



Integrated Report 2025

Fiscal Year Ended March 31, 2025

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

Currently, air-conditioning is said to account for approximately 10% of the world's energy use. Moreover, the International Energy Agency projects that demand for air-conditioning will increase rapidly and global energy demand for space cooling will triple by 2050 compared with 2015, due to the economic growth of developing countries.* Accordingly, reducing the accompanying increase in energy use and greenhouse gas emissions is an important social issue. Using heat pump, inverter, refrigerant control, and other technologies that will steer the development of an environmentally conscious society, Daikin is working to contribute to the realization of a carbon-neutral society.

* Source: Daikin estimates based on The Future of Cooling, International Energy Agency, 2018

A Spirit Passed Down from One Generation to the Next

Daikin is the only comprehensive air-conditioning manufacturer in the world that handles both air conditioners and refrigerants. Since its founding in 1924, Daikin has continued to grow by focusing on the air-conditioning and fluorochemicals businesses.

As we continue to rapidly expand our business from both a regional and operational perspective, we will stay true to our Core Values as the foundation of our business management and to our Group Philosophy as the basic philosophy shared by all Group employees, which serve as the guiding principles for our actions.

In celebration of our 100th anniversary in 2024, we have revised our Group Philosophy as the basic management policy that will underpin Daikin's further growth and development, building on our growth trajectory to date and responding to society's expectations and demands of Daikin going forward.

Our Core Values

Absolute
Credibility

Enterprising
Management

Harmonious
Personal
Relations

Our Group Philosophy

Purpose

**Our purpose is to provide comfort and security for all.
At Daikin, we believe in the infinite potential of people.**

**With our passion and innovative technologies,
we create a sustainable and bright future.**

Together, We Brighten the Future

1. Resolve Social Issues and Enhance Corporate Value

2. Create New Value by Anticipating Future Needs

3. Realize a Better Society through Innovative Technologies

4. Take Action to Maintain Society's Trust

(1) Be Transparent to Society and Build Mutual Development

(2) Grow with our Business Partners

5. Think Globally and Be Flexible and Vibrant

6. Practice "People-Centered Management (PCM)" and Provide Challenging Opportunities

(1) Create an Open-minded Atmosphere and Provide Ambitious Challengers with More Opportunities

(2) Value Empathy for Daikin Group Philosophy and Cherish the Pride and Joy of Being Part of the Daikin Group

(3) Promote and Respect Diversity Management



Please refer to "Our Group Philosophy" for details.

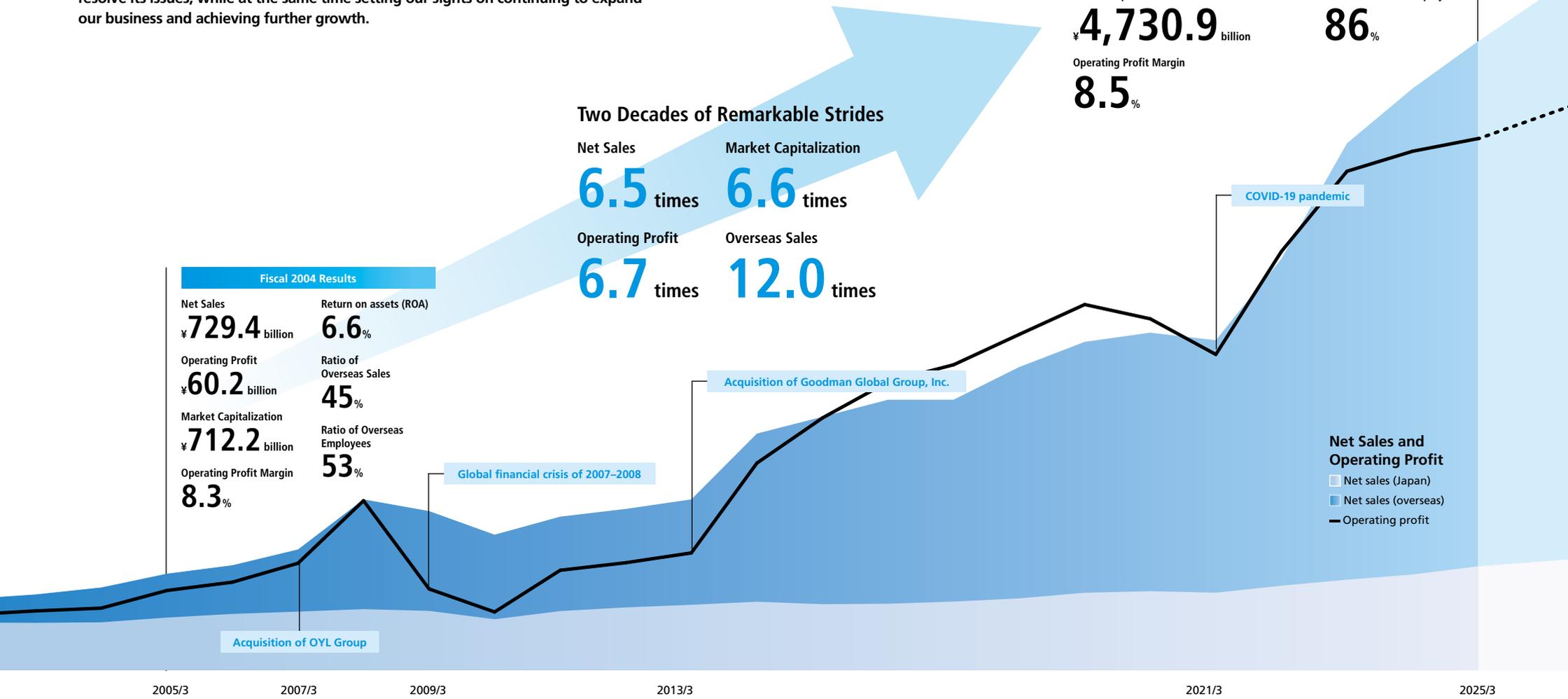
In Pursuit of Further Growth

In 2024, Daikin celebrated its 100th anniversary.

Through the globalization of its business in the last 20 years, Daikin has become a company that operates in more than 170 countries around the world.

Going forward, as the world's leading comprehensive manufacturer of air conditioners, we will stand at the forefront of today's environmentally conscious society to help resolve its issues, while at the same time setting our sights on continuing to expand our business and achieving further growth.

Fiscal 2024 Results	
Net Sales	ROA
¥ 4,752.3 billion	5.3 %
Operating Profit	Ratio of Overseas Sales
¥ 401.7 billion	83 %
Market Capitalization	Ratio of Overseas Employees
¥ 4,730.9 billion	86 %
Operating Profit Margin	
8.5 %	



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Editorial Policy

Integrated Report 2025 was created to provide stakeholders with a comprehensive overview of Daikin's business, including its strengths, business model, unique corporate culture, and strategies for medium- to long-term growth and development.

To complement this report, we have also published *Sustainability Report 2025*, which discloses more detailed and comprehensive environmental, social, and governance (ESG) information to shareholders, investors, and evaluation organizations.

Referenced Guidelines

- International Integrated Reporting Framework of the IFRS Foundation
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Guidance for Collaborative Value Creation, issued by Japan's Ministry of Economy, Trade and Industry

Daikin's Information Disclosure

The diagram illustrates the integration of financial and non-financial information into a single report. It features a central 'Integrated Report' box with arrows pointing to 'Financial Information' and 'Non-Financial Information'. Below this are two columns of navigation buttons: 'Financial Results', 'Brief Report on the Settlement of Accounts', 'Daikin Review (Business reports, in Japanese only)', and '"Investor Relations" section of corporate website' on the left; and 'Sustainability Report', 'Corporate Governance Report', and '"Sustainability" section of corporate website' on the right. At the bottom, two website screenshots are shown: the left one is the 'INVESTOR RELATIONS' page with a 'Trending' section for 'FUSION25', and the right one is the 'SUSTAINABILITY' page with a 'Trending' section for 'Daikin Environmental Vision 2050'.

Scope of Coverage

This report covers Daikin Industries, Ltd. and its 350 consolidated subsidiaries (351 companies in total). However, the data relating to the environmental management system covers Daikin Industries, Ltd. and 72 consolidated subsidiaries, which account for more than 95% of its production sites.

In this report, "the Group" and "Daikin" refer to the Daikin Group overall, while "the Company" refers to Daikin Industries, Ltd.

Period of Coverage

This report covers the period from April 1, 2024 to March 31, 2025 (fiscal 2024).

Forward-Looking Statements

This report contains statements regarding the future plans and strategies of Daikin Industries, Ltd. (the Company), as well as the Company's future performance. These statements are not statements of historical fact and are based on judgments made by the Company on the basis of information known at the time they were written. Readers should therefore refrain from drawing conclusions based only on these statements regarding the future performance of the Company. The actual future performance of the Company may be influenced by economic trends, strong competition in the industrial sectors in which the Company operates, foreign currency exchange rates, and changes in taxation and other systems. For these reasons, these forward-looking statements are subject to latent risk and uncertainty.

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Message from the Chairman of the Board and CEO



In fiscal 2025, the final year of the FUSION 25 strategic management plan, we will accelerate the implementation of our key strategy themes under the direction of top management. In so doing, we will reorganize our business structure, enhance profitability, and build a foundation to grow our business over the next 100 years.

In fiscal 2024, we increased net sales to ¥4,752.3 billion and operating profit to ¥401.7 billion, posting our highest results ever. For net sales, we achieved our quantitative target for the final year of the FUSION 25 strategic management plan (fiscal 2021 to fiscal 2025) one year ahead of schedule.

Meanwhile, our operating profit margin fell 0.4 percentage point to 8.5%, and we recognize that declining profitability is a significant management issue.

To overcome this situation, we have established six Groupwide themes and will quickly address them on a global basis under the direction of top management, while aiming to achieve results from the key strategy themes we have been working on. Through these efforts, we intend to achieve double-digit percentage growth in operating profit in real terms, excluding the effect of foreign exchange rates, and restore our operating profit margin to the 9% level in fiscal 2025. We will also continue to reorganize our business structure with a view to achieving further growth in the next fiscal year and beyond.

Six Groupwide Themes for Fiscal 2025

- Strengthen sales and marketing capabilities through the horizontal rollout of proactive measures in the air-conditioning business in China
- Accelerate the launch of new and differentiated products conducive to maintaining selling prices and increasing market share
- Strengthen the supply chain, including through responding to tariffs introduced by the U.S. government
- Secure short-term profits by reducing variable costs to the extent possible
- Accelerate the execution of earnings strategies by expanding the service and service solutions businesses globally
- Create results from digital investments and process innovation

Improving Profitability Through Business Restructuring

Strengthening Sales and Marketing Capabilities and Accelerating the Introduction of New and Differentiated Products

In the Americas and Europe, where improving our profitability has become a challenge, we are horizontally deploying initiatives that have proven successful in the Chinese market. Specifically, we are quickly introducing new products that accurately address customer needs and implementing a sales strategy that emphasizes profit margins.

Our air-conditioning business has maintained high profits in the Chinese market, despite the challenging business environment, and outperformed competitors thanks to our strong direct sales network. Through the solid leadership of local top management and thorough execution on the front lines, we have developed a sales

structure for differentiated products with high gross margins. Furthermore, by developing products and proposing residential solutions from the customers' perspective, we have built an earnings structure in which sales growth will directly lead to improved profits and profit margins.

To turn these efforts into reproducible knowledge and expand sales while maintaining selling prices, we must have the product capabilities to prevent us from falling into price wars with our competitors. This will require us to continue to bring differentiated products, systems, and solutions to market in a timely manner.

Message from the Chairman of the Board and CEO

Daikin's manufacturing, sales, and research divisions are therefore joining forces to rapidly address our product development themes so that we can accelerate the launch of new and differentiated products. These initiatives are planned and implemented uniformly across the globe.

Developing a Profitable Business Structure by Expanding the Solutions Business

To expand our solutions business, we are developing and bolstering our menu of products and services to broaden our range of solutions for the Five "S" strategy (see diagram on the right) from 3S (System solutions) to 5S (Connected solutions). Moreover, in response to the increasing global demand for applied air conditioning, we are developing heat source equipment, such as chillers and centrifugal chillers, and air-side equipment, such as air handling units.

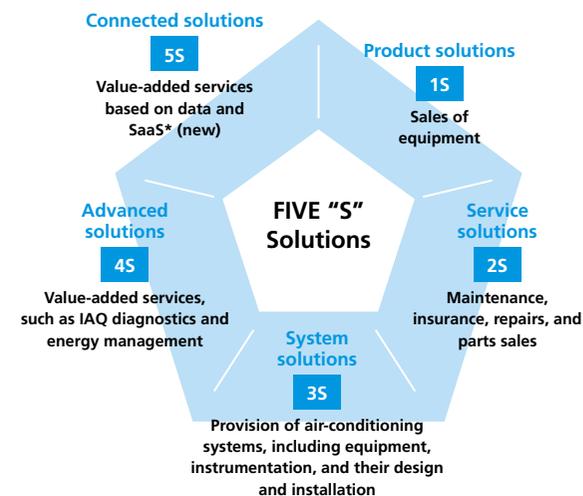
Commercial solutions, which we have been working to strengthen under the FUSION 25 strategic management plan, are key to generating profits. In addition to providing energy-efficient solutions for entire buildings from design to instrumentation, we are strengthening our solutions for specific applications and markets, such as factories, schools, and hospitals.

For example, in the heat pump space and water heating business in Europe, Daikin was the first to bring new products to market that respond to the need for superior environmental performance. We are considering the early launch of other mainstay products and clarifying the quantitative effects of adding product development themes and accelerating our response to them on a global basis.

In May 2024, we entered a capital and business alliance with MIURA CO., LTD., a leading manufacturer of industrial boilers. Through this partnership, we will work to resolve factory-wide issues, such as energy conservation and CO₂ emissions reduction. The integration of Daikin's extensive lineup of energy-efficient and environmentally friendly air-conditioning and refrigeration products, the engineering capabilities cultivated in the applied business, and MIURA's field service capabilities, including solution proposals, equipment operation, and support for factories and other customers, will lead to reductions of up to 50% in overall energy use at factories, depending on the industry. In the future, we intend to expand the solutions menu for factories that we are establishing in Japan to other parts of the world, contributing to the decarbonization of production sites across the globe.

Five "S" Strategy

Aims to provide customers with the solutions they need based on the five elements of the strategy



*SaaS: Software as a service

Advancing to the Next Stage of Growth Through the Foundation Established Under FUSION 25

Responding to the Challenging Business Environment

Under the FUSION 25 Latter-Half Three-Year Plan (fiscal 2023 to fiscal 2025), we have been aiming to further grow our business and resolve environmental and social issues by strengthening our approach to growth strategy themes, such as "Challenge to achieve carbon neutrality" and "Promotion of Solutions Business connected with customers," alongside the expansion of business in key regions, such as North America and India.

Our quantitative targets for fiscal 2025, the final year of the plan, are net sales of ¥4,550.0 billion, operating profit of ¥500.0 billion, and operating profit margin of 11%. Based on our current full-year forecast, we expect net sales to reach ¥4,840.0 billion, exceeding our

fiscal 2025 target. However, operating profit and operating profit margin are expected to fall short of their targets, as they are expected to be ¥435.0 billion and 9%, respectively.

This shortfall is primarily due to the external business environment deteriorating beyond our expectations, such as the significant slowdown in demand in the heat pump space and water heating sector in Europe and in the housing market in China.

Demand for heat pump space and water heating has dropped particularly in the European market due to economic downturn, reduced government subsidies, and other factors. Even our new plant in Poland, which was established in anticipation of increased

demand, is currently experiencing lower operation rates. We are responding to this situation by formulating and implementing drastic profit improvement measures, such as strengthening our sales and service capabilities and proposing new added value in order to expand sales of products using R290 natural refrigerant (propane).

European countries are tightening regulations on the installation of combustion space and water heaters and our assumption that the heat pump market will continue to grow in the medium to long term remains unchanged. Some of our competitors are reassessing their strategies but the Group will continue to expand its sales network and establish an after-sales service system in preparation

Message from the Chairman of the Board and CEO

for future growth and increased sales in key markets, such as Italy, France, the United Kingdom, and Germany. In addition, we are developing new easy-to-install and other differentiated products and proceeding with drastic restructuring measures.

Meanwhile, the Chinese market continues to face a difficult business environment due to the prolonged real estate slump. To address this issue, we have launched a new concept for high-end condominiums in China, where we will strengthen our solutions, providing value not only for air-conditioning but also entire living spaces.

Foundation for Expanding the Solutions Business

In the applied business, the service solutions business, and the air-conditioning business in India, sales have expanded significantly beyond our initial targets.

In the applied business in North America, alongside increasing demand from data centers, we are expanding sales by strengthening our sales activities in application fields, such as semiconductor manufacturing plants and schools. We will expand sales to data centers in particular, by leveraging the products and engineering and proposal capabilities of the companies we have acquired, such as Alliance Air Products, a company that specializes in air handling units for data centers.

We are also developing an owner-direct sales network, enabling direct transactions with owners in 18 major North American cities. As of March 31, 2025, we have established business sites in 14 of these cities, investing over ¥100.0 billion. In the remaining four cities, we have established our own sales channels by strengthening our owner-direct sales network and integrating service bases

through the acquisition of service and engineering companies, enabling us to propose 4S and 5S solutions in all 18 cities.

Through these efforts, we are steadily improving profitability by increasing the ratio of profitable solutions, even in the air-conditioning business in North America, where our operating profit margin has been declining. Specifically, we have increased the solution ratio in the applied business in North America from approximately 30% in fiscal 2021, the first year of FUSION 25, to 45% in fiscal 2024, and we aim to raise this to over 50%, our initial forecast, in fiscal 2025.

We are also focusing more than ever on customer-centric initiatives to meet specific needs. The acquisitions we have made to strengthen our contact with customers have expanded our sales and service network. In the applied business in North America, we have made strategic acquisitions in a timely manner, which have improved our service solution ratio and profitability.



Pursuing Short-Term Profits While Investing in Medium-to-Long-Term Growth

Under the FUSION 25 strategic management plan, we have focused on securing short-term profits while investing in future growth. While fully leveraging our strengths in environmental technologies, such as inverters, heat pumps, and refrigerant control, we have been preparing for future increases in demand on a global scale by investing in the construction of five air-conditioning plants in India, Mexico, Indonesia, China, and Poland over the final three years of the plan. Along with expanding our production capacity, we are establishing a system that can respond flexibly to changes in demand throughout the world.

In the air-conditioning business in India, we will steadily seize growth opportunities, further strengthen our function as a production and development base, and expand both domestic sales and exports. In August 2023, we began mass production of room air conditioners at our new Sri City plant in southern India. We will establish a dominant position in the country's domestic air-conditioning market and utilize it as a platform for developing the African market.

Furthermore, we have been investing in R&D, digital technology, and human resources in accordance with the key strategy themes of the FUSION 25 Latter-Half Three-Year Plan, with a view to achieving

medium- to long-term growth and development. To strengthen our technology development capabilities, we will focus primarily on addressing changes in the external business environment, such as stricter refrigerant regulations, growing demand for heat pump space and water heating, and rising material costs, and developing the core air-conditioning technologies alongside future cutting-edge technologies that underpin our response to these changes. In particular, we will further strengthen our technological capabilities for developing applied equipment, instrumentation products, software, and other solutions.

Message from the Chairman of the Board and CEO

Moreover, in order to expand our solutions business, we recognize the need to more actively consider engaging in co-creation with external partners. Our Technology Innovation Center CVC Office, established in November 2019, has been promoting collaboration with start-up companies and it has invested in more than 20 companies in Japan and overseas to date.

Daikin's main themes for digital investments are developing the differentiated contents and applications necessary to expand its solutions business, building a system that covers its entire supply chain

management process, and strengthening data security measures. Investment in these themes is progressing generally according to plan. Meanwhile, we believe there will be a greater need to invest in connected products, including instrumentation control and other equipment for large buildings, and energy management for entire buildings, which are strengths of our competitors in North America. Furthermore, with the advancement of digitalization, it will become even more important to secure digital human resources globally. Due to the continued impact of digital technology on corporate competitiveness

going forward, we will clarify the human resources needed globally based on our Groupwide strategies and determine both our areas for improvement in each region and the systems we must improve on a Groupwide basis. We are also devoting efforts to internal human resource development, and the Daikin Information and Communications Technology College continues to cultivate human resources who can develop technology and business using AI. Many graduates are already active in the field and delivering results in areas such as the integration of air-conditioning technology and AI.

Formulating the FUSION 30 Strategic Management Plan

In fiscal 2026, we will launch our next strategic management plan, FUSION 30. Under this plan, we will continue to evolve our business by identifying the key strategy themes to address across the Group and resolving issues related our business structure and management culture, taking a long-term perspective that looks ahead to changes in our external business environment in 2030 and beyond, to as far ahead as 2050.

Under FUSION 30, we will accelerate the shift to a solutions business, focusing on providing added value through air quality,

Aiming to Become a True Solution Provider

comfort, and energy efficiency, while continuing to connect with customers. We will develop a sustainable recurring revenue model by promoting Companywide reforms through selection of and concentration in key domains and strategic investment in digital technologies and human resources. We are also considering strategies for key regions with our sights set on becoming a true global leader.

Particularly in the North American air-conditioning market, we will strive to become No. 1 in terms of both sales and profitability.

Meanwhile, in India and other Global South regions, we will tap into the growing demand in these markets while expanding our market stock and establishing sales, service, and production bases to form a foundation for our solutions business going forward. At the same time, we will work to transform our business structure from that of expanding business based on equipment sales to promoting recycling-oriented solutions that generate profits throughout the product life cycle.

Expanding Customer Contacts and Business Domains

The Group is developing a global direct-to-customer sales and service network to maximize customer value throughout the product life cycle, from product proposal to product use and renewal. Through these efforts, we aim to establish a stable and highly profitable business model.

Additionally, we will strengthen our ability to provide total solutions—including equipment design, instrumentation, and installation—for entire buildings in key applications and markets, such as

large buildings and factories. Along with our own initiatives, we will strengthen our organization through the companies we acquire.

In strengthening our total solutions capabilities, we have positioned the data center market as a top priority, and we aim to become a leading solution provider for data centers, offering integrated solutions for air cooling, immersion cooling, and instrumentation control.

Global demand for air-conditioning is increasing rapidly due to the development of emerging economies, such as India and parts of Africa. According to the International Energy Agency (IEA), electricity demand for cooling is expected to triple by 2050 compared with 2015 levels. To reduce energy use from cooling, we must promote the spread of inverter air conditioners that offer superior environmental performance. All air conditioners sold in Japan and Europe are equipped with inverters. However, in the Global South and

Introduction

Message from the Chairman of the Board and CEO

North America, most air conditioners do not come with inverters and non-inverter air conditioners that consume large amounts of electricity are widely used. As part of its efforts to promote the spread of inverter air conditioners around the world, in fiscal 2024 the Group formed a joint venture with Copeland Corporation LLC, a global manufacturer with an extensive customer base in the residential-use air-conditioning market in the United States, and Rechi

Resolving Environmental and Social Issues While Achieving Business Growth

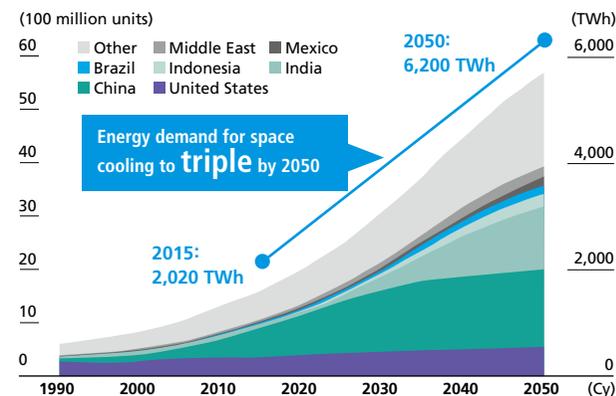
The Daikin Group's mission is to provide new value and enhance corporate value by resolving environmental and social issues while achieving business growth. As the world's leading comprehensive manufacturer of air conditioners, we are committed to realizing a sustainable society through our efforts in carbon neutrality and resource recycling, as well as to improving the lives of people in emerging countries known as the Global South.

Precision Co., Ltd., one of the world's leading manufacturers of compressors, in India. With the growing emphasis on more energy-efficient, carbon-neutral, and sustainable solutions in the air-conditioning industry, we will continue to make every effort to contribute to the realization of a carbon-neutral society.

Regional Efforts to Promote Inverter Use ▶ Page 30

We have strategically positioned the rapidly growing Indian market not only as a place of consumption but also as a hub for R&D, through which we will accelerate our expansion into the Middle East and Africa. We will provide value unique to Daikin through solutions to a wide range of social issues, such as energy, water, food shortages, decarbonization, health, and comfort.

Worldwide Air Conditioner Stock (Number of Units) and Electricity Demand



Note: Graph figures compiled by Daikin based on The Future of Cooling, International Energy Agency, 2018

To Our Shareholders and Investors

Fiscal 2025 is not only the final year of our FUSION 25 strategic management plan but also a pivotal year for our next strategic management plan, FUSION 30. To continue to achieve both growth and profitability, we will accelerate the development of differentiated products, strengthen our sales and marketing capabilities, promote total cost reductions, and transition to a solutions business, which will form the core of our future growth. At the same time, we will further strengthen ratio management, which focuses on profitability and cash flows, using free cash flow (FCF), return on invested capital (ROIC), return on assets (ROA), and return on equity (ROE) as key management indicators. We will consider the balance between capital policy, growth investments, and shareholder returns.

Under FUSION 30, we will balance the securing of short-term profits with strategies for future growth and development while investing actively in developing a solutions infrastructure, in addition to reassessing unprofitable businesses and fixed costs. We intend to optimize our business portfolio from the perspective of both business and financial strategies and develop a system that allows us to flexibly implement strategies through concentrated investments in key domains and the reorganization and reduction

of unprofitable businesses. We will also work to reform our management foundation, strengthen our corporate structure through management focused on capital efficiency, and achieve sustainable enhancement of our corporate value.

With regard to shareholder returns, we paid an annual dividend of ¥330 per share in fiscal 2024, as we achieved record highs in net sales and operating profit. Excluding the commemorative dividend of ¥50 per share in honor of our 100th anniversary, this was an increase of ¥30 on the annual dividend per share in fiscal 2023. In fiscal 2025, we plan to increase our ordinary dividend (excluding commemorative dividend) by ¥50 to ¥330 per share. Even amid the constantly challenging business environment, we remain committed to improving corporate value, further enhancing shareholder returns, and meeting the expectations and trust of our shareholders and investors.

Masanori Togawa
Chairman of the Board and CEO
August 2025

Message from the President and COO



We will strengthen our earnings capacity to continuously grow our business and enhance profitability through greater emphasis on our frontline operations, the development of differentiated products, and the strengthening of our sales and marketing capabilities.

A Year of Focusing on Our Frontline Operations

I became the chief operating officer (COO) almost a year ago and have consistently increased the focus on our frontline operations throughout this period. The strength of a company depends on how flexibly its front lines can respond to change and how quickly such decisions are made. As a Group that operates globally, we cannot perceive signs of change in the business environment simply by waiting at head office to receive information from our business sites. Since my appointment as COO, I have systematically visited Europe, the United States, Asia, and China to hear directly from those on the front lines and hold ongoing discussions with them. I have focused on ensuring that we make prompt decisions on responding to the issues and market changes in these locations.

We also expect our employees to connect more closely with their colleagues on the front lines. For Daikin to anticipate market changes and customer needs, it is essential that sales staff grasp information quickly and convey opinions and ideas, such as the products that are currently in demand, to those in charge of product development. Likewise, the product development team should keep sales staff informed about the kind of products they hope to create with specific technologies, rather than simply waiting for information to come from them. Discussions and even clashes between

employees working toward a common, ambitious goal help foster Daikin's unique strengths and ultimately spur the creation of differentiated products. We are in an era in which the development of digital technology, including the evolution of AI, enables us to collect, visualize, and utilize all kinds of data. It is imperative that we combine these technologies and data with the capabilities of personnel in development, manufacturing, sales, and services and transform them into the Group's strengths. Discussions, actions, and judgment informed by insights from the front lines will become increasingly important for connecting data with frontline capabilities, and I am constantly thinking about how to utilize this data to influence human behavior. Furthermore, as a Group that operates globally, it is essential that best practices developed in one location are deployed to and put into practice at other locations around the world to make strategic use of AI and data.

One of the Group's unique strengths is People-Centered Management. As COO, I am responsible for honing this strength and igniting the enthusiasm of our more than 100,000 Group employees. To that end, I will present a clear vision and policy and make decisions based on awareness of the issues faced by our employees gained by engaging with them on the front lines.

