact, such as by developing and promoting products including high energy efficiency inverter units, refrigerants that have a lower global warming potential, and heat pump heaters that offer better control of CO_2 emissions than combustion heaters.

Furthermore, by promoting these products and services, we will contribute to solving global environmental and energy problems while providing a healthy and comfortable air environment, as well as contribute to achieving a carbon neutral society.

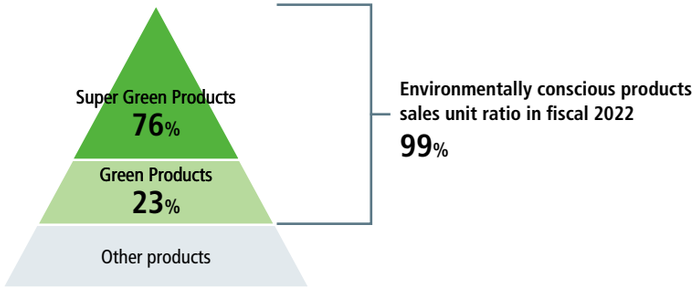
Environmentally Conscious Product Sales Unit Ratio

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 2022, environmentally conscious products accounted for 99% of residential air conditioner units sold.

* 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, 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

Environmentally Conscious Products as Percentage of Units Sold (residential air conditioners)



(%)

	2018	2019	2020	2021	2022
Environmentally Conscious Products	93	97	98	99	99
Super Green Products	51	60	69	71	76
Green Products	42	36	29	28	23
Other products	7	3	2	1	1

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Value with Air

Value with Air

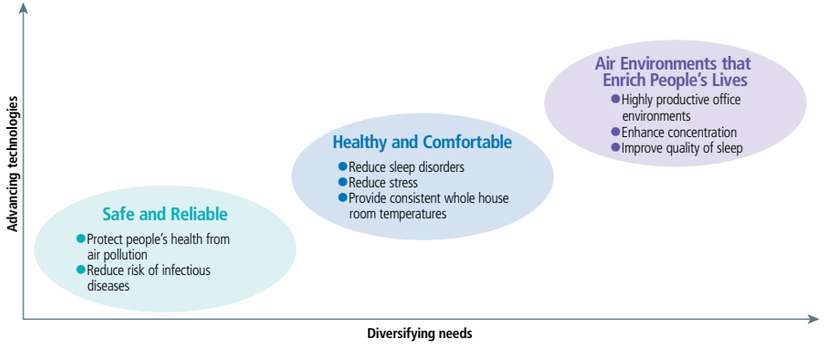
Overview

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 99.9% 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

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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.

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.

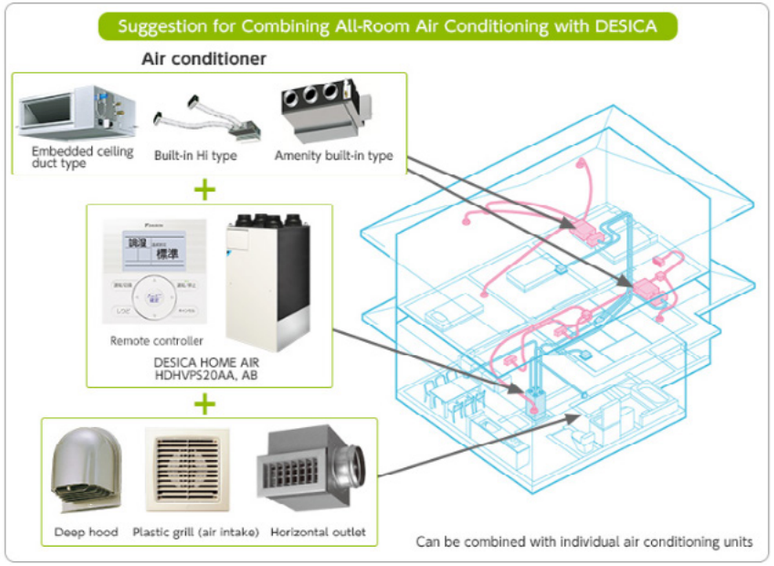
Saravia received the MITI Minister's Award in the Product and Business Model Category at the FY2022 Energy Conservation Grand Prize.

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.

Suggestion for Combining Central Air Conditioning System with DESICA



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

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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. In May 2020, Daikin launched two negative pressure units based on its proprietary HEPA filter technology to meet urgent needs on the frontline of medicine. Later, in response to the voices of healthcare professionals, we also released a collapsible negative pressure booth that can be assembled in a short period of time when needed.

Collapsible negative pressure booth with aluminum frame

Controlling Air Pollution

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 dust collection and air purification to improve indoor air environments. Additionally, we are helping to control air pollution with large dust collector systems that remove hazardous substances from airborne emissions of plants and power plants.

Application image of our large dust collector system

New Business Models

Daikin strives to create and utilize new business models in order to resolve just about any issue related to air conditioning. We have commercialized air conditioning services without having to purchase or own for consumers to enjoy their desirable air environment.

Subscription-based Air Conditioning Business in Tanzania

Daikin has begun rolling out high efficiency air conditioners for small offices and stores as well as homes in Tanzania. In 2020, Daikin established a joint venture company called Baridi Baridi Inc. together with WASSHA Inc., an electricity service provider that uses IoT technology in regions of Africa without electricity. Baridi Baridi began selling subscription-based air conditioning using a mobile app in October 2021. As of March 31, 2023, the company had installed around 900 air conditioners.

Installing an outdoor unit on a house

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/new/pdf/feature2019/value-pdf

Baridi Baridi Inc.

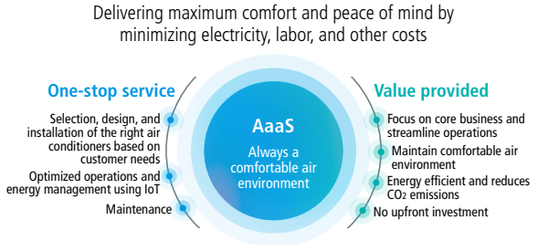
https://baridibaridi.com/en.html

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

Daikin has developed a new PaaS* service called Air as a Service (AaaS) together with Mitsui & Co., Ltd. and began its operations in 2018. 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 optimal operation, energy management and maintenance as a one-stop service. During the term of the contract, Daikin guarantees the stable operation of its air conditioners using preventive maintenance based on detection of breakdowns. There are no repair costs should a breakdown occur, and all statutory inspections are conducted by Daikin. 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, 2023, we had concluded over 40 contracts for this AaaS.

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

Value Provided by AaaS



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/new/pdf/feature2020/value-pdf

Air as a Service (available in Japanese only)

https://airasaservice.com/

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Embracing the Challenge to Achieve Air Environments that Enrich People's Lives

Daikin pursues the possibilities of air. Our ideal air is something that promotes healthy minds and bodies, facilitates study and work, and creates smiles among families and friends. 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.

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

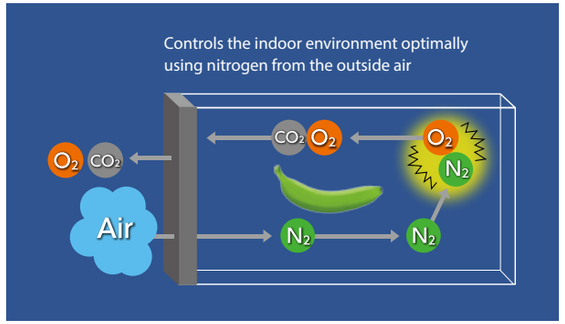
027 Feature Value with Air Making Exercise a Good Habit Using the Power of Air

Freezer and Refrigeration Technology Supporting the Distribution of Fresh Food Products

Daikin provides support to the world's food logistics with its refrigeration and freezing technology with a control range between minus 30°C and plus 30°C.

In addition to the detailed temperature control capability, we added a proprietary technology called Active CA to freezers and refrigerators for marine containers in 2015. The technology optimizes the amount of oxygen and carbon dioxide inside the container to suppress the air exchange of fresh produce and delay ripening. This contributes to reducing food loss during long periods of transportation.

Mechanism of Active CA Technology



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

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Customer Satisfaction

Customer Satisfaction

Basic Policy

The Daikin Group Philosophy states that our mission is to identify and realize customers' future needs and dreams, even those that they themselves may not yet be aware of. By providing high quality products, materials, and service, as well as proactively proposing new solutions, we want to 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 34 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 110 manufacturing bases around the world and business operations in over 170 countries. 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.

Global Manufacturing/Development Bases

Manufacturing bases
Over **110** locations
(March 2023)

R&D Bases
50 locations

029 Feature Human Resources Accelerating Our Business Transformation through the Development of Human Resources in DX

See below for the Technology and Innovation Center (TIC)
097 Social Co-creation Approach and System

Increasing Satisfaction with Services

Building a Worldwide Customer Service System

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

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 2022, we received the highest scores to date in the comprehensive satisfaction index (CSI). In addition, the number of service bases that exceeded the target CSI value of 4.40 in both commercial and household categories increased by seven compared to the previous year.

See below for customer satisfaction and overall satisfaction
154 Data ESG Data Social Customer Satisfaction

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Training of Service Engineers

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. In fiscal 2021, a new system was launched to quantitatively evaluate and certify service engineers based on an established KPI. So far, we have certified over 250 professional engineers using the new system. In addition, we also started to certify specialists in aiming to cultivate engineers who specialize in specific models.

Moreover, we launched the Daikin Service Technician Certification system overseas and implemented the certification examination in the Americas, Asia and Oceania in fiscal 2022. In the future, we will strive to visualize and enhance skill levels by expanding this system into other regions. Also, we have built out a foundation for dispatching service experts from Japan to each overseas location to foster key leaders and promote continuous development and coaching of human resources 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

In order to enhance the quality of installation work and service techniques of Daikin engineers as well as dealers, Daikin has set up seven training centers around Japan to conduct training related to installation and service skills. In fiscal 2021, we newly established Training Plaza Saitama, and began teaching the fundamentals and installation best practices while encouraging more participants to attend from areas with growing demand for cooling and heating air conditioning, including the Saitama and Kanagawa areas.

As for our training system, we have developed a total of 74 courses, including step-up training, certification acquisition and qualification examination preparatory courses. We are now looking to gradually expand the system. In fiscal 2022, we placed an emphasis on the development of training curriculum to promote human resources who will lead the expansion of sales of ECOCUTE in aiming to realize carbon neutrality.

Skills training for distributors

Training Lab as a Development Base for Incorporating DX into Training

In fiscal 2022, we established the Training Lab in Daikin's Rinkai Factory as a hub for developing new training methods that feature DX. The Lab is dedicated to developing training programs that can be implemented regardless of time or location by using DX technology. Some examples include online lectures on installation work and training facilities that enable verification of remote operation of equipment.

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.

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/new/pdf/feature2018/cs-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.

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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 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 750,000 members.

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 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 2023, we launched a new model featuring a replaceable front panel that can be changed by the customer directly.

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 Industries, Ltd. 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.

Chemicals Divisions Initiatives

The chemicals divisions have identified "improvement of quality," "stable supply," "communication," "response to needs (development of new products)," 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. Moreover, we have opened a showroom in Shenzhen China at the DAIKIN Dream Gallery to showcase not only products but also demonstrate their functions.

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.

Fluorochemicals website (available in Japanese only)
https://www.daikinchemicals.com/jp.html

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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 improving quality at our contract manufacturers.

In all aspects of the quality management system, each division continuously carries out internal audits, assesses the operational system, and conducts the PDCA cycle's do, check, and act steps. 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

	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: • Improve simulation technology and revise design criteria through advanced operating data collection on the market • Accelerate the speed of market information analysis by utilizing AI • 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
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.

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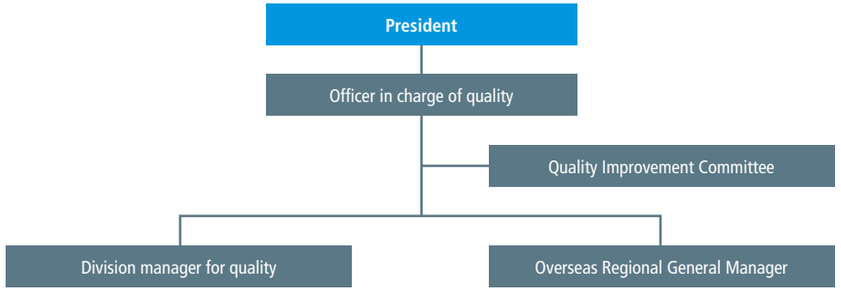
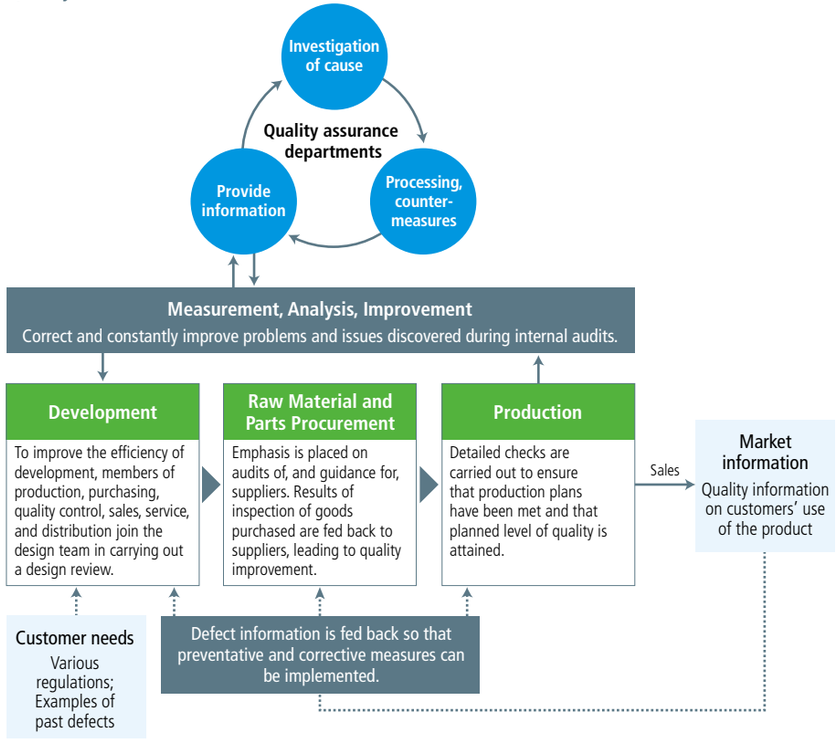
Quality Control System



Quality Assurance Process



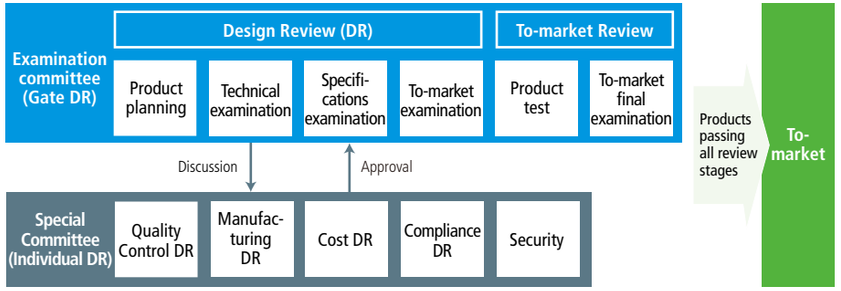
Improving Quality

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 teams 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.

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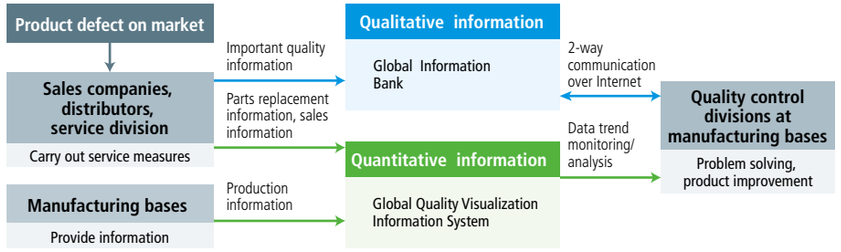
Tracking Customer Information and Product Information

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 2022, 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

113 Social Supply Chain Management Working Closely with Suppliers

Policy on Product Safety

See below for our initiatives for our policy on product safety

178 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.

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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 residential air conditioners and ventilation fans (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.

