

Identifying Key Themes of CSR and Management Strategy

Daikin has reflected the changes in external environment and the key themes of CSR identified by the CSR Committee with an eye toward 2030 in the key strategy themes of the Fusion 25 Strategic Management Plan (materiality of management) ending in 2025.

1 Understanding Stakeholder Concerns and Impacts

Society's challenges (Global risks)

- Extreme weather events
- Natural disasters
- Climate action failure
- Biodiversity loss
- Infectious diseases
- Natural resource crises

Source: World Economic Forum Global Risks Perception Survey 2020

International frameworks

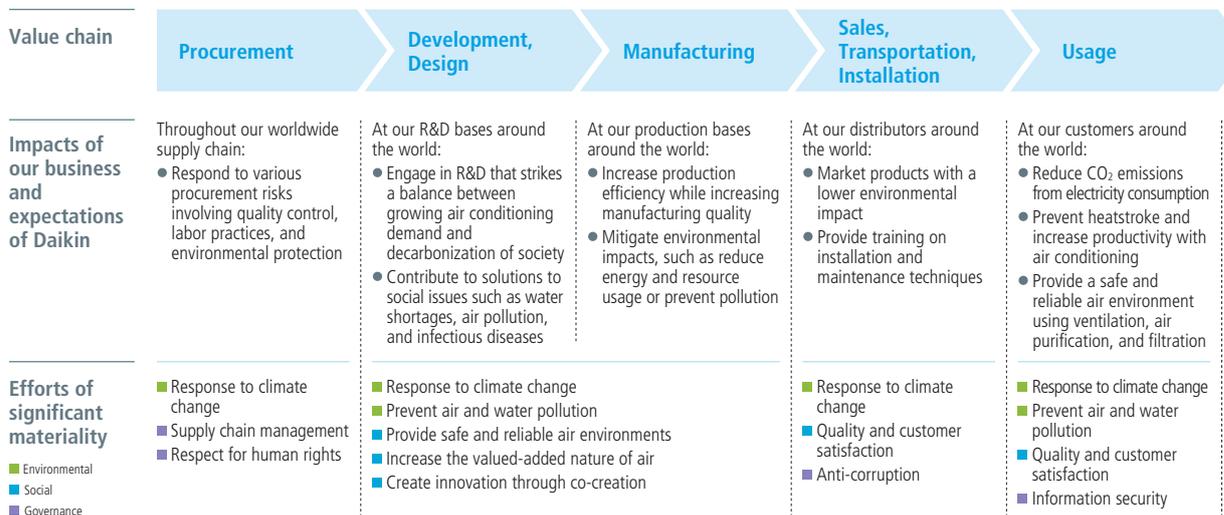
- Sustainable Development Goals (SDGs)
- Paris Agreement to the UN Framework Convention on Climate Change
- Kigali Amendment* to the Montreal Protocol
- UN Global Compact (UNGC)

* International agreement to phase down the global warming impact (CO₂ equivalent) of HFCs.

Assessments of Daikin, stakeholder dialogue

- ESG assessment
Dialogue with stakeholders
- Briefings for shareholders and investors
 - Air Conditioner Forums
 - Dialogue with international organizations, NPOs, NGOs, etc.

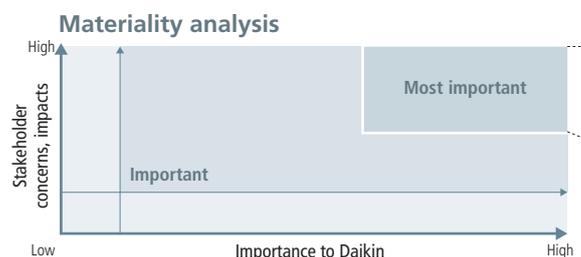
2 Assessing the Impact of Our Business on Society throughout the Entire Value Chain



3 Identifying Key Themes of CSR for Daikin and Society

Prior to formulating the Fusion 25 Strategic Management Plan, we reviewed our key themes of CSR.

We incorporated highly important initiatives for evaluating the impacts our business has on society across the entire value chain. 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 the key themes of CSR.



Reflecting them in

Important Elements Affecting Daikin

- Worldwide electricity demand for space cooling will triple by 2050
- Acceleration in the decarbonization movement
- Growing physical risks such as extreme weather events and risk of resource depletion
- Growing need for safe and reliable air environments

After-sales Service, Recovery, Recycling

At maintenance providers around the world:

- Provide high quality after-sales services
- Recycle air conditioners
- Establish a circular ecosystem of refrigerants through recovery and reclamation

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

Business Activity Foundation

For sustainable growth:

- Develop human resources to lead our business activities
- Promote compliance
- Strengthen governance and risk management

- Human resource development
- Corporate governance
- Risk management
- Respect for human rights

Relationship with Society

For growing together with society:

- Collaborate with various stakeholders, including governments, international organizations, industry and academia, NPOs and NGOs, experts, and local communities

- Response to climate change
- Create innovation through co-creation
- Stakeholder engagement
- Communities

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

Reflection in Fusion 25 Strategic Management Plan

Under the Fusion 25 Strategic Management Plan, Daikin established nine key strategy themes including “Challenge to achieve carbon neutrality” based on the key themes of CSR, our strengths, and changes in the external environment around Daikin. By implementing this plan, we will aim to contribute to society and grow the Group.

Fusion 25 Strategic Management Plan

Offer new value for the environment and air to realize both contributions to a sustainable society and Group growth

9 key strategy themes

3 growth strategy themes

- Challenge to achieve carbon neutrality
- Promotion of Solutions business connected with customers
- Creating value with air

1 theme for focus regions

- Air Conditioning business in North America

5 themes to enhance the management foundation

- Strengthening technology development capabilities
- Establishing a robust supply chain
- Promoting digital transformation for innovation
- Creating market value/enhancing advocacy activities
- Improving HR capabilities through advanced diversity management