Strengthening Our Earnings Capacity

Despite achieving record performance in fiscal 2024, our operating profit margin fell to 8.5% from 8.9% in fiscal 2023. With ROE and ROA also on a downward trend in recent years, we recognize the urgency with which we must improve profitability. In an increasingly competitive global environment, this will entail creating new

markets by offering high-value-added products that meet latent market needs. In order to identify growth markets and take the lead in them, Daikin and its management in particular will need to accelerate the development of differentiated products and strengthen its sales and marketing capabilities. We must develop,

Message from the President and COO

produce, and market differentiated products that address customer needs ahead of our competitors. Rather than competing by lowering the prices of these products, we should sell them at appropriate prices, highlighting their value through sales and marketing capabilities that themselves provide added value. Developing new sales channels and expanding sales on an ongoing basis are also important for creating new markets. Examples of this are the launch of environmentally friendly products, such as the *VRV7* series of multi-split air conditioners for buildings, which use R32—a refrigerant with low global warming potential—and offer industry-leading energy-saving performance, and the *Daikin Altherma 4H* heat pump space and water heater, which uses R290 natural refrigerant. The manufacturing, sales, and development teams are working together to quickly establish a total production system and improve profitability using price policies.

Extensive total cost reductions are key to strengthening our earnings capacity and in fiscal 2024 we achieved total cost reductions of ¥53.0 billion by reducing manufacturing costs and managing fixed costs efficiently. We have declared drastic streamlining of fixed costs and the achievement of better investment results as key issues and themes to address for fiscal 2025, and we will improve

profitability by strengthening our management structure through total cost reductions and the streamlining of existing fixed costs across the Group.

During the five years of the FUSION 25 strategic management plan, we have also focused on investing in IT systems at our plants and other business sites around the world. Under the FUSION 25 Latter-Half Three-Year Plan, we set out to invest ¥180.0 billion in digital technology. As part of this investment, we developed the differentiated content and applications necessary for the development of our solutions business and worked to build a system that manages the entire supply chain for the purpose of innovating business processes. In addition, we are streamlining all indirect operations using robotic process automation and AI, aiming to reduce operational workload by 40% or more in fiscal 2025, compared with fiscal 2019 levels.

As a comprehensive air-conditioning manufacturer, Daikin's mission is to provide the products and services needed in each region ahead of our competitors, by taking root in and contributing to local communities. We believe that these efforts will play a significant role in realizing a carbon-neutral society. We remain dedicated to strengthening our earnings capacity in order to fulfill our mission.

Shifting Our Focus from Equipment Sales to Solution Proposals

To further develop our air-conditioning business, we must shift our focus from standalone equipment sales, such as room air conditioners, packaged air conditioners, and multi-split air conditioners for buildings, to solution proposals, such as applied systems. One of the three growth strategy themes of the FUSION 25 strategic management plan is "Promotion of Solutions Business connected with customers." We believe that expanding our solutions business is indispensable to improving profitability and we are therefore expanding our peripheral services for air conditioners, such as connected solutions utilizing systems, instrumentation, and data. By offering connected solutions for equipment, we will be able to

provide new value using data as well as services that are closely tailored to our customers' needs over the long term, allowing us to improve profitability.

To strengthen our solution proposals, we must revise our organizational structure, which includes shifting from our current structure based on sales channels designed for equipment sales to a structure focused on the market for each application. To be able to visit customers, identify their needs, and propose solutions directly, we must establish a robust sales structure versed in the products and menus for each application market. Moreover, we must accumulate the know-how to provide not only air conditioners but also services,



Message from the President and COO

related construction work, and instrumentation, as well as one-stop solutions for non-air-conditioning products. For example, in the data center market, where there is potential for further growth, we are developing a wide range of products, including chillers, air handling units, and fluoropolymers for communication cables.

In April 2025, we launched a global cross-organizational project under the direct supervision of top management in response to brisk demand from data centers. In this project, we are working to formulate regional strategies, share know-how on design,

production, and technologies, and promote standardization, while strengthening personnel exchanges between regions and globally deploying the sales know-how of our successful North American operations. Furthermore, due in part to the increasing density of servers required to process drastically increasing amounts of data, heat management has become a major issue for data centers. To address this issue, we are developing new technologies such as immersion cooling, which offers various advantages over conventional air-cooling and water-cooling methods.

In June 2025, the product development function of our Applied Business in the United States was transferred to the Applied Business Division of Company headquarters. As a result, we have established a structure to expand our solutions business not only in the Americas but also in Asia, Europe, and other parts of the world. Through these structural reforms and the transformation of our profit structure, we will continue to improve our earnings capacity.



Passing Down Management's Strengths Through Forward-Looking Decision-Making

One of the strengths our management team has cultivated over the course of Daikin's history is its ability to devise forward-looking management decisions. Since assuming the role of president, I have constantly reminded myself of the importance of passing down this strength. Although it may take some time for stakeholders to understand that Daikin is what it is today because of management decisions made in years past, all we can do is remain committed to the process that has been passed down until the results become evident. In this age of drastic change, simply gathering and examining information will not yield the

right answers. I believe it all comes down to sharpening our senses, squarely confronting each issue, and making decisions accordingly.

For a company to continue to grow, top management must sometimes make difficult decisions. In order to concentrate management resources on areas with the potential to grow over the medium to long term, we will consider withdrawing from unprofitable businesses as well as other strategies for optimizing the allocation of management resources.

Confronting Capital Markets with a Sense of Urgency

Since assuming the role of COO, I have had the opportunity to engage directly with analysts and institutional investors who have impressed on me that speed is of vital importance. In addition to the need to respond quickly to changes in the business environment, there are growing expectations from the capital markets, and I strongly feel the need to respond to these needs and expectations as quickly as possible. Furthermore, recognizing the growing interest in non-financial information, including in relation to capital policy and human capital, we will increase our focus on information disclosure.

We would like to express our sincere gratitude to you, our shareholders and investors, for your continued understanding and support of our management. We will strive to meet your expectations by strengthening our earnings capacity and improving capital efficiency. We look forward to your continued support.

Naofumi Takenaka

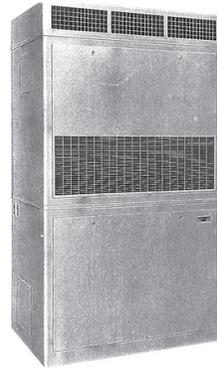
Representative Director, President and COO
August 2025

History of the Daikin Group



Founder Akira Yamada

Aircraft radiator tubes manufactured at the time of the Group's founding



Mifujirator, Japan's first packaged air conditioner

Social Issue

Japan's Uncomfortable Office Environments

In the 1960s and 1970s, Japan's large-scale office buildings were mainly air-conditioned using central air-conditioning systems that cooled and heated entire buildings all at once. These systems were often shut off during overtime hours to minimize costs, forcing employees to work in excessively hot or cold office environments.

Daikin's Response

Multi-Split Air-Conditioning System for Buildings That Ensures Comfort and Minimizes Operating Cost

Daikin became the first company in Japan to introduce the individual air-conditioning system, which heats and cools building floors and rooms individually based on occupancy. This series has continued to expand over the years to provide comfortable air-conditioned environments in settings where people gather and work.

1924

Founding of Osaka Kinzoku Kogyosho Limited Partnership

1935

Development of Japan's first fluorocarbon refrigerant

1951

Launch of Japan's first packaged air conditioner

1958

Entry into the room air-conditioning business

1982

Launch of Japan's first multi-split air-conditioning system for buildings

Founding

Akira Yamada, the founder of Daikin's predecessor Osaka Kinzoku Kogyosho Limited Partnership, joined a private company as an engineer after working at the Osaka Artillery Arsenal. Despite a flood of orders for radiator tubes used on aircraft in 1923, the company's management board at the time was reluctant to take on this business due to the company's poor financial situation. Nonetheless, convinced that the business would be a success, Yamada made it clear that he would take full responsibility for it and accepted orders for the radiator tubes on the condition that he would establish his own factory and assume production as a subcontractor. This factory laid the foundation for the establishment of Osaka Kinzoku Kogyosho. Despite being a company that specialized in metals, it funneled efforts into the research and development of chemicals thereafter, becoming the first to successfully produce freon in Japan. The development of the Company's very own freon refrigeration technology and fluoropolymers paved the way for the establishment of the backbone of our core business today, the Air Conditioning Business.

Foundation of a Sales Network That Has Overcome a Series of Hardships

Over the first 50 years from our founding, we had to significantly reduce our workforce on three separate occasions because of recurring financial crises. Moreover, due to the effects of the first oil crisis, in 1975 we failed to turn a profit for the first time in a quarter century and were excessively overstaffed.

It was in these circumstances that the then president, Minoru Yamada, put forth the Declaration for Avoiding Employee Layoffs, and a large number of employees were reassigned from the manufacturing division to the sales division with a view to retaining personnel and ensuring business continuity. Through this collective effort, the employees who were reassigned to the sales division established the foundation for Daikin's robust sales network in Japan.

Three-Pillar AC Business Plan and Global Expansion

After the collapse of Japan's bubble economy in the early 1990s, Daikin continued to report losses in the areas of residential air conditioners and central air-conditioning systems for factories and buildings. Moreover, the domestic market for air conditioners, including for commercial use, had already matured by that time. In light of this situation, current Chairman Emeritus Noriyuki Inoue, who had been recently appointed president, set out to pursue the overseas market.

With the exception of the United States, air conditioners were not commonly used outside of Japan at the time. Moreover, Daikin and one other company were the only suppliers in the world of air conditioners for residential, commercial, and factory and building use. Inoue believed that directing Daikin's attention to factory and building and residential use more than ever and uniting the strengths of its three business segments would clear the path to Daikin becoming the world's leading comprehensive manufacturer of air conditioners. To that end, our Three-Pillar AC Business Plan was formulated to harmoniously promote the growth of our three business segments. In addition, to ensure the effectiveness of this plan, we made a series of major decisions that would turn out to be pivotal points in our history, including advancing into the Chinese market, expanding our European business, and conducting M&As overseas, thereby establishing the platform for our growth into a global leader in the industry.

History of the Daikin Group



Signing ceremony with O.Y.L. Industries Bhd.



Press conference for the acquisition of Goodman Global Group, Inc.

Social Issue

Impact of Air Conditioner Refrigerants on Global Warming

Despite the conversion to R410A and other refrigerants that do not deplete the ozone layer, the extent of the impact of air conditioner refrigerants on global warming was still a problem in developed countries.

Daikin's Response

World's First Air Conditioner Featuring R32 Refrigerant

Daikin launched *Urusara 7*, the world's first residential air conditioner featuring R32, an energy-efficient and environment-friendly next-generation refrigerant.

1999

Launch of *Ururu Sarara*, the world's first waterless humidifying room air conditioner

2006

Launch of *Daikin Altherma* heat pump space and water heater

2007

Acquisition of OYL Group, a major global air-conditioning manufacturer

2008

Establishment of business alliance with Gree Electric Appliances, China's top air-conditioning manufacturer

2012

Acquisition of U.S. residential air-conditioning manufacturer Goodman

Launch of *Urusara 7*, the world's first residential air conditioner using new R32 refrigerant

Becoming A Leading Air Conditioner Company

Daikin has spearheaded the growth of the air conditioner industry through the introduction of innovative products and technologies, some of which were firsts in Japan, including packaged air conditioners that operate at the touch of a button (released in 1951), and multi-split air-conditioning systems for buildings (released in 1982). Our greatest invention, however, is *Ururu Sarara*, Daikin's flagship product. Released in 1999, this room air conditioner can control humidity levels without the need for a water tank by drawing in moisture from the outside air. By using a reheat dehumidification system, it can also dehumidify room air without lowering the room temperature.

As a global leader in the air conditioner market, Daikin draws on its one-of-a-kind technology to continue to develop products with low environmental impact and is cherished by its customers in the over 170 countries in which it operates.



Ururu Sarara, the world's first waterless humidifying room air conditioner

Ambitious Pursuit of the Chinese Market

In 2008, inverters, one of our core technologies at the time, were a crucial element of our business strategy as the shift to more energy-efficient air conditioners played a major role in addressing the intensifying needs for more environmentally conscious products worldwide. This was also the case in China, a market that was essential to our pursuit of becoming the top air conditioner manufacturer in the world.

At the same time, we came to realize that making inverter air conditioners the standard in China's massive air conditioner market through Daikin's efforts alone would be difficult. Therefore, we formed a business alliance with Gree Electric Appliances, the largest manufacturer of air conditioners in China, for the technology transfer of affordably priced inverter air conditioners. As a result, the use of inverter air conditioners, which offer exceptional environmental performance, caught on right away in China. While inverter air conditioners comprised less than 10% of the residential air conditioner market in 2008, they now account for over 90% of this market. Daikin will strive to reduce CO₂ emissions from the use of air conditioners by promoting the use of inverter air conditioners and other energy-efficient air-conditioning systems on a global scale.

Full-Fledged Entry into the U.S. Market

With the aim of strengthening our North America business while sustaining our low-priced residential air conditioner business and Applied Systems (large-scale air-conditioning systems), which had been an area of weakness for us, in 2007, we acquired O.Y.L. Industries Bhd., a global leader in the manufacture of air conditioners. With a price tag of approximately ¥243.8 billion, this was Daikin's first large-scale acquisition. In 2010, this acquisition served as a springboard for becoming the world's top-performing air-conditioning business.

In North America, however, our presence was still minimal in the world's largest market for air conditioners. Due to the substantial differences in the way air conditioners were designed and sold in this region compared with Japan, tapping into this market on our own was quite a challenge, and we were forced to pull out of both our attempts in 1981 and 1998.

We encountered a turning point, however, when we acquired the Goodman Global Group, Inc., in 2012. Through the participation of Goodman, which boasts the top share of the residential air-conditioning market in North America, Daikin made a full-fledged entry into the residential unitary (central air-conditioning system) market and secured a business platform in North America.

History of the Daikin Group



Technology and Innovation Center



Joint press conference with the University of Tokyo

Social Issue

COVID-19 Pandemic

The global spread of COVID-19 increased the need for safe, reliable, comfortable, and healthy air environments and rapidly expanded the air purification and ventilation market.

Daikin's Response

Air Conditioner with Ventilation Function

As the only manufacturer that was producing air conditioners with a ventilation function at the time of the pandemic, Daikin incorporated the ventilation function into its entire line of air conditioners available in Japan.

2014

Launch of cooling-only inverter air conditioners for developing countries

2015

Establishment of technology development base, Technology and Innovation Center, and commencement of new initiatives to create new value with air through collaboration with academic and research institutions

Granting of worldwide free access to basic patents for using R32 refrigerant

2018

Establishment of an industry-academia co-creation alliance with the University of Tokyo

2024

Daikin's 100th anniversary

Promotion of the Use of R32 Refrigerant

With a global warming potential* equivalent to one-third the level of R410A refrigerant, R32 refrigerant is conducive to environmental sustainability. Despite its low resistance to heat, tests have proven that there are no risks associated with the use of R32 refrigerant, as long as it is handled properly. In 1998, however, R32 was classified as flammable and treated in the same way as hydrogen and propane, according to standards and regulations that classified refrigerants as either flammable or nonflammable, thereby hampering its use in air-conditioning systems.

To heighten awareness of the safe use of R32 refrigerant, Daikin has been holding conferences around the world on safety and environmental performance and in 2014, it was granted approval for a new international standard. Thereafter, Daikin granted free access to a total of 93 patents related to the manufacture of R32 air-conditioning systems to enhance the profile of its environmental technology utilizing R32 refrigerant in Japan to the rest of the world and to promote refrigerant conversion on a global scale. In 2019, free access was granted globally for all of the patents related to the manufacture of R32 air-conditioning systems that Daikin had applied for since 2011.

* Global warming potential: This is a numerical value representing the potential global warming effect of a greenhouse gas in comparison with CO₂.

Technology and Innovation Center: The Group's Major Hub for Technological Development

The Technology and Innovation Center was established in November 2015 to develop differentiated and impactful products and technologies toward our goal of realizing Daikin's sustainable growth and development. As the major hub for the Group's technological development, the Technology and Innovation Center is furnished with the world's most advanced experimental equipment, open workspace and a flat organizational culture, and an area dedicated to enhancing our co-creation of innovation through internal and external engagement.

As the control tower of our technologies, the Technology and Innovation Center will lead the way fostering innovation by attracting people, information, and technologies from around the world through the collective efforts of Daikin's engineers and strong partnerships and collaborations with companies, universities, and research institutions that boast unique technologies in various industries and fields.

Formulation of Our New Group Philosophy: "Together, We Brighten the Future"

To commemorate the 100th anniversary of its founding, Daikin formulated its new Group Philosophy in place of the one from 2002, to redefine, pass on, and evolve the Group's strengths and respond earnestly to the needs and expectations of society and stakeholders. For this new philosophy, we focused on clearly communicating our goal of enhancing social value by illustrating our potential to contribute to the betterment of society and the environment and highlighting what we must value and change as an organization to respond to the drastically changing business environment. We are focused on ensuring that Group employees with diverse values working around the world understand, accept, and align with the new philosophy and use it to guide their actions.

Our Value Creation Process

Drawing on its accumulated strengths and unique business model, Daikin is striving to resolve environmental and social issues through its business activities.

The key themes declared in the FUSION 25 strategic management plan are priorities for management. Accordingly, we have been addressing these themes over a period of five years, providing new value that contributes to the realization of a sustainable society and the continuous growth of our business.

FUSION 25

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

Economic Value		
FUSION 25 Latter-Half Three-Year Plan Companywide Targets		
	Operating profit	Operating profit margin
Net sales	¥500.0 billion	11%
¥4,550.0 billion		

Fiscal 2024	Fiscal 2025
Results	Plan (as of May 2025)
Net sales	Net sales
¥4,750.0 billion	¥4,840.0 billion
Operating profit	Operating profit
¥401.7 billion	¥435.0 billion
Operating profit margin	Operating profit margin
8.5%	9%

Environmental and Social Value	
Net CO ₂ emissions reductions 2025 target from a business-as-usual (BAU) emissions scenario 30% or more	Offer safe, reliable, comfortable IAQ/AE*
Contribute to circular use of resources	Contribute to reduction of food loss
Free humankind from heat and cold	Participate in international rule-making
Connect directly with customers and address specific needs	Contribute to the growth of employees and local communities

* IAQ/AE: Indoor air quality/air environments

Daikin's Aims for Value Creation

We will provide new value in the form of healthy and comfortable lifestyles and spaces while helping realize a better environment.

Value Creation for the Earth
 Helping mitigate climate change by reducing environmental impact through business activities

- Further raise the environmental performance of our products
- Use resources efficiently
- Protect forests and help sustain their inherent functions

Value Creation for Cities
 Contributing to the creation of sustainable cities by solving energy-related issues arising from urbanization

- Use energy effectively throughout buildings and cities
- Generate renewable energy
- Build systems for recycling-based societies

Value Creation for People
 Contributing to healthy and comfortable lifestyles by expanding the possibilities of air

- Provide safe and reliable air environments
- Improve indoor environments to support people's healthy and comfortable lifestyles
- Raise productivity to contribute to economic advancement

Our Group Philosophy ▶ Please refer to page 2 for details.

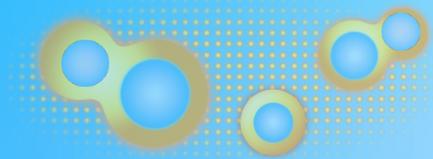
Our Core Values ▶ Please refer to page 2 for details.

Core Air-Conditioning Technology That Leads in Applying Environmentally Friendly Practices

We will lead the air conditioner market by refining our environmental technology going forward, based on a trio of advanced core air-conditioning technologies uniquely developed by Daikin.

Heat Pump Technology

Highly promising and energy-efficient technology used in air conditioners and water heaters to absorb and transfer heat from the air



Technology-Driven Business Opportunities

- Increasing need for heat pump heating due to stricter regulations on the use of fossil fuels
- Conversion from combustion heating to heat pump heating, achieving significant reductions in CO₂ emissions
- Environmental policies of governments worldwide

Daikin's Strengths

- Technological capabilities cultivated over many years as a specialized air conditioner manufacturer
- Ability to develop products unique to the industry
- Ability to develop products that address the needs of various climates and regional characteristics

Reducing CO₂ Emissions Through Our Heat Pump Technology

Using minimal amounts of electrical energy, heat pump technology is designed to absorb heat from the air and convert it into large amounts of thermal energy for transfer to areas where it is needed. Since it makes use of radiant heat from the sun, heat pump technology can significantly reduce CO₂ emissions in comparison with the direct heating of water and air by burning fossil fuels, including gas, oil, and coal. In 1958, Daikin developed the first domestic water-cooled heat pump for a packaged air conditioner. Since then, it has continued to push the boundaries of technologies that transfer heat without generating it.

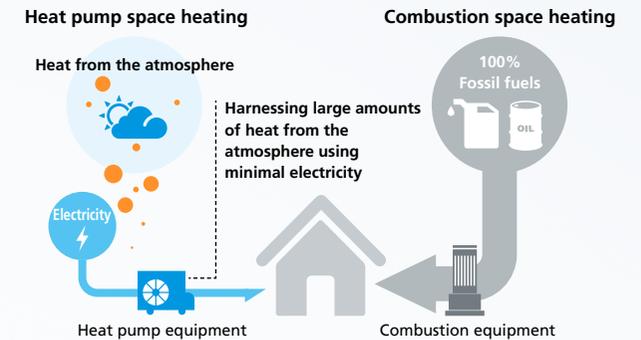
As a leading air-conditioning company, Daikin is developing heat pump technology that contributes to increases in energy efficiency and energy conservation.

Promoting Increased Use of Heat Pump Heating to Help Realize a Carbon-Neutral Society

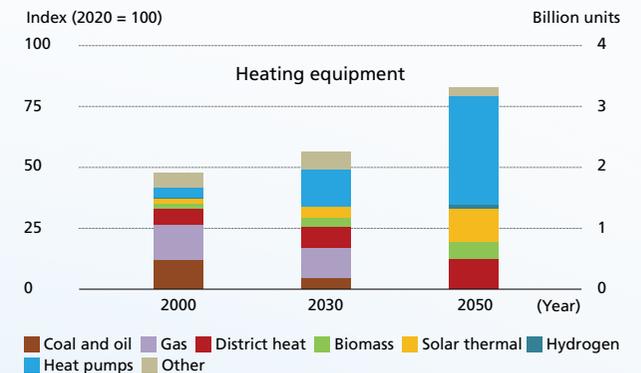
Approximately 4 billion tons of CO₂ is emitted by heating sources in the global heating market, and it is estimated that the conversion of 30% of these sources to heat pumps would reduce CO₂ emissions by up to 1.2 billion tons (approximately 3% of total global CO₂ emissions), which is equivalent to the amount of CO₂ emitted by 560 million passenger cars.

The use of energy-efficient water and space heaters has increased in recent years due to heightening environmental awareness. In Europe in particular, where heating and hot water supply accounts for over 80% of household energy consumption due to the continent's cold climate, we are seeing a shift from the use of conventional combustion heaters to heat pump heaters and other systems with lower CO₂ emissions. Daikin is working to develop and promote the increased uptake of water heaters and other heaters that use energy-efficient heat pump technology to contribute to more comfortable lifestyles and reduce CO₂ emissions.

Systems for Heat Pump and Combustion Space Heating



Proliferation of Heat Pump Space and Water Heaters Under the Net-Zero Emissions by 2050 Scenario



Source: Net Zero by 2050—A Roadmap for the Global Energy Sector, International Energy Agency(IEA), 2021

According to IEA estimates, heat pumps accounted for approximately 10% of the global space and water heating market as of 2020. IEA also recommends increasing the energy efficiency of buildings and raising the share of heat pumps in the global space and water heating market to 50% or more to realize carbon neutrality by 2050.

Core Air-Conditioning Technology That Leads in Applying Environmentally Friendly Practices

Inverter Technology

High-precision technology that offers more energy-efficient and comfortable solutions by controlling the compressor motors of air conditioners

Technology-Driven Business Opportunities

- Medium- to long-term growth in demand for air conditioners in developing countries
- Increased sales of energy-efficient inverter air conditioners in response to electricity shortages

Daikin's Strengths

- Development of the world's first cooling-only inverter air conditioner
- A track record of developing industry standards in cooperation with governments and relevant organizations

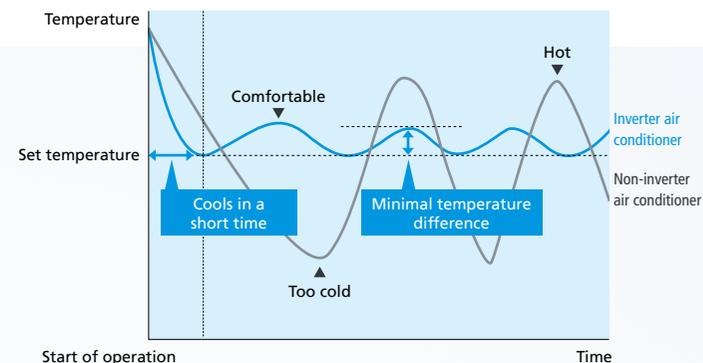
Inverter Technology That Offers More Energy-Efficient and Comfortable Solutions

Inverters control electrical voltage, current, and frequency. An inverter air conditioner appropriately adjusts the speed of the compressor motor according to the load to precisely adjust and control its cooling capacity.

Air conditioners without inverters are inefficient, with issues including unstable indoor air temperatures and high energy consumption. Those equipped with inverters, however, can accurately adjust the air temperature and operate in a comfortable, energy-saving manner. In addition, improvements to conventional motors and heat exchangers can reduce energy use by more than 50%* compared with non-inverter air conditioners.

* Calculated based on in-house demonstration tests

Inverter Air Conditioners vs. Non-Inverter Air Conditioners



Reducing Energy Consumption Through the Increased Use of Inverter Air Conditioners

The use of air conditioners accounts for approximately 10%*1 of the world's total electricity demand. Demand for air conditioners will continue to expand through economic growth in developing countries, and energy demand for cooling is expected to rise by an average of 4%*2 per year.

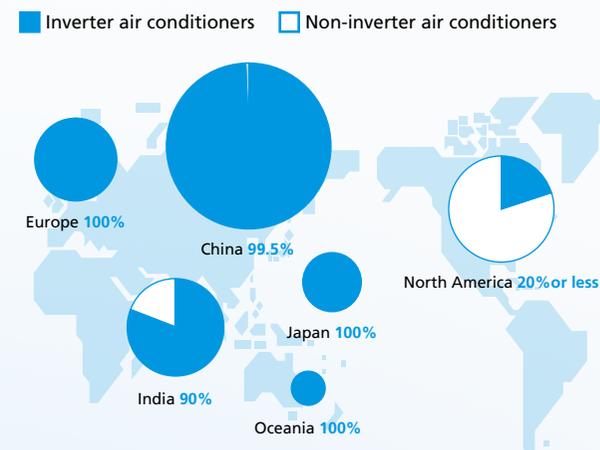
Daikin is the first company in the world to develop inverters specifically for air conditioners. To control global warming on a global scale, we must promote the wider use of inverter air conditioners and other energy-efficient air conditioners around the world.

While all residential-use air conditioners sold in Japan and Europe come with inverters, most of the residential-use air conditioners sold in Asia, Africa, and North America are not equipped with this technology. By continuing to promote the adoption of inverters, Daikin will contribute to reductions in CO₂ emissions from the use of air conditioners.

*1 Source: World Outlook, IEA, 2023

*2 Source: Space Cooling, IEA, 2023

Inverter Air Conditioners as a Percentage of All Air Conditioners Worldwide



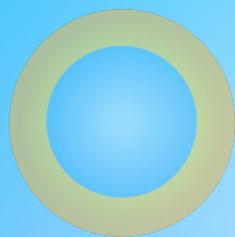
Source: 2025 Worldwide Air Conditioning Study, BSRIA

Note: The percentage in this report refers to the number of units sold in a given year

Core Air-Conditioning Technology That Leads in Applying Environmentally Friendly Practices

Refrigerant Control

Technology to control refrigerants that circulate and transfer heat between indoor and outdoor units



Technology-Driven Business Opportunities

- Increased sales of air conditioners using refrigerants with low global warming potential
- Promotion of effective energy management through the delivery of energy-saving solutions

Daikin's Strengths

- The only comprehensive air-conditioning manufacturer in the world that engages in everything from the development of refrigerants and air conditioners to the recovery, recycling, and destruction of refrigerants
- First company in the world to establish a technology to control refrigerants for each floor and room using a single outdoor unit
- Ability to select the best refrigerant for each application based on know-how cultivated through extensive research on refrigerants

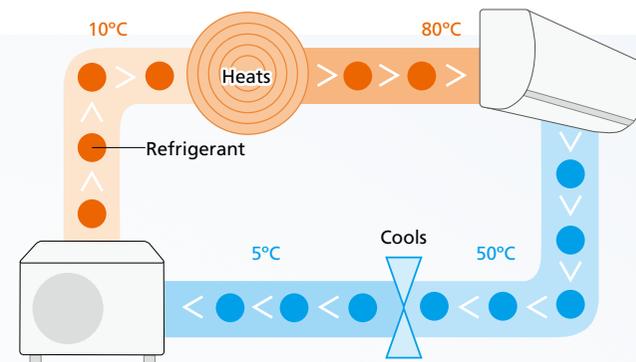
Refrigerant Control Technology: Key to Enhancing Energy Efficiency of Air Conditioners

Refrigerants circulate and transfer heat between indoor and outdoor units. Our refrigerant control technology, which controls refrigerant temperature to efficiently transfer heat, is the key to our air conditioners' energy-efficient capabilities.