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Fostering Human Resources

Basic Policy

Daikin conducts fundamental 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 oversea 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

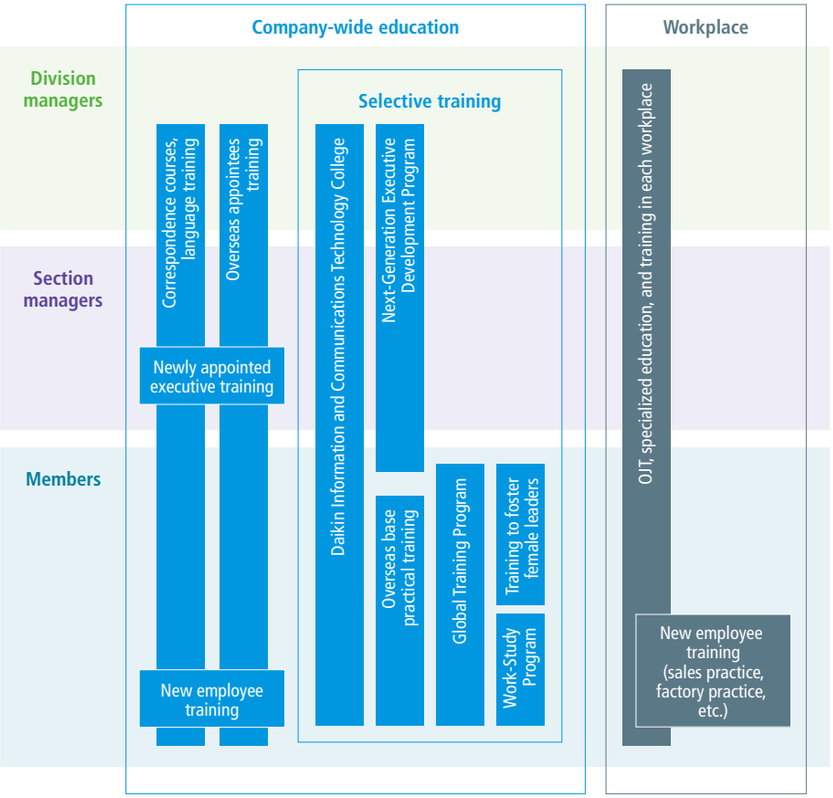
Raising up Personnel to Implement Our Group Philosophy

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



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Main Training Programs

Training name	Purpose	FY2022 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 the Technology and Innovation Center (TIC) Training] • To understand Daikin's approach to human resources. • To instill a sense of value and spiritual fuel that foster a robust professional and personal life.	To effectively implement measures to prevent the spread of COVID-19 and deliver input lectures including organizational instruction, we conducted the training through a combination of at-home and online seminars utilizing IT tools. In addition, we conducted training on the new topics of global mindset, resiliency, and digital transformation in order to promote active participation in global business. (Target: 289 new graduates) While we had previously hosted six-day, five-night overnight training camps at the Daikin Ales Aoya Global Training Center in Tottori prior to the COVID-19 pandemic (2021 and prior), this was suspended and replaced with the three-day day camp at the Technology and Innovation Center. The training targeted 328 employees (289 new graduates and 39 mid-career hires), with 136 existing employees representing each department across the company also participating. The program emphasized promoting understanding of what an ideal employee looks like as well as people-centered management through discussions.
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 2022 result: 32 employees Total number of employees dispatched since fiscal 1999: 411 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.	A cumulative total of 34 trainees have taken this training between fiscal 2015 and 2022.
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.	Five Daikin employees were sent to study at Toyota Technological Institute, and one employee was sent to the MBA program at International University of Japan.

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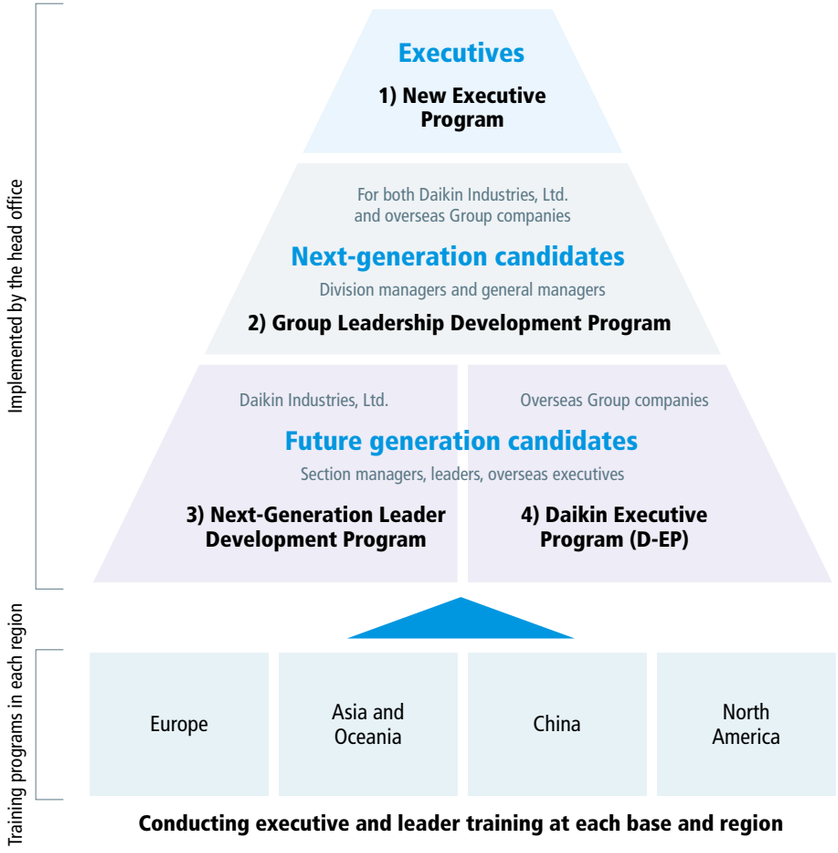
Training Next-Generation Executives and Leaders

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)

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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 2022, we conducted the following initiatives in each location.

Training Conducted in Fiscal 2022

Approach to development	Details
Cross-functional Training in Asia/Oceania	• **The 6th Young Shining Star Academy (YSSA)** This selective training fostering excellence among young employees which was suspended due to COVID-19, was resumed for the first time in three years. The first session (January 2022) and middle session (May) were held online. However, we were able to deliver the second session in-person in Bangkok. With the Senior Executive Officer in charge of the Global Operations Division, and General Manager of Human Resources also in attendance, the second session featured lectures and corporate philosophy and people-centered management. Participants of the Regional Engineer Development (R-ED) Program also attended the lecture given by the executive officer both in person and online. On the last day, each participant's direct supervisor also attended their individual presentations online. Overall, the training has combined the advantages of in person and online meetings. • **The 2nd and 3rd Regional Engineer Development (R-ED) Program** The final session of the second R-ED Program was conducted online (January). Unfortunately, the entire second program was held online this year. The third program kicked off in June, with the 1st (July) and 2nd sessions (August, September) held online. The 4th session (November) was conducted in-person at Daikin Industries, Ltd. The General Manager of Human Resources took the stage for the lecture on philosophy and people-centered management. We invited the MVP team from the second program to attend the 4th session and they joined us throughout the entire 3-day program. As experienced members, the MVP team provided advice on study themes. The final session was held in February 2023.
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 after the COVID-19 pandemic, we are conducting human resource development in countries that showed interest in participating in R-DEP. The program was customized in each country based on the local President's prioritization. In 2022, the training was conducted over nine days in Thailand involving Daikin Industries (Thailand) Ltd., Daikin Compressor Industries Ltd., Siam Daikin Sales Co., Ltd., and Daikin Airconditioning (Thailand) Ltd., and over 11 days in Vietnam involving Daikin Airconditioning (Vietnam) Joint Stock Company. The program started in Indonesia in November at PT Daikin Airconditioning Indonesia.
Management Training Support	• **Daikin Industries Czech Republic s.r.o. Management Dojo (November)** Management Dojo was held for all managers up to the Deputy Manager level at Daikin Industries Czech Republic s.r.o. (6th round, 25 participants). It was the first time in three years that the program was held at an external facility as a group training over two days. The theme of the dojo was to enhance emotional resilience in leadership. • **Daikin Industries (Thailand) Ltd. Management Dojo (January, February)** This is a continuation of the Management Dojo that was launched in fiscal 2021. This year, a total of 26 participants took part including assistant managers and managers. • **Daikin Airconditioning (Singapore) Pte. Ltd. Skills for Executive Program (March)** This is a skills enhancement training targeting young employees under the level of assistant manager. This year, 24 participants took part in the program featuring the themes of persuasive business communication, presentation skill, and team building. • **Siam Daikin Sales Co., Ltd. Problem Solving Workshop (July, August)** A total of 14 deputy managers participated in this workshop held to promote learning of problem-solving methods, address social issues with top management as a whole, and strive to deliver results.
Executive and Leadership Development Program in the United States	In the United States, we held 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 20 participants to consider leadership in the context of people-centered management, which was held over three rounds. Starting with round four, the training will be conducted concurrently for two different groups (total of 40 participants) every other week to foster more management personnel in accordance with the rate of business expansion.

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Fostering Monozukuri Human Resources

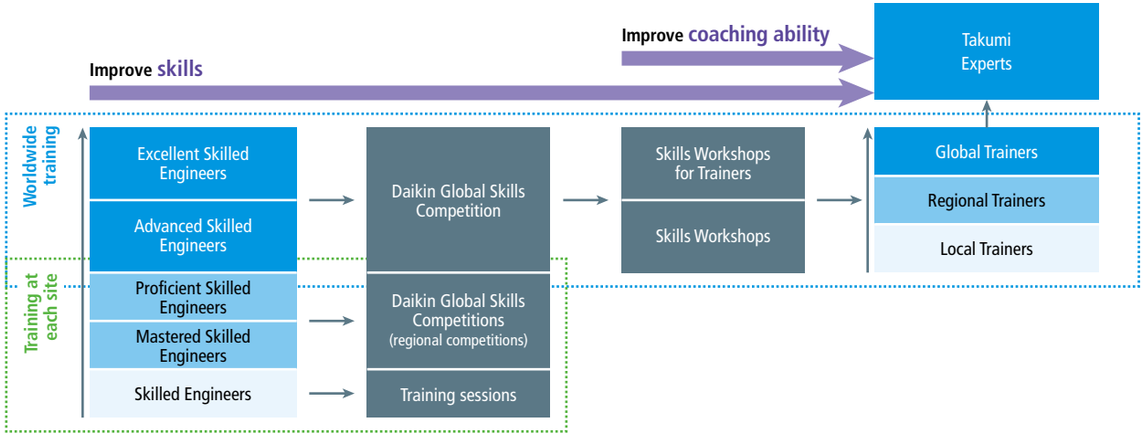
Focus on Excellent Skilled Engineers Conveying Techniques to Overseas Bases and the Training of Advanced Skilled Engineers

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 2022, this rate was 1 in 3.2 at Daikin in Japan, and 1 in 11.0 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 2022, there were 46 Takumi and Experts.

System for Training Excellent Skilled Engineers



Skills Competitions and Skills Training 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 fiscal 2022, the competition had 76 participants from 17 bases in 10 countries. 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.

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.

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Fostering Human Resources in the AI Field

Daikin Information and Communications Technology College

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 have set the goal of doing the same for 1,500 employees by the end of fiscal 2023.

By the end of fiscal 2022, approximately 400 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

029 Feature Human Resources Accelerating Our Business Transformation through the Development of Human Resources in DX

Human Resources: Daikin's Unique Approach to Developing AI and IoT Human Resources for Driving Innovation
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/feature2019/hr-pdf

Fostering Service Engineers

We Have 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 improvement of service satisfaction
072 Social Customer Satisfaction Customer Satisfaction

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
124 Social Communities Supporting Education

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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 distinct 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.

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

Group Conduct Guidelines

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

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

See below for number of employees (Daikin Industries, Ltd. only), employee make-up by region, number of employees by gender and employment rate of women
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Maximizing the Talents of Women

Daikin Industries, Ltd. considers diversity management as one of the pillars that supports management and 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 10 days or more

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We launched the Female Leader Development Program around 10 years ago to accelerate the development of women in leadership positions. In fiscal 2022, we further expanded this initiative, holding follow-up sessions for employees who previously completed the program and career design training sessions for young female employees. At the same time, we initiated dialogue opportunities and networking sessions for female employees at each of our business sites. To further speed up this development, division general managers and officers in charge compile plans for developing female candidates for executive and managerial positions and to provide coaching to these candidates.

As a diversity promotion project in collaboration with Osaka University, we have been conducting the "Innovative Women's Active Participation Program" for female employees in the skilled and technical areas since 2019 with the aim of cultivating more technical managers and leaders.

As a result of these efforts, the number of female managers was 95 (7.6%) as of April 2023, which marks an increase by about five times compared to 2011, when the efforts to promote women's participation were officially launched.

Furthermore, the ratio of female managers in main overseas business sites outside of Japan is over 20%.

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 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, 2023, the ratio of local nationals serving as president or director of an overseas subsidiary stood at 44% and 45%, respectively, showing that we are making progress with the localization of our management resources.

Increasing Percentage of Female Employees

As of the end of March 2023, women accounted for 18% (1,601) of all employees of Daikin Industries, Ltd.

Starting in fiscal 2013, 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.

In fiscal 2015, we began collaborating with universities to hold lectures, round-table discussions, and factory tours, which helped female high school and university students who aspire to become engineers to think about their careers.

Additionally, we actively hire talent using mid-career recruitment and hiring, including for women in managerial positions.

See below for the number of hires and ratio of women (Daikin Industries, Ltd. only)
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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 2023, there were 94 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.

In fiscal 2022, we held a seminar jointly with other companies for Japanese supervisors with foreign national team members. Participants learned about approaches to management for harnessing the strengths of foreign national employees with diverse backgrounds and getting the most out of their team members.

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

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Employment of People 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. For the Daikin Group in Japan, we have established a target to achieve an employment rate of persons with disabilities of 2.5%, which exceeds the legally stipulated ratio of 2.3%. As of the end of fiscal 2022, 2.69% of workers at the Daikin Group are disabled, a percentage above the legal requirement.

We also strive to hire persons with disabilities at Daikin Industries, Ltd. and Daikin Group companies. 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.

Daikin Sunrise Settsu Co., Ltd.

See below for the number of people with disabilities employed and employment rate (Group companies in Japan)
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Re-employment of Retired Employees

Daikin Industries, Ltd. has been a pioneer in promoting the employment of seniors as it sees efforts to promote the active role of experienced workers as an important theme with the ongoing declining birthrate and aging population. We introduced the system for rehiring employees 60 years of age and older in 1991 which keeps those who desire to work until age 63. In 2001, the age limit of this program was further raised to 65 years old.

We once again amended the rehiring system in April 2021, which enables employees to continue working until age 70 if desired. While the revised Law Concerning Stabilization of Employment of Older Persons obliges companies to make an effort to employ workers up to age 70, we have taken a lead in the future obligation to ensure employment opportunities up to age 70. Furthermore, we have revised the conventional compensation scheme to reflect better allocation of wages and bonuses, as well as established four levels of evaluation rank resulting in our new evaluation system that can reward employees in detail according to their results.

We also focus on promoting the participation of experienced workers. In fiscal 2022, we conducted dialogue between re-employed workers and their superiors, discussions between managers of each department with the Human Resources department, seminars for managers and training and workshops for re-employed workers.

In addition, we also hire contract employees who are age 70 or above and possess highly specialized know-how, skills, expertise, network connection, and experience, and who carry on duties that are difficult to replace by others.

We recognize that as our business expands globally, we must take on challenges under many themes as a unity between young, mid-career, and highly experienced employees. Each year, we re-employ over 100 highly experienced workers and leverage their advanced skills and know-how through their active participation at our business sites in Japan and overseas.

We strive to continuously cultivate a company culture that enables employees to thrive regardless of their age and harness the skills of highly experienced employees more than ever before in order to improve the organization's performance.

See below for the number of re-employed workers and rate of re-employment (Daikin Industries, Ltd. only)
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Recognizing 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 holding training and releasing information via newsletters.

* 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.

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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 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).

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 2022, the utilization number of childcare leave was 214 for women and 78 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 has increased from 30% in 2011 to over 40% as of March 2023.

We host the Seminar for Employees Returning from Childcare Leave for employees returning to work (both men and women), their partners who also works 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)
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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 supports 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	The seminar includes a lecture and discussions on unconscious bias, employees sharing their experience of childcare leave, and efforts to reaffirm one's sense of value. This allows employees to think about their career from a long-term perspective and for supervisors to think about their management of employees with children. In fiscal 2022, we held the seminar online for around 200 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
Creating an environment that encourages male employees to take childcare leave	Details	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	Details	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)	Details	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.

