

August 2, 2023

## **Daikin Establishes New AC Production Base in Tsukubamirai City, Ibaraki, Japan**

Seeks to boost product supply capabilities in Japan with first factory in the Kanto region

Daikin Industries, Ltd. has decided to acquire land in Tsukubamirai City, Ibaraki Prefecture, Japan, to establish a new production base for air conditioners. Today, Masanori Togawa, President and CEO for Daikin paid a courtesy visit to Kazuhiko Oigawa, Governor of Ibaraki Prefecture. In locating the new factory in the Kanto region\*, the company looks to optimize domestic supply of air conditioning products in Japan as it aims for further expansion.

Currently, Daikin manufactures air conditioners and related parts in approximately 90 locations worldwide. In Japan, it has main production facilities such as the Sakai Plant (Sakai, Osaka), the Yodogawa Plant (Settsu, Osaka), and the Shiga Plant (Kusatsu, Shiga), all of which have been concentrated in the Kansai region, centering on Osaka where the company was founded.

The new plant to be built in Tsukubamirai City will be Daikin's first air conditioning plant in the Kanto region. Here it will further improve Daikin's *Monozukuri* capabilities not only at the new factory, but also at the current bases, with a focus on product supply, cost competitiveness, and production technology. Additionally, a reorganization of the functions of the domestic factories, including the new base, will further advance the bases in Japan as global mother factories driving other production bases around the world.

Rather than returning production to Japan in a shift of overseas production, the new plant is purely positioned to strengthen domestic production.

\*The Kanto region is an area consisting of Tokyo Metropolis and six prefectures located in eastern Japan.

### **Goals for the new factory in Tsukubamirai City**

#### **1. Boost supply capabilities for the Kanto region, Japan's largest market**

With stable demand expected in the Japanese market, the region serves as an important gateway for air conditioning manufacturers to expand business globally. After examining product supply to the Kanto area from a medium- to long-term perspective, Daikin selected Tsukubamirai City in Ibaraki as the optimal setting for its new factory because of its proximity to the Tokyo metropolitan area, where large demand for air conditioning products is expected to continue in the future. The new factory will enable a timely supply of products to meet fluctuations in demand. Also, efficient product delivery will address the long-haul transportation issues of rising costs and driver shortages, which are likely to become even more severe in the future.

Likewise, for the cold climate markets which extend north of Kanto and are expected to grow, the city has an enviable location from both perspectives of overland and marine transportation. This advantage will facilitate the smooth supply of air conditioners and heat pump water heating and supply system for cold climate regions that are in greater demand from rising temperatures and the need to replace combustion heating to achieve carbon neutrality.

**2. Driving global manufacturing bases with technological innovation from Japan**

In order for the Daikin manufacturing bases in Japan to continue to lead global manufacturing, it is essential to further enhance development and production capabilities. Demonstration experiments at factory sites are necessary for the use of innovative technologies, such as AI and IoT, that drastically change manufacturing. However, the current domestic factories have little physical room for expansion. Also, they are producing at levels close to maximum production capacity, making it difficult for them to free up adequate space. Establishing a new production base will allow Daikin to have spare production capacity and reorganize functions between bases while increasing supply capacity and its ability to demonstrate leading-edge technologies. In this way, the new factory will further enhance development of a global production system in which Japanese mother factories promote technological innovation in manufacturing, and improvements are mutually shared among the overseas bases.

**3. Reducing supply risks by decentralizing production bases**

To date, Daikin has concentrated its domestic manufacturing bases in Kansai. The construction of the new factory in Kanto will help reduce the risk of product supply being disrupted due to a sudden event affecting factory operations, such as a natural disaster.

As a first step, production of residential air conditioners will start between 2027 and 2028. Capital investments, such as expansion of production items, are also planned in the future, evaluating changes in the business environment. Daikin will continue working toward business expansion and growth while contributing to the development of the local community in Ibaraki through economic revitalization and job creation.

**Reasons for selecting the proposed construction site for the new factory**

Daikin decided to acquire land at "Ken-O Expressway Interpark Tsukubamirai" in Tsukubamirai City, which is conveniently located in the southwestern part of Ibaraki Prefecture. It is about 40 kilometers from the central Tokyo and can be reached in about an hour by Tsukuba Express train or by car. In addition, Ibaraki is the only one of the three northern Kanto prefectures to have access to both a port and an airport, enabling use of an advanced transportation infrastructure. In addition, there is an abundant labor force that can leverage a rising working-age population in the suburbs as a solid foundation for human resource development.

**Image of the New Factory**



## **Overview of the New Manufacturing Base**

- Name: Tsukuba Plant, Daikin Industries, Ltd. (Tentative name)
- Location: Tsukubamirai City, Ibaraki Prefecture
- Investment: Approximately 20 billion yen
- Site area: Approximately 98,000 m<sup>2</sup>
- Production items: Residential air conditioners