Daikin is the first company in the world to establish a technology that controls the state and quantity of refrigerants for each indoor unit using an air-conditioning system for buildings in which multiple indoor units are connected to a single outdoor unit.

As a result, we can operate heating and cooling simultaneously, a functionality for which there is particularly high demand during the change in seasons.

Circulation and Transfer of Heat Between Indoor and Outdoor Units



Reducing Environmental Impact by Selecting the Right Refrigerant for Each Application

Daikin is accelerating the commercialization of air conditioners with refrigerants that minimize impact on global warming. In selecting refrigerants, we consider not only their direct impact on global warming but also their impact over the entire product life cycle, including the energy efficiency of air conditioners using these refrigerants. In addition to environmental impacts, we consider all other factors, including life cycle impacts concerning safety issues, such as flammability and toxicity, as well as the price of the refrigerant itself and the manufacturing costs of air conditioners.

The requisite features of refrigerants depend on their application, such as residential air conditioners, commercial air conditioners, water and space heaters, or refrigeration equipment. Therefore, to ensure that the right refrigerant is selected for each application, we have been conducting research on all types of refrigerants, including natural refrigerants, hydrofluorocarbon (HFC) refrigerants, and hydrofluoroolefin (HFO) refrigerants, and considered their use in air conditioners.

As a manufacturer of refrigerants, Daikin will continue to ensure that the right refrigerant is selected for each application to minimize impacts on global warming.

Daikin's Direction for Mainstream Refrigerants

Residential	Commercial, Industrial	
Residential Air Conditioners and Heat Pumps	VRF Systems	Refrigeration Systems
R32	R32	R32, R407H, HFOs, HFO blends, CO ₂ , Hydrocarbon
Residential Hot Water Supply Systems	Commercial Air Conditioners and Heat Pumps	Chillers and Heat Pumps
R32, CO ₂	R32	R32, R1234ze(E), R1233zd(E), Other HFOs, HFO blends

Daikin's Unique Business Model

Daikin operates its business, which encompasses R&D, manufacturing, and sales and services, around the world with its Air Conditioning Business at the core.

By drawing on our accumulated strengths and forging our unique business model, we continue to provide comfortable air to people around the world.

Characteristics of the Air-Conditioning Business

Country- and region-specific needs

Air-conditioning needs vary by country and region due to differences in climate, building design, and lifestyles.

Climate-induced demand shifts

Demand for air conditioners is influenced significantly by climate factors, with demand increasing when temperatures are higher than normal.

Importance of after-sales services

After-sales services, such as installation and maintenance, are essential to air conditioners compared with other household appliances.

Regional environmental regulations

The environmental standards of products vary by country and are becoming more stringent each year.

Vertically Integrated Production

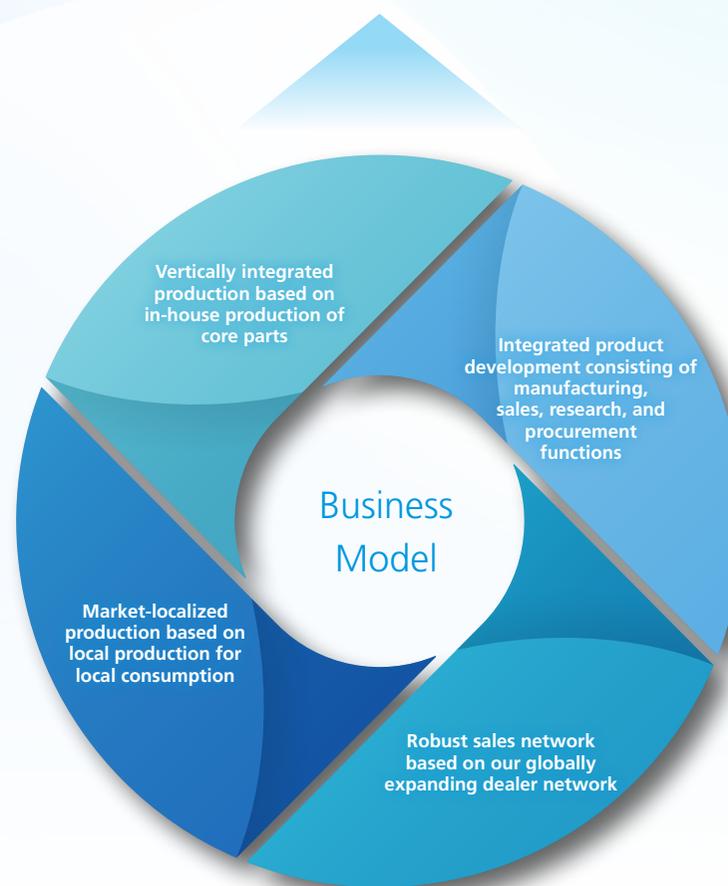
Based on In-House Production of Core Parts

The core components of Daikin's air conditioners, including compressors, motors, printed circuit boards, and refrigerants are all developed and manufactured in-house. This allows us to not only develop elemental technologies but also build up the bank of technical know-how used in our manufacturing processes. This, by extension, has enabled us to develop and manufacture products in accordance with changes in product standards required by the regulations of each market, the climate and lifestyles of each region, and other customer needs as quickly as possible. In addition, by integrating our in-house production, we have eliminated component shortages and excess inventory, thereby working collectively as an organization to efficiently meet the highly volatile demand for air conditioners stemming from changing climate conditions.

Market-Localized Production

Based on Local Production for Local Consumption

Rather than focusing production specifically in one region, we have established a system in five key regions globally, whereby Daikin's procurement, development, and production processes are all conducted in close proximity to our sales markets, allowing us to address the needs of each region. This system has served as a catalyst for the timely supply of products and the adoption of a sales strategy for swiftly addressing changes in regional demand stemming from climate and economic conditions. Moreover, by using the same basic components throughout our global network and centrally managing the entire Group's inventory of products and components, we have been able to minimize the drawbacks that come with the geographic dispersal of production bases, such as by providing products to regions that experience sudden one-off increases in demand and capitalizing on the versatility of our supply of components from production bases.



Integrated Product Development

Consisting of Manufacturing, Sales, Research, and Procurement Functions

At Daikin, we draw on the R&D capabilities of our major production bases around the world as well as our integrated product development system, which comprises our regional sales and procurement functions, to develop and manufacture products that cater to the diverse needs of each region. Our various divisions that contribute along the process from production through to sales work closely together to monitor the inventory of products and materials consistently. The status of this inventory is reflected in our plans for timely procurement and production. We work to ensure that opportunities do not go to waste and that our products are delivered to our customers as efficiently and swiftly as possible.

Robust Sales Network

Based on our Globally Expanding Dealer Network

Daikin's network of dealers who engage directly with the users of our products play an integral role in addressing the various needs of each region in line with different climates and lifestyles. Based on a direct sales strategy that relies on Daikin's own sales network, the Group provides dealers with detailed information on the features and added value of products generated by market-localized production, as well as with training on installation and maintenance services. These efforts have led both to the establishment of a sales system that extends seamlessly to the provision of installation and maintenance services and to a solid relationship of trust with our dealers.

Daikin's Unique Business Model

Our Response to the Varying Needs of Each Region

In the air-conditioning business, needs for products vary due to different climates, building design, and lifestyles in each country and region. Since product regulations and environmental restrictions differ as well, it is essential that we develop products, manufacture them, and create after-sales services and sales networks that cater to the characteristics of these countries and regions.

Daikin has established local production for local consumption as a basic strategy, setting up production bases near the intended markets, and created a region-based supply chain, from development and manufacturing to sales and after-sales services, in five key regions globally. In terms of procurement, we are promoting the creation of a region-based procurement structure rather than one that is globally centralized to achieve local production for local consumption.

Accordingly, conducting business rooted in local communities has not only enabled the rapid development and introduction to the market of new products that are tailored to the market needs in each region but also realized cost reductions.

Regional Characteristics of Air Conditioners

Region	Market Characteristics	Region	Market Characteristics
Japan	<ul style="list-style-type: none"> Importance placed on energy-saving capabilities and comfort Airtightness of buildings Standardization of heating and cooling on demand through individual ductless air conditioners that use refrigerant piping 	China	<ul style="list-style-type: none"> Rapid popularization of air conditioners since 1990 Preferences about interior design and luxury Advancing use of data Popularization of easily retrofitted ductless air conditioners
Europe	<ul style="list-style-type: none"> High energy-saving capabilities and environmental awareness Importance placed on design Popularization of heating through radiators and under-floor heating in particular, since users find direct contact with air drafts unpleasant Standardization of ductless air conditioners that can be retrofitted to existing buildings 	United States	<ul style="list-style-type: none"> Birthplace of air conditioners Preference for heating and cooling floors and rooms inside buildings collectively Standardization of 24-hour air-conditioning throughout a building through ducted (air duct and water pipe) air conditioners for use in both residences and businesses
		Asia	<ul style="list-style-type: none"> High need for cooling functions only High electricity rates and unstable electricity supplies

Community-Based Product Development

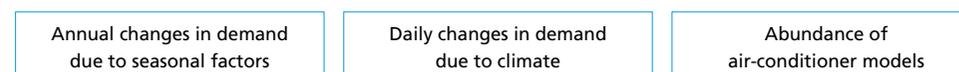
Based on its market-localized strategy, Daikin conducts development and production activities locally to promptly provide products that cater specifically to the needs of each region.

In India, for example, local engineers have been developing products in response to regional needs since the establishment of the R&D Center in 2016. The R&D Center has formulated a marketing strategy that divides the country into five regions and focuses on developing products tailored to each of these regions. In areas where it gets extremely hot in the summer, cooling-only products that can be operated even in high outdoor temperatures are sold, while products with heating functions are sold in areas with cooler temperatures in the winter. The center's development and sales activities also focus on air conditioners that cater to specific usage environments, such as areas with unstable power supply and hot and humid coastal areas.

A Production System That Adjusts to Changes in Air-Conditioning Demand

To respond flexibly to changes in air-conditioning demand, we have developed the Production of Daikin System (PDS), a proprietary production system that aligns with our policy of producing "only what's needed, when it's needed, in the amount needed." Since air conditioners are available in a wide range of models designed to be used in a specific way, their production according to demand entails adjusting the production volume during the manufacturing process. By establishing a system that produces various models on a single assembly line, we have minimized inventory and improved production efficiency. Our latest innovation for PDS is multi-product, variable-quantity production (daily high-cycle production) system. By using IT systems to develop production plans that link inventory, parts, and labor supply with the latest market information, we can promptly respond to customer needs. In addition, this production method enables us to respond to daily changes in production. Through this and other initiatives, Daikin is working to shorten factory lead times and reduce environmental impact.

Characteristics of Air-Conditioning Demand



Production of Daikin System (PDS)

Produce only what's needed, when it's needed, in the amount needed

Evolution of Daikin's Production System



Risks and Opportunities That Affect Medium- to Long-Term Value Creation

 Please refer to *Sustainability Report 2025* for details.

Based on changes in the external environment, we have identified the important social issues that affect the creation of medium- to long-term value throughout the Daikin Group's value chain and extracted the risks and opportunities related to each of these issues. In order to respond appropriately to the risks and to take advantage of the opportunities as we work to resolve these social issues, we have recognized the strategic themes adopted in our FUSION 25 strategic management plan as management materiality to realize further value creation.

Changes in Society



Intensification of climate change



Expansion and concentration of energy and power demand



Increased interest in IAQ



Occurrence of natural disasters



Transition to a digital society

Issues Related to Social Change	
Risks	Responses / Opportunities
Reducing global warming	
<ul style="list-style-type: none"> • Stricter environmental regulations • Tight supply and demand for electricity 	<ul style="list-style-type: none"> • Development of products, services, and technologies that comply with environmental regulations • Development of energy management and sustainable urban development
Reducing energy/power consumption	
<ul style="list-style-type: none"> • Stricter regulations on energy efficiency 	<ul style="list-style-type: none"> • Acceleration of conversion to inverters • Product development and technological innovation excelling in environmental performance • Strengthening of proposals for environmentally conscious products • Strengthening of energy management
Preventing the spread of infectious diseases and creating value with air	
<ul style="list-style-type: none"> • New regulations on existing air conditioners 	<ul style="list-style-type: none"> • Development of products that provide safe and secure air quality • Creation of indoor air quality/air environments (IAQ/AE) that enrich people's lives
Responding to supply chain disruptions	
<ul style="list-style-type: none"> • Suspension of plant operations • Stagnation of raw material/parts procurement 	<ul style="list-style-type: none"> • Stable supply through market-localized production based on local production for local consumption
Minimizing the impact of stricter environmental regulations on business	
<ul style="list-style-type: none"> • Tightening of regulations on per- and polyfluoroalkyl substances (PFAS) 	<ul style="list-style-type: none"> • R&D of fluorochemical products that meet the needs for high-performance materials and environmental sustainability • Develop products using materials other than fluorine

Efforts to Comply with Environmental Regulations ▶ Page 70

Sustainability Targets and Results ▶ Page 90

Risks and Opportunities That Affect Medium- to Long-Term Value Creation

Identifying Material Issues and Incorporating Them into Management Materiality

Based on the latest social trends and findings from dialogue with stakeholders, Daikin reviews and identifies key sustainability issues as appropriate. Particular emphasis is placed on responding to climate change.

These issues were also incorporated into our FUSION 25 strategic management plan as key strategy themes.

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 a variety of needs for air quality, such as air purification. However, risks include rising electricity consumption and greenhouse gas (GHG) emissions from the use of air-conditioning. With a rapid increase in

demand in the future, the impacts are expected to become larger.

Daikin's mission is to address society's needs for air in the future and to help decarbonize society. With our Environmental Vision 2050 to achieve net-zero GHG emissions, we are promoting efforts under the key strategy themes of the FUSION 25 strategic management plan.

Process for Identifying Material Issues

1 Understanding Stakeholder Interests and Impacts

Using predictions of future society in 2050, Daikin backcasted concerns and impacts surrounding its business environment and determined social issues that it could contribute to resolving based on global frameworks.

2 Assessing the Impact of Daikin's Business on Society

Based on the nature of its business, Daikin identified highly relevant issues, evaluated their impact on society, and identified issues of high importance.

3 Identifying Material Issues for Daikin and Society

Each issue of high importance was assessed according to two axes: society and the Company. In the case of society, Daikin consulted with investors, experts, and outside directors, among others, and evaluated the "stakeholders' concerns and impacts." In the case of the Company, Daikin interviewed employees and management to evaluate "importance for Daikin," ultimately determining the key sustainability issues through materiality analysis. The most important issues were deliberated by the CSR Committee and approved by the Board of Directors.



Inclusion in Strategic Management Plan FUSION 25

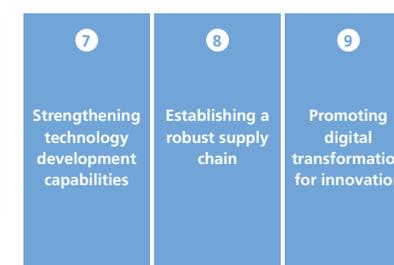
Taking into account the changes in our external business environment, our strengths, and our material issues, we formulated 11 key strategy themes under our FUSION 25 strategic management plan.

FUSION 25 Offer new value for the environment and air to realize both contributions to a sustainable society and Group growth

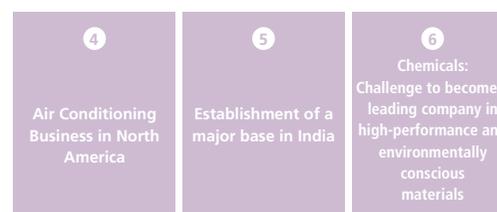
Three Growth Strategy Themes



Five Themes to Enhance the Management Foundation

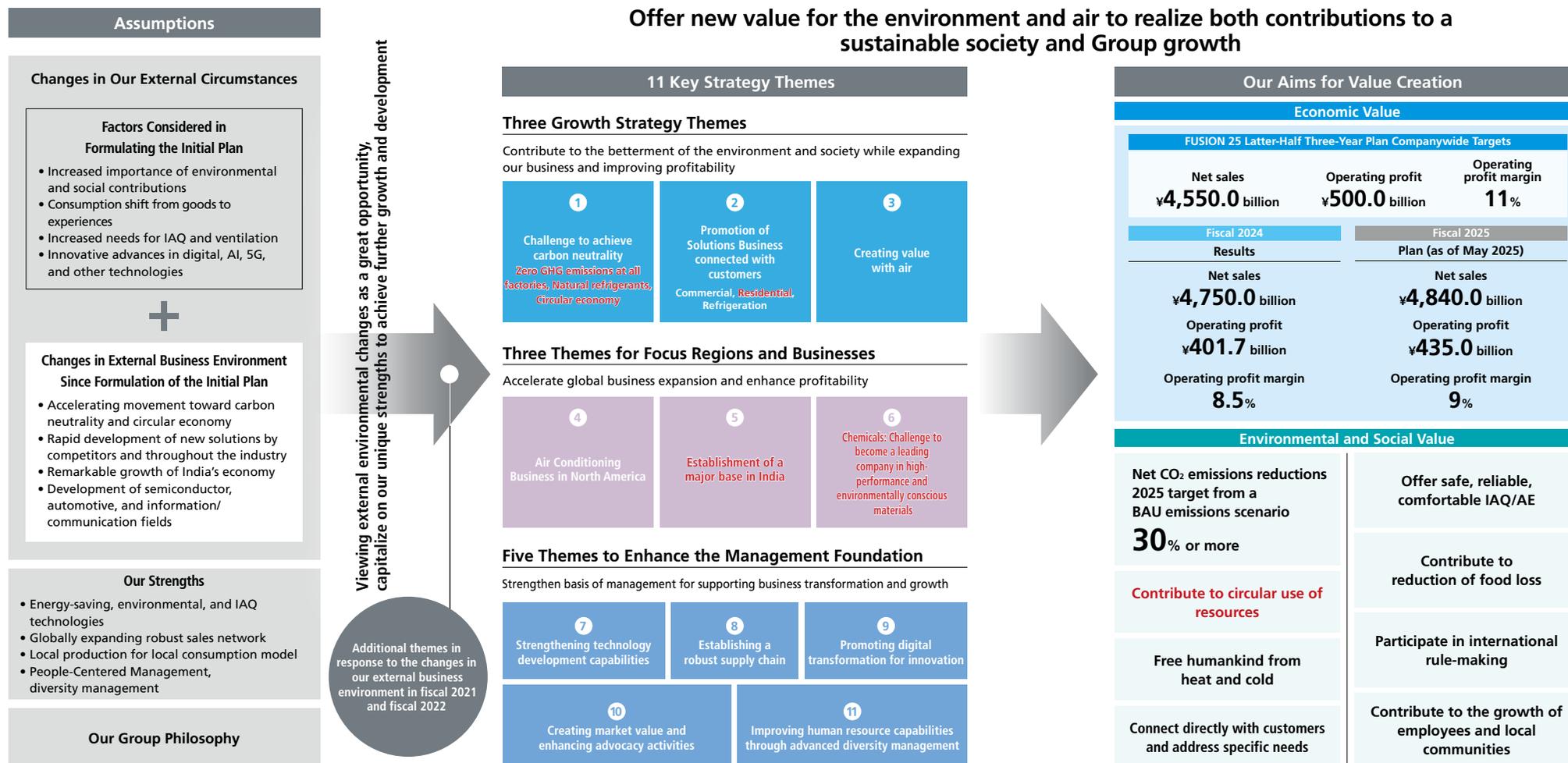


Three Themes for Focus Regions and Businesses



In 2021, we formulated the FUSION 25 strategic management plan, which covers the period from fiscal 2021 to fiscal 2025. By taking into account the changes in the external business environment and Daikin's unique strengths cultivated to date, FUSION 25 determined the themes to be implemented over this five-year period by backcasting on the basis of changes likely to take place globally over the next 10 to 20 years, as well as our vision for Daikin's ideal state.

Recognizing the opportunities presented by medium- to long-term trends and the changes in our business environment since the formulation of our initial FUSION 25 strategic management plan, we strengthened our initiatives for key strategy themes and adopted additional themes for our FUSION 25 Latter-Half Three-Year Plan, which was announced in 2023. Through the execution of our 11 key strategy themes, we have been expediting our creation of economic, environmental, and social value.



Note: The content in red was added to the FUSION 25 Latter-Half Three-Year Plan in fiscal 2023.

Overview of Strategic Management Plan FUSION 25

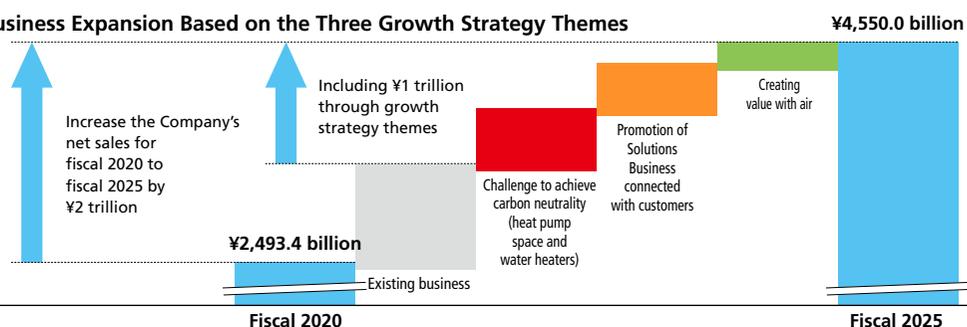
Quantitative Targets

In fiscal 2024, the second year of the FUSION 25 Latter-Half Three-Year Plan, Daikin achieved record performance with increased sales and profits. Despite a difficult business environment, we will achieve our full-year projections for fiscal 2025, the final year of the plan, preparing us for our next stage of growth, which focuses on strengthening our growth strategy themes and expanding our business in North America, India, and other countries and regions.

(Billions of yen)

	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024 Results	Fiscal 2025 (FUSION 25 Latter-Half Three-Year Plan)	Fiscal 2025 (as of May 2025)
Net sales	2,493.4	3,109.1	3,981.6	4,395.3	4,752.3	4,550.0	4,840.0
Operating profit	238.6	316.4	377.0	392.1	401.7	500.0	435.0
Operating profit margin	9.6%	10.2%	9.5%	8.9%	8.5%	11%	9%

Breakdown of Business Expansion Based on the Three Growth Strategy Themes



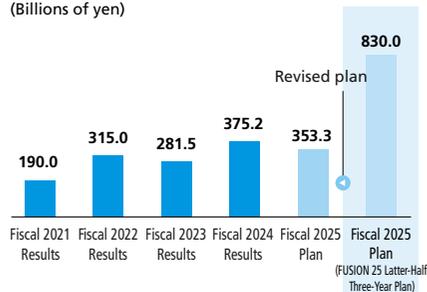
Although sales in the Heat Pump Space and Water Heating business are not expected to reach the targets set out in the latter-half three-year plan due to diminished demand in Europe and other factors, we will focus on strengthening our sales and service networks and developing high-value-added products, in addition to strengthening our business foundation with a view to medium- to long-term growth.

On the other hand, sales in the Solutions Business and IAQ/Ventilation business for fiscal 2025 are expected to exceed the targets of the latter-half three-year plan.

1 Challenge to achieve carbon neutrality

Sales Results and Plan (Heat Pump Space and Water Heating Business)

(Billions of yen)

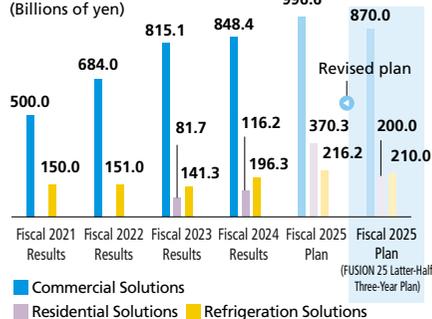


▶ See page 35 for details.

2 Promotion of Solutions Business connected with customers

Sales Results and Plan (Solutions Business)

(Billions of yen)



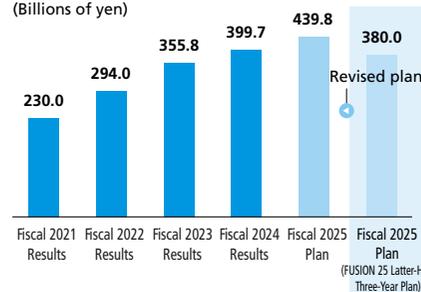
▶ See page 37 for details.

Note: Residential Solutions was established as a theme for the FUSION 25 Latter-Half Three-Year Plan in fiscal 2023.

3 Creating value with air

Sales Results and Plan (IAQ/Ventilation Business)

(Billions of yen)



▶ See page 39 for details.



Daikin Selected For SX Brands 2025

Daikin Industries has been selected as an SX (Sustainability Transformation) Brand 2025, an award made jointly by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE). Outstanding TSE-listed companies are selected as SX Brands for enhancing their ability to generate funds for growth in a sustainable way by using sustainability transformation to improve corporate value. The award scheme, now in its second year, was established to introduce brands that appeal to investors seeking growth in corporate value over the medium to long term. One of 13 companies recognized as an SX Brand in 2025, Daikin received the honor for the second year in a row.

The main points evaluated in the selection were as follows:

- Daikin prioritizes its climate change measures, which relate closely to its business, and it explains in an easy-to-understand narrative its aim to achieve both business growth and the resolution of environmental and social issues to further improve its corporate value in the medium to long term.
- In formulating its strategic management plan, FUSION 25, Daikin devised a long-term strategy with an integrated approach by backcasting from changes in the global environment 10 and 20 years from now as well as from its Purpose and then setting key strategic themes for the five-year management plan. The key strategy themes set forth in FUSION 25 are consistent and flexible enough to respond to changes in the external environment.
- As a distinctive initiative of its implementation strategy, the Company is actively involved in the formulation of rules in all global regions, including emerging countries, to ensure that energy-saving performance can be properly evaluated, resulting in the widespread adoption of highly efficient inverter air conditioners. Both inside and outside the Company, Daikin focuses on generating new intellectual property, including the building and strengthening of its own intellectual property portfolio, and it is developing a system that provides incentives for all parties in a co-creation initiative to devise inventions.

Special Feature

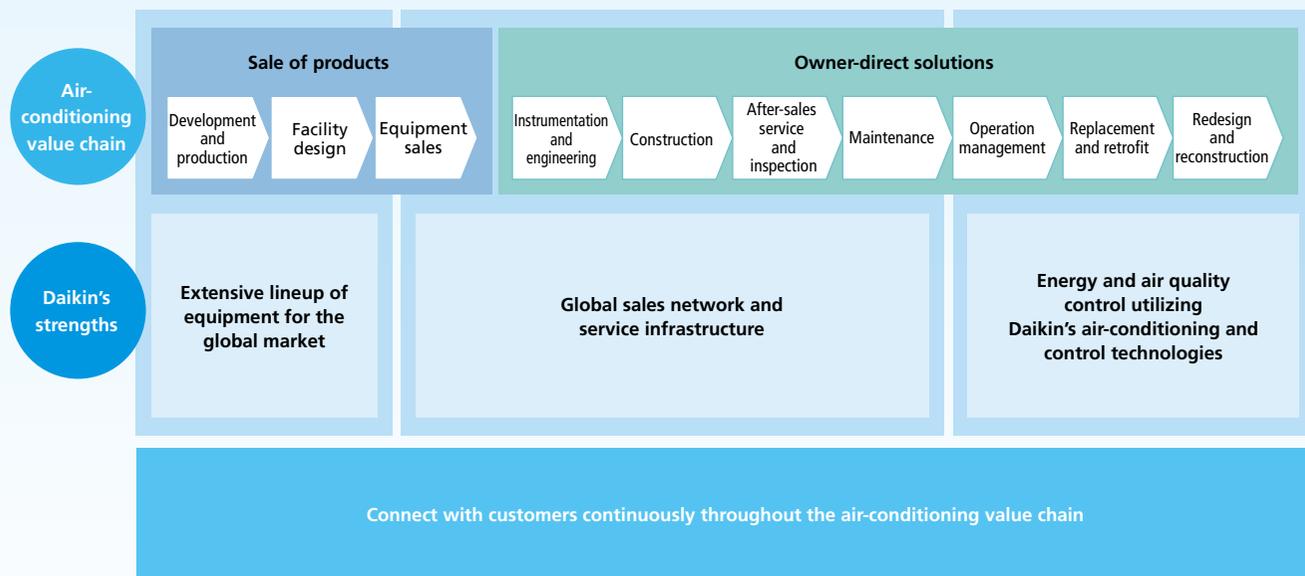
Daikin's Solutions Business:

Transforming the Air-Conditioning Business to Establish a Business Model That Promotes the Selling of Services

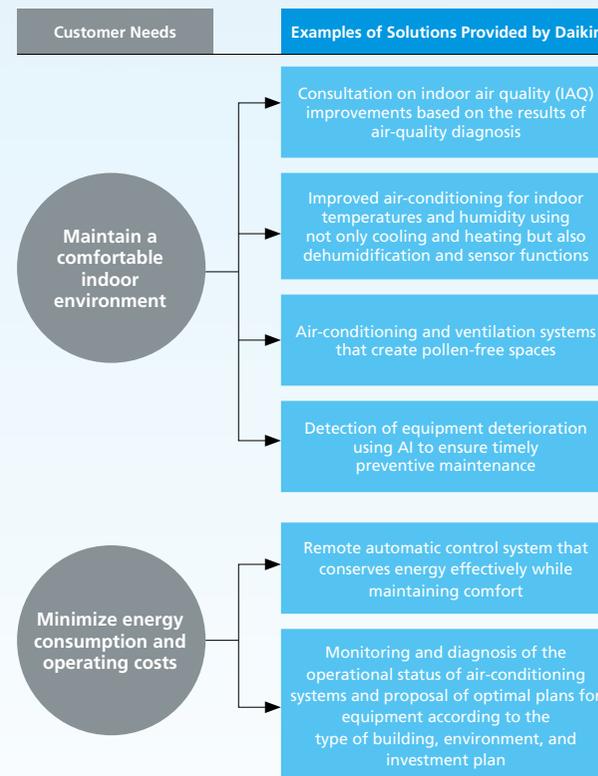
Daikin is going beyond the scope of equipment sales and maintenance to provide new value that meets customer needs and resolves latent issues. This section introduces our next-generation business which is aimed at establishing a circular and highly profitable business model by developing ongoing relationships with customers throughout an air conditioner's life cycle so that they choose Daikin.