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Support for Family Care and other Employee Benefit Systems

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.

Other Employee Benefit Systems (some are abridged)

Pension	Defined contribution pension	
Paid leave	Seniors' leaves system	The employee gets three days of paid leave between the month the employee turns 55 and retirement age.
	Participation in Japan Overseas Cooperation Volunteers	Employees may be allowed to take time off work for this.
Others	Dormitories for single employees and company housing, recreation sites, home loan programs, property accumulation savings plans, and employee stock ownership plan, etc.	

See below for the number of employees taking family care leave (Daikin Industries, Ltd. only)

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Occupational Safety and Health

Basic Policy

Daikin is working to create safe workplaces having formulated the Daikin Group Human Rights Policy based on international rules and guidelines including the UN Guiding Principles on Business and Human rights and the ILO Declaration on Fundamental Principles and Rights at Work. The Daikin Group Conduct Guidelines, which clarify the desired actions to be taken by each and every one of the Group's officers and employees, state that we are constantly aware of and taking action on the safe operation of our workplaces. In compliance with international rules and the laws of each country on occupational health and safety, we strive to create a "zero accident" workplace where Daikin employees and subcontractor employees work safely, both for their own sake and to instill a feeling of safety in the minds of residents around our factories.

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

Group Conduct Guidelines

9. Ensuring the Safety of Operations

We shall take all possible precautions for safe operations and act with a mindset of "Safety First" to ensure the safety of the workplace and further gain the trust of people in the regions we serve.

Occupational Safety and Health Management Structure

Officer in Charge of Safety Leads Safety and Accident-Prevention Efforts

Daikin aims to maintain "zero accident" workplaces at all manufacturing bases. An officer in charge of safety is appointed to drive these efforts and comprehensively promote the safe operation of production facilities throughout the Group.

Global safety and security meetings led by the officer in charge of safety are held twice a year. These meetings report on the occurrence of accidents in Japan and overseas, details of safety and security meetings held in each region, status of support provided to overseas bases with a high frequency of accidents, and the status of countermeasures against common issues globally. Discussions are also held on ways of further improving the level of safety.

Major safety issues or concerns are reported promptly to the officer in charge of safety when discovered, who then orders the department responsible for safety of the applicable base to rectify the situation and implement countermeasures. In turn, solutions are rolled out to the entire Group.

In Japan, Occupational Safety and Health Committees are established at each plant jointly involving labor and management to devise annual safety policies, formulate occupational safety and health plans and implement the PDCA cycle. The committees, which meet monthly, are comprised of the health and safety officer (head of each plant), safety manager, health manager, industrial physician, and representatives from the company and labor union, in accordance with laws and regulations.

Overseas, employees responsible for safety are appointed at each manufacturing base. Annual safety meetings are held in each region in an attempt to improve the level of safety measures.

Occupational Safety and Health Management Structure

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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, regarding accidents involving forklifts and onsite vehicles, which had seen a rising number of accidents globally over the past several years, details of these accidents and countermeasures were shared by each base at the global safety and security meeting, and now we are striving to prevent future accidents by installing safety equipment on forklifts at each base and increasing workers' safety awareness through training.

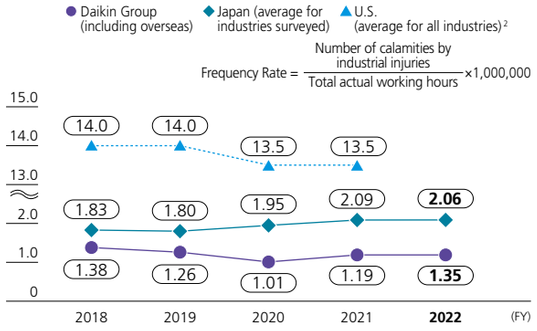
In addition, we are making efforts to prevent occupational injuries by providing protective equipment, translating procedures into local languages, conducting regular equipment maintenance and by making helmets mandatory at overseas bases and taking other measures irrespective of legal requirements in each country.

See below for our countermeasures against serious risks
132 Governance Risk Management

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 in fiscal 2022 was 1.35.

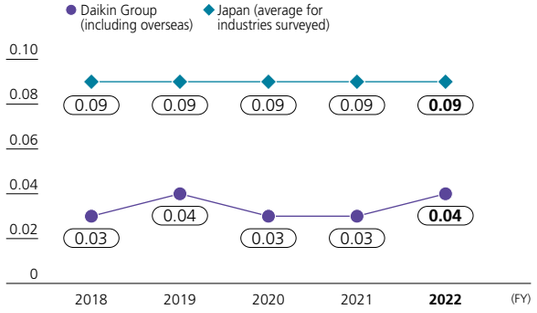
Frequency Rate of Lost-Time Occupational Accidents[1] (Including Group companies in Japan and overseas)



[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 2022).
No data was released for the U.S. in fiscal 2022. (As of the end of June 2023)

Severity Rate* (Including Group companies in Japan and overseas)



* 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

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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 2022, 57 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
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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 2022, more than 300 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., 270 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 (during which Japan's nationwide safety week takes place), 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
113 Social Supply Chain Management Working Closely with Suppliers

See below for our countermeasures and disaster prevention training in preparation for natural disasters
125 Social Communities 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 2022, 99% of employees underwent checkups, with issues found in 76% 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.

Employees working excessive hours are 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)
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Infection Control for Employees

Daikin makes efforts in infection control that prioritizes the health and safety of employees and management of infection risks.

Daikin conducted regular disinfection and ensured thorough ventilation in offices in ensuring the health and safety of its employees and their families in response to the spread of COVID-19. At the same time, it strictly required employees to undergo temperature checks prior to entering the workplace, wear masks, avoid closed spaces, and practice hand-washing and hand sanitization with alcohol. In addition, Daikin utilized working from home, time-shifted commute and time-shifted work, and takes the utmost care when visiting clients for purposes of air conditioner repairs.

To date, we offered COVID-19 vaccinations at our five business bases across Japan in June 2021, March 2022, and November 2022. These vaccinations were provided to employees, their families, former employees, and business partners.

At overseas bases, Daikin took measures in line with the infection status and policies of each country and region with the preservation of health and safety of its employees as the top priority.

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.

For example, industrial physicians provide mental health checkups to employees who are transferred and to newly hired employees after three months, as well as to employees whose questionnaires have showed they are facing problems. There are also mental health lectures. 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 and personnel management are 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 3 days of 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)
156 Data ESG Data Social Human Resources

Stakeholder Engagement

Dialogue with Communities for Safer Plants

We have established venues for regular dialogue with local community members for safety plants in order to provide added peace of mind to the people living around our plants.

See below for our interactions with local communities
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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.

Every year, employees fill out their own record of work, which includes a column for free comments about health, family, and job positions desired. When we consider transferring an employee, we look at these comments and talk to them in efforts to ensure, whenever possible, that their job desires and 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.

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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, 86% 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 2022, there were 20 such meetings held at the head office. 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.

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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 34 development bases in six regions worldwide to identify the needs of each region promptly and accurately for product development.

There are around 800 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 for 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

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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 in Japan and abroad.

Collaboration with the University of Tokyo

In fiscal 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. This agreement comprises three co-creation projects: tie-ups with business ventures with the aim of early market application; co-creation future vision leading to SDGs and Society 5.0;* and creation of futuristic technologies centered on advancing core technologies and creating new value.

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.

* People and objects connect to share knowledge and information via AI. Japan aims to realize a future in which IoT and AI advance the economy and solve societies problems.

Signed "University Corporate Relations Agreement" (December 2018)

Examples of Co-creation with the University of Tokyo (as of March 31, 2023)

Category		Details
Three shared creation projects		
• Tie-ups with venture businesses with the aim of early social implementation		
	We initiated an investment in and partnership with Fairy Devices Inc., a start-up from the University of Tokyo.	
• Co-creation Future Vision Leading to the SDGs and Society 5.0		
	Making air more valuable	We identified research themes for both organizations to address in the future based on roundtable discussions, and prepared a booklet called Valuing Air as a Common Good.
• Creating Future Technology Based on Core Technology Development and New Value Creation		
	Collaborative Research Unit on Circular Economy Modeling toward Cleaner Air	We strive to establish the necessary technology, systems, and infrastructure to realize a circular economy by conducting verification experiments which aim to promote policy proposals in achieving a sustainable economic model in 2026.
	Contract for Seminars and Joint Research	We signed new contracts including 17 social collaboration seminars, one donation seminar, and 18 other joint research projects. (Fiscal 2022)
Personnel Exchanges		
	Global Internships	We held global internships at Daikin's business bases. In fiscal 2022, 20 individuals took part at 8 business bases in two countries. (A total of 68 individuals took part in internships at 22 business bases in 10 countries over the four-year period from 2019.)
	Joint training camp with Sakata Laboratory (Department of Technology Management for Innovation)	We held the annual training camp and established themes of co-creation between industry and academia through discussions. As one outcome, we are currently developing a market and technology trend prediction system using technology informatics.
	Participation in Seminars	Our employees also 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.

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Held University Corporate Relations Forum on Valuing Air as a Common Good

In November 2022, Daikin-UTokyo Lab hosted a co-creation forum entitled Future Society and Technologies Resulting from Making Air More Valuable. The forum introduced the activities of both organizations over the past three and half years since the start of the partnership and shared the multifaceted value being provided to society by both through this industry-academia shared creation. In addition, a booklet entitled Valuing Air as a Common Good was released at the forum. Discussions were also held on how to contribute to society, the environment, and the economy in the next stage of the 10-year plan. Going forward, Daikin will continue examining future actions as a company that contributes to society through its business.

Valuing Air as a Common Good

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 commercialization phase for certain positive research outcomes.

Examples of Co-creation with Osaka University (as of March 31, 2023)

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 non-fluorine materials and extensively utilized the cutting-edge analysis equipment and technologies of Osaka University.
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.
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 to reach the goal of 1,500 attendees by fiscal 2023.
	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.

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Collaboration with Kyoto University

Daikin began comprehensive collaboration with Kyoto University in June 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.

In April 2021, we launched an initiative for healthcare-industry collaboration and humanities-science integration under the new keyword of "well-being (a society for better living)" 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 humanities-science integration, we launched research on the themes of people's health and the future of the rapidly growing Asia and Africa regions, respectively. In cutting-edge technology, we are promoting initiatives from various perspectives through comprehensive collaboration in the fields of materials, energy, cold chain, Asia and African area studies, and utilization of ventures.

Topics

Building a New Ecosystem for Industry-Academia Collaboration

Daikin Industries, Ltd. and Kyoto University launched a new initiative in 2022 to build an ecosystem for industry-academia collaboration. As part of this, we established the Daikin GAP Fund Program that supports the social implementation and commercialization of novel approaches to social issues solicited from researchers. In April 2022, we adopted five issues each submitted by researchers of Kyoto University in the first round and second rounds held in April and August 2022, respectively.

For each issue adopted, Daikin will provide a research grant of up to three million yen per project. In addition, Daikin Industries, Ltd. and Kyoto University will work together to provide other support required for social implementation.

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 fiscal 2022, some research themes progressed to the commercialization review stage.

Further Efficiency of Air Conditioning

We are conducting research on the themes of motor structure and inverter control as well as elucidating the corrosive mechanism of heat exchangers. In fiscal 2022, we commenced joint research for the development of more efficient heat exchangers and refrigerant controls.

Topics

Mini Workshop for Educational Programs

We launched a course called Co-creation for Next Environment between Doshisha and Daikin at Doshisha University in 2021. The course puts young employees of Daikin and students of Doshisha University together through mutual learning with a friendly rivalry, which is expected to yield strong educational results.

In July 2022, as part of the course, we held a mini work shop for young employees to teach about the course's significance and the importance of multi-disciplinary education through an instructor-led presentation and Group discussion.

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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 working with top-level researchers to find solutions to environmental issues in such domains as air quality, energy conservation, and energy. Additionally, Tsinghua University, Daikin Industries, Ltd. and Daikin Fluorochemicals (China) Co., Ltd. are conducting joint research to commercialize fluorine materials for use in EV batteries and low emissions vehicles.

In fiscal 2022, our research was adopted for funding by the Ministry of Science and Technology of the People's Republic of China as a joint Japan-China project, which will extend this joint research until 2024. In addition, Daikin became a founding corporate member of the International Joint Mission on Climate Change and Carbon Neutrality established at the urging of Tsinghua University.

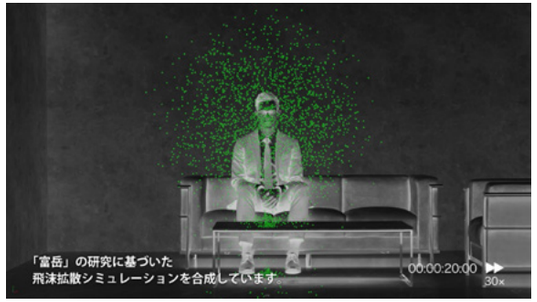
Collaboration with Tottori University

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 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. Under the theme of comfortable and healthy spaces, the program is working on research to extend healthy life expectancy and to create anti-fatigue social-environment.

As one co-creation theme, Daikin has participated in the COVID-19 Droplets Research Collaboration/ Cooperation Program using the Fugaku supercomputer since 2020. This program received a special COVID-19 research award in fiscal 2021 at the Gordon Bell Prize Awards, considered the Nobel Prize of supercomputing. In fiscal 2022, the digital transformation and social implementation of this program received the Minister of Education, Culture, Sports, Science and Technology Award at the 5th Japan Open Innovation Prize organized by the Cabinet Office.



Droplet dispersion simulation based on research conducted using the Fugaku supercomputer

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.

Collaboration with Nara Institute of Science and Technology

In 2012, Daikin Industries, Ltd. and the Nara Institute of Science and Technology (NAIST) established the Future Joint Research Laboratories, through which both are collaborating from the stage of research theme identification.

In fiscal 2022, 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.

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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, 2023)

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.	Resolution of issues in air conditioning services	2019

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.”

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Project Evolution from point 0 marunouchi

In 2019, Daikin opened point 0 marunouchi in Tokyo's Marunouchi area as a membership-based co-working space as part of the CRESNECT Project, a platform for co-creative innovation using spatial data. At the same time, we established point0 Co., Ltd. as the company in charge of project operations.

Proposal of Spaces that Make Beer Tastier
Together with Asahi Breweries, a participating company in point 0 marunouchi, we proposed spaces that make beer tastier focusing on the relationship between the temperature environment when drinking alcohol and changes in the taste of beer. In fiscal 2022, we submitted a joint patent application.

Start of Demonstration Experiment on Air Conditioning that Uses Scents to Encourage Better Sleep when Napping
In January 2023, we introduced an aroma diffuser in the napping room at point 0. The diffuser releases a scent that promotes sleep when it detects that the user has laid down in the bed; thereby, creating an environment conducive to efficient napping during the day. We are now evaluating the potential for commercialization by gathering and analyzing feedback from office workers based on their real life experiences.

Launch of WELL-Being Business using Wind Unit
Wind Unit is a fan for office use developed by combining Okamura Corporation's shelving unit with Daikin's large fan unit. It increases ventilation efficiency by mimicking the comfort of natural wind in an office space. Using Wind Unit, Daikin and Okamura Corporation began promoting the WELL-being business in fiscal 2022. This entails support services for obtaining WELL certification and proposals for creating office spaces compliant with WELL standards. We have already rolled out these services at multiple facilities.

Wind Unit that mimics natural wind

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/

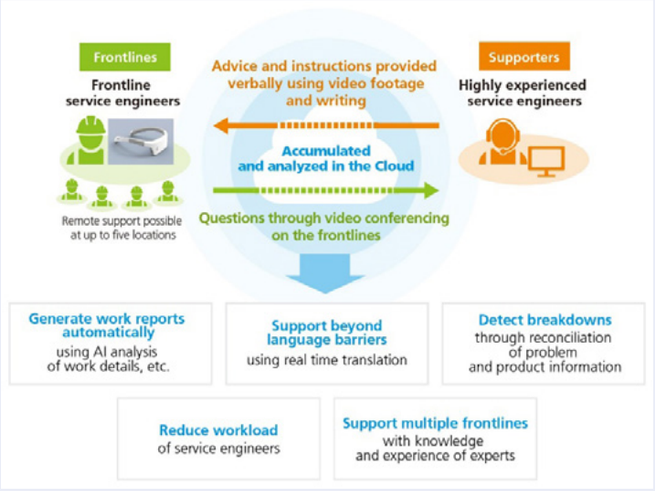
Topics

Received the Minister of Internal Affairs and Communication Award at the 5th Japan Open Innovation Awards for Air Conditioning DX Initiatives

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.

