

Overview of Sustainability

# Identifying Material Issues

## Identified Material Issues

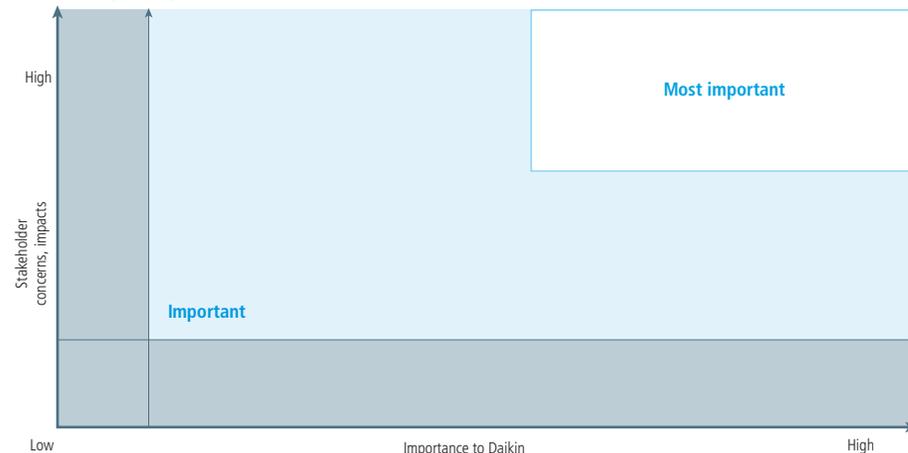
### Emphasis Placed on Climate Change

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

Overview of Sustainability

# 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

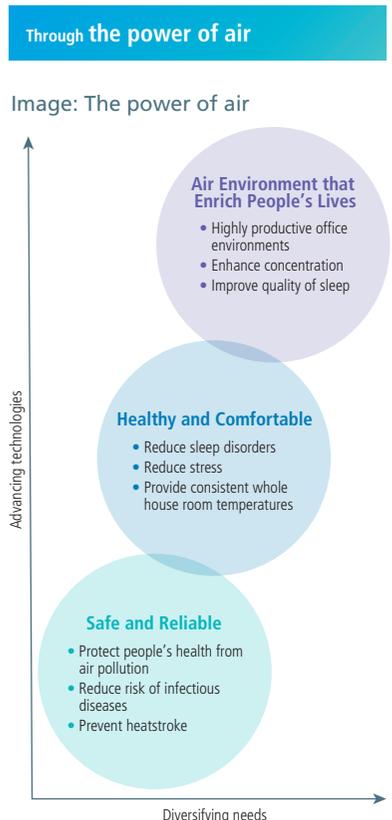
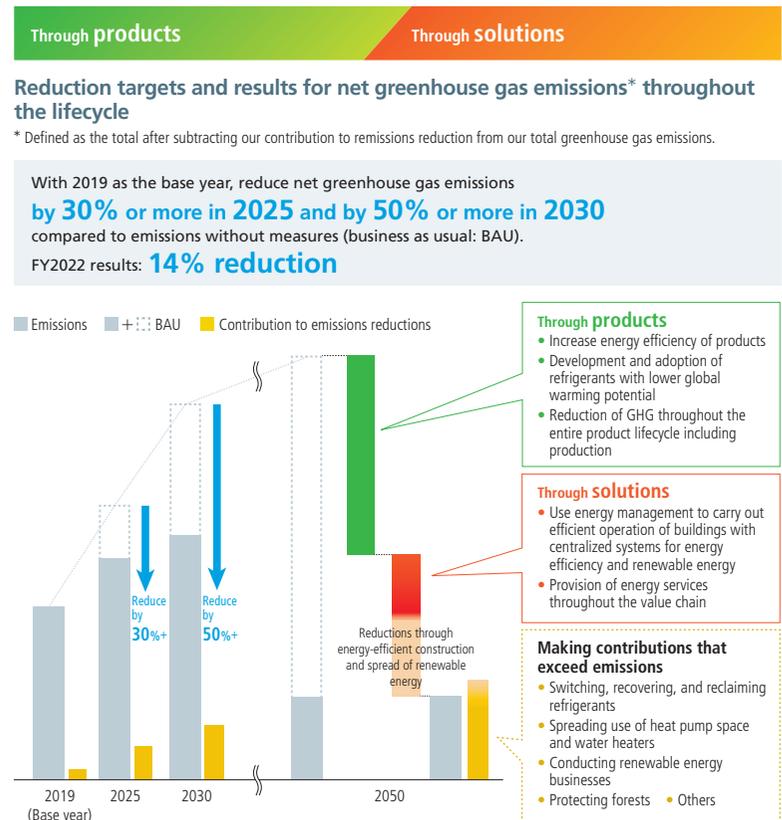


We will reduce the greenhouse gas emissions generated throughout the entire lifecycle of our products. Furthermore, we are committed to creating solutions that link society and customers as we work with stakeholders to reduce greenhouse gas emissions to net zero. Using IoT and AI, and open innovation 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.



Overview of Sustainability

# Strategic Management Plan Fusion 25

## Strategic Management Plan Fusion 25

### Executing Measures within Business Plans

The three themes of the growth strategy for achieving our environmental vision have been incorporated into the key themes of the Fusion 25 Strategic Management Plan. We will now implement this plan aiming to strike a balance between resolving social issues and business growth.

<b>Fusion 25</b>	<b>Offer new value for the environment and air to realize both contributions to a sustainable society and Group growth</b>
<b>Through products</b>	<p><b>Challenge to achieve carbon neutrality</b></p> <ul style="list-style-type: none"> <li>• Power consumption reductions during product use</li> <li>• Heat Pump Space and Water Heating business</li> <li>• Refrigerant initiatives supporting the AC business</li> <li>• Working to achieve net-zero greenhouse gas emissions by 2030 at all plants with the exception of chemicals plants</li> <li>• Embrace new businesses aimed at a carbon neutral society</li> <li>• Initiatives toward a circular economy</li> </ul>
<b>Through solutions</b>	<p><b>Promotion of solutions business connected with customers</b></p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Tackling the challenge of creating solution models balancing both energy efficiency performance and comfort</li> <li>• In addition to growth of existing businesses, greater business expansion in Asia where market growth is anticipated</li> </ul>
<b>Through the power of air</b>	<p><b>Creating value with air</b></p> <ul style="list-style-type: none"> <li>• Establishing a large-scale IAQ/Ventilation business</li> <li>• Creation of IAQ/AE that enrich people's lives</li> <li>• Pursuit of new value with air</li> </ul>

### 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.