The Solutions Business We Aim to Achieve

The value chain for air conditioners extends from planning (development and production) and design to equipment sales, maintenance, and replacement and retrofit. Traditionally, Daikin's air-conditioning business has focused mainly on equipment sales and maintenance. One of the three growth strategy themes of FUSION 25, however, is "Promotion of Solutions Business connected with customers," under which we aim to establish a business model for selling services. We are developing elemental technologies to provide a menu of solutions that cater to the needs of each application, market, and customer. By combining the latest digital technology with Daikin's long-cultivated expertise in air-conditioning and the vast amount of data collected from air conditioning systems in use, we are working to provide a wide array of air-conditioning solutions.



Examples of Solutions

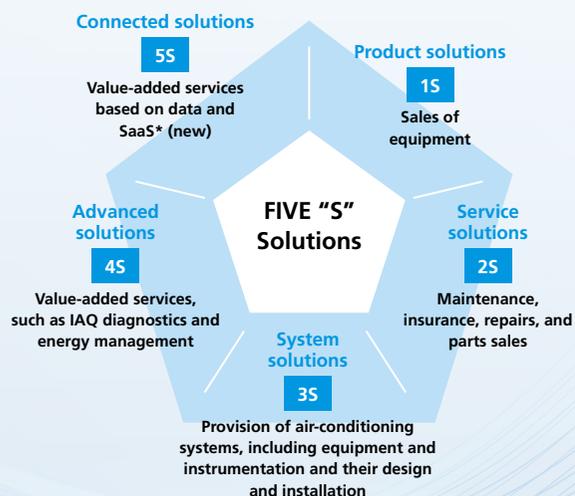


Special Feature: Daikin's Solutions Business: Transforming the Air-Conditioning Business to Establish a Business Model That Promotes the Selling of Services

Development of the FIVE "S" Strategy in North America

Daikin Applied Americas (DAA) has been strengthening its own service bases, which form the foundation of its solutions business. In recent years, DAA has been working strategically to conclude agreements with manufacturers' representatives* to establish sales channels in 18 major cities of the United States, facilitating the direct proposal of solutions to owners. Going forward, we will implement our Five "S" strategy (illustrated below) to further strengthen our existing product solutions (1S) and service solutions (2S), provide air-conditioning system solutions (3S) including design and installation, and advanced solutions (4S) including energy management, and enhance our capabilities in connected solutions (5S) to provide added value through the use of data.

* Manufacturers' representatives: A business format unique to North America, in which companies or individuals enter into proxy agreements with manufacturers to conduct sales activities. Manufacturers' representatives do not normally engage in the resale of products but receive a commission from the manufacturer based on the amount of sales they achieve.



*SaaS: Software as a service

Rapid Expansion of the North American Applied Equipment Market and Development of the Solutions Business

The applied equipment market in North America is expanding rapidly due to increased demand from data centers and schools, growing at a remarkable rate of 163% from fiscal 2020 to fiscal 2023. Demand from data centers has accelerated particularly quickly due to the spread of AI, presenting a significant opportunity for Daikin to go beyond equipment sales and expand its solutions business. In the schools and healthcare markets, demand has also been rising for a wide range of solutions for both new construction and renewal of facilities. Daikin will expand the solutions business by staying committed to the growing data center market as well as to schools and healthcare markets.

	Market Characteristics	Strategic Measures
Data centers	Major data center operators differentiating themselves through tie-ups with various suppliers Collaborations with manufacturers and demand for after-sales services increasing in the heating, ventilation, and air-conditioning field	<ul style="list-style-type: none"> Provide air-conditioning equipment, server cooling equipment (air and liquid cooling), instrumentation, and maintenance Establish and improve direct relationships with customers, strengthen engineering capabilities, and expand production capacity
Schools	Emphasis on community-based sales and proposal capabilities, and use of group purchasing organizations (GPOs) in the bidding process for fair trade	<ul style="list-style-type: none"> Create an optimal solution menu that caters to customer needs and strengthen proposal capabilities Reduce operational costs while improving comfort and safety throughout facility spaces
Healthcare	Emphasis on community-based sales and proposal capabilities and use of GPOs for fair trade in the bidding process becoming mainstream	<ul style="list-style-type: none"> Improve IAQ through air-conditioning and control technology and provide energy management services for entire buildings Address issues at medical facilities by preventing infections and conserving energy using total heat exchangers and air purifiers

Strengthening Our Solutions Infrastructure

Under the FUSION 25 strategic management plan, Daikin is implementing strategic M&As to tap into the growing market for data centers and other applications. We are strengthening our solutions infrastructure by developing our own service network and honing our instrumentation and engineering system.

In fiscal 2022, we acquired Alliance Air Products, a company with strengths in air handling units for data centers, and we are enhancing its product proposal capabilities. DAA's technologies for chillers and Alliance Air Product's development and production capabilities for air-side products have led to the supply of equipment that forms the core of our solutions business.

Utilizing the solutions infrastructure we have cultivated under FUSION 25, we will further expand the solutions business for the next stage of our growth.



Alliance Air Products' new factory

Special Feature

Promoting Inverter Use in the Global Market

as a Leading Global Company

Recognizing the accelerating global trend toward stricter energy-saving regulations as a business opportunity, Daikin is promoting the development of highly efficient, environmentally friendly products using its technological capabilities that have met stringent energy-efficiency standards in Japan and various other countries. As a leading global manufacturer of air conditioners, Daikin will take the lead in decarbonizing the global air-conditioning market with strategies tailored to the characteristics of each region.

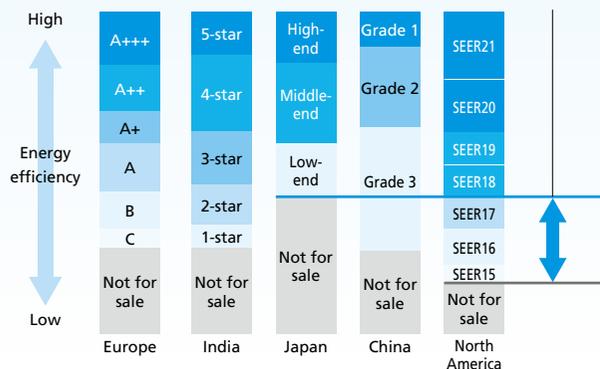
Contributing to Global Decarbonization with Our Long-Cultivated Energy-Saving Technologies

Energy-efficiency standards for air-conditioning products vary across the globe and so do expectations for energy-saving performance. Accordingly, Daikin has continued to develop and manufacture technologies and products that meet Japan's energy-efficiency standards, which are among the most stringent in the world, and such an approach has become the Company's foundation for its global expansion. Although the level of the energy-saving performance of marketable products varies according to the regulations and market characteristics of each region, countries around the world are strengthening their energy-saving regulations in line with the global movement toward carbon neutrality.

For Daikin, which has consistently developed and supplied products in strict regulatory environments, such as Japan, the enforcement of stricter energy-saving regulations will present business opportunities via which the Company can further utilize its long-cultivated energy-saving technologies. Using these stricter regulations to our advantage, we will continue to expand our business globally and contribute to the realization of a carbon-neutral society.

Global Comparison of Energy Efficiency Standards

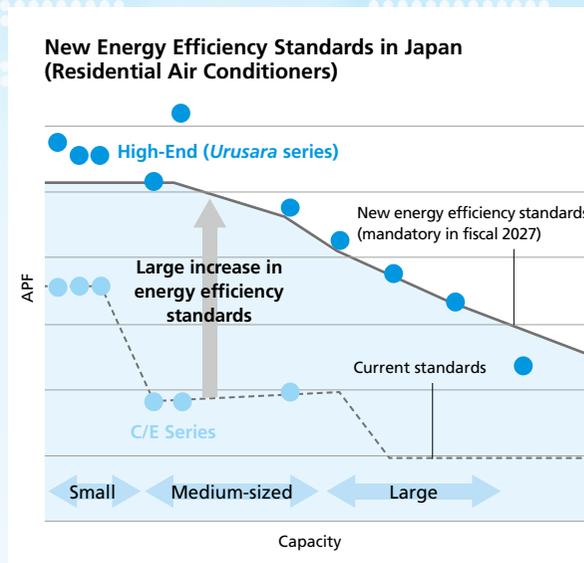
The level of energy efficiency for products that can be sold varies by region.



Rapidly Advancing Air-Conditioning Technology to Meet Stricter Energy-Efficiency Standards

Amid the global movement toward carbon neutrality, energy-saving needs are expanding in Japan, such as those in response to the government's revision of energy-saving regulations and promotion of net zero energy buildings. With the Japanese government's plan to introduce new energy efficiency standards—based on the Top Runner Program, which was introduced in 1999 as a measure to reduce energy consumption in the civil and transportation sectors—for residential air conditioners in 2027, we can expect significant improvements in the annual performance factor (APF), which measures the efficiency of air conditioners over a certain period, and the addition of a cold-region standard.

In line with the aforementioned introduction, the energy efficiency of standard air-conditioner models will need to be on a par with that of current high-end models by 2027. This shift has spurred technological innovation throughout the industry and further stimulated the competition for the development of next-generation high-efficiency air-conditioning systems. Air conditioner manufacturers in Japan are thus accelerating their technological development to meet these stricter regulations.



Our Extensive Line of Compressors to Promote Inverter Use

Residential Property	Store/Building	Large-Sized Air Conditioner (Applied)	
Swing	Scroll	Screw	Centrifugal
Swing structure	Highly efficient spiral structure	Single-rotor structure	Oil-free magnetic bearing
The unique swing structure enables operation at extremely low and high speeds. It is most valuable when used with an inverter for variable-speed operation.	This compressor is well-known for being installed in air-conditioning units in buildings and has the No. 1 share in the industry. It is highly efficient with low noise and high durability even when installed in large equipment that uses a large amount of refrigerants.	With no eccentric motion in the compression mechanism, its continuous compression process produces low noise and is suitable for large-scale, high-load systems.	The unique magnetic-bearing structure enables oil-free operation that requires no maintenance while also being extremely quiet. It is used for large-scale air conditioners and chillers.

Special Feature: Promoting Inverter Use in the Global Market as a Leading Global Company

Regional Efforts to Promote Inverter Use

▶ Accelerating Inverter Use in North America Through Collaboration with Copeland, Inc.

To fulfill its responsibilities as a leading manufacturer in the North American ducted unitary market, Daikin is working to expand sales of inverter air conditioners and other premium environmental products. More stringent energy-saving regulations are also being implemented in North America, which represents a significant business opportunity for Daikin, whose strength lies in inverter technology. We manufacture key devices for inverter products in-house and aim to establish a strong position in the market, where inverter use is rapidly increasing. In order to create an environment in which inverter use can expand in the North American air-conditioning market, in May 2025, Daikin entered into a joint venture with Copeland, Inc. of the United States.

This collaboration aims to build a win-win relationship that enables both Daikin and Copeland to leverage their respective strengths. Daikin's strengths include design capabilities for swing rotary compressors and inverters and exceptional production technologies, while Copeland's strengths lie in its robust sales network in the U.S. market, support for compressor installation services, and a nationwide after-sales service network.

Through this partnership, we will provide residential air-conditioning manufacturers in the United States with the most efficient solutions for their specific applications and needs. The partnership will also accelerate the transition from fossil fuel combustion heating to more energy-efficient heat pumps in the United States. In the North American air-conditioning market, where inverter use is low relative to other countries around the world, we will contribute to the realization of a carbon-neutral society and improve our profitability in the process.



Announcement of joint venture with Copeland, Inc.



1. Design capabilities for swing rotary compressors and inverters
2. Production technology capabilities that support quality and cost
3. Design and production capabilities as a product manufacturer with a certain scale in North America



1. Sales power with a certain market share in the U.S. market and support when installing compressors
2. After-sales service network covering the entire United States
3. The only compressor manufacturer in North America with local production capabilities

- Provide optimal and efficient solutions for the specific applications and needs of residential air-conditioning manufacturers in the United States
- Accelerate the transition from combustion-based heating to heat pump space and water heating, thereby promoting the reduction of environmental impact throughout North America
- Strengthen market competitiveness and expand inverter use by leveraging the technologies and sales network of both companies

▶ Establishing a Competitive Advantage and Helping Reduce Environmental Impact in the Rapidly Growing Indian Market

Daikin has continued to invest in its Indian business since 2009, where it has developed a wide range of products, from residential air conditioners to chillers. This business foundation is a major strength in India's rapidly expanding residential air-conditioning market, which was on a scale of seven million units in 2023 but will likely expand to an immense scale of 50 million units by 2035. In order to respond to such growth in demand, in December 2024, we decided to form a joint venture in India with Rechi Precision Co., Ltd., a compressor manufacturer in Taiwan.

This partnership leverages Daikin's business foundation in the Indian market and inverter technology and Rechi's capabilities in manufacturing low-cost, high-quality compressors. Rechi mainly engages in the production and sale of rotary compressors in China and other countries and it has the expertise to manufacture high-quality products at low cost through mass production. This joint venture is slated to begin operating out of Daikin's Sri City Plant in southern India.

Through this partnership, we will establish a system for the stable supply of compressors to India's air-conditioning market, where demand continues to grow, and actively promote the widespread use of inverter technology. In addition, we will help reduce environmental impact by taking the lead in promoting the use of inverter air conditioners in India, where air-conditioning use is relatively low but the market is expected to expand rapidly in line with economic growth. Currently, there are no air-conditioning manufacturers with both compressor and inverter technology in India. In view of this, Daikin will leverage this partnership to strengthen its competitiveness in the Indian market and solidify its foundation for growth.



Announcement of joint venture with Rechi Precision Co., Ltd.



1. Business foundation established through continuous investment in the Indian business since 2009
2. Extensive product lineup from residential air conditioners to chillers
3. Advanced inverter technology and design and development capabilities for air-conditioning systems



1. Manufacturing expertise centered on rotary compressors
2. Ability to produce high-quality compressors at low cost through mass production
3. Compressor manufacturing supply chain

- Establish a system for the stable supply of compressors to India's rapidly growing air-conditioning market
- Strengthen market competitiveness as the only manufacturer in India with both compressor and inverter technology
- Reduce environmental impact through the increased use of inverter technology

Message from the Officer in Charge of Finance



We will invest in growth and improve capital efficiency to strengthen our earnings capacity and management structure across the Group.

Koichi Takahashi

Member of the Board and Senior Executive Officer
In charge of Accounting, Finance, and Budget of the Company
General Manager of Finance and Accounting Division

Review of Fiscal 2024

As we work toward the completion of our FUSION 25 Latter-Half Three-Year Plan, announced in May 2023, we are accelerating measures for its 11 key strategy themes, which include “Challenge to achieve carbon neutrality,” “Promotion of Solutions Business connected with customers,” and “Creating value with air,” while striving to create economic, environmental, and social value.

In fiscal 2024, the second year of the plan, we faced a difficult business environment with sluggish demand in various regions, including supply disruptions for ducted unitary for houses in North America, declining demand for heat pump space and water heating in Europe, and slowing air-conditioning demand in China due to its real estate slump. However, we rallied our comprehensive capabilities as a Group and worked together to fully implement the key strategy themes we set forth at the start of fiscal 2024 to improve the Group’s earnings structure and profit margins. While closely following up on the progress of each region and business, we minimized negative impacts on our business by responding flexibly and actively to changes in the business environment. We also worked to further expand sales in regions with strong sales, such as India and Japan, and in profitable businesses, such as applied air-conditioning and commercial solutions, as well as to improve profitability by increasing operational efficiency through the use of digital transformation. Furthermore, by generating results in the energy solutions business, one of our key strategy themes, extensively implementing strategic selling price measures, and promoting total cost reductions, we were able to offset the negative impacts of the challenging business environment and achieve record highs in both net sales and operating profit, despite not reaching our targets for either.

Key Themes for Improving the Group’s Earnings Structure and Profit Margins

- Promote selling price strategies and increase the Company’s market share
- Strengthen cost competitiveness across the globe to improve marginal profit ratio
- Implement production, procurement, and logistics reforms globally to establish a resilient supply chain
- Reduce existing fixed costs and prioritize upfront and strategic investments
- Generate results from acquisitions and investments to enhance production capacity and R&D

Themes for Achieving Maximum Results Globally Through the Group’s Comprehensive Capabilities

- Aggressively expand the applied air-conditioning business globally and expand profits in the commercial-use air-conditioning business by providing added value for each application and market
- Introduce differentiated products, strengthen service capabilities, and reduce construction work and manpower

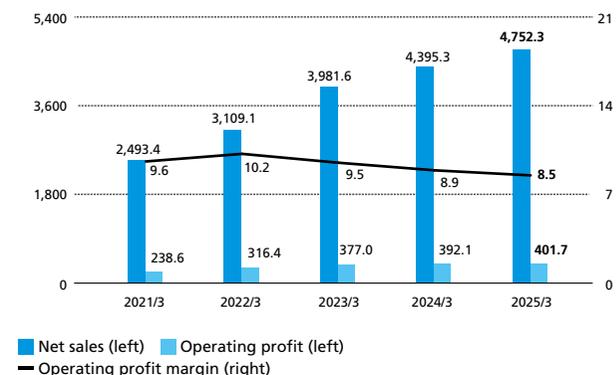
Initiatives for the Final Year of Strategic Management Plan FUSION 25

In terms of our external business environment, consumption and housing investment will likely remain sluggish in many regions of the world due to inflation and high interest rates, despite increasing corporate and individual awareness of carbon neutrality and rising air-conditioning demand in India as well as from data centers in the United States and other parts of the world. In addition, the future remains uncertain due to the effects of tariff hikes by the Trump administration in the United States and geopolitical risks in Europe and China, among other factors.

In fiscal 2025, the final year of FUSION 25, we anticipate that the challenging business environment will persist. Leveraging our long-cultivated strengths, including our global production and sales system based on local production for local consumption and our environmental, energy-saving technologies, we will improve profitability and strengthen our management structure by reinforcing

Net Sales / Operating Profit / Operating Profit Margin

(Billions of yen) (%)



and implementing global initiatives, such as expanding our applied equipment and service solutions businesses, enhancing our sales capabilities to balance selling price measures with the expansion of sales and market share, accelerating the launch of differentiated new products, and maximizing global cost reductions.

We will build a leaner and more resilient management structure by accelerating efforts throughout the Group, such as sharing best practices and know-how to strengthen sales and proposal capabilities, introducing differentiated new products that cater to the needs of applications and markets in each region, reducing manpower by automating production facilities, reducing the cost of base model products, standardizing key components, maximizing cost reductions by switching from copper to aluminum, and improving the efficiency of indirect operations using the power of digital technology.

Although we do not expect to reach our FUSION 25 Latter-Half Three-Year Plan targets for operating profit of ¥500.0 billion and operating profit margin of 11% in fiscal 2025, we will accelerate our initiatives to overcome the challenging business environment and achieve our highest results ever.

Response to Tariff Measures by the Trump Administration

While the impact of the Trump administration's tariff measures on our business remains to be seen, we have incorporated a direct negative impact of ¥47.0 billion on operating profit for our full-year forecast for fiscal 2025, announced in May 2025.

We will fully absorb the direct negative impact through price increases and cost reductions. Although we cannot foresee all of the indirect effects of these tariffs, such as economic slowdown and impact on demand, we have made calculations based on multiple scenarios for an economic slowdown, such as impact on net sales and operating profit based on assumptions of demand falling by 5% or 10% from our initial forecast. We will minimize impact by actively taking both offensive and defensive measures based on future developments, such as expanding cost reductions, introducing differentiated products ahead of schedule, switching suppliers, and implementing cost-cutting measures to cope with declining demand. Although the future is full of uncertainties regarding the Trump administration's tariff measures, we will continue to respond flexibly and effectively by anticipating a variety of scenarios.

Improving Profitability and Capital Efficiency While Investing in Growth

At Daikin, our basic policy is to promote future growth and development and strengthen our management structure by working to expand business through strategic investments and to enhance profitability and improve our financial position.

Under the FUSION 25 Latter-Half Three-Year Plan, we have been actively investing with an eye on medium- to long-term growth. This includes investments to enhance production capacity and R&D to improve profitability, investments to expand our sales and service networks, M&As to rapidly develop a foundation for our service solutions business centered on the applied business in North America, and investments in human capital to acquire and develop the human resources necessary to accelerate business expansion. While this policy remains unchanged, we take very seriously the fact that our profitability indicators, such as operating profit margin and return on equity (ROE), have been deteriorating in recent years and that our capital efficiency is declining due to insufficient returns on certain investments to date. We believe that the additional strengthening of our earnings capacity is essential to our further growth and development.

In fiscal 2025, we will enhance our profitability, competitiveness, and management structure by implementing six Groupwide themes under the direction of top management while working to create results from the key themes we have been working on, such as balancing strategic selling price measures with the expansion of sales and market share and fundamentally strengthening our global total cost reduction and procurement capabilities.

In terms of strategic selling price measures, it will not be easy to raise prices considering the increasingly severe demand environment and competition amid cost increases from rising raw material prices, tariffs, and other factors. We intend to maintain high selling prices by quickly launching differentiated products that meet market and customer needs while promoting the appeal of new products to our sales channels and customers, promoting their market penetration, and leveraging our service and other comprehensive capabilities that underlie the Group's strengths.

To expand sales and market share, we have been strengthening our proposal capabilities for energy-saving and decarbonization needs and bolstering support throughout our sales network for

dealers, wholesalers, and their affiliated stores, amid the changing business environment. In fiscal 2025, we will move quickly to further strengthen sales in the United States and Europe and enhance the development of differentiated products to compete with lower-priced products. Furthermore, in applied air-conditioning, where investments in data centers, manufacturing facilities, and hospitals will pick up especially in the United States, we will expand sales and further strengthen the service solutions business by taking advantage of the sales network we have developed to date, our maintenance and repair menus, our proposal capabilities for equipment renewal, and our instrumentation and engineering capabilities. In these ways, we will accelerate the transition to a recycling-oriented solutions business and transform our business structure to one that generates earnings through solutions.

To fundamentally strengthen the Group's total cost reduction and procurement capabilities, we intend to further increase total cost reductions amid rising prices and labor costs and intensifying competition with rival manufacturers, by setting ambitious targets and enhancing coordination among our global production bases to reduce costs to the extent possible. To strengthen our procurement capabilities, we will diversify the supply of key products with a high risk of supply disruptions on a global basis to ensure stable procurement and reduce costs.

To Our Shareholders and Investors

Over the past year, as senior executive officer in charge of accounting, finance and budget, I have had several opportunities to engage in dialogue with institutional investors. I have received many questions about our capital policy, including share buybacks, following the recent decline in our stock price, which I take very seriously.

We are currently discussing the specifics of our capital policy, including shareholder returns, but we will first focus on achieving our forecasts for fiscal 2025 and meeting the expectations of our shareholders.

We look forward to your continued understanding and support of our management.

Capital Policy Based on Our Growth-Oriented Mindset

Based on the belief that investment is the foundation of growth, Daikin is implementing strategic investments to expand business while promoting structural reforms to strengthen its financial position. To that end, we will further enhance our earnings capacity and profitability. At the same time, we will generate cash by improving capital efficiency and allocate it to short-, medium-, and long-term strategic investments to accelerate global business development and the development of environmentally conscious products. Through these efforts, Daikin aims to become a truly global and excellent company while further enhancing corporate value and profit returns to shareholders.

In fiscal 2024, we improved asset efficiency by reducing the balances of accounts receivable and inventory and sold cross-shareholdings with an emphasis on capital efficiency. However, ROE is declining due to factors such as sluggish demand for heat pump space and water heating in Europe, deteriorating profitability as a result of changes in the sales mix, and decreasing sales in the highly profitable air-conditioning market in China. In fiscal 2025, we will work to improve asset turnover by drastically reducing inventory, reducing accounts receivable, and increasing returns on investments in acquired companies and capital expenditures to enhance production capacity, thereby increasing corporate value. Furthermore, we believe that improving capital efficiency is an urgent management issue and we are currently discussing the specifics of our capital policy based on our strategic investments in sustainable growth.

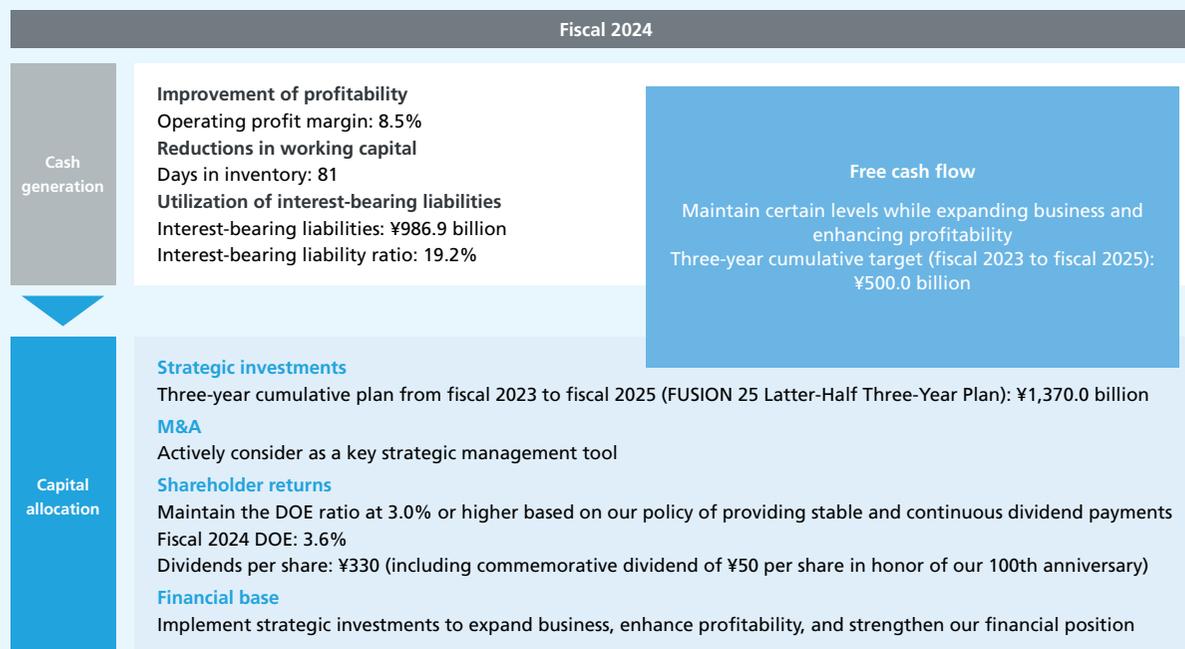
Regarding shareholder returns, we will work to maintain a consolidated ratio of dividends to shareholder equity (DOE) of 3.0% based on our policy of providing stable and continuous dividend payments, while aiming to increase our dividend payout ratio to further enhance shareholder returns.

Investment Plan

In the first two years of FUSION 25, we steadily made aggressive investments in future growth in R&D, capital assets, and digital technology, and in enhancing the production capacity of each region.