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



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Respect for Human Rights

Basic Policy and Management Structure

Established Daikin Group Human Rights Policy to Promote Initiatives That Respect Human Rights

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.

Daikin is undertaking initiatives that promote respect for human rights across its entire value chain. We have established Daikin Group Human Rights Policy based on an understanding of all international norms on human rights along with the laws and regulations of each country and region. The Group Conduct Guidelines clearly stipulate the actions that must be taken by officers and employees in terms of respect for human rights. Also, the Executive Officer in Charge of Human Resources and General Affairs is responsible for human rights while the relevant corporate divisions act as secretariat.

Furthermore, Daikin endorses and participates in the United Nations Global Compact, which supports companies in abiding by universal principals on human rights and labor.

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

See below for our participation in the UN Global Compact
120_Social_Stakeholder Engagement_Participation in Initiatives

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 the Group Conduct Guidelines
168_Data_Policies, Regulations and Guidelines_CSR Philosophy

Human Rights Due Diligence

Human Rights Risk Assessment

Daikin identifies human rights issues in its business, assesses risk throughout the value chain, and lists risks that should be prioritized. In our operational risk management system, we identify human rights risks and create countermeasures.

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 CEO and also reported to the Board of Directors.

In fiscal 2022, we enhanced new items on human rights risks in self-assessments and risk assessments and performed checks.

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Human Rights Risks in the Daikin Group Value Chain and Relation to Major Stakeholders

Types of human rights risks	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

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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.

In addition, we take part in subcommittees on supply chains and human rights education 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.

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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.

In fiscal 2022, we made changes to company rules and conducted training for relevant staff in-house on working-level implementation following revisions to Japan's Act on the Protection of Personal Information that took effect in April 2022. In addition, we are now responding to tightening regulations in other countries around the world while working closely with our overseas bases.

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://www.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

Raising Human Rights Awareness through Periodic Education Sessions and Assessments

Daikin strives to raise awareness of human rights among officers and employees through periodic education sessions and assessments.

Through annual self-assessments to confirm how well the Group Conduct Guidelines are being followed, employees assess themselves and thus contribute to their improved understanding of the guidelines. Human rights education for each level of employees helps them improve their human rights awareness.

At Daikin Industries, Ltd. training is held every year for all officers, new employees including those at affiliates, and newly appointed managers. In 2022, we disseminated a message on the Daikin Group Human Rights Policy from the officer in charge and conducted e-learning on our response to Japan's revised Act on the Protection of Personal Information.

Human rights training

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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.

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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.

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.

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

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, information on product specifications, quality and target cost, and delivery times is 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.

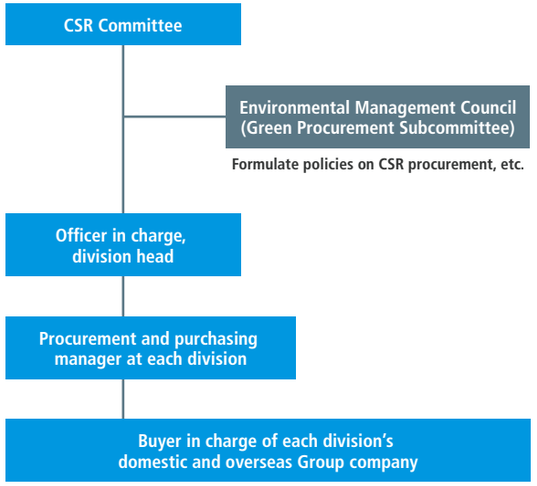
Management Structure

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



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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 new and existing suppliers based on ISO 9001 from the perspective of five criteria: management control, safety control, quality control, environmental control, and production control. We also strive to ascertain the status of suppliers' CSR initiatives. After starting business relationships, we strive to fairly assess suppliers from multiple perspectives, having numerous Daikin representatives negotiate with them and making regular visits to their companies.

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. In fiscal 2022, we revised the guidelines in response to the growing importance of human rights issues. We presented the updated guidelines both internally and at 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.

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.

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

Targets and Results

(%)

Quantitative indicator	Targets	Progress FY2020	Progress FY2021	Progress FY2022	FY2025 Target
Percentage of requests made to suppliers to implement initiatives based on the Guidelines	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	Percentage of suppliers reaching Class A ranking in CSR Procurement Improving percentage of suppliers reaching Class A ranking in CSR Procurement	65	72	75	100

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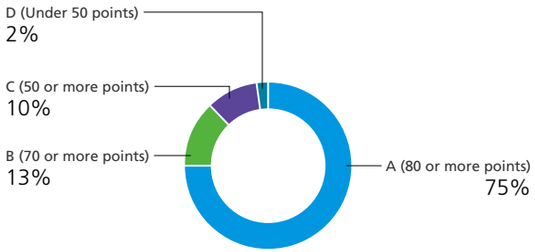
In fiscal 2022, following the establishment of the Daikin Group's Human Rights Policy, we revised and reinforced items on human rights in the Supply Chain CSR Promotion Guidelines and CSR Questionnaire, which we conducted accordingly. The percentage of suppliers with class A, the highest level of CSR initiatives, was 75% in fiscal 2022. We will make efforts going forward to increase the percentage of class A suppliers to 100%.

Results of CSR Questionnaires for Fiscal 2022



A: for suppliers with excellent CSR initiatives
B: for suppliers currently implementing CSR initiatives
C: for suppliers with certain challenges in terms of CSR initiative themes
D: for suppliers who do not implement CSR initiatives and face many challenges

Response to Conflict Minerals

Under our Basic Policy on Conflict Minerals[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 inhuman 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.

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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 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. In fiscal 2022, the Group green procurement rate was 79%.

We attempt 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.

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.

* Green procurement rate= Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured

Green Procurement Rate

(%)

	FY2018	FY2019	FY2020	FY2021	FY2022
Japan	90	93	95	95	91
Outside Japan	79	77	77	78	76
Entire Group	80	80	80	80	79

Targets and Results

(%)

Quantitative indicator	Target	Progress FY2020	Progress FY2021	Progress FY2022	FY 2025 Target
Percentage of suppliers requested to carry out initiatives based on the guidelines	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	80	79	100

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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. We have 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.

064 Environment Environmental Impacts in Business Activities Managing and Reducing Emissions and Chemical Substances

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

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 quick 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 ensure raw materials and parts are supplied 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.

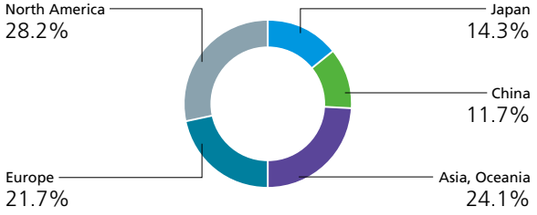
Suppliers that carry parts and materials matching Daikin's core technologies are designated as "Critical Supplier" considering the three categories of "substitution difficulty," "size of transactional value," and "importance of items supplied." Moreover, from among these, suppliers that further meet the following criteria at a certain level are designated as "Global Supplier," with whom we promote business on a global scale.

Definition of Global Supplier

1. Supplier with a business location targeting one of Daikin's global locations
2. Capability to manage the sales price demanded by Daikin
3. Capability to conclude a contract or agreement demanded by Daikin

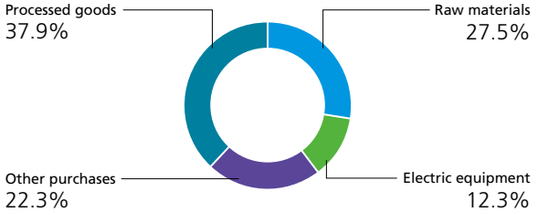
In fiscal 2022, 23 companies around the world have been designated as Global Suppliers to Daikin. Through our Global Supplier Conference, we work to adjust order volume, streamline costs, and ensure stable procurement in dealings with these 23 supplier companies. In addition, following the COVID-19 pandemic, we are promoting greater procurement locally.

Transactions by region (procurement value basis)



* As of March 2023

Transaction by industry (procurement value basis)



* As of March 2023

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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.

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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 Guideline. (The meeting is held every year, with four sessions conducted in fiscal 2022 involving 121 companies.)
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 2022, three announcement meetings were held with 79 companies in attendance and 204 quality improvement proposal meetings with 28 companies in attendance.)
Quality forum	Introduction 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)
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.
Supplier visits	Managers and certified excellent engineers "Takumi" of Daikin Industries, Ltd. visit suppliers of the air conditioning divisions to provide instructions.
Technical exchange meetings	In the chemicals divisions, Daikin representatives conducted both in-person visits to suppliers and online meetings during the COVID-19 pandemic to exchange information to propose new technology and innovative techniques.
Technical meetings	In the chemicals divisions, information sessions on Daikin technology are held to provide a platform for making technical proposals between Daikin and its suppliers.

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Quality Audits

Auditing institution conducts regular external audit 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 (65 suppliers visited in fiscal 2022). 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 (12 suppliers audited in fiscal 2022).

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 2022, seminars were held online to prevent the spread of COVID-19. Approximately 500 drivers participated.)
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.

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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. In fiscal 2021, the annual meeting was held online due to the COVID-19 pandemic. Also, we streamed videos and held study sessions to raise the bar of CSR procurement.

In fiscal 2021, we again focused on activities of subcommittees in the air conditioner cooperative, which are divided into the three categories of safety, delivery improvement, and rental assets, hosting an annual review of activities. 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 was given to follow-up on outsourced production start-up, and we worked with suppliers while the chemicals divisions worked alongside the Quality Assurance Department and engineering divisions to examine the products onsite.

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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.

* Stakeholder engagement
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 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 117 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 on our website	General affairs divisions Corporate communication divisions
Procurement business partners 107 Supply Chain Management	• Daily procurement activities • Quality audits • Supplier briefings • Supplier Quality Conferences	Procurement divisions
Employees 079 Human Resources	• Daily dialogue • Interviews based on employee self-assessments • Labor-management council meetings, labor union council meetings • Group Management Meeting • Managers' meetings	All divisions Human Resources Division Corporate Planning Department
National and international organizations 118 Dialogue with Government and Industry Groups	• Dialogue with government representatives in each country • Dialogue with UN representatives	Public relations divisions
Universities and academia 098 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 102 Collaborative Innovation Led by Industry-Industry Partnerships	• Joint research, joint development • Participation in industry activities	Research divisions CSR divisions
NPOs, NGOs 118 Dialogue with Government and Industry Groups	• Dialogue with NPOs and NGOs	CSR divisions
Communities 122 Communities	• Informing local community of emergency disaster drills • Factory tours • Involvement with local groups and events • Providing environmental education	Group companies Daikin bases CSR divisions

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Basic Policy

Based on Our Group Philosophy's policy of "With Our Relationship with Society in Mind, Take Action and 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

Maximizing Information Disclosure through Briefings and Our Website

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 400 times a year through business briefings, plant tours, sustainability briefings, and face-to-face meetings. For individual investors, we also hold company briefings several times a year.

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.

More than 140 analysts and investors took part in the sustainability briefings held virtually in fiscal 2022. This briefing highlighted the "Challenge to Achieve Carbon Neutrality," which was one of the growth strategy themes identified in the Fusion 25 Strategic Management Plan. We explained about European heat pump heating, a rapidly growing market driven by decarbonization, conveyed our initiatives to balance medium- to long-term business growth with solutions to social issues, and held discussions.

In addition, we also actively engaged in individual dialogue sessions with institutional investors on themes pertinent to sustainability and ESG. In fiscal 2022, we held dialogue on the progress of Environmental Vision 2050, which aims to achieve net-zero greenhouse gas emissions by 2050 based on the TCFD Framework.

Respect for Exercising Voting Rights

Helping More Shareholders Exercise Voting Rights

To ensure that shareholders have more time to consider new proposals before voting at the Ordinary General Meeting of Shareholders, we send announcements of the meeting at least a week earlier than is legally required. We also promptly post the information on the Daikin website and on the website of the Tokyo Stock Exchange at least a week before we send it.

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Dialogue with Experts and CSR-Related Groups

Worldwide Air Conditioner Forums, "Konwakai," Discuss the Future of Air Conditioning

Since 1995, Daikin has been holding Air Conditioner Forums (Konwakai) in Japan to exchange opinions with experts on the future of air conditioning. Since fiscal 2007, these Konwakai have spread worldwide to Europe, China, the U.S., Asia/Oceania, and Latin America. At each Konwakai, we exchange ideas and opinions on environment and energy with local experts, and the information we gather is reflected in the development of technologies and products, and in how we pursue business.

In fiscal 2022, we were able to hold these forums in-person for the first time in about three years and established a seventh Konwakai in the Middle East and Africa region. To date, a total of 130 people from 33 countries have participated in these forums, where we have discussed the primary themes of how air conditioning can contribute to carbon neutrality, sustainability initiatives, and initiatives to spread Indoor Environmental Quality (IEQ).

Moreover, we held our first-ever joint Konwakai in Japan involving the Japan, North America, and Latin America regions. During this forum, we discussed issues facing each region and how to forge a shared future together.

Joint forum held in Japan

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

We take every possible opportunity to exchange opinions with a range of international organizations and NPOs and NGOs on topics such as the environment and energy.

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

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

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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 2020	—	Global	We declared our cooperation with the initiative on fluorocarbon life cycle management as a private sector company that was promoted by Minister of the Environment Koizumi at COP25.
	—	UAE	We provided assistance with adopting international standards necessary for appropriate evaluation of inverters.
	July	Brazil	We provided assistance in developing rules to appropriately evaluate the environmental performance of products, leading to revised energy efficiency standards.
	September	Tanzania	Our program to expand high efficiency air conditioners using a subscription-based service was accepted into JICA's SDGs Business Support Program.
	February	Latin America	Presentation on our initiative on increasing the efficiency of air conditioners and adopting lower GWP refrigerants at the Super-efficient Equipment and Appliance Deployment Workshop targeting Latin America co-hosted by the International Energy Agency (IEA) and the government of the U.K. as the host country of COP26.
	March	Global	At the 6th Annual Global Conference on Energy Efficiency hosted by the IEA, our Executive Officer in charge of Global Environment presented our energy conservation initiatives for air conditioners.
	March	Global	Daikin participated in the training on Initiatives for Fluorocarbon Life Cycle Management and high-efficiency non-fluorocarbon equipment in Japan hosted by the Ministry of the Environment for seven Asian countries where we showcased our contribution to mitigating global warming through promotion of Daikin's low GWP refrigerants and inverters, as well as its cooperation on the refrigerant recovery and recycling scheme.
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 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 since March 2021, and demonstrated the proper air conditioner installation method.
Fiscal 2022	—	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 from 2021).
	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.

Environment: Creating Standards for a Decarbonized Society Alongside Stakeholders
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/feature2020/env-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/new/pdf/feature2018/env-pdf

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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/
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/

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Eco-First Program run by Japan's Ministry of the Environment	The Eco-First Program was established by the Ministry of the Environment in 2008 to promote industry-leading companies to take action toward environmental conservation. Companies pledge to the Minister of the Environment to implement their own 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/
GX Business Working Group run by the Ministry of Economy, Trade and Industry	The GX League was established by the Ministry of Economy, Trade and Industry as a venue for bringing together companies actively promoting a green transformation (GX) to discuss transformation of the socioeconomic system and creating new markets together with players tackling challenges associated with GX in the fields of government, academia and finance. In 2022, Daikin helped establish the GX Business Working Group with six leader companies and 73 member companies to "make rules for market creation" which is one of the initiatives called for in the GX League. **GX League (available in Japanese only)** https://gx-league.go.jp **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/new/pdf/social/press_20220930-pdf
Keidanren's Challenge Zero	Challenge Zero is an initiative run by Keidanren (Japan Business Federation) in collaboration with the Japanese government to disseminate and promote innovations domestically and internationally by companies and groups for realizing a decarbonized society. We have participated in Challenge Zero since September 2020. **Challenge Zero** https://www.challenge-zero.jp/en/
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/

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Daikin's Philosophy of Social Contribution

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. A particular focus is on activities that ensure we pass on to future generations the forests that nurture our Earth's precious air.
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.
3. Living in Harmony with Communities
   In conducting our business around the world, 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.

