

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

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 CO₂ 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.

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President and CEO
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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* <small>(compared to BAU with 2019 as base year)</small>	7 %	14 %	Over 30 % reduction

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