In the remaining three years, we are accelerating upfront investments in strengthening R&D, enhancing the production capacity of each region, automating production, and pursuing other efforts aimed at achieving sustainable growth in the future.

We are actively proceeding with M&As in line with our key strategy themes, such as expanding sales of premium environmental products in North America, strengthening our sales and service networks for heat pump space and water heating in Europe, and promoting strategic acquisitions in the applied business to strengthen our service solutions business primarily in North America.



Main Areas and Themes for Investment in FUSION 25 Latter-Half Three-Year Plan (Fiscal 2023 to Fiscal 2025)

		Investment Plan (Three-Year Cumulative)	Total Results for Fiscal 2023 and Fiscal 2024	Fiscal 2025 Plan (as of May 2025)
R&D	We will develop new products and services that set us apart from the competition, such as products using refrigerants with low global warming potential (GWP) and natural refrigerants that comply with stricter regulations and heat pump space and water heaters.	¥390.0 billion	¥258.2 billion	¥150.0 billion
Capital assets	For developing countries in Asia and Africa, we must enhance production capacity in response to the robust demand for air-conditioning in these areas. In the remaining three years of FUSION 25, we plan to launch operations at five more plants globally, in India, Mexico, Indonesia, China, and Poland.	¥800.0 billion	¥636.1 billion	¥290.0 billion
Digital technology	We will develop the differentiated services and applications necessary to expand our Solutions Business. We will also build a system that covers our entire supply chain management process and strengthens our security measures (Internet of Things (IoT) products and external suppliers).	¥180.0 billion	¥139.4 billion	¥70.0 billion
M&A	We will look into opportunities for M&As to quickly develop a foundation for our service and solutions business in Europe, Asia, Oceania, and North America, further strengthen our sales network in the North American air-conditioning market, and accelerate the achievement of carbon neutrality and the development of our Refrigeration Solutions Business.			

Promoting Ratio Management to Maximize Corporate Value

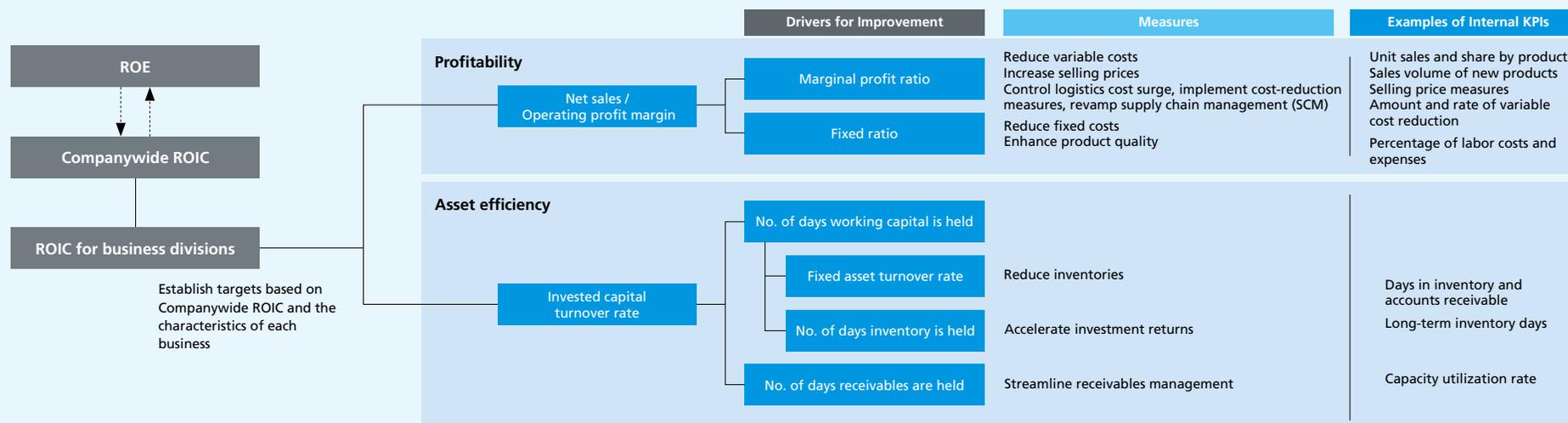
We began ratio management to focus more on operating profit margin, profitability, and financial structure based on our aim to “become an attractive company that draws together people, capital, and information” set forth in the FUSION strategic management plan formulated in 1999. Under the next strategic management plan, FUSION 30, we will not only expand scale (profit and loss management) but also refocus on ratio management with profitability and capital efficiency in mind (balance sheet management) to further strengthen our management foundation.

Under ratio management, we will actively expand our business and enhance our management structure on the basis of free cash flow (FCF), return on invested capital (ROIC), return on assets

(ROA), and ROE as key management indicators. We place particular emphasis on FCF as a source of corporate value and as an integrated indicator that serves to enhance all management indicators. In addition to increasing earnings and improving investment efficiency, we are proceeding with the measures necessary to generate cash flow from a working capital perspective, which include thoroughly reducing both the balances of accounts receivable and inventory.

We are working to enhance internal awareness of ROIC as a management indicator that is specific to each division. To facilitate greater implementation among employees, we have positioned ROIC as an internal management indicator linked to

Companywide ROE targets and then applied it to each business target to show clearly how the duties of each employee are connected to ROIC. For example, during employee training we use the concept of a ROIC Tree to explain how inventory reduction improves ROIC and how adjusting the relationship between selling prices and costs can increase profitability. We also use the ROIC Tree to explain to management at our overseas bases how ROIC is linked to their daily duties. In formulating FUSION 30, we are considering ways to improve awareness of profit margins among all employees, such as reviewing the components of the ROIC Tree.



Policy on Cross-Shareholdings

As our business becomes more complex and wide-ranging, alliances and partnerships with other organizations in diverse fields are becoming increasingly important for our continuous growth. We have deemed it appropriate to hold shares in companies with potential for improvements in corporate value. This policy is the result of a strategic decision to engage in alliances and partnerships to rapidly expand our business and to enhance our corporate value over the medium to long term.

The Board of Directors conducts a comprehensive review for each cross-shareholding to ensure that these shares are being held for strategic purposes, after carefully assessing the benefits and risks of each holding based on the cost of capital. Any cross-shareholdings that are deemed unreasonable to hold on the basis of these reviews are sold as appropriate.

Three Growth Strategy Themes



Challenge to Achieve Carbon Neutrality

We will actively engage in upfront investments in heat pump space and water heaters, inverter air conditioners, and other products that contribute to the achievement of carbon neutrality and accelerate our efforts in refrigerants, one of Daikin's core environmental technologies. We aim to achieve carbon neutrality by 2050 by promoting the use of refrigerants with low global warming potential (GWP) and establishing a refrigerant recovery and recycling network, while expanding our business in the process.

Basic Policy

The movement toward carbon neutrality continues to gain momentum around the world. At COP28 in 2023, 63 countries including Japan announced their support for Global Cooling Pledge, an international initiative requiring countries to reduce greenhouse gas (GHG) emissions from the use of air conditioners, improve energy efficiency, and promote the use of air conditioners in developing countries, thus increasing the role of air conditioners in the achievement of carbon neutrality.

FUSION 25 Latter-Half Three-Year Plan

Key Initiatives	Targets and Policies	Specific Measures	Achievements, Challenges, and Approach Going Forward
1. Reduction of Power Consumption During Product Use	<ul style="list-style-type: none"> Work to accelerate the global conversion to inverters and lead the industry in environmentally conscious products (energy-saving equipment) Increase the use of inverters in room air conditioners to 93% or more by fiscal 2025 	<ul style="list-style-type: none"> Expand sales of inverter air conditioners on a global scale, including <i>Fit</i> heat pump unitary products in North America and room air conditioners for our high-end market strategy in the developing countries of Asia and Oceania Develop and expand sales of energy-saving systems, such as those combining VRV systems and total heat exchangers 	<ul style="list-style-type: none"> Expand sales of <i>Fit</i> inverter-equipped unitary products in North America and inverter units for room air conditioners (RAs) in emerging countries in Asia and Oceania. Accelerate sales of inverter units worldwide to achieve fiscal 2025 targets Develop energy-saving systems combining VRV systems and total heat exchangers Adopt microchannel heat exchangers for outdoor units of <i>Daikin Altherma 4H</i> water heat pumps using propane refrigerant, which were launched in Germany in March 2025 (development of energy-efficient element technologies)
2. Expansion of the Heat Pump Space and Water Heating Business	<ul style="list-style-type: none"> Significantly expand business in the residential market by launching differentiated products and strengthening sales and after-sales service networks 	<ul style="list-style-type: none"> Expand sales of <i>Fit</i> heat pump unitary products in North America Participate in the U.S. Department of Energy's Cold Climate Heat Pump Challenge*1 Release new products using R290 natural refrigerant in Europe Establish a new plant in Poland to serve as a manufacturing hub for heat pump heaters 	<ul style="list-style-type: none"> Strengthen sales network in North America by educating and supporting dealers, in addition to increasing the number of dealers that handle <i>Fit</i> and RAs Launch <i>Fit</i> cold-climate model in response to the U.S. Department of Energy's Cold Climate Heat Pump Challenge Address the issue of training sales representatives who can promote the appeal of product features, such as heaterless control, high performance, and low noise Established the Poland plant according to schedule and commenced production and sales of heat pump heating systems using R290 natural refrigerant Establish a profitable business model based on the reinforcement of our sales and service capabilities and the creation of new added value to withstand the impact of fluctuating demand
3. Refrigerant Initiatives to Support the Air Conditioning Business	<ul style="list-style-type: none"> Select optimal refrigerants for each region Promote the conversion to R32 refrigerants on a global scale 	<ul style="list-style-type: none"> Expand sales of R32 products in the residential-use air-conditioning market in the United States Promote conversion to R32 refrigerants for VRV systems Promote sales of products using natural refrigerants in Europe Promote the development of next-generation refrigerants 	<ul style="list-style-type: none"> Commenced sales of residential air conditioners using R32 refrigerant in the United States in fiscal 2024 Commenced sales of VRV systems using R32 refrigerant in Europe and launched heat pump models ahead of competitors in 2024 Work to create European guidelines for handling R290 products in conjunction with the start of sales of heat pump heating systems using R290 natural refrigerant Development of next-generation low-GWP refrigerants underway, with plans to undergo testing initially in the domestic air-conditioning industry
4. Reduction of GHG Emissions During Manufacturing (Development and Production Processes) and Office Activities, etc.	<ul style="list-style-type: none"> Achieve net-zero GHG emissions at all plants, excluding chemical plants, by fiscal 2030 Achieve net-zero GHG emissions at major offices of domestic business sites by fiscal 2025 	<ul style="list-style-type: none"> Globally expand initiatives that proved successful in achieving net-zero GHG emissions at our Sakai Plant's Rinkai Factory in Japan in fiscal 2023 	<ul style="list-style-type: none"> Achieved net-zero emissions at Daikin Air-conditioning (Shanghai) Co., Ltd. and Daikin Rexham Electronics (Japan) Ltd. as of June 2025, following the same achievement at the Sakai and Rinkai plants in Japan in fiscal 2023 Aim to achieve net-zero emissions at all our domestic and overseas bases, excluding chemical plants, by fiscal 2030
5. Development of New Business That Takes a Carbon-Neutral Society into Account	<ul style="list-style-type: none"> Reinforce initiatives for negative emissions and electric power 	<ul style="list-style-type: none"> Discuss development themes and possible business opportunities for the direct recovery and utilization of CO₂ Expand sales of micro-hydroelectric power systems Explore possibilities for power-related businesses 	<ul style="list-style-type: none"> Launched a collaborative project at the Technology and Innovation Center, a global hub for R&D activities, and started development Sales in Japan are advancing ahead of schedule. Working to develop proof of concept in Southeast Asia, where there is an increasing number of inquiries Introduce an energy management service for commercial air-conditioning in collaboration with external partners in Japan. Work to develop advanced control technology that predicts air-conditioning loads in Japan, with plans to expand development overseas
6. Initiatives for Realizing a Circular Economy	<ul style="list-style-type: none"> Accelerate the global establishment of a refrigerant eco-cycle (recovery and reclamation) Strengthen circularity-focused efforts for other materials, such as promoting the use of recycled materials and improving durability 	<ul style="list-style-type: none"> Offer product design and services based on circularity Establish a recovery network for products and materials Enhance technology for horizontal recycling*2 	<ul style="list-style-type: none"> Work to develop a recovery and recycling network and establish rules through stronger collaboration with businesses that engage in the recovery and recycling of refrigerants and other air-conditioning manufacturers Cooperate with other companies to improve the sorting and horizontal recycling of aluminum. Promote the creation of technologies and mechanisms for establishing a horizontal recycling network

*1 Cold Climate Heat Pump Challenge: An initiative to widen the residential use of heat pumps in the cold climates of the United States

*2 Horizontal recycling: A recycling process in which end-of-use products are converted into resources, which are then used to reproduce the same product

Three Growth Strategy Themes

▶ Daikin Announces Five Commitments to Accelerate California’s Goal of Deploying Six Million Heat Pumps by 2030

In October 2023, Daikin announced its intention to significantly increase the supply of inverter-based heat pumps, which are already widely used around the world, to help the state of California achieve its goal of deploying six million heat pumps by 2030. This pledge expands support to people of all income levels, and includes provision for low-income households to switch to inverter-based heat pumps.

In May 2024, Daikin announced its five commitments to accelerate the achievement of California’s goal, which includes forging a path to produce one million heat pumps by 2030. While 10 of the world’s largest manufacturers, distributors, and suppliers of building heating and cooling equipment for buildings have agreed to help achieve this goal, Daikin was the first to announce concrete steps toward meeting it.

As a pioneer and world-leading manufacturer of inverter heat pump technology, Daikin will go beyond this announcement and continue to expand its efforts to achieve carbon neutrality throughout the United States.



California Energy Commission (CEC) official and representatives from HVAC manufacturers who endorsed a heat pump promotion plan in California

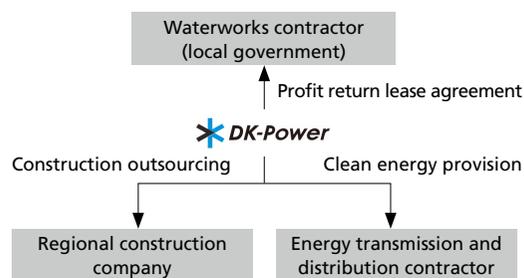
 [Daikin’s Five Commitments](#)

▶ Creating Energy with Micro-Hydroelectric Power Generation

Daikin proposes micro-hydroelectric power generation systems for vertical pipes using its air-conditioning and hydraulic machinery technologies to local governments. The systems use water flow from rivers, water supply and sewerage systems, and other sources to generate energy without emitting CO₂ during the power generation process. They are small and low-cost and can be installed in large numbers, even near urban areas. DK-Power, Ltd., a Group company that operates the business, installs the systems at water facilities owned by local governments, manages and operates them, and sells the electricity generated.

As of March 31, 2025, these systems have been installed at a total of 60 locations nationwide in Japan, generating 47,000 MWh of electricity and reducing CO₂ emissions by 21,300 tCO₂. This is approximately equivalent to the electricity generated by our single plant in Japan.

Micro-Hydroelectric Power Generation Business Model



Future Direction of Growth Strategies

For Scope 1 and Scope 2 emissions (from business activities), Daikin is promoting efforts to achieve net-zero CO₂ emissions at all its plants and offices globally, with the exception of chemical plants, by 2030. At offices and other non-production sites, in addition to switching to green electricity, we are considering the purchase of non-fossil fuel certificates and J-Credits. We are working to expand the initiatives being taken at our major business sites in Japan and Europe horizontally to other parts of the world.

For Scope 3 (value-chain emissions including procurement, product use, and disposal), in addition to promoting the use of inverters, low-GWP refrigerants, and heat pumps, we are developing energy management and other initiatives in the solutions business to reduce CO₂ emissions. To promote CO₂ emissions reductions in raw material and parts procurement (green procurement), we will assess the current CO₂ emissions levels and work to visualize and reduce CO₂ emissions from air conditioners against the backdrop of the trend toward decarbonization of buildings. Specifically, we are taking on the challenge of decomposing, utilizing, and reusing CO₂, and considering the reestablishment of reduction targets for total CO₂ emissions to achieve carbon neutrality by 2050.



Three Growth Strategy Themes

2

Promotion of Solutions Business Connected with Customers

For our FUSION 25 Latter-Half Three-Year Plan, we have adopted Residential Solutions as a new growth strategy theme to complement our existing growth strategy themes of Commercial Solutions and Refrigeration Solutions, which were declared in our initial plan.

▶ Commercial Solutions

We will strengthen our sales and service capabilities so that we can propose solutions in line with the specific needs of each market, customer, and project. We will work to expand our line of products and proposals to better address the emerging needs for digital transformation, carbon neutrality, and labor saving.

Market Needs

As the need for environmental and decarbonization solutions becomes more pronounced, an increasing number of companies are working to reduce CO₂ emissions from their facilities and factories. We have also seen a growing need for better indoor air quality (IAQ) and well-being (a more enriched society) following the containment of the COVID-19 pandemic.

Specific Measures

- Identify the varying needs of customers and use these insights to continue to promote sales solutions that combine equipment with services, controls, and applications
- Promote the shift to a solutions business by establishing themes that strengthen our application- and market-based solutions according to region, drawing on our know-how in solution proposals and product development, and sharing best practices globally

Achievements, Challenges, and Approach Going Forward

- Promote the shift to a solutions business, mainly in North America. Identify key markets and develop a service network conducive to making direct proposals to customers
- Address the issue of expanding and enhancing our solution menu for entire buildings
- Establish an owner-direct sales and service network globally. Provide added value that goes beyond air conditioners

▶ Residential Solutions

We will proceed with the development of HVAC* systems and expand this business according to the residential and lifestyle needs of each region as well as promote connectivity of these systems. In addition, by envisioning the housing of the future, we will transform our concepts of equipment, systems, services, and solutions into new business opportunities.

* HVAC: Heating, ventilation, and air-conditioning

Market Needs

The movement toward decarbonization and rising energy prices have shifted consumers' attention to energy self-sufficient houses that are highly air-tight, use dense insulation, and come with solar panels, storage batteries, and other energy-creating and energy-storing equipment.

Moreover, there is an increasing need to enhance user convenience through the linkage of products and services, such as using smartphones and AI assistants to network various products inside the home.

Specific Measures

- Develop HVAC systems and solution models according to the different housing and lifestyles of each region
- Address the need for business concepts based on future housing trends. Develop not only connected systems but also ideas for new equipment, systems, and solutions based on market research
- Explore the possibilities of the energy management business, such as adjusting the power supply of HVAC systems according to demand, and continuously provide comfort by leveraging our global stock of HVAC systems

Achievements, Challenges, and Approach Going Forward

- Provide added value that would not be possible through sale of equipment only
- Establish contact points with homeowners through energy management and energy conservation while exploring new added value
- Explore possible solutions that Daikin could provide through alliances, partnerships, and M&As to break away from the focus on equipment sales and create a new business model
- Develop products and services for high-end apartment complexes in China to resolve issues related to living space

▶ Refrigeration Solutions

We will expand our business in Asia and broaden the scope of our operations while establishing a new business model for the entire cold chain, from the place of production to the place of final consumption, to help realize decarbonization and reduce food loss.

Market Needs

In light of population growth, especially in developing countries, there is a need to enrich food cultures and ensure the provision of safe and reliable food, in addition to reducing food loss and achieving decarbonization.

Specific Measures

- Aim to expand business domain from the existing Marine Container Business and commercial-use business in Europe to the entire cold chain
- Establish a new business model that inspires solutions to social issues using the air-conditioning technology and sales and service networks Daikin has cultivated to date in emerging countries, where there are large amounts of food loss due to the vulnerabilities in cold chains

Achievements, Challenges, and Approach Going Forward

- Work to improve profitability at acquired companies and expand business in Asia, where market growth is expected
- Aim to establish a business model in India, where there is a growing need to reduce food loss, with a view to reducing food-related issues and CO₂ emissions from waste disposal in emerging countries

Three Growth Strategy Themes

▶ Promoting the Conversion to Net Zero Energy Buildings (ZEB)

In line with the Japanese government's efforts to promote the spread of net zero energy buildings (ZEBs), which aim to reduce energy consumption to virtually zero through energy conservation and the use of renewable energy, Daikin is proposing ZEB conversion for both new and existing buildings.

Daikin has accumulated advanced technology and expertise, mainly in air-conditioning and ventilation systems and their controls, as well as in LED lighting controls. Using our unique system, it is possible to achieve ZEB status not only for new buildings but also for existing small and medium-sized buildings with high energy-saving potential. Daikin Industries, Ltd. has been working with general contractors to promote the spread of ZEB in Japan and overseas since registering as a ZEB Planner* in 2017. As a ZEB Planner, we measure the load data of existing air conditioners at the preliminary stage of ZEB evaluations. Based on the results, we support the achievement of ZEB by proposing the optimal capacity of air conditioners and promoting the renovation of facilities.

Daikin is also working to comply with the ZEB standards set by each country and region. For example, in fiscal 2024, it began conducting demonstration tests in Bangkok and Singapore on air-conditioning systems that can receive Green Mark SLE certification (buildings that use 60% less energy compared with ordinary buildings), which is the standard for green buildings in Singapore.

* ZEB Planner: A business operator registered by Japan's Sustainable open Innovation Initiative to provide consultation, various types of business support, and disclosure of information on activities related to ZEB conversion



Daikin aims to have ZEB orders account for more than 50% of its consulting services in fiscal 2025.

ZEB orders in fiscal 2024	Less than 300 m ²	113
	Less than 2000 m ²	148
	2000 m ² or more	25



Sustainability Report 2025: Proposing Net Zero Energy Buildings (ZEBs)

▶ Rapidly Delivering Decarbonization Solutions to the World Through Air Conditioners

In June 2025, Daikin invested in ASUENE Inc., a start-up company that supports the visualization of CO₂ emissions, decarbonization, and environmental, social, and governance (ESG) management. By combining ASUENE's support services and Daikin's energy-efficient air conditioners and energy management systems, we will provide circular solutions that underpin corporate decarbonization efforts to the global market, particularly in North America and Japan.

ASUENE provides cloud services that calculate and visualize CO₂ emissions and ESG evaluation services for supply chains, in addition to comprehensive and specialized consulting services essential to non-financial information disclosure, decarbonization efforts, and ESG management.

This investment and partnership allow Daikin to provide a one-stop service for visualizing and assessing the status of CO₂ emissions, formulating a roadmap for emissions reduction, and implementing energy-saving measures, such as introducing energy-efficient air conditioners and energy management systems. Additionally, we will expand our support for corporate decarbonization by providing circular solutions throughout a product life cycle, such as continuously monitoring the operation of air conditioners and buildings and proposing improvements.

Aim of Future Growth Strategies

In **commercial solutions**, Daikin will continue to strengthen its global owner-direct sales and service network. We aim to maximize customer value throughout a product life cycle by providing everything from consulting proposals to air-conditioning solutions across the Group in response to customer issues and needs.

Specific Initiatives

- Expand our business domain by strengthening our ability to provide comprehensive services for facility design, instrumentation, and construction for entire buildings in key applications and markets, such as office buildings and factories
- Place the highest priority on data centers and aim to become a provider of air cooling, liquid cooling, instrumentation, and engineering solutions in this market
- Build a digital infrastructure that enables our knowledge and best practices of the solutions we provide to be shared globally

In **residential solutions**, Daikin will establish a business model that continuously creates and provides diverse value (including energy management and health) directly to owners utilizing their home equipment and data, including non-air-conditioning systems. We will also work to develop an IoT platform for residential solutions.

Regional Strategies

Europe: Provide energy management solutions for the entire home, considering partnerships and collaborations with other companies

North America: Develop new added-value services using HEMS* and build an owner-direct sales network

India: Develop a menu of value-added solutions for wealthy customers, breaking away from the sale of standalone equipment

China: Focus on proposing new differentiated products and services that are ahead of the competition within the increasingly competitive environment

In **refrigeration solutions**, Daikin aims to go beyond its existing business domains and uncover new business opportunities throughout the cold chain and to develop a strategy to expand its refrigeration business.

* Home Energy Management System: A system that visualizes the energy usage of homes and enables users to efficiently manage and control energy use

Three Growth Strategy Themes

3

Creating Value with Air

We will seek opportunities to create new value with air by drawing on the increasingly diverse needs for air and ventilation. Under our FUSION 25 Latter-Half Three-Year Plan, our aim has been to further expand our business by shifting from the sale of stand-alone equipment to the sale of air-conditioning, ventilation, and air purification systems.

▶ Establishment of Large-Scale IAQ/Ventilation Business

Daikin will strengthen its sales and service capabilities to be able to provide solutions for various proposals according to market, customer, and property. We will work to expand our line of products and proposals to meet latent needs for digital transformation, carbon neutrality, and labor saving.

Specific Measures

- Expand sales of air handling units, filters, total heat exchangers, air purifiers, and other indoor air quality (IAQ) and ventilation products
- Address customers' concerns by conducting air analysis and diagnosis on-site and proposing optimal solutions that cater to their needs when selecting and installing air-conditioning, ventilation, and air purification equipment
- Identify the specific IAQ and ventilation needs of each region, promote energy efficiency, and propose maintenance solutions

Achievement, Challenges, and Approach Going Forward

- Sales of air handling units were favorable, especially for data centers, but sales of total heat exchangers and air purifiers were sluggish due to the containment of the COVID-19 pandemic
- Work to propose the value of air in commercial and residential solutions, such as the sale of systems combining air-conditioning, ventilation, and air-purification
- Consider the establishment of regulations and standards for the value of air in cooperation with governments and public entities

▶ Creation of IAQ/AE That Enrich People's Lives

We will provide solutions with air to address people's concerns in daily life, including infections, hay fever allergies, obesity, and sleep disorders.

Specific Measures

- Focus on themes that are highly likely to be resolved through better air quality—such as concerns related to hay fever and sleep disorders—and create new business under the themes of infection prevention, allergens, hypoxia, hyperoxia, and the autonomic nervous system
- For each of the five themes, provide indoor air quality / air environments (IAQ/AE) that enrich health promotion in the healthcare profession as well as people's lives through improvements to sleep quality, learning efficiency, and productivity, using our own air-conditioning data and biometric data obtained through external collaborations

Achievements, Challenges, and Approach Going Forward

- Focused on each theme and began working with external partners and conducting demonstration experiments to develop differentiated technologies and acquire evidence in China
- Expand sales of the hypoxia business by identifying and responding to the needs of universities and the professional sports markets in Japan
- Examined needs for better air quality that may lead to business opportunities overseas. Select themes with a high potential for business opportunities and large markets according to region (reducing infection risk at hospitals, maintaining and visualizing air cleanliness at schools, etc.)

▶ Pursuit of New Value with Air

We will create value through collaborations with industry and academia, such as realizing our future vision of creating value with air with the University of Tokyo, achieve social implementation of new value with venture companies, and acquire new skills and knowledge through joint efforts with Kyoto University and Tottori University.

Specific Measures

- Create value in cooperation with other industries and academia, such as realizing a future vision for the value of air with the University of Tokyo, promoting social implementation of new value with venture companies, and acquiring new technology and knowledge with Kyoto University and Tottori University

Achievements, Challenges, and Approach Going Forward

- Independently develop a system that performs simple simulations of aerosol dispersion in air conditioners and verify its effectiveness as a method for assessing the risk of viral infection from aerosols with the National Institute of Advanced Industrial Science and Technology (AIST)
- Create new value for air by providing solutions that reduce the risk of aerosol infection at medical facilities and offices

▶ Experiencing the Future of Air at Expo 2025, Osaka, Kansai

Daikin is communicating the potential and value of air by providing visitors to Osaka, Kansai Expo 2025 with an opportunity to experience the future of air.

As a part of this initiative, Suntory Holdings Limited has established SUIKUU, a restaurant that offers visitors a glimpse of what dining spaces will look like in the future using advanced air-conditioning technology. The restaurant uses one of Daikin's unique air-conditioning systems, which features a high purification effect, and temperature, humidity, and airflow control technologies to recreate the clean, refreshing air of the mountains while providing safety and peace of mind. Moreover, the combination of these technologies with the University of Tokyo's multisensory, cross-modal*1 stimulation that excites the five senses through visual and audio stimuli and Osaka University's generative AI makes the dining space even more enjoyable.

Furthermore, Ice Cool Spot, a rest area equipped with a Daikin air-conditioning system, has also been set up at the expo site to provide relief from the summer heat. Ice Cool Spot cools visitors with radiant cooling*2 generated by ice thermal storage air-conditioning*3 technology. The building is also environmentally friendly, with solar power generating some of the electricity used to create the ice. In creating new value for air, Daikin is proposing air conditioners of the future that use energy from natural phenomena.