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Protecting the Environment

Basic Policy

Daikin works with a range of groups, including governments, local citizens, and NGOs, to protect and rejuvenate precious natural environments around the world as well as the natural environments around Daikin's worldwide bases.

See below for our initiatives around business bases/stations
060_Environment_Protecting Biodiversity

Examples of Initiatives

"Forests for the Air" Project Underway in Seven Locations Worldwide

Daikin works together with international NGO Conservation International (CI) and the Shiretoko Nature Foundation in carrying out the "Forests for the Air" project in seven regions around the world. In Shiretoko (Japan), Indonesia, Brazil, Cambodia, India, China, and Liberia, Daikin employees, local governments, NGOs, and customers cooperate in efforts to help locals earn a livelihood while also protecting forests. The goal by 2024 is to protect forests covering some 11 million hectares and contribute to reducing seven million tons of CO_2 emissions. Through forest protection, the project aims to solve social problems like poverty and contribute to achieving the Sustainable Development Goals (SDGs).

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

Daikin Supports Environmental Protection on the Shiretoko Peninsula

In July 2011, Daikin, the Shiretoko Nature Foundation, and the towns of Shari and Rausu signed an agreement to protect the wilderness of the Shiretoko Peninsula, a UNESCO World Natural Heritage Site. As part of Daikin's "Forests for the Air" project, Daikin will provide donations and send volunteers for a period lasting until the end of 2024 in support of the Shiretoko 100 Square-Meter Movement.

Through these activities, we are preserving the forests of Shiretoko and also developing human resources with a strong awareness of the environment.

Daikin volunteers (October 2021)

Daikin volunteers (February 2023)

Working on Reforestation 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 is part of Daikin's "Forests for the Air" project.

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 farmers 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

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Supporting Education

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Daikin supports education for youth through financial support and sharing of technology in each region where it operates. By conducting grass-roots activities, we seek to cooperate with and gain the trust of local communities.

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 2022, 530 students from seven schools took part in the program, while Daikin employees were dispatched to give lessons at four 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 collect dust. The event was held at 11 elementary schools with 750 students participating in fiscal 2022.

Efforts Overseas

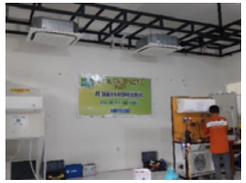
Training Technical School Students in Emerging Countries

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.

Daikin Air Conditioning (Vietnam) Joint Stock Company
Held training for vocational school instructors

Daikin Isitma Ve Sogutma Sistemleri Sanayi Ticaret A.S.
Organized showroom visit for students

Xi'an Daikin Qing'an Compressor Co., Ltd.
Hosted university student interns



PT. Daikin Airconditioning Indonesia
Provided equipment to technical school

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Harmony with Communities

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We want to be a good corporate citizen by being keen to the problems of the communities we operate in and conducting activities that lead to solutions.

Employees at regional Daikin bases have planned ways to interact with local communities. Employees will continue to be front and center by considering and meeting the needs of the community, this will make Daikin a known and trusted member of local society.

Interactions with Local Communities

Responding Sincerely to Opinions from Local Communities

Each of our plants in Japan has an office or 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. 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.

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.

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.

Conducting Neighborhood Cleanup and Beautification Activities

Each plant and office strives to communicate with local residents in aiming to gain the understanding of and contribute to the community. Our employees take part in local cleanup activities while each manufacturing base actively hosts community members on plant tours.

Yodogawa Plant employees cleaning up a waterway

Letter of appreciation for waterway cleanup

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 had also been held each year in major global manufacturing bases such in China and the U.S. The event has been put on hold since fiscal 2020 due to the COVID-19 pandemic.

The Bon dance festival at Daikin America, Inc.

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Contributing to Local Communities

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 Comfort Technologies North America, Inc.
Donation of stationery to a local elementary school

Daikin Europe Finland Office
Sponsorship of a children's snow day

Daikin Compressor Industries Ltd.
Donation of comfort articles to a welfare facility

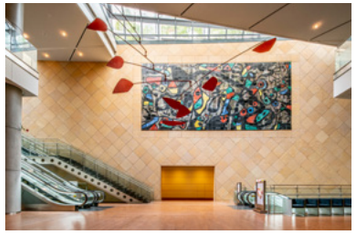
PT. Daikin Airconditioning Indonesia
Donation of food and daily essentials to communities in need

Daikin Airconditioning South Africa (Pty.) Ltd.
Provision of meals to children during Easter

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. supports the Osaka-based Kansai Philharmonic Orchestra.

Kansai Philharmonic Orchestra

Efforts Overseas

Daikin Industries Czech Republic s.r.o. supports Pilsen Philharmonic Orchestra. Daikin (China) Investment Co., Ltd. has held an annual concert since 2007 with the aim of promoting arts and culture.

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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 36th Tournament, Jiyai Shin

Daikin Orchid (available in Japanese only)
http://www.daikin.co.jp/orchid/index.html

Providing Local Amateur Golfers Opportunities to Play

"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 such as Ai Miyazato, and Mamiko Higa, as well as Shinobu Moromizato and Hina Arakaki (both pro golfers affiliated with Daikin Industries, Ltd.) have become professional golfers.

Bridging Okinawa and the Mainland

The pro and amateur tournaments and the pre-tournament festival enable representatives of Okinawan and mainland businesses to interact in an informal setting and gain a better understanding of each other's perspectives. This has led to the emergence of the Okinawa Konwakai. The association organizes a variety of vibrant activities that include forums and presentations aimed at further promoting and developing Okinawa. In January 2023, we held a roundtable meeting at Okinawa Institute of Science and Technology Graduate University (OIST) in Onna Village, Okinawa Prefecture featuring keynote speeches by experts.

Supporting Culture and Sports by Orchid Bounty

Orchid Bounty is held every year to invite donations from participants and organizers in order to promote arts, culture, sports and education in the event host area of Okinawa. The donations are presented to individuals and organizations in the community.

In 2023, Orchid Bounty donated ¥6.4 million to a total of 11 organizations and individuals, bringing the contributions since 1995 to ¥178.9 million and total recipients of 266.

The Orchid Bounty donation ceremony

Initiatives Overseas

Daikin also supports sports overseas.

Daikin America, Inc.
Donation of money raised at a charity golf tournament to the UnitedWay

Daikin Airconditioning France S.A.S.
Sponsorship of an ice hockey team

Daikin Device Czech Republic s.r.o.
Sponsorship o a local basketball team

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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.

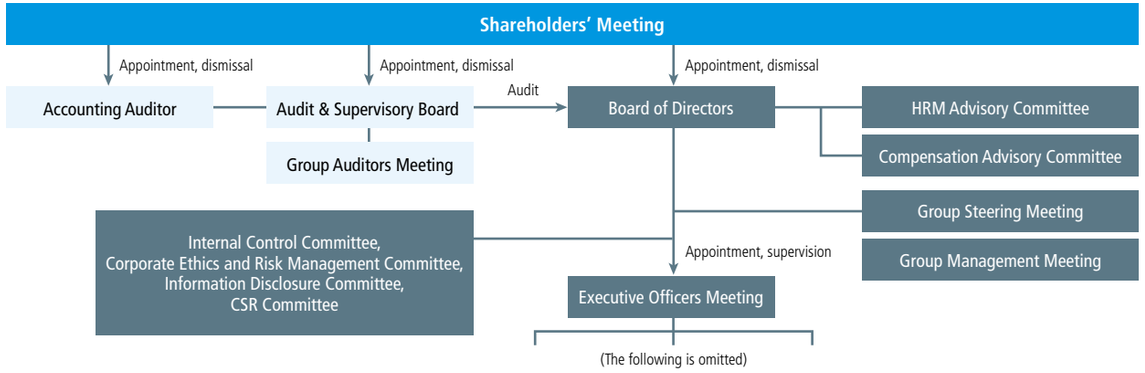
In an integrated management system, directors quickly make strategic decisions and conduct sound and appropriate supervision and guidance, thus achieving management responsibility through cooperation across all management and at the same time achieving work execution responsibility through prompt action. 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, 2023, we have 10 directors (including one 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.

Corporate Governance Report
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/governance/cg_report-pdf

Corporate Governance Structure (as of July 1, 2023)



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Audit System

Daikin Industries, Ltd. employs an Audit & Supervisory Board. As of July 1, 2023, Daikin Industries, Ltd.'s five Audit & Supervisory Board members include three external Audit & Supervisory Board members. The principal nomination criteria for external Audit & Supervisory Board members are the same as those for external directors and include independence from the Company in terms of not having a relationship of interest with the Company.

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 2022, 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 88% of the meetings.

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 2022, we confirmed there were no issues in the operation of board meetings, as well as received opinions for further enhancing 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 five times in fiscal 2022, covering the key themes of our strategic management plan, Fusion 25, including 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 the end of June 2023, the HRM Advisory Committee and the Compensation Advisory Committee consist of six members—four external directors, one internal director, and one Human Resources executive officer—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.

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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, 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/new/pdf/governance/cg_report-pdf

Management
https://www.daikin.com/corporate/overview/summary/directors

Disclosure Policy
https://www.daikin.com/investor/management/disclosure

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 President and CEO. Following discretionary approval from the Board of Directors and based on the applicable reports, the President 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 respond 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 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
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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 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 CEO, inspects these biannually to ensure that they are being properly managed within the Group's risk management and overall internal control structure.

033 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 18 "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

075 Social Customer Satisfaction Product Quality and Safety

107 Social Supply Chain Management Responsible Procurement

134 Governance Compliance

139 Governance Information Security

039 Environment Response to Climate Change

064 Environment Environmental Impacts in Business Activities Managing and Reducing Emissions and Chemical Substances

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Operational Risks

The directors and executive officers in charge of a duty have the authority and responsibility to create a Group-wide, 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.

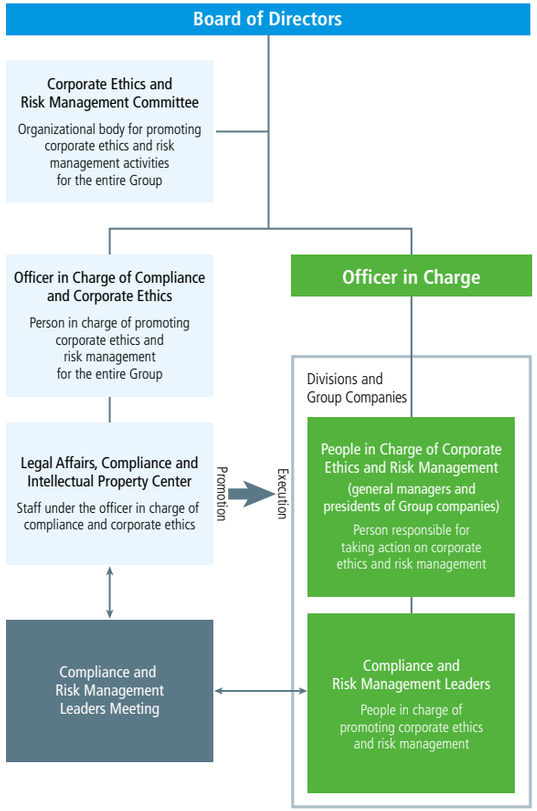
Risks facing the entire company are selected based on risk assessment results and after discussions held at risk assessment evaluation meetings led by the heads of corporate departments, and then finalized after deliberation by the Corporate Ethics and Risk Management Committee.

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 2022

- Natural disasters
- Product quality
- Harassment prevention
- Information management
- Strengthening of overseas crisis management
- Respect for human rights

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), identifying risks, and making and implementing proposals to, for example, prevent production equipment from toppling, ensure stable procurement of parts and materials, and implement countermeasures for logistics.

Group companies are also proceeding with their own BCPs.

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.

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Compliance

Basic Policy and Management Structure

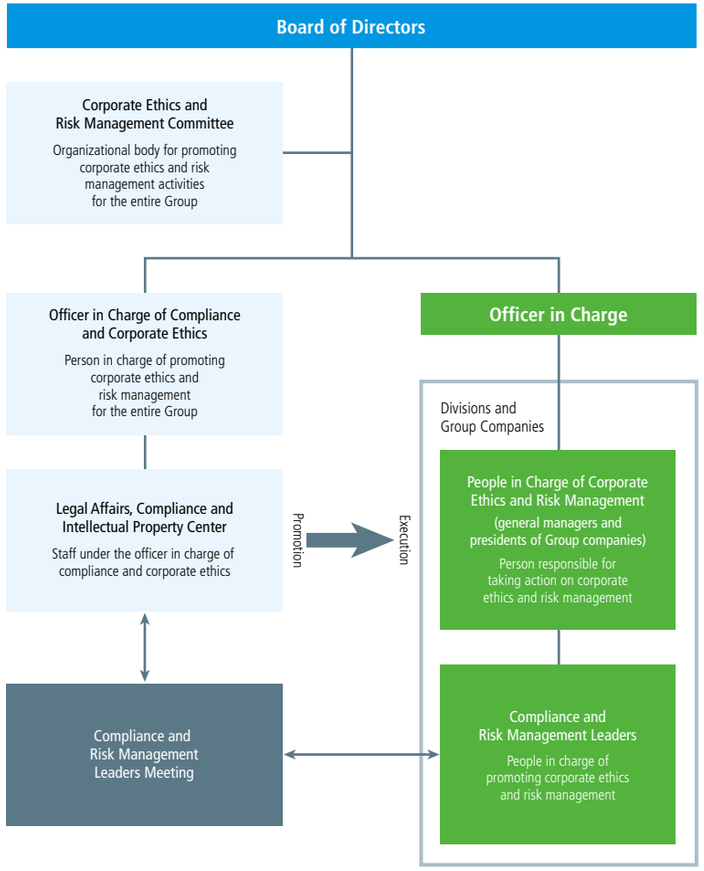
Daikin inspects and checks whether the group's internal controls are functioning appropriately, including risk management, through the Internal Control Committee chaired by the President and CEO. In addition, the Corporate Ethics and Risk Management Committee carries out operational risk management and 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 company 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.

See below for our Group Conduct Guidelines
168 Data Policies, Regulations and Guidelines CSR Philosophy

Compliance Management Structure



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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 Familiarize Employees with Group Conduct Guidelines

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.

Meetings of the legal and compliance committee on such topics as respect for human rights, personal information protection, and anti-bribery were held online for Asia and Oceania in October 2022, for the Americas in January 2023, and for Europe and China in March 2023.

Compliance Efforts

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 the issues of each organization are identified and compliance countermeasures taken.

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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

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

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 kinds 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 2022, we used our company newsletter to disseminate information on unauthorized removal of confidential information and conducted e-learning for all employees covering the changes in the revised Act on the Protection of Personal Information and revised Whistleblower Protection Act. We also conducted training on harassment as an important topic 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 2022

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 2022 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 helpline, 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 that the help-line is well publicized, the help-line's contact information is provided on the compliance card that all employees carry with them at all times.

In fiscal 2022, we made improvements to increase employee accessibility to the Help-Line, including accepting submissions via online form accessed by 2D barcode.

Overseas, we are in the process of establishing a whistleblower system after examining the situation and legislation of each region.

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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 CEO. 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 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.

Group Conduct Guidelines

14. Maintaining a Firm Attitude against Anti-social Activities

We shall take a firm attitude against 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.

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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 2022, there were no incidents involving bribe-related violations or sanctions.

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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 employee regarding managing their information; for example, we have strict company policy regarding use of social media.

In fiscal 2022, there were no incidents involving the inappropriate management of information or information leakages.

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.

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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.

