

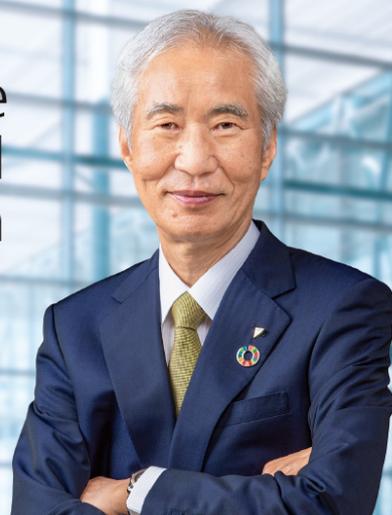
Message from the President

MESSAGE FROM THE PRESIDENT

Working toward Sustainable Growth in Line with Societal Changes and Daikin's Vision for the Future

Masanori Togawa

President and CEO Daikin Industries, Ltd.



Taking into Account Rapid Changes in Society

Fiscal 2020 was a year like few others. Society experienced some of the largest and quickest changes that we have ever seen. The COVID-19 pandemic completely transformed the way we live and work, heightening everyone's awareness toward safety and security. The pandemic has also had major impacts on corporate activities. At the same time, the movement toward decarbonization picked up steam as well. Governments including Japan's are releasing decarbonization policy that strongly urges the business world to set and achieve greenhouse gas emissions reduction targets.

Contributing to a Sustainable Society as a Company That Provides Solutions with Air

As the only manufacturer in the world to produce both air conditioners and refrigerants, Daikin has provided markets around the world with products and services harnessing its environmental technologies.

Our core business of air conditioning has become a form of infrastructure underpinning society, transforming the indoor environment in hot climate regions. In this manner, Daikin contributes to people's health through the prevention of heatstroke and improved air quality and supports economic development by improving work efficiency.

However, the widespread use of air conditioners increases electricity usage and impacts global warming. Following economic development in emerging countries, demand for air conditioning is forecast to triple from current levels by 2050. Our social mission is to mitigate future global warming effects to every extent possible while providing comfortable air environments to the world.

Fusion 25 Strategic Management Plan Seeks Carbon Neutrality

Under the Fusion 25 Strategic Management Plan, which targets fiscal 2025, Daikin aims to continually grow and develop its businesses while benefiting society and the environment with an eye toward the Sustainable Development Goals (SDGs), recognizing that rapid changes in society including decarbonizations represent a business opportunity. In this manner, the plan was backcast from Daikin's vision for the future. The growth strategy laid out in Fusion 25 focuses on the three themes of "Challenge to achieve carbon neutrality," "Promotion of solutions business connected with customers," and "Creating value with air," under the vision of "realize both contributions to sustainable society and Group growth."

Following the first theme of "Challenge to achieve carbon neutrality," Daikin established an interim target aimed at the goal of reducing greenhouse gas emissions to net zero by 2050. This target aims to lower greenhouse gas emissions throughout the entire lifecycle of our products by 50% or more in 2030 compared to BAU,* with fiscal 2019 as the base year. In addition to reducing energy usage during manufacturing, expanding the adoption of environmentally conscious products, and expanding heat pump space and water heating businesses, we will work to build and commercialize refrigerant recovery, reclamation, and destruction systems, while developing new environment-related businesses that create energy and new technologies for the decomposition, recovery, and reuse of CO₂. Through "Promotion of solutions business connected with customers," we will provide experiences that meet the new needs of people, and under "Creating value with air," we will encourage the creation of new air environments that enrich people's lives by delivering health and comfort, along with safety and reliability.

Additionally, we will focus on strengthening and reforming our management foundation. This includes building a resilient supply chain and promoting digitalization.

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

Workforce Diversity as a Source of Growth

In order to achieve Fusion 25, we will refine people-centered management, as our people represent the foundation for Daikin's growth. I recognize that it will be important to elevate this approach across the entire Group.

With a workforce of over 80,000 people in more than 160 countries around the world, the Daikin Group's greatest strength is our unique form of diversity management, which creates innovation and enhances the Group's collective strengths and competitiveness. This is achieved by embracing people with diverse values and from different cultures, ethnicities, generations and lifestyles, and harnessing the uniqueness and strengths of every individual to power the organization.

With our people as the driving force behind our competitiveness, we will implement measures that more dynamically utilize our talent around the world across borders and we will boldly deploy a new, flexible and uniquely-Daikin personnel system and measures for fostering a better work environment suited to a new normal. These measures will increase employee motivation and help generate results.

Continually Fulfilling the Expectations of Stakeholders

Since 2008, the Daikin Group has participated in the United Nations Global Compact that sets out 10 principles spanning the four areas of human rights, labor, environment, and anti-corruption.

Daikin also endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2019. We are now focusing on the disclosure of environmental, social, and governance (ESG) data, including climate change, in addition to financial information.

As a company that grows its businesses while benefiting society, Daikin will continue to fulfill the expectations of its stakeholders, including customers, shareholders, investors, suppliers, employees, and local communities.

Masanori Togawa
President and CEO
Daikin Industries, Ltd.