*1 A phenomenon in cognitive science and psychology, in which perceptions that are independent, such as sight and taste or sight and hearing, affect one another

*2 A phenomenon in which heat is transferred from a high-temperature object (person) to a low-temperature object (ice) via infrared rays and that can be experienced when a person loses heat and feels cold

*3 A thermal storage air-conditioning system that uses ice generated using nighttime electricity for cooling



Ice Cool Spot at Expo 2025, Osaka, Kansai

Strengthening Technology Development Capabilities

To meet the growing demand for heat pump heating, comply with regulations, and address other changes in our external business environment, we have strengthened our focus on our core air-conditioning technologies.

We will continue to steadily generate results by engaging in co-creation efforts with external partners, strengthening our R&D function on a global scale, and securing and developing our human resources with greater momentum while bolstering our competitiveness as a leading global company.

Strengths

As the only company in the world that manufactures both refrigerants and air conditioners, Daikin reduces its environmental impact by using natural refrigerants and refrigerants with low global warming potential (GWP), and it has been developing highly efficient and reliable air conditioners at low cost by means of the inverter, heat pump, and refrigerant control technologies that it has cultivated to date. By drawing on its network of more than 50 technology development sites around the world, Daikin will rapidly expand its product portfolio and contribute to the betterment of society on a global scale.

Issues to Address

Technology development capabilities are the lifeline of a manufacturer and, in light of our rapidly changing business environment, it is essential that we forge ahead with the technological development themes in our four key domains (three growth strategy domains and one domain with future themes) and generate results. Particularly with respect to realizing a recycling-oriented society and meeting environmental regulations to achieve carbon neutrality, we must continuously strengthen the core air-conditioning technologies that underpin our Air Conditioning Business so that we remain a step ahead of our competitors and at the forefront of today's environmentally conscious society.

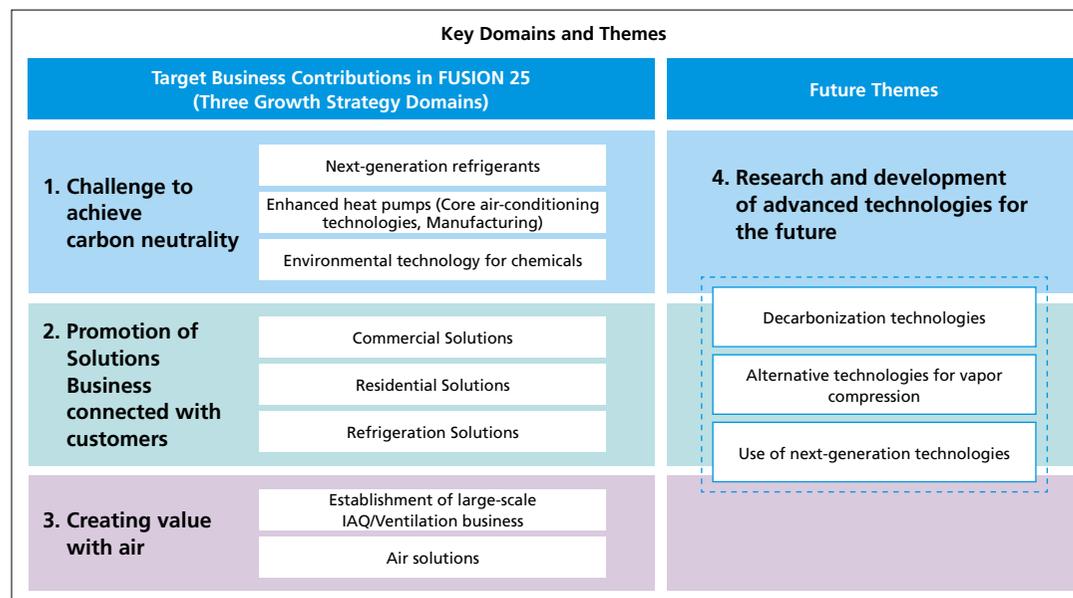
Approach Going Forward

In addition to implementing the key technological development themes that were established when formulating our initial FUSION 25 strategic management plan, we will continuously strengthen our core air-conditioning technologies, a key theme in the FUSION 25 Latter-Half Three-Year Plan, by developing environmentally advanced technology through collaboration with industries and academia and internal co-creation, such as:

- The development of new systems and air conditioners suited to low-GWP and natural refrigerants;
- The development of high-efficiency heat reclaim ventilators that make efficient use of air-conditioning capacity with minimal use of refrigerants;
- The conversion of materials from copper to aluminum and the adoption of motors that use fewer or no rare earth metals; and
- The development of magnetic refrigeration technology that does not use compressors or refrigerants.

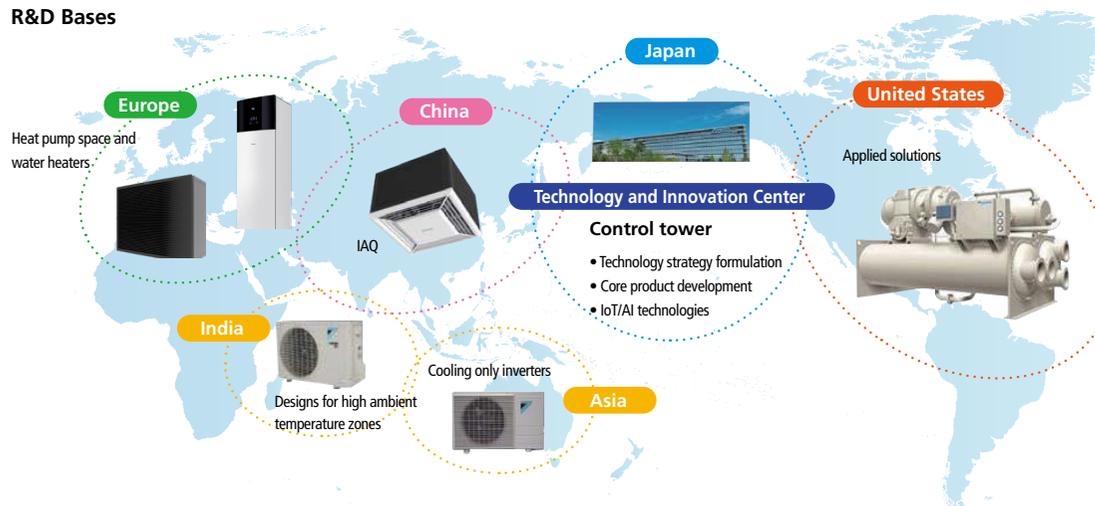
With development workload increasing due to the introduction of new models and compliance with refrigerant regulations, we will strengthen our development of differentiated technologies and products by clarifying themes that will generate results and contribute to our business in the short, medium, and long term as well as themes to focus on for the future, in addition to optimizing the allocation of resources.

Technological Development Themes



Promoting themes based on internal and external co-creation

R&D Bases



Strengthening Technology Development Capabilities

Measures to Protect Intellectual Property Rights

Building and Strengthening an Intellectual Property Portfolio That Contributes to Our Business Growth

To ensure a competitive advantage over our peers and strengthen our position in the market, Daikin's technology development, business, and intellectual property (IP) divisions are working together to build and strengthen an IP portfolio that contributes to the growth of our business. Accordingly, our IP divisions engage in proactive IP activities that include:

- The invention and discovery of products involving the technology development and business divisions from the early stages of development;
- The sharing of results of analysis of IP information and market trends with these divisions as well as management and the incorporation thereof into the formulation of IP strategies; and
- The promotion of IP landscape activities to develop business and IP strategies using a backcasting approach.

To broaden these proactive IP activities in our overseas markets, we are establishing an IP system across our business sites and expanding and strengthening our IP portfolio globally. Moreover, to enhance the IP skills of our employees worldwide, we provide training to those in charge of IP and product development.

Raising Awareness of Intellectual Property

We have an effective patent incentive system in place that incentivizes the acquisition of patents that not only protect our technologies and products but also attract attention from other companies. In addition, at our annual patent award ceremony, external instructors are invited to deliver lectures for Daikin employees on advanced IP activities being undertaken outside the Company. We also conduct training programs on patent strategies for engineers to enhance their awareness of IP.

Developing Win-Win Relationships Through Co-creation

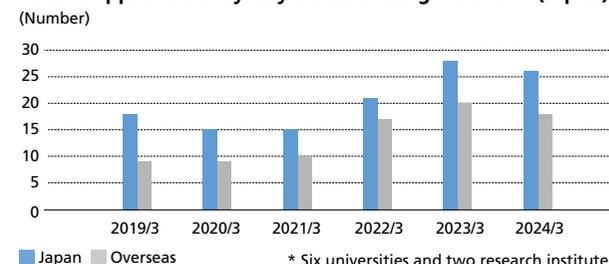
In our co-creation efforts with start-ups and industries, governments, and academia, we funnel resources into creating new IP using a framework that provides incentives to all parties involved in the development of inventions.

As part of our industry-government-academia collaborations, we work together with the IP divisions to discuss matters such as establishing patent portfolios and granting incentives for inventions that contribute to the growth of our business, with a view to creating a strong IP portfolio through the results of joint research and quickly implementing these results throughout society. Accordingly, we have developed solid collaborative partnerships with various universities and research institutes, and the number of patents that have been filed as the result of our active development of technologies and external co-creation efforts has increased significantly both in Japan and overseas.

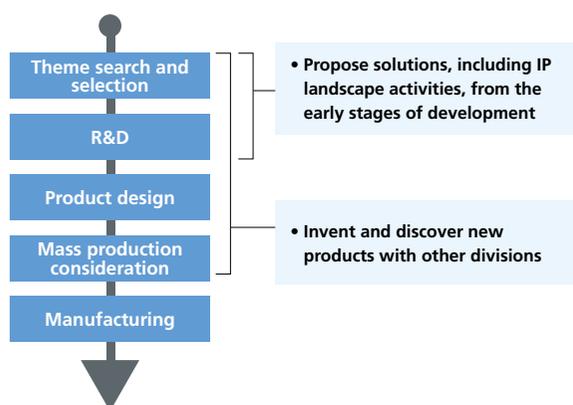
In terms of Daikin's co-creation with start-ups, one such company is Fairy Devices Inc., which develops devices that are effective in promoting the digital transformation of air-conditioning services. By combining Fairy Devices' voice recognition, edge AI, data analysis, and other technologies with Daikin's frontline expertise accumulated through operations around the globe, we are working to resolve issues in service operations and actively create IP for the development of related technologies.

We will remain steadfast in our efforts to create IP through our collaboration with industry and academia and strengthen IP management to facilitate the sustainability of our business while acquiring several high-quality patents and making effective use of them globally.

Patent Applications by Key Collaborating Partners* (Japan)



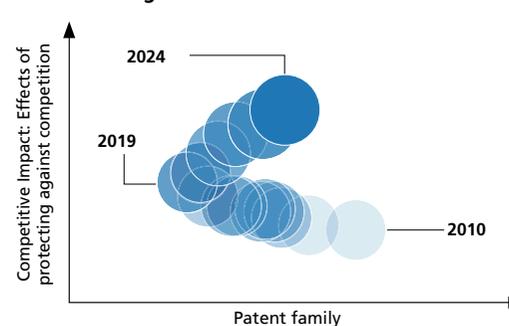
Proactive IP Activities



Results

- Increasing number of applications filed ahead of competitors and modest improvements in patent quality
- High evaluations from external organizations

The Increasing Value of Daikin's Patents



Source: Innovation Momentum* 2025, LexisNexis
 * Innovation Momentum: An approach to measuring changes in the value of patents using the increments of Technology Relevance (a patent valuation metric developed by LexisNexis) and the direction of their movements

External Evaluation of IP Activities

Daikin's IP activities were internationally recognized with the following three annual awards in fiscal 2024.

- 2024 Asia IP Elite (second consecutive time)
- Clarivate Top 100 Global Innovators 2025 (10th time)
- Innovation Momentum 2025: The Global Top 100 (second consecutive time)

Establishing a Robust Supply Chain

We will strengthen the localization and dual-mechanism approaches of our global production system and achieve an optimal balance between diversification and concentration to enhance the risk mitigation and cost competitiveness of our procurement activities. At the same time, we will reduce CO₂ emissions throughout the supply chain, realize carbon-neutral factories, and further reinforce our production technologies, including automation.

Strengths

Daikin ensures stable supplies of products with a production system based on a localization approach that ensures that the necessary products are delivered as quickly as possible and a dual-mechanism approach that achieves concurrent production.

We are also developing a procurement network that minimizes risk and maximizes cost competitiveness through region-based procurement aimed at promoting local production for local consumption.

Issues to Address

As the business environment becomes increasingly constrained due to global supply chain disruptions caused by the spread of infectious diseases, natural disasters, and other factors as well as the progress of decoupling on a global scale, the need for resilient supply chains will only increase. As the risk of supply disruption increases through the intertwining of various factors, we must build a supply chain that continues to ensure stable production and mitigate risks.

Approach Going Forward

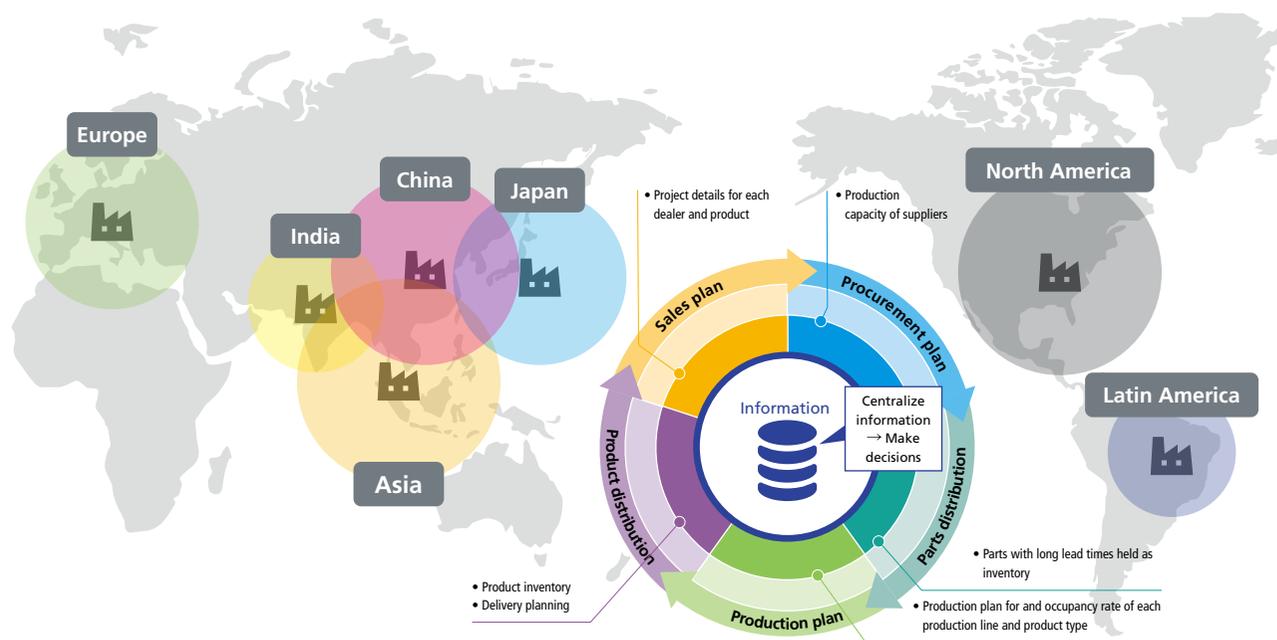
As the world shifts toward the formation of new economic blocs, we will optimize our production structure by localizing our production and development activities and expand our supplier network to further solidify our production and supply systems.

In addition, we will reduce CO₂ emissions in our supply chain, enhance CSR procurement, accelerate the development of carbon-neutral factories, and strengthen our production technology to address labor shortages and continue to improve our cost competitiveness.

Furthermore, using digital technology, we aim to shorten delivery lead times and minimize operational workloads by transitioning to a “simultaneous and integrated management” system that determines the optimal plan as quickly as possible through the sharing of information about the entire supply chain, including sales, procurement, manufacturing, and logistics, by the relevant departments.

CSR Procurement Initiatives

 Sustainability Report 2025: Responsible Procurement



Our Goal: “Simultaneous and Integrated Management”

Risk Management in the Supply Chain

As we expand our business globally, our suppliers are also becoming more globalized, and we are working to mitigate the increasing levels of procurement risk that accompany this shift.

We are taking measures to ensure that we are fully equipped to address issues promptly, identifying risks through periodic assessments of suppliers, establishing an internal system that instantly determines which suppliers will be affected by a risk, and updating our database as necessary.

To ensure the stable and timely procurement of raw materials and parts at reasonable prices, even in the event of deteriorating business conditions among suppliers, natural disasters, or accidents, we have appointed procurement managers in each region and are geographically dispersing and increasing the number of

procurement sources. We are also standardizing components so that they can be used in a wider range of products.

In addition, we have determined our key suppliers by rating those handling the parts and materials compatible with Daikin’s core technologies against three criteria—difficulty of securing a replacement supplier, significance of the transaction value, and importance of the items being purchased.

Furthermore, we formulated the Supply Chain CSR Promotion Guidelines and promote CSR procurement by having our suppliers complete a CSR questionnaire on items such as human rights, the environment, and compliance, identifying issues in their CSR initiatives, and requesting that they make improvements.

Promoting Digital Transformation for Innovation

We have defined key themes from the perspectives of business innovation and process innovation and we are working to expand the range of applications for digital platforms to create added value, such as energy management, and to improve business processes using digital technology. We are accelerating digitalization across the Group by continuing to develop digital human resources.

Strengths

Daikin holds the No. 1 global market share in the air-conditioning industry and uses the data obtained from Daikin equipment operating around the world to continuously provide new value and enhance product performance. This has led to increased opportunities to expand sales and reduce costs. We also utilize our robust sales and service network to identify and resolve regional issues. Furthermore, new employees who have studied AI, the Internet of Things (IoT), and other digital technologies at Daikin Information and Communications Technology College, established in 2017, are beginning to play an active role in our business divisions.

Issues to Address

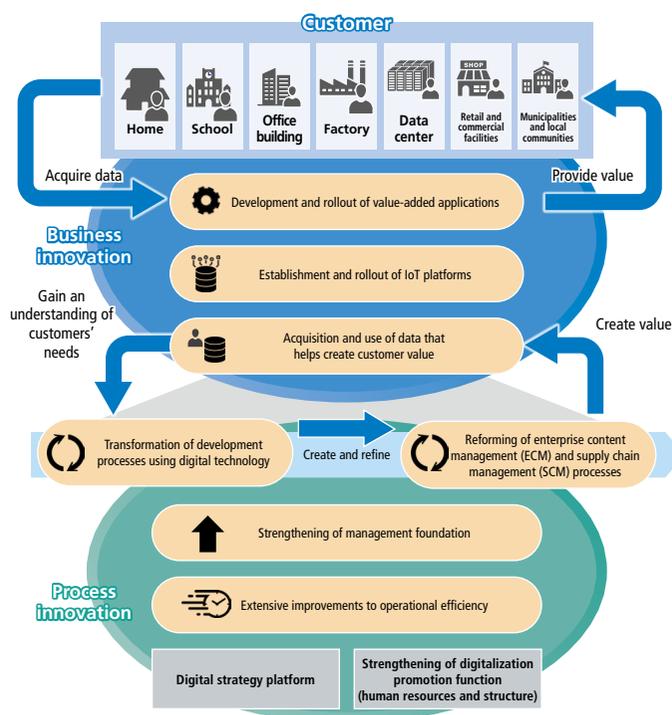
As the world transitions from the selling of goods to the selling of services, we must continuously provide value to customers by connecting with them digitally and analyzing data to meet their diversifying needs for energy conservation and new value from air. Moreover, competitors are enhancing their price competitiveness through mass procurement and centralized production activities. To remain competitive, we must shorten development lead times and streamline the supply chain using digital technology.

Approach Going Forward

Under the FUSION 25 Latter-Half Three-Year Plan, we will invest approximately ¥180.0 billion in digital technology to promote business innovation by creating new businesses, facilitating the growth of existing businesses, and advancing process innovation by fundamentally reviewing conventional business processes to improve the efficiency and sophistication of business operations. Over the years, we have made steady strides in expanding the value provided by existing businesses, pursuing new data-related business opportunities, and innovating business processes by aggregating equipment data, organizing customer information, and strengthening revenue management. Going forward, we will continue to create new businesses by fully utilizing rapidly advancing AI technology and linking the data infrastructure we have developed in each field to further enhance our operational efficiency and competitiveness as quickly as possible.

Overview of Digital Themes

Digital technology has become essential to all areas of our corporate activities. We have therefore identified and are promoting key themes that need to be addressed with digital technology, based on Daikin's management issues. The digital transformation promotion organization at head office monitors progress, and whenever there is a major change in the business environment, we reinforce the system as a Companywide project to ensure implementation.



Business Innovation: Creating New Businesses and Expanding Existing Ones

Daikin is expanding the Solutions Business to meet the specific needs of its customers using data obtained when their equipment connects to the Company's cloud-based servers. We have already developed a platform for collecting and using air-conditioning and related data and have begun deploying it globally. Through energy-saving AI control, failure prediction, and other finely tuned solutions technologies, we provide value in various forms. Through collaborations with industry, government, and academia, we are pursuing new business opportunities and seeking to provide new value by obtaining outside temperature data in real time from equipment connected to our network and using air conditioners as environmental sensors.

Furthermore, we are developing a customer information platform that integrates customers' equipment and building data to provide value throughout the air-conditioning life cycle.

Promoting Process Innovation to Strengthen Our Management Foundation and Streamline Business Processes

To strengthen business management, we are developing an accounting system that enables us to settle our accounts earlier and manage earnings based on specific solutions as well as a human resources database that allows us to develop and optimally allocate human resources across our global operations in a timelier manner. In addition, we are developing business processes that increase product variations without increasing parts inventory or development workload and that link supply chain data to respond flexibly to sudden changes in demand. Moreover, to promote the development of new materials, we are developing materials informatics (MI) technology, which creates a database of information on the composition, structure, and properties of materials and predicts the properties of materials using various calculation methods and models, as well as simulation technology for airflow and parts, which we have started implementing at product development sites.

Furthermore, we streamlined indirect operations using robotic process automation (RPA) and AI, achieving a 41% reduction in operational workload in 2024, compared with 2019. Going forward, we will actively use generative AI to further reduce operational workload.

Promoting Digital Transformation for Innovation

Examples of Business Innovation Themes (DK-CONNECT)

DK-CONNECT is a solution that enables integrated management of air-conditioner functions, such as remote monitoring and control, by connecting control and operational data to the cloud. This service helps users both reduce energy use by linking air conditioners to lighting, ventilation, and other equipment and regain operation during emergencies in the case of malfunctions.



Remote operations	<ul style="list-style-type: none"> Control of multiple devices (via smartphones, computers, etc.) Remote operation of multiple properties
Management functions	<ul style="list-style-type: none"> Visualization of energy consumption Energy-saving simulation, etc.
Precise control	<ul style="list-style-type: none"> Interlocking control between devices Demand control
Reliable after-sales services	<ul style="list-style-type: none"> Detection and notification of malfunctions Remote emergency operation, etc.

Examples of Process Innovation Themes

Facilitating the Frontline Operations of Installation and Maintenance Services

We developed THINKLET, a hands-free device that allows frontline workers to receive support from experienced engineers in remote locations. We will also work to develop a system that automatically assists workers through the accumulation of work data and the use of AI.



Utilizing Generative AI

We moved quickly to develop D-Wind, a secure internal generative AI platform available to all Daikin employees. We are also working to expand the scope of its application, such as by teaching it internal rules and manuals and enabling it to respond to employee inquiries automatically.



D-Wind



In-house seminar

Selected for DX Stocks 2025



Daikin Industries has been selected for the Digital Transformation (DX) Stocks 2025 by the Ministry of Economy, Trade, and Industry; the Tokyo Stock Exchange (TSE); and the Information-technology Promotion Agency, Japan. Companies listed on the TSE are selected based on their track record in developing digital transformation initiatives that increase corporate value. This is the fourth time that the Company has been recognized by this program, following its selection in 2020, 2023, and 2024.

We achieved recognition for the following points. In Japan, Daikin has been selling cloud-based air-conditioning management service DK-CONNECT since fiscal 2021 to meet customers' various operational, maintenance, and replacement needs for commercial air conditioners. In addition to ensuring the safety and comfort expected from commercial air conditioners, DK-CONNECT minimizes impact on the environment through efficient energy use and reduces the administrative workload of facility managers. Moreover, this service was launched in full scale in the United States, Europe, Asia, and other overseas bases in fiscal 2023, with Daikin's sights set on further global expansion. In the SHIBUYA GREEN SHIFT PROJECT,* an industry-government-academia-citizen collaboration in Shibuya Ward, Tokyo, we are using data obtained from air conditioners as well as urban data to visualize hot and cool spots in the city to help contribute to efforts to cool and decarbonize the entire city. The project aims to create a safe, reliable outdoor environment and contribute to carbon neutrality, well-being, and biodiversity in the city.

Daikin Information and Communications Technology College was established in 2017 as an in-house program to develop unique Internet of Things (IoT) and AI skills in people who are knowledgeable about air-conditioning technologies. The program is open to all employees, including new recruits and senior managers, and has developed 1,800 digital human resources as of the end of March 2025. Many employees who have already completed the program are playing a key role in promoting digital transformation in their respective business divisions.

* SHIBUYA GREEN SHIFT PROJECT: A project launched in collaboration with Future Design Shibuya, Osaka University, and industry, government, academia, and citizens to co-create decarbonization programs and social experiments in Shibuya Ward, Tokyo

Creating Market Value and Enhancing Advocacy Activities

We will continue to increase market value by ensuring that our technologies and products win the support of a wide range of stakeholders through our contributions to resolving social issues, such as the achievement of carbon neutrality and improvements to air quality.

Strengths

Daikin has achieved widespread use of low-GWP refrigerants, inverter units, and heat pumps by providing advice, making proposals, and submitting requests in cooperation with various international organizations, national governments, local municipalities, and industries. On the strength of our track record and experience in advocacy activities, through which we aim to ensure that the value of Daikin's technologies and products is recognized in markets worldwide, we are pushing forward in our development of personnel who will take charge of such activities and develop systems that meet the expectations of the international community.

Issues to Address

At COP28, the 2023 United Nations Climate Change Conference, a new target was agreed upon to reduce global greenhouse gas emissions by 60% by 2035 relative to the 2019 level. In addition, the Global Cooling Pledge initiative is committed to further expanding the use of highly efficient air conditioners to increase the energy efficiency of cooling systems worldwide 1.5 times by 2030. The initiative also requests cooperation on measures to reduce total emissions in accordance with the Circular Economy and Resource Efficiency Principles (CEREP) through improvements in the operational efficiency of air conditioners that ensure a comfortable room temperature, without the need to lower the temperature settings.

Approach Going Forward

Using its existing technology, Daikin will continue to promote the wider use of inverter units through measures that provide immediate results. We will accelerate our advocacy activities to expand the use of inverter units in Africa, in addition to our efforts in the United States, Latin America, Southeast Asia, and the Middle East, where the use of inverter units has yet to become widespread. Meanwhile, to promote resource recycling, we will continue to focus on the recovery and reuse of refrigerants. By drawing on its track record and experience and by strengthening cooperation with international organizations, national governments, local municipalities, and industries, the Group will keep progressing its efforts to realize carbon neutrality.

Underpinning Efforts to Achieve Carbon Neutrality

Expansion of the Use of Inverters Worldwide

To expand the use of inverter units in ordinary households, Daikin has been working in partnership with a major air-conditioning manufacturer in China since 2008 to supply highly efficient, low-cost inverter units. In fiscal 2014, the two companies jointly developed a relatively low-priced inverter unit for countries in Asia where the demand for air conditioners stems entirely from the need for cooling.

We have also pursued efforts to develop a framework for assessing the energy-saving performance of inverter units. To properly evaluate the performance of inverter units, the Japanese

air-conditioning industry has taken the lead in proposing the use of a performance index called Annual Performance Factor (APF), which has been incorporated into ISO standards since 2013.

APF is gradually being introduced in developing countries. In Asia, Latin America, the Middle East, and Africa, Daikin is working collectively with local governments and industry associations to support the development of evaluation standards, including the establishment of new indicators and standards and energy labeling systems.

Participation in COP29 to Discuss Japan's Technologies and Initiatives for Decarbonizing Buildings

At COP29, the 2024 United Nations Climate Change Conference, Daikin participated in "Japan's Efforts and Possible Contribution toward Building Decarbonization," a seminar hosted by the Ministry of the Environment, Japan (MOEJ) and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). One of our senior executive officers took the stage to introduce Daikin's heat pump technology for space and water heaters and explain how it contributes to the decarbonization of buildings.