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Information Security Management System

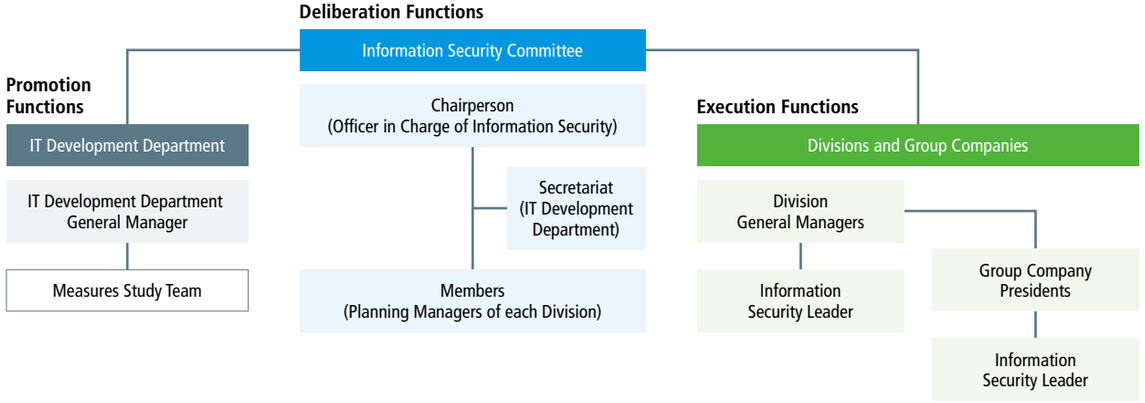
Daikin's Information Security Committee is a deliberation body chaired by the officer in charge of information security. This committee discusses revisions to group-wide information security strategy, policy measures, and common rules (regulations and guidelines). It operates under the Corporate Ethics 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 CEO, 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. has put into place a system for reporting and addressing information security incidents to prevent them from occurring and to minimize damages should one 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 Management System



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 2022, we held a training session for information security leaders on security governance and risk management led by an outside expert.

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.

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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. Also, we check the status of countermeasures against information leaks following the Ministry of Economy, Trade and Industry's Management Guidelines for Trade Secrets.

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 of 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
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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.

See below for our Group Conduct Guidelines
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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.

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 of Business and R&D Bases

Overseas, we are building an intellectual property rights system tailored to the unique situation of each region to facilitate the globalization of our business operations.

In North America, we have built out an intellectual property rights system centered around our in-house team of patent lawyers, while in Europe, we assign key persons in intellectual property rights to our development bases to step up patent applications based on regional needs. In China, the intellectual property team of each subsidiary actively applies for patents including utility models while working closely with external patent offices. We are also increasing patent applications and effective design applications in response to counterfeiting in emerging countries such as India, Brazil and those in Southeast Asia.

In response to the globalization of business, we work closely with each of our business bases outside of Japan to acquire and maintain necessary trademark rights and to proactively combat infringing products.

In fiscal 2021, we again shared Daikin's intellectual property policy with our overseas Group companies following the launch of the Fusion 25 Strategic Management Plan and began consolidating information from each base. The Global Intellectual Property Meeting, which shares and discusses information on intellectual properties across the Group, was held online largely divided into three regions.

In fiscal 2022 and beyond, we will strengthen our collaborative system by kicking off meetings to build teamwork in terms of intellectual properties in each region as needed.

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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 2022, in addition to paying compensation for patent applications, Daikin compensated employees for 511 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 2022, we awarded incentive bonuses to the creators of 106 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 2021, we applied for 1,190 patents in Japan and 597 patents overseas.

Awarding incentive bonuses to inventor group representatives

In fiscal 2022, in the air conditioning divisions, the number of patent applications again increased; this covered everything from development of new products that we intend to release, to near-future products that make use of AI and IoT technologies. In the chemicals divisions, we increased the number of patent applications by clarifying and implementing strategies in each product and technology area.

We will also continue to conduct thorough advance patent surveys so that we can deal with problem patents early on and thus ensure that we eliminate patents that could hinder our development. We will also step up patent efforts worldwide.

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 Impact of Refrigerants and Building a Refrigerant Eco-cycle

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/new/pdf/governance/press_20150910-pdf

Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/governance/press_20190701-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/new/pdf/governance/press_20210701_02-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/new/pdf/governance/press_20220701_2-pdf

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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

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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	2020	2021	2022
Scope1		Use of fuel and fluorocarbon Verified	166 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data	550	600	547
Scope 2 (market-based)[1]		Use of electricity and steam Verified		510	557	484
Scope 2 (location-based)[2]		Use of electricity and steam Verified		550	618	541
Scope3	Category 1	Purchased goods and services Verified	Volume of purchased materials x emission coefficient	3,832	4,048	4,701
	Category 2	Capital goods	Capital investment amount x emission coefficient	393	449	718
	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	92	100	99
	Category 4[3]	Upstream transport and delivery	Transport weight x transport distance x emission coefficient for each type	27	29	30
	Category 5	Waste generated in operations	Waste volume x emission coefficient for each type	26	33	35
	Category 6[3]	Business travel	Travel expenses x emission coefficient	7	8	12
	Category 7[3]	Employee commuting	Number of employees x emission coefficient	3	3	3
	Category 8	Leased assets (upstream)	–	N/A (includes Scope 1 and Scope 2)	N/A (includes Scope 1 and Scope 2)	N/A (includes Scope 1 and Scope 2)
	Category 9[3]	Downstream transportation and delivery	Transport volume x emission coefficient	7	8	8
	Category 10[3]	Processing of sold products	Weight of manufactured intermediate products x emission coefficient	15	20	20
	Category 11	CO_2 from use of Daikin's air conditioners in the market Verified	166 Data Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data	235,340	255,150	257,500
		CO_2 from use of other Daikin products[4] in the market		19,580	24,930	25,660
	Category 12[5]	Fluorocarbon at time of disposal of Daikin's air conditioners Verified		44,710	46,670	46,090
		Fluorocarbon at time of disposal of other Daikin products[4]		1,410	1,910	1,410
	Category 13	Downstream leased assets	–	N/A	N/A	N/A
	Category 14	Franchises	–	N/A	N/A	N/A
	Category 15	Investments	Emissions of investment target companies x ownership percentage	110	406	158
	Total			305,550	333,760	336,430
Comprehensive total				306,610	334,920	337,470

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. Category 4, Category 6, Category 7, Category 9 and Category 10 cover Japan only. 4. Non-air conditioner data indicates air purifiers and refrigeration/hydraulic/specialty equipment products. 5. Calculated with fluorocarbon recovery rate as 0%.

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Contributions to GHG emission reduction OJG

(Thousand tons-CO_2)

		2020	2021	2022
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
	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
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

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

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

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

(%)

	2018	2019	2020	2021	2022
Environmentally Conscious Products	93	97	98	99	99
Super Green Products	51	60	69	71	76
Green Products	42	36	29	28	23
Other products	7	3	2	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.

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Materials Used OJG

(Thousand tons)

		2019	2020	2021	2022
Japan	Iron	68	63	76	80
	Copper	14	14	13	16
	Aluminium	13	14	15	11
	Other metals	2	2	3	4
	Plastics	17	20	22	23
	Chemical product materials	141	132	145	145
	Glass	0.4	0.4	0.5	0.4
Overseas	Iron	511	465	519	328
	Copper	80	73	71	91
	Aluminium	72	69	58	88
	Other metals	11	2	2	4
	Plastics	88	81	90	104
	Chemical product materials	150	127	150	150
Total	Iron	579	528	595	408
	Copper	94	86	84	106
	Aluminium	85	83	73	98
	Other metals	13	4	5	8
	Plastics	105	101	112	127
	Chemical product materials	292	259	295	295

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

(tons-CO_2)

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

* Reduced use of packaging materials and promotion of returnable packaging

Recycling of Residential Air Conditioners JG

		2018	2019	2020	2021	2022
Residential air conditioners collected by Daikin (units: thousand)*		390	410	460	460	490
Weight of products recycled or reused (tons)		15,990	17,197	18,527	18,337	19,998
Amount recycled (tons)		14,634	15,672	16,862	16,700	18,234
Recycling ratio (%)		91	91	91	91	91
Breakdown (%)	Iron	34	33	31	32	31
	Copper	7	7	8	8	8
	Aluminium	2	2	2	2	2
	Mixture of non-ferrous and iron composite materials	40	41	41	40	41
	CFCs	1.5	1.6	1.6	1.7	1.7
	Other valuable materials	16	16	16	17	17
Fluorocarbons recoverd (CO_2-equivalent) (Thousand tons-CO_2)		490	530	590	590	650

* Number of units accepted

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Amount of Fluorocarbons Recovered JG

(Thousand tons-CO_2)

	2018	2019	2020	2021	2022
Electric appliances recycling	490	530	590	590	650
Fluorocarbon recovery and destrution	760	830	740	760	670

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

(tons)

	2018	2019	2020	2021	2022
Recovered fluorocarbons at time of repair	323	367	318	333	305
Recovered fluorocarbones at time of disposal	68	63	57	68	34
Total	391	430	375	401	339

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

Reducing Environmental Impacts of Business Activities

Greenhouse Gas Emissions (Development and Production) OJG Verified

(Thousand tons-CO_2)

		2018	2019	2020	2021	2022
Energy-induced CO_2		830	860	720	790	710
	(Scope1)	220	220	220	230	230
	(Scope2)	620	640	500	560	480
HFC (Scope1)		180	160	100	110	100
PFC (Scope1)		290	300	240	260	220
Total		1,310	1,320	1,060	1,160	1,030

CO_2 Emissions Reduction in Logistics Processes (Air Conditioning; Transport, Packaging and Warehousing) D

(tons-CO_2)

	2021	2022
CO_2 emissions reduction in logistics processes	179	899

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Energy Consumption OJG

(GJ)

	2018	2019	2020	2021	2022
Electricity	9,108,896	9,116,573	8,538,470	10,335,299	10,294,418
Renewable Energy generated	279,187	433,841	547,774	1,176,899	2,200,386
City Gas	4,345,872	4,407,257	4,267,236	4,685,995	4,770,850
LPG	181,340	197,277	156,834	173,618	173,592
Steam	1,371,033	1,221,504	1,094,880	1,277,454	919,690
Petroleum	72,628	48,538	50,699	48,898	71,322
Total	15,079,769	14,991,148	14,108,119	16,521,264	16,229,872

Water Intake / per Unit of Production OJG

		2018	2019	2020	2021	2022
Water Intake (Thousand m³)	Japan	1,890	1,760	1,670	1,820	1,910
	Overseas	5,060	4,770	4,360	4,510	4,810
	Total	6,950	6,530	6,030	6,330	6,720
Unit with standard value set at 100 (%)	Japan	93	88	92	85	89
	Overseas	85	83	84	72	69
	Total	87	84	86	76	74

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

Water Intake and Discharge Amounts OJG Verified

(Thousand m³)

		2018	2019	2020	2021	2022
Water Intake		12,330	11,580	9,560	9,850	9,710
Water discharge		10,420	9,670	8,320	9,110	8,700
	Sewerage	4,310	3,930	3,880	5,010	4,780
	Released into ocean/river	6,110	5,740	4,440	4,100	3,920

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

(Thousand m³)

		2018	2019	2020	2021	2022
India	Water intake	59	58	50	57	53
	Water discharge	59	43	37	48	42
China	Water intake	26	25	26	22	23
	Water discharge	21	20	21	17	19

Chemical Oxygen Demand (COD) emissions OJG

(tons)

	2018	2019	2020	2021	2022
Emissions	510	1,592	1,764	2,382	2,404

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

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

		2018	2019	2020	2021	2022
Emissions (tons)	Japan	537	521	454	510	563
	Overseas	1,992	2,153	2,002	1,552	1,426
	Total	2,529	2,674	2,456	2,062	1,989
Unit with standard value set at 100 (%)	Japan	91	90	79	81	81
	Overseas	88	85	76	56	43
	Total	89	86	77	61	49

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

Air Pollutant Emissions OJG

(tons)

	2018	2019	2020	2021	2022
NO_x	146	205	119	111	86
SO_x	8	8	5	7	6
Dust	56	70	45	57	61

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

(tons)

Substance name	2022				
	Amount emitted			Amount transported	
	Air	Public waterways	Soil	Waste	Sewage
acetonitrile	0.00	0.00	0.00	3.20	0.04
allyl alcohol	0.00	0.00	0.00	0.00	0.00
antimony and its compounds	0.00	0.00	0.00	27.00	0.00
ethylbenzene	0.47	0.00	0.00	0.24	0.00
ferric chloride	0.00	0.00	0.00	0.00	0.00
xylene	0.66	0.00	0.00	0.20	0.00
1-chloro-1,1-difluoroethane	11.00	0.00	0.00	0.00	0.00
chlorodifluoromethane	57.11	0.00	0.00	0.00	0.00
2-chloro-1,1,1,2-tetrafluoroethane	1.40	0.00	0.00	0.00	0.00
chloroform	0.83	0.00	0.00	6.70	0.00
tetrachloromethane	0.00	0.00	0.00	0.00	0.00
dichloromethane	16.21	0.00	0.00	2.90	0.00
N,N-dimethylacetamide	0.01	0.00	0.00	0.42	0.00
N,N-dimethylformamide	0.01	0.00	0.00	5.10	0.00
styrene	0.00	0.00	0.00	0.00	0.00
copper salts (water-soluble, except complex salts)	0.00	0.00	0.00	0.31	0.00
1,2,4-trimethylbenzene	0.02	0.00	0.00	0.00	0.00
1,3,5-trimethylbenzene	0.05	0.00	0.00	0.00	0.00
toluene	3.04	0.00	0.00	0.40	0.00
phenol	0.70	0.00	0.00	0.71	0.00
hydrogen fluoride and its water-soluble salts	0.24	0.00	0.00	120.00	0.00
n-hexane	0.25	0.00	0.00	0.18	0.00
water-soluble salts of peroxodisulfuric acid	0.00	0.00	0.00	0.00	0.00
boron compounds	0.00	0.45	0.00	0.60	0.00
poly (oxyethylene) alkyl ether (alkyl C=12-15)	0.04	0.00	0.00	43.00	0.21
formaldehyde	0.39	0.64	0.00	0.28	0.00
methylenebis (4,1-phenylene) diisocyanate	0.00	0.00	0.00	0.06	0.00
molybdenum and its compounds	0.00	0.00	0.00	0.04	0.00
tritolyl phosphate	0.00	0.00	0.00	0.00	0.00

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Amount of Waste and Recycled Materials OJG Verified

(tons)

		2018	2019	2020	2021	2022
Japan	Amount of Waste	3,401	3,274	3,650	4,126	4,060
	Amount of Recycle	28,345	27,523	25,191	27,329	26,320
	Out of the above amount, hazardous waste	21,273	20,994	19,455	22,058	22,996
Overseas	Amount of Waste	32,897	33,924	28,654	37,178	42,737
	Amount of Recycle	111,693	118,383	111,896	142,059	152,359
	Out of the above amount, hazardous waste	43,985	44,062	43,221	57,239	69,076
Total	Amount of Waste	36,298	37,198	32,304	41,304	46,797
	Amount of Recycle	140,038	145,906	137,088	169,388	178,679
	Out of the above amount, hazardous waste	65,258	65,056	62,676	79,297	92,072

Emissions / per Unit of Production OJG

		2018	2019	2020	2021	2022
Emissions (tons)	Japan	30,400	28,400	26,800	31,000	28,000
	Overseas	164,500	158,400	160,000	180,000	191,000
	Total	194,900	186,800	186,800	211,000	221,021
Unit with standard value set at 100 (%)	Japan	86	84	84	70	76
	Overseas	93	88	89	90	89
	Total	92	87	88	87	87

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

Environmental Management

Report from Audits JG

(cases)

		2018	2019	2020	2021	2022
Problems found from internal environmental audits	Major nonconformity	1	2	1	0	0
	Minor nonconformity	28	22	9	8	3
	Improvement	160	126	77	97	91
Problems found by third-party certification institutes	Major nonconformity	0	0	0	0	0
	Minor nonconformity	0	0	0	1	0
	Improvement	9	7	5	3	4

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

(%)

	2018	2019	2020	2021	2022
Japan	100	100	100	100	100
Overseas	95	94	93	91	90

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

Number of Green Heart Certified Factories* OJG

(bases)

	2022
Platinium	0
Gold	2
Silver	17
Bronze	10
Total	29

* A Group standard for evaluating and certifying individual manufacturing sites for their environmental activities such as energy conservation, reduction of waste generated, and biodiversity conservation. (Evaluation every two years.)