The construction sector accounts for 37% of CO₂ emissions and 34% of final energy consumption globally. In 2023, both the G7 Climate, Energy and Environment Ministers' Meeting in Sapporo and the G7 Sustainable Urban Development Ministers' Meeting in Takamatsu, Kagawa (Japan) noted the importance of decarbonizing buildings and their life cycles for combating climate change.

Moreover, in the same year at COP28, Buildings Breakthrough was launched as a platform for transforming the buildings and construction industry to further demonstrate the global importance of decarbonization in this sector.

In light of these global trends, representatives from the MOEJ, the International Energy Agency, and participating companies presented Japanese initiatives and technologies that contribute to the decarbonization of buildings. Daikin explained the characteristics of heat pump technology, which uses heat from air and other renewable sources to provide space and water heating, and the importance of the technology's widespread adoption due to its ability to significantly reduce CO₂ emissions compared to combustion heating systems that use fossil fuels such as gas and oil. Daikin also took part in a panel discussion with representatives from the Global Alliance for Buildings and Construction organized by the United Nations Environment Program, the European Commission, and other organizations to discuss measures to accelerate the decarbonization of buildings.



Improving Human Resource Capabilities Through Advanced Diversity Management

Message from the General Manager of the Human Resources Division



Refining Our Culture of People-Centered Management to Enhance Corporate Value

Masaki Saji

Senior Executive Officer
General Manager of the Human Resources Division

From Development to Practice of PCM Behaviors

PCM Behaviors is a set of action guidelines based on People-Centered Management that all employees are expected to understand and apply every day. We conducted a survey of all Daikin Industries employees to assess implementation of the behaviors, in which over 70% of respondents said that they practice all nine items in the guidelines. In particular, over 90% of respondents said that they practice the items "Learn humbly," "Fulfill your roles and responsibilities, and work together towards achieving goals," and "Respect each person, unleash your infinite potential, and embrace healthy competition," indicating that items related to teamwork were particularly well implemented.

Daikin has consistently practiced People-Centered Management since its founding, based on the belief that people are the source of a company's competitiveness and that only people can drive change. Human capital management, which aims to increase corporate value over the medium to long term by enhancing the abilities and motivation of the personnel who contribute to the growth of companies, is a management approach that we have always emphasized and practiced.

Against this background, we revised our Group Philosophy in 2024. Our new Group Philosophy positions People-Centered Management as the source of our strength and competitiveness and we will continue to pass on and strengthen this management culture. People-Centered Management is also the basis of PCM*¹ Behaviors, which we have been working to ensure our employees in Japan and overseas understand, practice, and take ownership of.

People-Centered Management and our philosophy are undoubtedly the source of our growth and development. On the other hand, because they have been passed down and practiced for many years and become a matter of course, they have not been clearly organized and articulated, especially to our external stakeholders.

From the perspective of human capital disclosure, simply disclosing our corporate culture is not enough. It is important to use both

qualitative and quantitative indicators to communicate clearly how we utilize people's abilities and create value through our unique initiatives. Working with external experts, we therefore discussed and assessed how our corporate value is enhanced by our corporate culture, uniqueness, and strengths related to people and organization.

As well as analyzing our existing human resources data, we conducted surveys*² of all employees and individual interviews, gradually building up a true picture of our organization. These results are disclosed both quantitatively and qualitatively in this report.

However, my feeling is that these discussions have only just begun. We still have plenty to do to enhance disclosure, such as continuing to analyze survey results, identifying issues, reviewing the human resources data we collect and disclose, and monitoring performance trends over time.

We will continuously work to refine our strengths, our proud corporate culture, and our uniqueness, and communicate all of these more clearly to our stakeholders.

*1 PCM: People-Centered Management

*2 Conducted in June 2025 with all 9,051 employees of Daikin Industries, of whom 5,502 (61%) responded

PCM Behaviors: Action Guidelines Based on People-Centered Management

Innovation & Growth: Take Bold Action and Seek Growth		Trust & Teamwork: Build Genuine Trustworthy Relationships and Teamwork		Winning & Achievement: Strive for Results	
People who strive to grow, challenge established norms, and lead innovation		People who share the Daikin Group's dreams and value dialogue and teamwork		People who aspire to achieve great results with passion, strong will, perseverance, and action	
Item	Degree of Practice	Item	Degree of Practice	Item	Degree of Practice
Boldly take on challenging situations with full conviction of your potential	82%	Participate with a sense of ownership by sharing information and opinions through deep and extensive discussions ("Flat and Fast management")	85%	Envision your goal and take creative action without being bound by past successes	78%
Refine and enhance your strengths and expertise until you excel in your field of expertise	81%	Fulfill your roles and responsibilities, and work together toward achieving goals	94%	Leverage Daikin's strengths, and pursue uniqueness and differentiation	73%
Learn humbly	96%	Respect each person, unleash your infinite potential, and embrace healthy competition	91%	Set ambitious goals and achieve them with passion and perseverance by continuously taking action	85%

Note: For questions relating to the nine action guidelines included in PCM Behaviors, responses were based on a five-point scale: 1. Practice constantly; 2. Practice in many situations; 3. Practice to some extent; 4. Not practiced very often; and 5. Hardly practiced. The percentage of people who responded with 1, 2, or 3 was included in the calculation for "Degree of Practice."

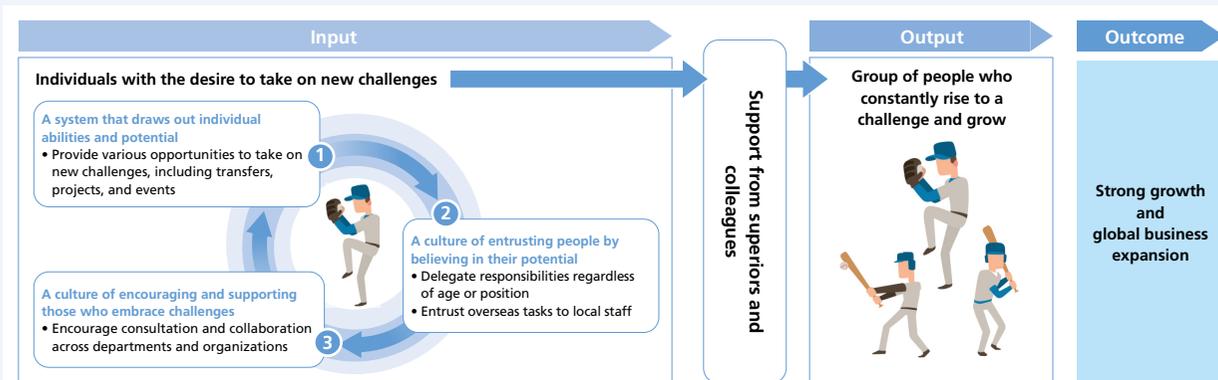
Human Capital: The Source of Daikin's Strengths

Human Resource Development Process That Underpins Daikin's Strengths

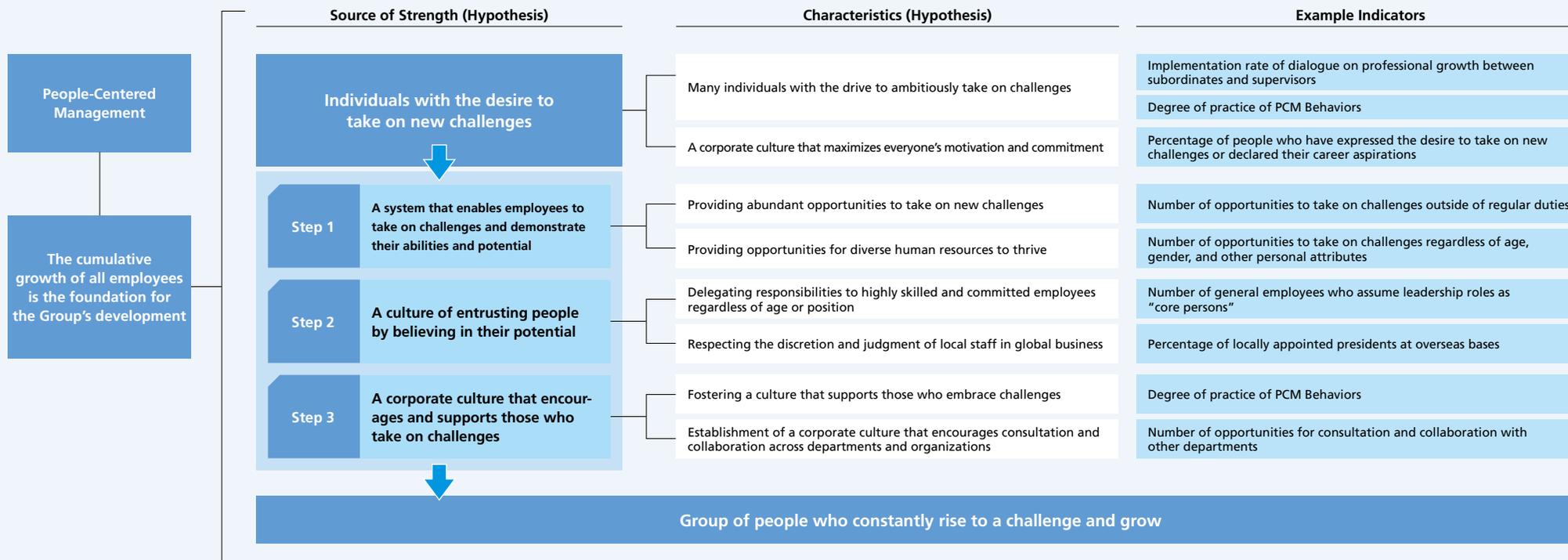
Based on the concept of People-Centered Management, Daikin places a premium on maximizing the motivation and commitment of each individual and encouraging them to take on challenges and grow. With this in mind, we reviewed and established a model for how we utilize people's abilities and how everyone's challenges and growth contribute to enhancing the value of the organization as a whole. The source of our strength lies in three processes deeply rooted in our organization for developing individuals with the desire to take on challenges: 1. Enabling employees to take on challenges and demonstrate their abilities and potential; 2. Entrusting people by believing in their potential; and 3. Encouraging and supporting those who take on challenges at an organizational level.

By creating an environment and system that allows employees to continuously embrace challenges with the support and encouragement of their superiors and colleagues, we will foster a group of people who constantly rise to challenges and grow, which we believe will ultimately improve our business performance and corporate value.

Masaki Saji
Senior Executive Officer, General Manager of the Human Resources Division



Characteristics and Indicators That Facilitate the Development of Highly Ambitious Personnel



Human Capital: The Source of Daikin's Strengths

Source of Strength

Individuals with the desire to take on new challenges

Daikin endeavors to provide opportunities for challenge and growth through daily dialogues between supervisors and subordinates aimed at maximizing every-one's motivation and commitment in line with their career aspirations.

In 2023, we introduced DAIKIN People, a global human resource database that includes basic information about each employee and into which employees can enter information such as their strengths, areas of expertise, and work and career aspirations. This information is used to promote dialogue on future challenges and growth. To date, 93.5% of employees have entered their career aspirations into the database and 95.9% of supervisors have submitted comments on their subordinates' work and careers, etc., based on their daily dialogues.

Moreover, in the survey on PCM Behaviors, 82% of employees answered "yes" to the item "Boldly take on challenging situations with full conviction of your potential."

We therefore believe that many of our employees are keen to take on new challenges without being content with the status quo.

Percentage of employees who filled out their career aspirations (for one to two and/or for five to 10 years from now)

93.5%

Percentage of supervisors who submitted comments on subordinates' work and careers, etc.

95.9%

Source of Strength: Step 1

A system that enables employees to take on challenges and demonstrate their abilities and potential

Providing Opportunities to Take on New Challenges

To respond flexibly to the rapidly changing business and management environment, Daikin provides opportunities for personnel transfers twice a month (or 24 times a year). These opportunities are intended to address business-related needs and play a highly important role in our human resource development. Daikin does not implement a uniform job rotation system. Rather, we provide individual opportunities for challenge and growth based on an understanding of each employee's desires, aims, and challenges gained through daily dialogue.

Additionally, there are many opportunities for employees to take on challenges outside of their regular duties, such as cross-departmental and Groupwide projects and Companywide events.

Fiscal 2024 Results

Number of personnel transfers 2,604 (equivalent to 28% of all employees)	Number of projects participated in by each employee 2.8*1
Number of executive committee members and staff for summer evening festivals held at domestic business sites 3,350*2	Number of participants in the planning and operation of the Daikin Orchid Ladies Golf Tournament 108

*1 Average response to "Number of projects participated in over the past year" in a survey of all employees

*2 Total for Sakai Plant, Yodogawa Plant, Shiga Plant, and Soka Plant

▶ Daikin's Unique Human Resource Development System

At Daikin, we encourage employees to participate in cross-departmental projects and Companywide events. For example, many of our employees take part in the planning and operation of summer evening festivals held at various plants every August and the Daikin Orchid Ladies Golf Tournament held in Okinawa Prefecture in March.

In these projects, we take a customer-centric approach, focusing on how to provide an enjoyable experience for visitors and the local community by having each employee come up with and execute a unique plan. By having employees devise and implement their own plans in line with Daikin's valued principles and business practices, we provide each of them with an opportunity to achieve significant growth. These projects also help enhance teamwork, social networks, and the ability to think, execute, and solve problems across organizational boundaries—capabilities that are utilized at each workplace on a daily basis. The projects play a unique role in Daikin's human resource development.



Promoting the Active Participation of Diverse Personnel

Daikin places a premium on strengthening diversity management and it is working to create an organization where diverse personnel can demonstrate their full potential.

In addition to regular hires, we actively recruit mid-career professionals, hiring 109 mid-career employees (21% of all hires) in fiscal 2024. Mid-career hires also account for 31% of all management positions.

In addition, 680 employees have been seconded or are attending training at our overseas bases, contributing to the expansion of our global business.

Furthermore, we established Daikin Information and Communications Technology College in 2017 to develop digital human resources. We are accelerating these efforts, with the goal of developing 2,000 digital human resources by the end of fiscal 2025.

Fiscal 2024 Results

Mid-career hires	
Percentage of employees 22%	Percentage of management 31%
Digital human resources Approximately 1,800 people	Employees seconded or attending training at overseas bases 680 in total

Human Capital: The Source of Daikin's Strengths

Source of Strength: Step 2

A culture of entrusting people by believing in their potential

A Culture of Delegating Responsibilities Regardless of Age or Position

At Daikin, a unique work practice called "Core Persons & Supporter" has taken root in which highly skilled and committed employees, regardless of age or position, are the "core persons" and everyone else is a "supporter" of the project. Under this approach, responsibilities and tasks are even delegated to general employees who are not in management positions, 792 of whom have assumed leadership roles, including as leaders for development projects in the R&D department, as foremen and workplace supervisors in the manufacturing department, and as general managers at our various service locations.

Many employees have played key roles as core persons in project-based tasks and according to a Companywide survey, approximately 40% of employees who have taken on these roles in the past year are in their 20s and 30s.



* Percentage of employees who responded to the Companywide survey as having served as core persons in a task or project in the past year

A Culture of Delegating Authority to Local Management

With the rapid expansion of its overseas business, Daikin has actively delegated authority to local management overseas. To fully understand the culture of the overseas regions in which we operate and develop businesses rooted in these communities, we appoint local staff to management positions as they best understand local needs and business environments. These efforts have advanced the internationalization of management at our overseas locations. As of fiscal 2024, 42% of presidents and 46% of directors at our overseas business sites were local appointees. We will continue to rapidly develop local staff for management positions and appoint outstanding people regardless of nationality.

Fiscal 2024 Results



Daiki Kikutake
Technology Innovation Center

Comment from an Employee A Core Person in Their Second Year Develops a New Compressor Technology

In 2018, when I was in my second year at the Technology Innovation Center, I participated in a project to develop the industry's No. 1 compact high-speed compressor that is one and a half times faster than the current model, 25% lighter than our competitors' models, and as efficient as or more efficient than the current model. One of the challenges was that increasing the speed of compressors would also increase vibration and I was tasked with analyzing the causes of and proposing solutions to this issue.

Having majored in physics at university, I enjoyed thinking about the phenomena that occur during vibrations and formulating them mathematically. I became so absorbed in the project that I was seeing mathematical formulas in my dreams! With the support of my superiors and colleagues, I had the freedom to take on new challenges. Six months later, I finally succeeded in formulating the mechanism of vibration so that it could be predicted and analyzed in detail. From there, I proposed an idea for reducing vibration to my team, and our efforts led to the establishment of a new technology.



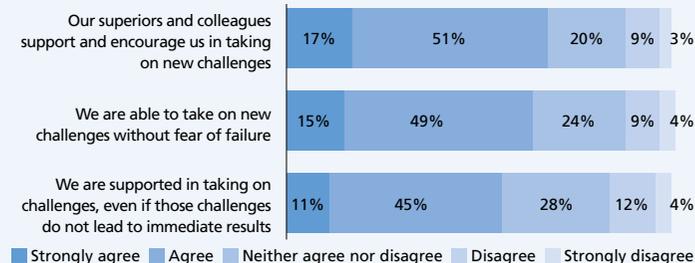
Source of Strength: Step 3

A corporate culture that encourages and supports those who take on challenges

We do not criticize employees for forward-looking failures and we value their caring attitudes and allow them vigorous challenges. We believe that individuals who are highly motivated to take on new challenges should be supported by those around them and that individuals who make greater contributions should be given more opportunities.

Approximately 60% of employees feel that this culture exists at Daikin, according to a Companywide survey. Furthermore, Daikin is a company where there are many opportunities to collaborate with members of other organizations and departments through daily work and Companywide projects and events. Our corporate culture encourages people to consult and discuss with those outside their own departments, and one of its hallmarks is the extent and strength of connections between people both internally and externally.

A Culture of Supporting Those Who Embrace Challenges



Note: Due to rounding of figures, the above percentages may not add up to 100%.

No. of employees who worked with those outside of their own department
Average of **27** people*

* Average response to "Number of employees who worked with those outside of their own department over the past year" in a survey of all employees

Improving Human Resource Capabilities Through Advanced Diversity Management

Diversity Management Emphasizing People-Centered Management

People-Centered Management is based on the belief that the potential of people is unlimited, that the source of a company's competitiveness is its people, and that the cumulative growth of each employee is the foundation of a company's growth. It is a way of thinking that draws out the enthusiasm and understanding of the people who work in an organization and which strengthens and raises the capabilities of the organization by allowing all members to further refine their own individuality, achieve growth, and

demonstrate their full potential. This, in essence, is diversity management, which leverages the diverse personalities and strengths of each individual to the organization's advantage.

Daikin's workforce has expanded to over 103,000 employees, over 80% of whom work overseas. Our growth to date as a global company has been underpinned by our employees, who are full of passion and vitality. Amid the rapid expansion of our business through partnerships, collaborations, and M&As at a global level, our

workforce and values have become more diverse. There is a Japanese saying, "The nail that sticks out gets hammered down." At Daikin, we celebrate "the nail that sticks out," since our diversity management entails allowing each individual, regardless of nationality, age, gender, sexual orientation, gender identity, disability, or employment status, to embrace their individual differences and demonstrate their full potential, which in turn will drive innovation and enhance the Group's comprehensive capabilities and competitiveness.

Maximizing the Talents of Women

Daikin considers diversity management as one of the pillars that supports management, and it has been undertaking projects under the direct jurisdiction of top management that focus on promoting women's participation and advancement at work since 2011.

In our action plan based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace, we established the targets on the right and expanded on efforts including changing the mindsets of managers and female employees, early cultivation of female leaders, support for early return from childcare leave, and encouraging male employees to participate in childcare.

Action Plan to Promote Women's Advancement

1. Plan Period
Fiscal 2021 to fiscal 2025
(Five years from April 1, 2021 to March 31, 2026)
2. Quantitative Targets
 - At least one internally appointed female director by the end of fiscal 2025
 - Minimum of 120 female managers by the end of fiscal 2025
 - At least 90% use rate of childcare leave among both male and female employees, taking an average of 10 days or more

 Sustainability Report 2025: Maximizing the Talents of Women

Selected as a Nadeshiko Brand

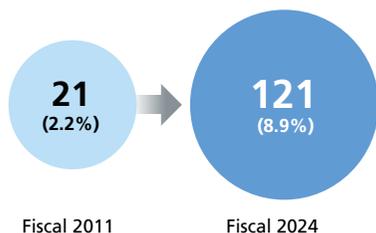


In fiscal 2024, Daikin Industries was selected for the ninth time as a Nadeshiko Brand, a joint initiative by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) to highlight TSE-listed companies that are outstanding in their encouragement of women's empowerment in the workplace.

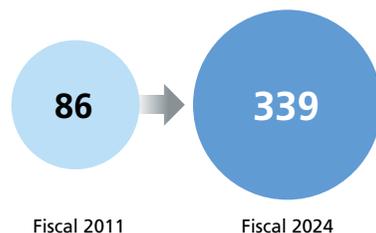
Daikin considers diversity management to be a pillar of its management, has made the promotion of diversity an element of its Group Philosophy, and encourages each individual to play an active role, regardless of gender, nationality, age, or disability. We are striving to enhance measures, particularly for changing the mindsets of managers and female employees, promoting the early cultivation of female leaders, providing support for early return from childcare leave and career advancement, and encouraging both male and female employees to balance work and childcare, as well as fostering a corporate culture conducive thereto.

We will continue to make rapid progress with our diversity management efforts, aiming to create an environment where each employee can utilize their potential to the full.

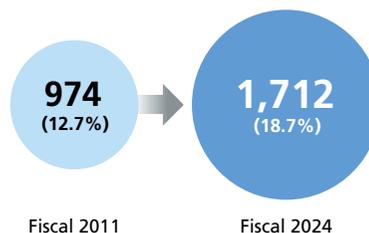
Number and Percentage of Female Managers



Number of Female Candidates for Management Positions



Number and Percentage of Female Employees



Improving Human Resource Capabilities Through Advanced Diversity Management

Promoting Our Human Resource Development Policy

With the Group's growing global business expansion and demand for response to change, Daikin is cultivating human resources who will understand and practice Daikin Group's philosophy, possess the management skills to guide employees with a diverse range of values in a common direction, and have the ability to look to the future in posing their own questions.

Also, in order to cultivate as many global business leaders as possible to ensure the Daikin Group's further growth and development, we continue to fine-tune our human resource development programs for management executives and next-generation leaders on a global in each region and base.



Training Next-Generation Executives and Leaders

Daikin must continue to take significant measures to address the drastically changing market environment and accelerate the expansion and growth of its business. These measures include further enhancing its long-cultivated strengths and the value it provides, acquiring the ability to create new value, and continuing to develop executives who thrive on the front lines of global business.

We are implementing Groupwide programs to develop management executives and leaders who will steer the growth and development of our business across the globe. These programs are grouped into three tiers for executives, next-generation candidates (division managers and general managers), and future generation candidates (section managers, leaders, and overseas executives). At the same time, the Group implements development programs for executives and leaders in the various regions in which it operates.



Creating Innovation Through Daikin's Unique Approach to Developing AI and IoT Human Resources

In 2017, we established the in-house Daikin Information and Communications Technology College (DICT) to develop digital human resources* who can respond to the drastically changing structures of industry and society. Instructors from Osaka University and other educational institutions and from leading-edge research institutes provide a wide range of education on mathematics and other basic knowledge, programming, machine learning, and AI applications. In addition, we are accelerating our development of managers and both new and existing employees.

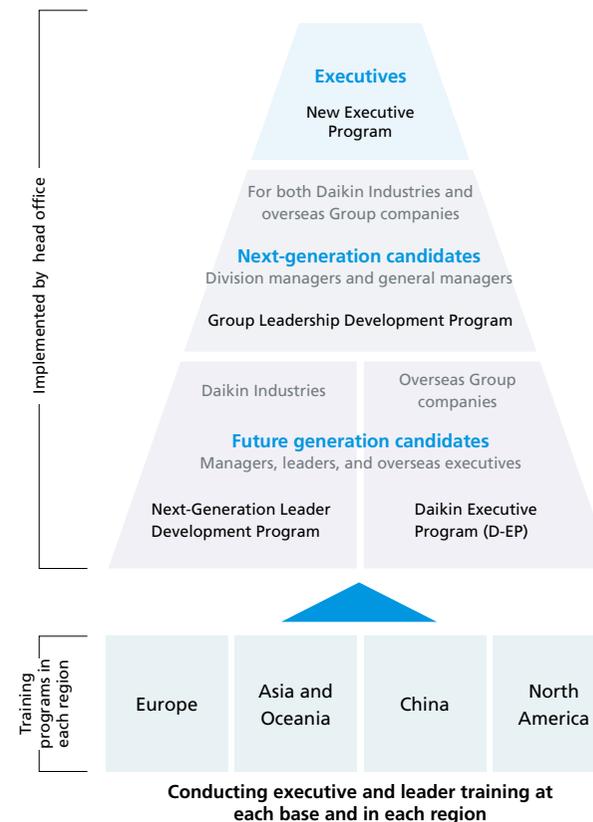
Approximately 490 new employees who completed their two-year DICT training program in fiscal 2024 were assigned to their respective divisions, where they are now conducting research on various themes related to new business development and the streamlining of business processes using digital technology.

Each year, Daikin presents the President's Award to recognize initiatives that generate significant results, outstanding innovation, and innovative new product development. Of the approximately 47 projects that received this award in the past year, approximately 30%, or 14 projects, involved DICT graduates, demonstrating the concrete results of the training program.

* Digital human resources: Innovators in digital technology and AI with the ability to put their specialized knowledge into action and inspire others around them to do the same



Overview of the Next-Generation Executive Development Program



Main Courses at Daikin Information and Communications Technology College

- Fostering of Digital Human Resources Among Newly Hired Employees
- AI Technology Development
- System Development
- AI Utilization for Managers

Companies are responsible for conducting business activities in a way that respects human rights. At Daikin, we promote this respect throughout our value chain based on the Group Conduct Guidelines and the Daikin Group Human Rights Policy, both of which uphold human rights.

Formulation of Human Rights Policy

In recent years, a number of human rights issues have emerged in business, including child labor or forced labor at suppliers and the leakage of personal information of customers and employees. For this reason, there is growing interest among the international community in how business activities affect human rights. Business activities that respect human rights represent one vital element of a company's social responsibilities.

In 2022, Daikin formulated the Daikin Group Human Rights Policy based on the principles and guidelines set out in the United Nations Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights, the International Labor Organization Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. In addition to our commitment to respect for human rights and compliance with international norms related to human rights and the laws and regulations applicable in each country and region where we operate, this policy includes human rights due diligence, remedy mechanisms, employee training, and dialogue with stakeholders as a system and mechanism to realize our commitment.

Furthermore, respect for human rights is included in the Group Conduct Guidelines, which specify the actions each individual officer and employee of the Group should take, and we strive to ensure that the guidelines are adhered to. We have established a section on respecting human rights in Daikin's Supply Chain CSR Promotion Guidelines for our business partners, and we ask them to ensure thorough compliance with it. Furthermore, Daikin endorses and participates in the United Nations Global Compact, which supports companies in abiding by universal principles on human rights and labor.

Respecting Human Rights in the Supply Chain

In terms of the supply chain, Daikin's Supply Chain CSR Promotion Guidelines contain provisions on respect for human rights, including barring of discrimination due to race or gender and elimination of child and forced labor. Our suppliers inside and outside of Japan are urged to abide by these guidelines carefully.

Since fiscal 2018, we have been conducting CSR surveys, which include items regarding respect for human rights, with suppliers in Japan. Since fiscal 2019, we have been conducting these same surveys with suppliers outside of Japan along with regular questionnaires on the human rights initiatives of business partners. In this manner, we are working to raise awareness of human rights at our suppliers. Also, at regular supplier briefings, we share feedback on CSR survey results, as well as issues identified through the survey and responses.

In addition, we take part in the subcommittees on supply chains and human rights due diligence of the Global Compact Network Japan, the local body of the UN Global Compact. These subcommittees are made up of UN Global Compact member companies and organizations.

Human Rights Due Diligence

Daikin identifies and assesses human rights risks within its entire value chain within its operational risk management structure. We increased the number of questions on respect for human rights within the self-assessments that we conduct every year to check compliance with the Group Conduct Guidelines. We will more carefully monitor issues, such as human rights violations, and assess human rights risks based on the severity and potential risks within risk assessments that root out the risks facing the company and each division. Risks and the issues identified in self-assessments and risk assessments along with countermeasures are reported to and shared with the legal compliance meeting of each region and the Corporate Ethics and Risk Management Committee in an effort to mitigate risk. Moreover, these details are reported to the Internal Control Committee chaired by the president and COO and also reported to the Board of Directors.

In fiscal 2024, we found that human rights violations against foreign workers occurred at the business partner of an overseas Group company. Daikin recognizes the importance of providing appropriate, effective, and prompt remedies for this issue. We are working toward a resolution in collaboration with an NGO and others. Additionally, we are sharing the causes and measures related to this issue within the Group in an effort to prevent recurrence in the future.