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Environmental Accounting[1]

Cost of Environmental Conservation[2]

(million yen)

Category	Major activities	2021 Amount of equipment invested	2021 Expenses	2022 Amount of equipment invested	2022 Expenses
Cost in business area		6,081	7,970	4,639	9,590
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.	2,235	2,766	1,899	2,392
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	1,758	1,157	2,515	2,670
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	2,089	4,048	225	4,528
Upstream/ downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	22	476	27	241
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	36	1,245	100	1,579
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	4,328	18,102	3,911	17,498
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	0.03	117	0.07	201
Environmental damage	Costs for purification of polluted groundwater and soil.	21	154	13	265
Total		10,488	28,064	8,691	29,373
Total of investment in facilities within the period			156,300		250,300
Total of investment in R&D activities within the period			81,500		102,200

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Effects of Environmental Conservation

Effects			2021 figures	2022 figures
Effects corresponding to business area cost	1. Effects of the resources used for business activities	Reduction in CO_2 emissions caused by energy consumption	79,486 tons-CO_2	242,900 tons-CO_2
		Reduction in water consumption	2,152,117 m^3	2,224,718 m^3
	2. Effects against environmental impacts and waste resulting from business activities	Reduction in fluorocarbon emissions	43 tons	29 tons
		Reduction in waste materials	-592 tons	3,123 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	460,000 units	490,000 units
		Amount of fluorocarbons recovered	303 tons	336 tons
		Amount of packaging material recycled	86.5 tons	145.1 tons

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

(million yen)

Effects		2021	2022
Profit	Profit from sale of recycled items, such as waste or used products, etc.	7,048	8,535
Reduction in expenses	Reduction in energy expenses resulting from energy conservation efforts	6	-805
	Reduction in waste disposal expenses resulting from resource conservation or recycling resources	-667	286

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.

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Society

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OG Overseas group companies only OJG Including group companies in Japan and overseas

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Co-creation

Research and Development Expenses OJG

(billion yen)

	2018	2019	2020	2021	2022
Research and Development Expenses	65.2	68.0	71.7	81.5	102.2

Customer Satisfaction

Improvement in Customer Satisfaction*

	(Base year)	2018	2019	2020	2021	2022
Japan	(FY2015)	1.13	1.14	1.14	1.14	1.15
Spain	(FY2016)	1.15	1.12	1.13	1.14	1.11
China	(FY2018)	1.00	1.04	1.04	1.00	1.01
India	(FY2016)	1.09	1.13	1.15	1.19	1.22
Indonesia	(FY2017)	1.03	1.03	1.10	1.11	1.07
Singapore	(FY2015)	1.00	1.00	1.01	1.00	1.00
Italy	(FY2019)	–	1.00	1.07	1.07	1.08
Vietnam	(FY2015)	1.11	1.14	1.22	1.21	1.22
Australia	(FY2015)	1.00	1.00	1.00	1.02	1.02
France	(FY2019)	–	1.00	0.98	1.02	1.00
UAE	(FY2015)	1.03	1.04	1.05	1.05	1.18
Brazil	(FY2020)	–	–	1.00	1.03	1.06

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

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Customer Satisfaction with After-sales Service* D

	2018	2019	2020	2021	2022
Overall satisfaction	4.56	4.63	4.60	4.60	4.66

* 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. Weighted average on a scale of 5.

Number of Inquiries to the Contact Center JG

(thousands)

	2018	2019	2020	2021	2022
Repair inquiries	799	919	800	604	579
Technical advice	707	758	789	595	565
Parts inquiries	393	311	254	207	194
Others	19	29	14	13	9
Total	1,918	2,017	1,858	1,419	1,347

Number of Inquiries to the Contact Center China

(thousands)

	2018	2019	2020	2021	2022
Repair inquiries	765	689	788	843	913
Technical advice	51	32	31	36	30
Parts inquiries	145	106	104	97	100
Total	962	828	923	976	1,043

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Human Resources

Employees

Employee Composition* D

	2018		2019		2020		2021		2022	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of employees	7,180	1,368	7,352	1,440	7,458	1,527	7,339	1,579	7,276	1,601
Average range of services (years)	17.9	11.9	16.9	11.0	16.8	10.9	16.7	10.9	16.5	10.6
Average age	42.6	35.2	42.4	35.2	42.4	35.2	41.8	35.4	42.0	35.7
Number of managers	1,063	59	1,100	63	1,110	71	1,122	68	1,149	95
Number of directors, audit & supervisory board members and senior executive officers	34	1	34	1	37	1	40	2	40	2
Number of foreign nationals	54	30	62	31	64	33	62	34	61	33

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

Employee Make-up by Region* OJG

	2018		2019		2020		2021		2022	
	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	7,254	1	7,499	1	7,732	1	7,652	1	7,618
Domestic Group (Excluding Daikin Industries, Ltd.)	30	5,243	29	5,380	30	5,586	30	5,717	30	5,817
U.S.	55	16,686	58	17,497	61	19,812	67	20,275	75	22,966
China	33	19,194	36	18,996	33	19,360	32	19,567	33	20,599
Europe	80	9,034	78	9,407	75	9,947	77	11,147	86	12,215
Asia, Oceania	50	15,686	51	16,456	54	17,367	55	18,542	61	20,083
Others (Latin America, Middle East, Africa, etc.)	43	3,387	61	5,134	62	5,066	61	5,798	62	7,039
Total	292	76,484	314	80,369	316	84,870	323	88,698	348	96,337

* Figures as of fiscal year-end.

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Number of Employees by Gender and Employment Rate of Women OJG

	2018	2019	2020	2021	2022
Men	55,415	58,229	61,046	63,753	69,733
Women	21,069	22,140	23,824	24,945	26,604
Total	76,484	80,369	84,870	88,698	96,337
Women as % of all employees	27.5%	27.5%	28.1%	28.1%	27.6%

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

	2018	2019	2020	2021	2022
Men	298	308	303	284	201
Women	131	123	118	112	98
Total	429	431	421	396	299
Women as % of all new employees	30.5%	28.5%	28.0%	28.3%	32.8%

* Number of people joining the company on April 1.

Number of Employees Leaving, Employee Turnover D

	2018	2019	2020	2021	2022
Men	265	272	369	332	376
Women	78	69	57	61	69
Total	343	341	426	393	445
Employee turnover	4.0%	3.9%	3.7%	4.4%	5.0%

Development of Human Resources

Human Resources Development of Manufacturing OJG

		2018	2019	2020	2021	2022
Japan	The ratio of Excellent or Advanced Skilled Engineers[1] in Manufacturing (%)	34.7	31.6	30.3	30.5	31.7
	Ratio[2]	1 in 2.9 employees	1 in 3.2 employees	1 in 3.3 employees	1 in 3.3 employees	1 in 3.2 employees
Overseas	The ratio of Excellent or Advanced Skilled Engineers[1] in Manufacturing (%)	–	–	–	6.2	9.1
	Ratio[2]	–	–	–	1 in 16.1 employees	1 in 11.0 employees
Total	The ratio of Excellent or Advanced Skilled Engineers[1] in Manufacturing (%)	–	–	–	14.8	12.5
	Ratio[2]	–	–	–	1 in 6.8 employees	1 in 8.0 employees

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

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Workplace Diversity

Number and Percentage of Women in Management Positions D

	2018	2019	2020	2021	2022
Number of Female Managers	59	63	71	68	95
Females as Percentage of all managers	5.3%	5.4%	6.0%	5.7%	7.6%

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

(people)

	2018	2019	2020	2021	2022
Number of Bases Where Local Nationals are Presidents and Executives	42	48	43	44	45
Number of Overseas Bases Where Local Nationals are President	32	32	30	32	34
Number of Overseas Bases Where Local Nationals are Executives	64	68	68	63	65

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

(%)

	2018	2019	2020	2021	2022
Percentage of Overseas Bases Where Local Nationals are President	46.4	47.1	42.9	45.0	44.0
Percentage of Overseas Bases Where Local Nationals are Executives	43.0	48.6	48.2	44.0	45.0

Number of People with Disabilities Employed and Employment Rate JG

	2018	2019	2020	2021	2022
Number of people with disabilities employed[1]	359	369	390	362	365
Employment rate of people with disabilities[2]	2.42%	2.44%	2.55%	2.60%	2.69%

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.

Number of Re-employed Workers and Percentage of Re-employed after Retiring D

		2018	2019	2020	2021	2022
Number of retirees	Men	104	127	142	184	195
	Women	2	7	8	9	10
Number of re-employed workers	Men	90	115	121	163	175
	Women	2	7	7	8	9
Percentage re-employed after retiring		86.8%	91.0%	85.3%	88.6%	89.8%

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Work-Life Balance

Number of Employees Taking Childcare Leave* D

(people)

		2018	2019	2020	2021	2022
Number taking childcare leave	Men	274	337	327	233	78
	Women	140	145	173	93	214
	Total	414	482	500	326	292

* 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)

		2018	2019	2020	2021	2022
Number taking family care leave	Men	0	4	3	3	2
	Women	3	1	1	2	2
	Total	3	5	4	5	4

Occupational Safety and Health

Frequency Rate of Lost Work Time Accidents[1] OJG

	2018	2019	2020	2021	2022
Daikin Group (Including Overseas)	1.38	1.26	1.01	1.19	1.35
Japan (Manufacturing Industry Average)	1.83	1.80	1.95	2.09	2.06
U.S. (Average for All Industries)[2]	14.0	14.0	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 2022).
No data was released for the U.S. in fiscal 2022 (as of the end of June 2023).

Severity Rate* OJG

	2018	2019	2020	2021	2022
Daikin Group (Including Overseas)	0.03	0.04	0.03	0.03	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)

	2022
Japan	2
China	18
Asia and Oceania	14
Europe	23
Americas	0
Total	57

Note: Acquired by approximately 50% of all manufacturing bases.
Number of bases with ISO 45001 certification. Excludes bases with other types of certification.

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Percentage of Employees Taking All Paid Leave D

(%)

	2018	2019	2020	2021	2022
Percentage of Daikin Industries, Ltd. Employees	94.8	95.7	91.5	95.8	97.7
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	58.4	52.4	56.3	61.6	62.6

Average Hours of Overtime per Employee D

(hours)

	2018	2019	2020	2021	2022
Hours	217.10	207.80	193.00	211.80	220.80

Periodic Health Checkup Results D

(%)

	2018	2019	2020	2021	2022
Percentage of employees taking checkup	99	94	99	99	99
Percentage of employees requiring treatment	56	69	59	63	76

Labor-Management Relations

Ratio of Union Member D

(%)

	2018	2019	2020	2021	2022
Percentage of employees in union	86	87	87	87	86

Supply Chain Management

Class A CSR Procurement Achievement Rate* OJG

(%)

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

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

Green Procurement Rate* OJG

(%)

	2018	2019	2020	2021	2022
Japan	90	93	95	95	91
Overseas	79	77	77	78	76
Entire Group	80	80	80	80	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)

	2018	2019	2020	2021	2022
Total	1,415	1,477	1,292	1,388	1,794

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OG Overseas group companies only OJG Including group companies in Japan and overseas

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Number of Executives and Breakdown* D

(people)

			2021	2022	2023
Executives	Internal	Men	7 (non-Japanese 1)	7 (non-Japanese 1)	6 (non-Japanese 1)
		Women	0	0	0
	External	Men	3	3	3
		Women	1	1	1
	Total		11	11	10

* Current as of July 1, 2023.

Number of Auditors and Breakdown* D

(people)

			2021	2022	2023
Auditors	Internal	Men	2	2	2
		Women	0	0	0
	External	Men	2	2	2
		Women	0	0	1
	Total		4	4	5

* Current as of July 1, 2023.

Number of Board of Directors' Meetings and Average Attendance D

	2020	2021	2022
Number of meetings	15	15	16
Average attendance of Board of Directors' meetings (%)	97	97	98

Average Appointment Term for Directors D

(years)

	2022
Average appointment term	11.6

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

(people)

			2021	2022	2023
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	1
		Women	0	0	0

* Current as of June 2023.

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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

		2018	2019	2020	2021	2022
Directors	Number	12	12	12	14	12
	Amount of compensation (million yen)	1,183	1,186	1,281	1,364	1,435
Audit & Supervisory Board Member	Number	4	5	4	4	4
	Amount of compensation (million yen)	98	99	99	99	102
Total	Number	16	17	16	18	16
	Amount of compensation (million yen)	1,281	1,285	1,380	1,463	1,537

* About compensation amounts
For fiscal 2018, the compensation amount for the term of office of two auditors who retired is included.
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.

Corporate Officers with Compensation Over 100 Million Yen (Fiscal 2022) 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	456	Director	Daikin Industries, Ltd.	193	54	208
Masanori Togawa	322	Director	Daikin Industries, Ltd.	130	54	137
Ken Tayano	185	Director	Daikin Industries, Ltd.	82	32	55
		President	Daikin (CHINA) Investment Co., Ltd. (Consolidated subsidiary)	15	–	–
Masatsugu Minaka	169	Director	Daikin Industries, Ltd.	7	30	44
		Director	Daikin Europe N.V. (Consolidated subsidiary)	80	–	6
Kanwal Jeet Jawa	156	Director	Daikin Industries, Ltd.	14	18	–
		Director	Daikin Airconditioning India Pvt. Ltd.	74	–	49
Yoshihiro Mineno	151	Director	Daikin Industries, Ltd.	57	30	63
Takashi Matsuzaki	142	Director	Daikin Industries, Ltd.	57	26	58

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

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Accounting Auditor Compensation D

(million yen)

	2022
Auditing expenses	296

Number of Patent Applications D

(cases)

	2017	2018	2019	2020	2021
Japanese applications	904	957	1,076	1,045	1,190
Overaseas applications	434	513	467	587	597

Major Legal Violations OJG

(cases)

	2020	2021	2022
Number of Major Legal Violations	0	0	0

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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 FY2022

- 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%.

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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 2023 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2022 through March 31, 2023 (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) The following data through business operations of four production bases of Daikin
   - CO_2 emissions from non-energy use
   - CH_4, N_2O, SF_6 and NF_3 emissions
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 2023 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2022 through March 31, 2023 (the 'Selected Information'):

1) Contribution to greenhouse gas emission reduction through the spread of air conditioners and heat pumps, hot water supply systems and refrigeration systems with lower emissions
2) Contribution to greenhouse gas emission reduction due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to the patents, technical support, etc.
3) Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group (in CO_2 equivalent)

Reporting criteria
The Selected Information included within the Report needs to be read and understood together with the reporting criteria stated in the Report.
The Selected Information reported internally to Daikin Group only for the purpose of internal management needs to be read and understood together with the internal reporting criteria defined by Daikin.

Limitations and Exclusions
Excluded from the scope of our work is any verification of information relating to:
- Activities outside the defined verification period;
- Any other information within the Report, which is not listed as the 'Selected Information'.

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities
This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Daikin.
Bureau Veritas was not involved in the drafting of the Report or of the Reporting Criteria. Our responsibilities were to:
- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria by conducting our assurance work;
- assess the reliability and accuracy of the Selected Information by conducting our review work;
- form an independent conclusion based on the procedures performed and evidence obtained; and
- report our conclusions to the Directors of Daikin.

Assessment Standard
We performed our assurance work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board and ISO14064-3 (2019): Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.
We performed our review work by using Bureau Veritas' standard procedures for external review of sustainability information.

Summary of work performed
As part of our independent verification, our work included:

1. Conducting interviews with relevant personnel of Daikin;
2. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
3. Reviewing documentary evidence provided by Daikin;
4. Reviewing Daikin systems for quantitative data aggregation and analysis;
5. Verification of sample of data back to source by carrying out ten physical site visits, selected on a risk based bases at the following locations:
   - Daikin Head Office
   - Daikin Industries, Ltd. Kashima Plant
   - Daikin Device (Suzhou) Co., Ltd.
   - Daikin Motor (Suzhou) Co., Ltd.
   - DAIKIN REFRIGERATION (SUZHOU) CO., LTD
   - DAIKIN AIR-CONDITIONING (SUZHOU) CO., LTD.
   - Daikin Compressor Industries, Ltd.
   - Daikin Malaysia Sdn Bhd & Daikin Research & Development Malaysia Sdn Bhd
   - AHT Cooling Systems GmbH
   - Daikin Applied Europe S.p.A. (Italy)
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	559,736	·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 overseas production subsidiaries ·CO_2 from non-energy use, CH_4, N_2O, SF_6 and NF_3 : GHG emissions through business operations of four production bases of Daikin
Scope 2 (location-based)	611,527	
Scope 2 (market-based)	474,835	
Scope 3 (Category 1, 11 and 12)	308,285,680	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: 4,701,417 t-CO_2e | Category 11: 257,498,139 t-CO_2e | Category 12: 46,086,124 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 and applicable legal and regulatory requirements.
Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA), 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.

Bureau Veritas Japan Co., Ltd.
Yokohama, Japan
June 28, 2023

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https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/environment/verification-pdf

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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 Fourth Assessment Report.

(3) Non-energy-induced CO_2, CH_4, N_2O, SF_6 NF_3 emissions in production processes at sites Scope 1

- The scope of calculation is the four manufacturing bases of Daikin Industries, Ltd.
- Calculations are based on emissions coefficients stipulated in the Act on the Promotion of Global Warming Countermeasures.
- Global warming potentials are from the IPCC Fourth 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.

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(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). 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

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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

Our Group Philosophy
The basis for the shared thoughts and actions of all employees

People-Centered Management
The cumulative growth of all Group members serves as the foundation for the Group's development

Our Group Philosophy

Our Group Philosophy

1. Create New Value by Anticipating the Future Needs of Customers
2. Contribute to Society with World-Leading Technologies
3. Realize Future Dreams by Maximizing Corporate Value
4. Think and Act Globally
5. Be a Flexible and Dynamic Group
6. Be a Company that Leads in Applying Environmentally Friendly Practices
7. With Our Relationship with Society in Mind, Take Action and Earn Society's Trust
8. The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Group
9. Be Recognized Worldwide by Optimally Managing the Organization and its Human Resources, under Our Fast & Flat Management System
10. An Atmosphere of Freedom, Boldness, and "Best Practice, Our Way"

Our 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.

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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/new/pdf/management/conduct_01-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/new/pdf/management/conduct_02-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/new/pdf/management/conduct_03-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/new/pdf/management/conduct_04-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/new/pdf/management/conduct_05-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/new/pdf/management/conduct_06-pdf

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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/new/pdf/management/conduct_07-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/new/pdf/management/conduct_08-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/new/pdf/management/conduct_09-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/new/pdf/management/conduct_10-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/new/pdf/management/conduct_11-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/new/pdf/management/conduct_12-pdf

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 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/new/pdf/management/conduct_13-pdf

14. Maintaining a Firm Attitude against Anti-social Activities

We shall take a firm attitude against anti-social force or organization that threatens the safety and order of the citizens of society.

Specific Guidelines
https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/management/conduct_14-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/new/pdf/management/conduct_15-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/new/pdf/management/conduct_16-pdf

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Human Rights Policy

Daikin Group Human Rights Policy

In Our Group Philosophy, we in the Daikin Group state that "The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Group." While respecting diverse personal values and work ethics, we have promoted the creation of a work environment that enables 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.

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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.

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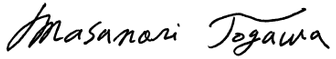
- Monitoring and disclosure: Tracking and evaluating the status of our efforts to respect human rights, and applying the lessons learned to the continuous improvement
  - Reporting our human rights initiatives and their progress in a timely and appropriate manner through our website and other means
-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

July 27, 2022
Daikin Industries, Ltd.
President and CEO



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

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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.

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Environmental Policy of the Daikin Group in Japan

Environmental Policy of the Daikin Group in Japan

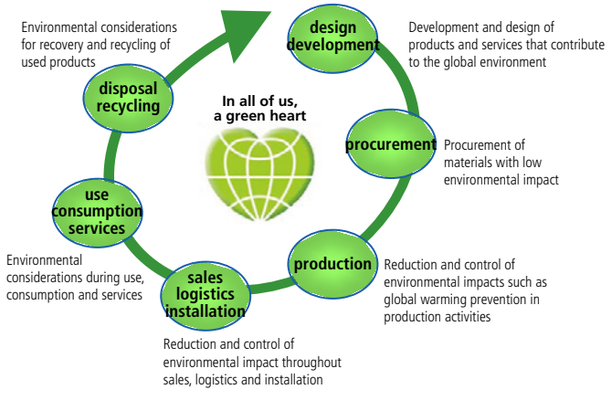
Based on our Group Philosophy, "Be a Company that Leads in Applying Environmentally Friendly Practices," Daikin practices environmental management that balances business expansion with environmental and social contributions.

As the only manufacturer in the world with both air conditioning and chemical businesses, we have been providing differentiated products and services around the world by utilizing our environmental, energy-efficient and air-related technologies.

At the same time, there is a strong need to address the increasing environmental impact such as global warming caused by energy consumption during product use and refrigerants.

To this end, we strive to create products and solutions with high environmental performance, such as energy efficient air conditioners, heat pump space and water heaters, and refrigerants with low global warming potential aiming to achieve "carbon neutrality in 2050," and contribute to people's healthy and comfortable lives and the global environment using the power of air.

Lead in Applying Environmentally Friendly Practices



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 by expanding the use of energy-efficient and renewable energy, developing energy-efficient technologies, and promoting recovery, reclamation, and destruction of fluorocarbons.
   - Reduce CO_2 emissions from the use of products by promoting inverter products, improving the energy efficiency of equipment 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 reclamation of refrigerants at the time of product disposal.
   - Create new environmental businesses such as energy creation, and develop new technologies for CO_2 reduction.
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 recycling of waste and wastewater, as well as control of the amount of waste generated, in order to make effective use of resources. Also, we promote the substitution of chemical substances and reduction of emissions to prevent environmental pollution.
5. We promote "Green Heart Factory" and "Green Heart Office" activities to realize environmentally conscious factories and offices.
6. We enhance our external reputation by disclosing environment-related information to society with greater objectivity and transparency, and by proactively communicating with stakeholders.
7. We promote environmental protection by working on "biodiversity protection" to protect and rejuvenate nature, as a member of the community that lives with the gifts of nature.

July 1, 2021
Masanori Togawa
President and CEO, Daikin Industries, Ltd.

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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)

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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.

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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)

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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?

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	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?

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	Assessment item		Assessment standard
09. Ease of disassembly and separation of materials by hand	9-1	Easy to disassemble products and separate 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?

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GRI Standard Comparison Table

Statement of use	Daikin has reported the information cited in this GRI content index for the period from 1 April 2022 to 31 March 2023 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 Inquries for Sustainability https://www.daikin.com/contact/csr/agree
2-4	Restatements of information	–
2-5	External assurance	164 Third-Party Verification
2. Activities and workers		
2-6	Activities, value chain and other business relationships	About Daikin https://www.daikin.com/corporate 012 Daikin's Business Characteristics 107 Responsible Procurement
2-7	Employees	About Daikin https://www.daikin.com/corporate 085 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	014 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	–

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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	–
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2-23	Policy commitments	168 CSR Philosophy 104 Respect for Human Rights
2-24	Embedding policy commitments	134 Compliance 104 Respect for Human Rights 107 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	120 Participation in Initiatives

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5. Stakeholder engagement		
2-29	Approach to stakeholder engagement	116 Stakeholder Engagement
2-30	Collective bargaining agreements	096 Labor Management Relations

GRI 3: Material Topics

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3-2	List of material topics	014 Identifying Material Issues
3-3	Management of material topics	021 Management Structure / Key Themes 022 Sustainability Targets and Results 132 Risk Management

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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	085 Workplace Diversity
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203-1	Infrastructure investments and services supported	–
203-2	Significant indirect economic impacts	–
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204-1	Proportion of spending on local suppliers	–

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205-2	Communication and training about anti-corruption policies and procedures	
205-3	Confirmed incidents of corruption and actions taken	–
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206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	134 Compliance 168 CSR Philosophy
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301-1	Materials used by weight or volume	062 Overview of Environmental Impacts
301-2	Recycled input materials used	–
301-3	Reclaimed products and their packaging materials	058 Sustainable Use of Resources
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302-1	Energy consumption within the organization	062 Overview of Environmental Impacts 145 ESG Data (Environment)
302-2	Energy consumption outside of the organization	
302-3	Energy intensity	
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302-5	Reduction in energy requirements of products and services	145 ESG Data (Environment) 022 Sustainability Targets and Results
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304-2	Significant impacts of activities, products, and services on biodiversity	060 Protecting Biodiversity
304-3	Habitats protected or restored	
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305-1	Direct (Scope 1) GHG emissions	062 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)
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306-2	Management of significant waste-related impacts	058 Sustainable Use of Resources
306-3	Waste generated	145 ESG Data (Environment)
306-4	Waste diverted from disposal	
306-5	Waste directed to disposal	
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308-1	New suppliers that were screened using environmental criteria	107 Responsible Procurement
308-2	Negative environmental impacts in the supply chain and actions taken	

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401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	–
401-3	Parental leave	088 Work-Life Balance
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403-2	Hazard identification, risk assessment, and incident investigation	091 Occupational Safety and Health 134 Compliance
403-3	Occupational health services	–
403-4	Worker participation, consultation, and communication on occupational health and safety	091 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	091 Occupational Safety and Health 113 Working Closely with Suppliers
403-8	Workers covered by an occupational health and safety management system	091 Occupational Safety and Health
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405-2	Ratio of basic salary and remuneration of women to men	–
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407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	096 Labor Management Relations
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408-1	Operations and suppliers at significant risk for incidents of child labor	104 Respect for Human Rights
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412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	–
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413-1	Operations with local community engagement, impact assessments, and development programs	–
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Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	107 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	075 Product Quality and Safety
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	–

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Disclosure		Relevant page number
Marketing and Labeling		
417-1	Requirements for product and service information and labeling	075 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	–

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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 as Its Basic Philosophy of Business

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.

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

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.

168 Data Policies, Regulations and Guidelines CSR Philosophy

2008
Daikin Establishes Key Themes with Consideration for Business Plans and Impact on Stakeholders

In light of the unique characteristics and business plans of Daikin, a global manufacturer of air conditioners and fluorochemicals, we established key CSR themes in four areas: the environment, quality & customer satisfaction, human resources, and social contribution.

2011 to 2015
Active CSR Based on the Fusion 15 Strategic Management Plan

We incorporated CSR activities into the Fusion 15 Strategic Management Plan launched in fiscal 2011 to respond to the demands of society.

2016
Revision of Key Themes in Line with Fusion 20 Strategic Management Plan

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 order to resolve intensifying environmental challenges from a long-term perspective. 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 when formulating Fusion 25, arriving at 10 materiality themes, including "the environment" and "the value of air," with a target for 2025 set for each.

021 Management Management Structure / Key Themes

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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.

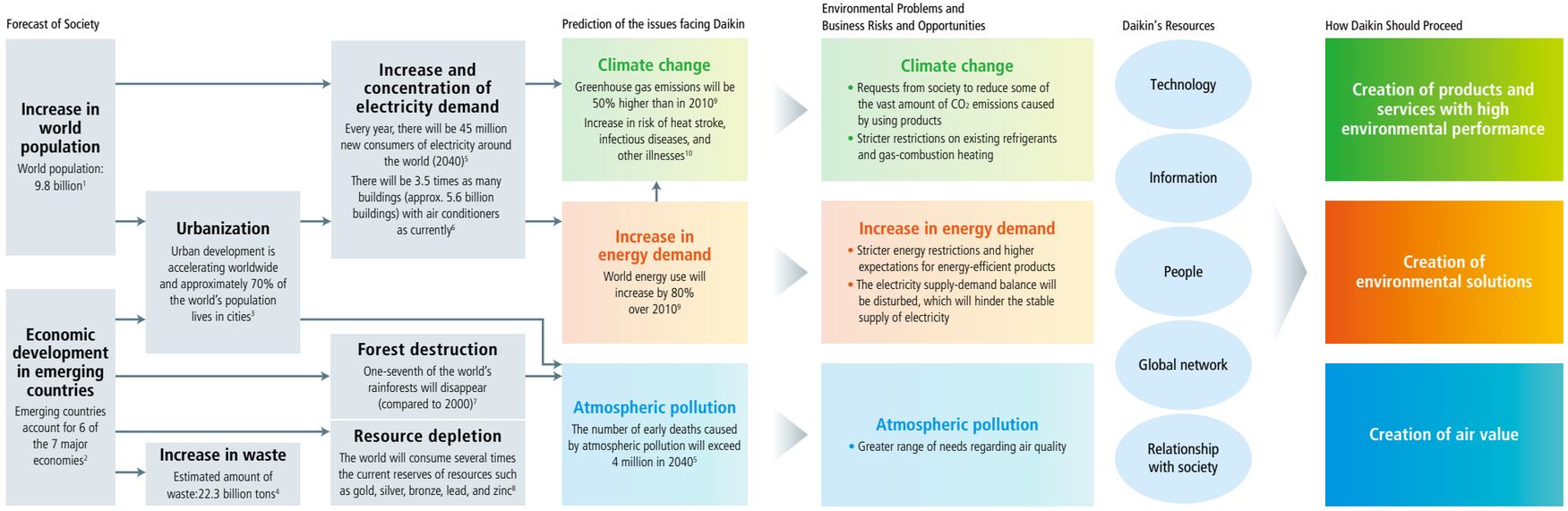
Forecast of Society in Which Daikin Will Operate in 2050

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)

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Honors for Daikin

Overall CSR

Daikin Industries, Ltd.

Chosen for inclusion in the MSCI ESG Leaders Indexes

2023 MSCI ESG Leaders Indexes Constituent

Chosen for inclusion in the MSCI Japan ESG Select Leaders Index

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Received AA ESG Rating from MSCI

MSCI ESG RATINGS AA

CCC B BB BBB A AA AAA

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.

MSCI ESG Research website
https://www.msci.com/our-solutions/esg-investing

Recognized as a Sustainability Yearbook Member by S&P Global in The Sustainability Yearbook 2022

ABC Leisure Company Incorporated
Leisure Equipment, Products & Consumer Electronics
Sustainability Yearbook Member
S&P Global ESG Score 2022
73 /100
As of February 7, 2023.
Position and Score are industry specific and reflect exclusion screening criteria. Learn more at spglobal.com/esg/yearbook
S&P Global Sustainable1

Chosen for inclusion in the FTSE Blossom Japan Index

FTSE Blossom Japan

Chosen for inclusion in the FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

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.

FTSE Russell website
https://www.ftserussell.com/

Chosen for inclusion in the SOMPO Sustainability Index

2023 Sompo Sustainability Index

Sompo Asset Management Co., Ltd. Sustainable Asset Management (available in Japanese only)
https://www.sompo-am.co.jp/institutional/product/06/

Selected for Climate Change Measures in CDP's "Climate Change A-List" for the second consecutive year

CDP A LIST 2022 CLIMATE

CDP
https://www.cdp.net/en

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Honors for Daikin

Recognition of Products and Services

Daikin Industries, Ltd.

Won FY2022 Energy Conservation Grand Prize (organized by the Energy Conservation Center, Japan)

- Minister of Economy, Trade and Industry Prize in the products and business model category
  Saravia (SVHJ125Z) dehumidifying outdoor air processing ventilation system optimized for ZEH
- ECCJ Chairman Prize in the products and business model category
  Multi-split air conditioner for buildings that achieves drastic energy savings through ventilation interlock system
- ECCJ Chairman Prize in the energy conservation examples category
  Initiative to achieve energy conservation through positive pressure and improving air supply/exhaust balance in existing factories

The Energy Conservation Center, Japan
https://www.asiaeec-col.eccj.or.jp/

Customer Satisfaction Honors

Daikin Industries, Ltd.

Six of Daikin's products won a Good Design Award for fiscal 2022

- Residential air conditioner for the European market (Daikin EMURA3)
- Oxygen concentrator
- Commercial air purifier for the domestic market (UV Powerful Streamer Air Purifier ACBF15Z-S)
- Ceiling mounted cassette type UV Streamer Air Purifier
- Custom Style humidifying air purifier

GOOD DESIGN AWARD 2022

Good Design Award (Japan Institute of Design Promotion)
https://www.jidp.or.jp/en/gooddesign/award

Human Resource Honors

Daikin Industries, Ltd.

Received the highest ranking of S++ in Innovation, and Market Expansion, and S+ in Human Resources Placement, and received 5 stars in overall ranking for the sixth consecutive year (deviation value of 70 and above), in the 6th NIKKEI Smart Work survey (Nikkei Inc.)

NIKKEI Smart Work ★★★★★ 2023 Best 24

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

Newspaper and Magazine Rankings

Daikin Industries, Ltd.

Ranked 13th overall in CSR Rankings (Toyo Keizai Inc.)

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

Nikkei ESG Brand Index Ranking 39th (Nikkei Business Publications, Inc.)

2022 ESG Brand Survey (Nikkei BP) (available in Japanese only)
https://project.nikkeibp.co.jp/ESG/atcl/column/00022/100300003/

Received 4.5 stars certification in the 4th 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 2022 23rd (Interbrand)

Best Japan Brands 2022 (Interbrand)
https://interbrand.com/newsroom/interbrand-announces-best-japan-brands-2022/

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