Human Rights Education

At Daikin, we regularly conduct human rights training for each level of employee to raise awareness of human rights among officers and employees. Additionally, using annual self-assessments by employees, we confirm how well the Group Conduct Guidelines, including respect for human rights, are being implemented, thus contributing to improved understanding of the guidelines.

At Daikin Industries, training is held every year for all officers, new employees (including those at affiliates), and newly appointed managers. For example, during officer training, we invite experts to conduct human rights training for directors, executive officers, and full-time directors every year. In addition to learning about human rights issues surrounding Daikin and regulatory trends related to human rights in Japan and overseas, participants also check assessments of our efforts. We also conduct harassment training as part of training for new managers and raise awareness of how to handle information received from subordinates.

In fiscal 2024, we held study sessions on harassment prevention for our domestic sales companies. For example, regarding customer harassment, an area where companies need to further strengthen their measures, we provided training to sales company employees about context, corporate responsibilities, and response strategies.

Environmental Vision 2050

Toward Net-Zero Greenhouse Gas Emissions

In 2018, Daikin formulated Environmental Vision 2050, with a target of reducing greenhouse gas (GHG) emissions to net zero by 2050.

Environmental Vision 2050



We will reduce the GHG emissions generated throughout the entire life cycle of our products. Furthermore, we are committed to creating solutions that link society and customers, as we work with stakeholders to reduce GHG 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, healthy air environments while at the same time contributing to solving global environmental problems.

Medium- to Long-Term Environmental Strategy

Setting Targets Aimed at Realizing Environmental Vision 2050

Daikin has established a GHG 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.

Through products

Through solutions

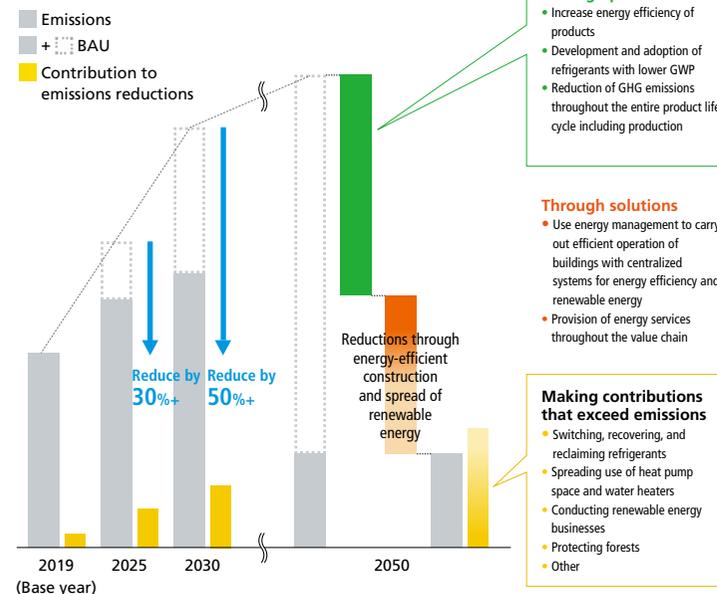
Through the power of air

Reduction targets and results for net GHG emissions* throughout the life cycle

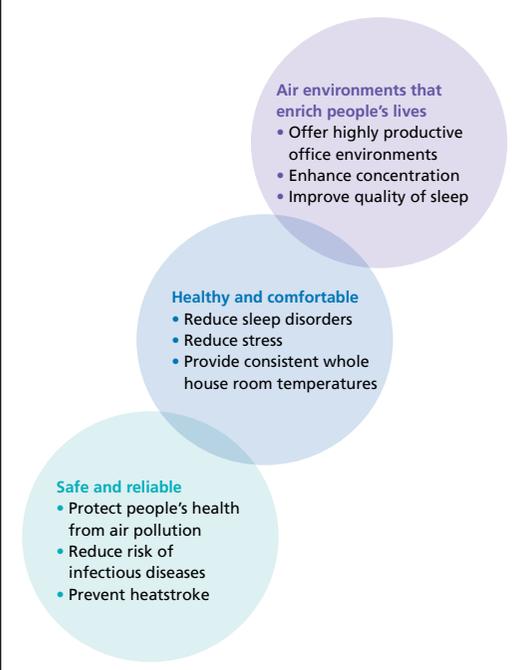
* Defined as the total after subtracting our contribution to GHG emissions reduction from our total GHG emissions

With 2019 as the base year, reduce net GHG emissions by **30% or more in 2025** and by **50% or more in 2030** compared with emissions without measures (BAU)
Fiscal 2024 results: **27% reduction**

Target for Reducing GHG Emissions to Net Zero



Advancing technologies



Diversifying needs

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 have been implementing this plan, aiming to strike a balance between resolving social issues and business growth.

FUSION 25

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

Through products	<p>Challenge to achieve carbon neutrality</p> <ul style="list-style-type: none"> • Power consumption reductions during product use • Heat Pump Space and Water Heating business • Refrigerant initiatives supporting the Air Conditioning Business • Reduce GHG emissions in <i>monozukuri</i> (development and production) and offices, etc. • Embrace new businesses aimed at a carbon-neutral society • Initiatives toward a circular economy
Through solutions	<p>Promotion of Solutions Business connected with customers</p> <ul style="list-style-type: none"> • Establishment of an owner-direct sales network, enhancements to sales proposals capabilities, expansion of service options by application and market, and improvements in business promotion functions • Tackling the challenge of creating solution models balancing energy efficiency, performance, and comfort • In addition to growth of existing businesses, greater business expansion in Asia where market growth is anticipated
Through the power of air	<p>Creating value with air</p> <ul style="list-style-type: none"> • Establishment of a large-scale IAQ/Ventilation business • Creation of indoor air quality/air environments (IAQ/AE) that enriches people's lives • Pursuit of new value with air

Main initiatives in FUSION 25 Latter-Half Three-Year Plan

- Reduction of GHG emissions in manufacturing and offices, etc. (Achieve net-zero GHG emissions at all plants, excluding chemical 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.

Information Disclosure Based on the TCFD Framework

For Daikin, climate change represents one important issue affecting its business continuity. In May 2019, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD),* which aims to mitigate the risk of instability in financial markets caused by climate change. We reflect the risks and opportunities posed by climate change in management strategy and risk management. At the same time, we disclose progress appropriately and aim for further growth while contributing to a carbon-neutral society.

* TCFD was established in 2015 by the Financial Stability Board. It recommends that companies disclose information about the financial impacts of climate change after evaluating related business risks and opportunities.

Governance

Governance around Climate-Related Risks and Opportunities

Daikin's mainstay product of air conditioners is characterized by the large amount of CO₂ emissions caused by energy consumption during use. In addition, fluorocarbons used as refrigerants for air conditioners have an effect on climate change. Recognizing the major impact on climate change attributed to our business activities, we believe climate change is an issue that largely affects our medium- to long-term business risks and opportunities.

Based on this, climate change issues are considered an important task to address in order for Daikin to develop sustainably and fulfill its social responsibilities; thus, they are managed by the CSR Committee. The CSR Committee was established by the Board of Directors to spearhead the Company's corporate governance. The executive officer in charge of CSR serves as the chairman of the committee, which deliberates on risks and opportunities, policy on

initiatives, and targets related to climate change. The committee it also monitors results and progress of initiatives, in addition to making proposals to the CEO, followed by reporting to the Board of Directors.

Strategy

Actual and Potential Impacts of Climate-Related Risks and Opportunities on the Organization's Businesses, Strategy, and Financial Planning

We have formulated strategies based on an analysis of climate-related scenarios in *The Future of Cooling*, published by the International Energy Agency (IEA) in 2018.

Demand for air-conditioning is expected to roughly triple from current levels by 2050. As demand increases, there is a possibility that each country will tighten its energy regulations on air conditioners and regulations to address refrigerants with a high global warming potential. Excessively strict regulations could pose a risk for Daikin. On the other hand, appropriate regulations can serve as an

opportunity to expand our business as they push for the spread of products and services with greater environmental performance, which is our strength.

The popularization of our products and services with excellent environmental performance in emerging countries with particular growth in demand for air-conditioning is considered an effective measure to reduce GHG emissions resulting from air conditioners and contribute to our business growth. For this reason, we have reflected this in our business strategies.

We established Environmental Vision 2050 for the FUSION 20 Latter-Half Three-Year Plan. Specifically, we aim to achieve net-zero GHG emissions in our own business operations by 2050. The targets and measures for 2030 aimed at realizing this goal have been laid out in the FUSION 25 strategic management plan.

Information Disclosure Based on the TCFD Framework

Details of Scenario Analysis

Scenarios Referenced

- *Sustainable Development Scenario*, IEA
- *Baseline Scenario, Current Policies Scenario*, IEA
- *The Future of Cooling*, IEA
- *Net Zero by 2050*, IEA
- *Reference Scenario*, The Institute of Energy Economics, Japan

4°C Scenario with Current Policies Unchanged

- The number of regions requiring air-conditioning for day-to-day living will increase due to higher summer temperatures. In addition, as winter temperatures rise, the number of areas suitable for heat pump heating with an outside temperature of about minus 20°C or higher will increase.
- Demand for air conditioners will approximately double by 2030 and roughly triple by 2050.

- Demand for air conditioners in non-OECD countries will increase five-fold from 2016 to 2030, but power generation will only increase 2.4-fold. (Worldwide power generation will increase 1.4-fold compared with the 1.9-fold increase in air conditioner demand.)

1.5°C Scenario with Stricter Regulations from Decarbonization Policy

- The progress in reducing use of refrigerants under the Montreal Protocol will be strictly managed, and regulations could be tightened if the effectiveness is deemed insufficient.
- In addition, countries that currently do not have strong regulations will adopt strict energy conservation policies.

Under the 4°C and 1.5°C Scenarios

- As temperatures rise, the intensity and frequency of extreme weather will increase, which could increase instances of production shutdowns or postponements due to damages to our own plants or those of suppliers.

Financial Impacts of Carbon Pricing

Out of potential financial impacts, we estimated 2030 carbon tax obligations for each scenario in accordance with the following. Calculations made assuming tax amount under the 4°C and 1.5°C scenarios according to IEA forecasts based on our CO₂ emissions (Scope 1 and Scope 2) reduction target for 2030 by region.

4°C scenario: ¥1.6 billion in carbon taxes
1.5°C scenario: ¥15.7 billion in carbon taxes

Note: The 4°C scenario assumes the introduction of carbon taxes in the European Union (EU) and China. These taxes would amount to US\$39/tCO₂ in China and US\$140/tCO₂ in the EU (according to the IEA's *World Energy Outlook 2024* and *Stated Policies Scenario, Net Zero Emissions by 2050—A Roadmap for the Global Energy Sector*). The 1.5-degree scenario assumes the introduction of carbon taxes in every country around the world. These taxes would amount to US\$140/tCO₂ in developed countries (with net zero targets), 90 US dollars/ton-CO₂ in emerging and developing countries (with net zero targets) (according to the IEA).

Risk Management

Process for Identifying, Assessing, and Managing Climate-Related Risks

Risks and opportunities related to climate change can originate from the transition toward a decarbonized society, including stricter regulations, technology advancement, and market shift, as well as from physical influences, such as acute abnormal weather and chronic temperature increases. We have categorized the various external environmental changes accompanying climate change as transition risks and physical risks, assessed their financial impacts as large, medium, and small, and identified important risks and opportunities. Every year our business sites around the world identify physical climate-related risks as part of operational risks. After material risks

are identified by the Corporate Ethics and Risk Management Committee, we examine action policies and response measures.

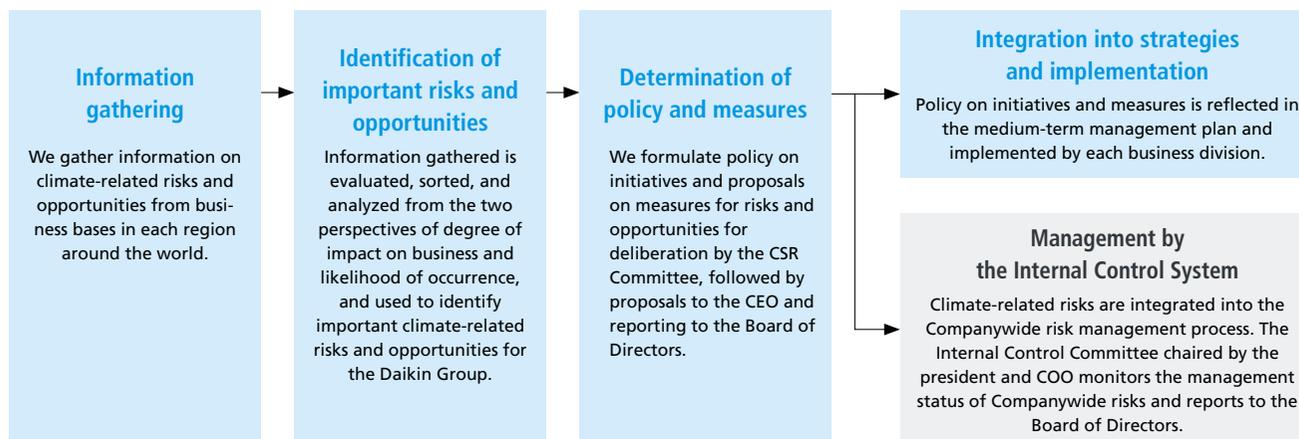
Product environmental meetings identify transition-based climate-related risks and opportunities when the FUSION strategic management plan is being formulated. After material risks and opportunities are identified by the CSR Committee, we examine initiatives and response measures. The initiatives and response measures for identified risks and opportunities are incorporated into the FUSION strategic management plan and implemented by each business department.

Moreover, climate-related risks are integrated into the Companywide management process, as they are considered to exert a large influence on our business strategies. The management status of Companywide risks is monitored by the Internal Control Committee, which is chaired by the president and COO and reports to the Board of Directors.

Process Used to Identify, Assess, and Manage Climate-Related Risks and Opportunities

Category		Impact on Daikin's Business	Probability of Occurrence	Potential Financial Impact
Risks	Transition	Stricter regulations on refrigerants If regulations on refrigerants become too strict, there is a possibility that existing air conditioners that are no longer compliant with these regulations will become obsolete.	High	Large
		Tight supply and demand for electricity There is a possibility that the spread of air conditioners in emerging countries will increase electricity usage and make it difficult to increase sales of air conditioners due to electricity shortages.	High	Large
	Physical	Production delays due to major disaster or water shortage Manufacturing bases located in areas of high water stress, or susceptible to major disasters attributed to extreme weather, face the potential risk of disruptions in production due to shortage of the water necessary for production processes.	Medium	Medium
Opportunities	Transition	Stricter regulations on refrigerants Companies without technologies compliant with regulations on refrigerants will be weeded out, resulting in increased sales of air conditioners using refrigerants with lower global warming potential which is our strength.	High	Large
		Stricter regulations on energy efficiency Companies without technologies compliant with stricter regulations on energy efficiency will be weeded out, resulting in increased sales of air conditioners with high energy efficiency, which is our strength.	High	Large
		Stricter regulations on the use of fossil fuels Regulations on the use of fossil fuels continue to become stricter, and since gas combustion heaters will be subject to them, there will be an increase in sales based on growing demand for heat pump heaters, which is our strength.	High	Large

Evaluation and Management Process of Climate-Related Risks and Opportunities



Metrics and Targets

Metrics and Targets Used to Assess and Manage Relevant Climate-Related Risks and Opportunities

We have incorporated the GHG emissions reduction target based on Environmental Vision 2050 into the FUSION 25 strategic management plan and we manage the progress of our environmental activities by setting metrics and targets related to climate change.

1. **Scope 1, Scope 2, and Scope 3: With the base year set at 2019, we plan to reduce net GHG emissions from the entire Group by 30% or more by 2025, 50% or more in 2030, and achieve net-zero emissions in 2050, compared with a BAU scenario.**
2. **Scope 1 and Scope 2: Reduce net GHG emissions resulting from manufacturing activities by more than 55% in 2030 compared with 2019.**

Protecting Biodiversity

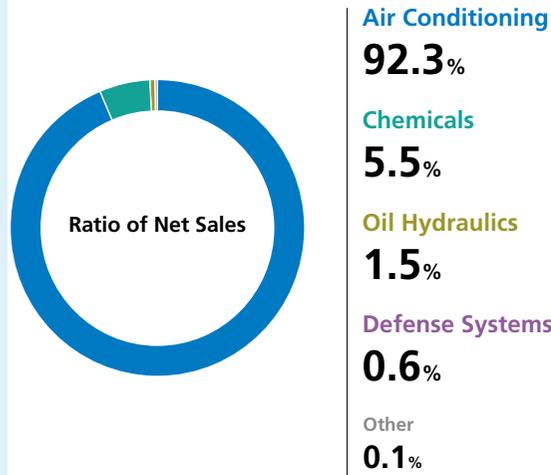
Daikin is working to minimize the negative impacts of its business activities on climate change, water resources, and biodiversity through its environmental management system. Working with various stakeholders to maintain the balance of precious natural environments and ecosystems around the world and restore their abundance will enable Daikin to contribute to the realization of a world in harmony with nature.

In response to climate change, Daikin is taking action and disclosing information based on the recommendations of the TCFD. With regard to biodiversity, we are working to disclose information in accordance with the guidelines of the Task Force on Nature-related Financial Disclosures (TNFD), identifying nature-related dependencies and impacts of our overall business activities, sorting out risks and opportunities, and promoting comprehensive assessment and management.

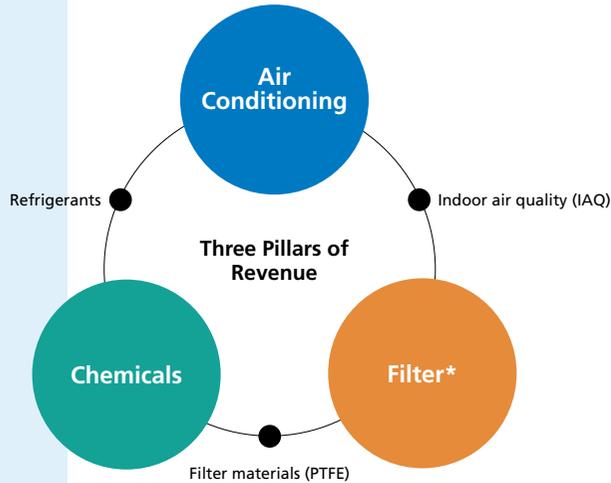


Overview of Core Businesses

We offer a variety of products and services for the global market to address the specific needs of each country and region that stem from differences in cultures and values and realize healthy and comfortable lifestyles and spaces.



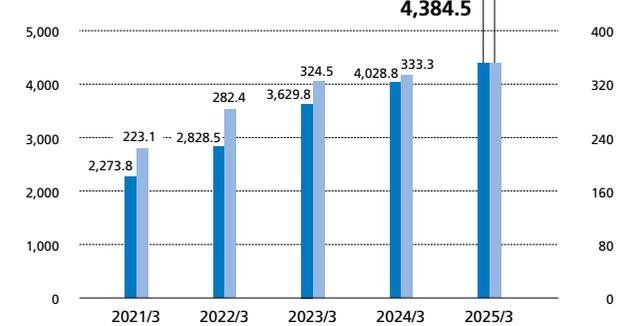
Creating Synergies by Leveraging the Connection Between the Air Conditioning, Chemicals, and Filter Businesses



* Filter includes the Air Conditioning Business

Air Conditioning

Net Sales and Operating Profit (Billions of yen)



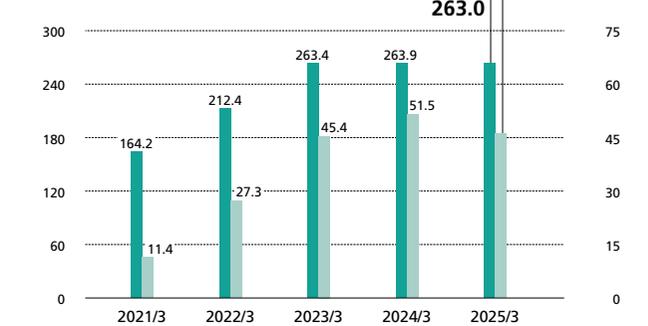
■ Net sales (left) ■ Operating profit (right)

Major Products

- Room air-conditioning systems
- Air purifiers
- Heat pump hot water supply and room heating systems
- Air conditioners for stores and offices
- Multi-split air-conditioning systems for office buildings
- Air-conditioning systems for facilities and plants
- Total heat exchangers
- Freezers
- Water chillers
- Centrifugal chillers
- Air handling units
- Air filters
- Industrial dust collectors
- Marine-type container refrigeration
- Refrigerating and freezing showcases

Chemicals

Net Sales and Operating Profit (Billions of yen)



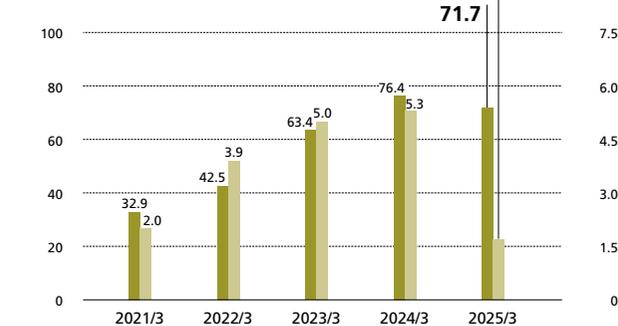
■ Net sales (left) ■ Operating profit (right)

Major Products

- Fluorocarbon gas
- Fluoropolymers
- Fluoroelastomers
- Fluoropaints
- Fluoro coating agents
- Semiconductor etching agents
- Water and oil repellent agents
- Pharmaceuticals and intermediates
- Dry air suppliers

Oil Hydraulics

Net Sales and Operating Profit (Billions of yen)



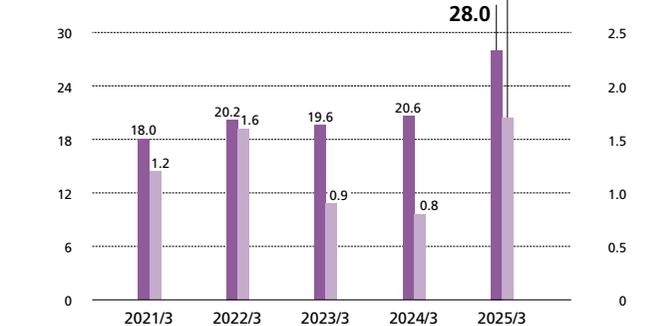
■ Net sales (left) ■ Operating profit (right)

Major Products

- Oil hydraulic pumps
- Oil hydraulic valves
- Cooling equipment and systems
- Inverter controlled pump motors
- Hydrostatic transmissions
- Centralized lubrication units and systems

Defense Systems

Net Sales and Operating Profit (Billions of yen)



■ Net sales (left) ■ Operating profit (right)

Major Products

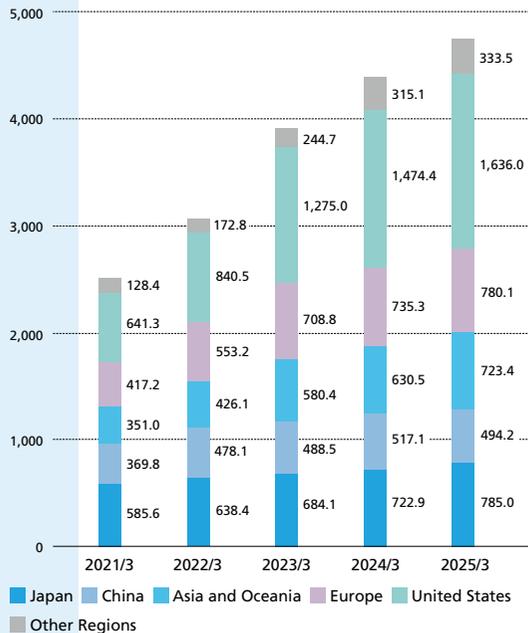
- Warheads used in military training by the Japan Ministry of Defense, warhead parts used in guided missiles for training purposes
- Home-use oxygen therapy equipment

Overview of Core Businesses

Daikin has expanded its global business to over 170 countries, comprising more than 125 production bases focused on market-localized production.

Employees: **103,544**
 Consolidated Subsidiaries: **350**

Sales by Region (Daikin Group)
 (Billions of yen)



Major Production Bases of the Air Conditioning Business

Europe

- Daikin Europe N.V. (Belgium, established in 1972)
Major products: commercial air conditioners and heating products
- Daikin Industries Czech Republic s.r.o. (established in 2003)
Major products: residential air conditioners
- Daikin Applied Europe S.p.A. (Italy, acquired in 2007)
Major products: chillers and centrifugal chillers
- Daikin Isitma Ve Sogutma Sistemleri Sanayi Ticaret A.S. (Turkey, established in 2011)
Major products: residential air conditioners and heating products
- Daikin Manufacturing Poland Sp. z o.o. (2024)
Major products: heating products

Japan

- Shiga Plant (Kusatsu, Shiga; established in 1970)
Major products: residential air conditioners
- Sakai Plant (Sakai, Osaka; established in 1937)
Major products: commercial air conditioners

United States

- DAIKIN APPLIED AMERICAS INC. (Staunton, Virginia; acquired in 2007)
Major products: large chillers and centrifugal chillers
- Daikin Comfort Technologies North America, Inc. (Houston, Texas; acquired in 2012)
Major products: residential unitary systems for houses, gas furnaces, and commercial air conditioners

Daikin has established production bases in over 90 locations* spanning 28 countries, where it promotes market-localized production.

India

- Daikin Airconditioning India Pvt. Ltd. (established in 2009)
Major products: residential air conditioners, commercial air conditioners, water-cooled chillers, and air-cooled chillers

China

- Daikin Air-conditioning (Shanghai) Co., Ltd. (established in 1995)
Major products: commercial air conditioners, total heat exchangers, and air-cooled chillers
- Daikin Air-conditioning (Suzhou) Co., Ltd. (established in 2011)
Major products: residential air conditioners and commercial air conditioners
- McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd. (acquired in 2007)
Major products: water-cooled chillers and centrifugal chillers
- Shenzhen McQuay Air Conditioning Co. Ltd. (acquired in 2007)
Major products: air-cooled chillers and fan coil units
- Daikin Air-conditioning (Huizhou) Co., Ltd. (2024)
Major products: residential air conditioners

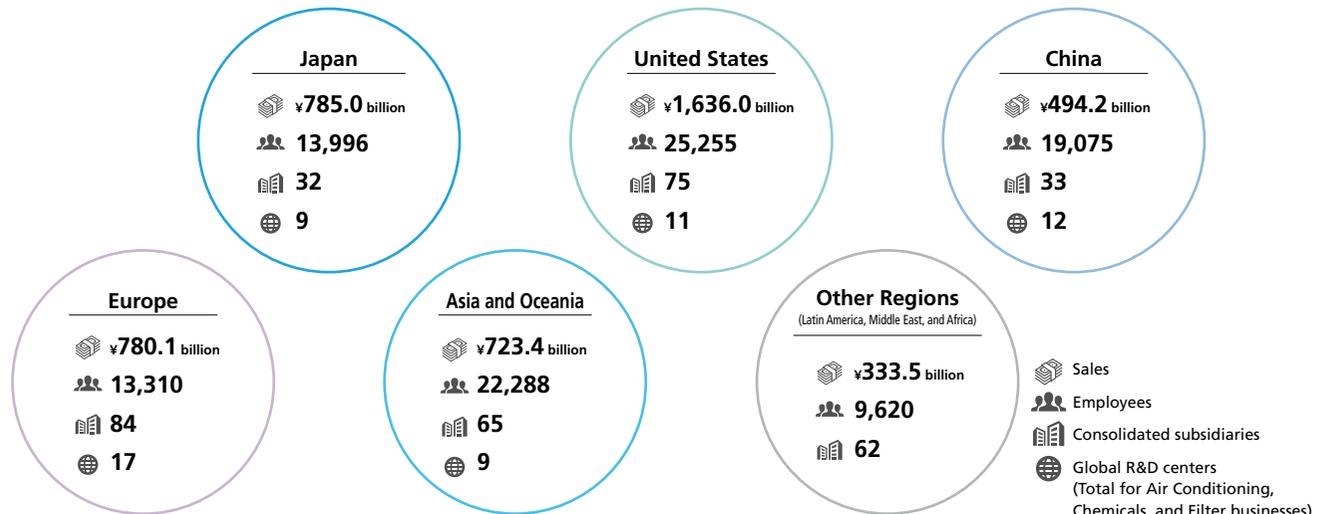
Latin America

- Daikin Manufacturing México, S. de R.L. de C.V. (2011)
Major products: residential air conditioners, commercial air conditioners, and air-cooled chillers
- DAIKIN AR CONDICIONADO AMAZONAS LTDA. (established in 2012)
Major products: residential air conditioners and commercial air conditioners

Asia

- Daikin Industries (Thailand) Ltd. (established in 1990)
Major products: residential air conditioners and commercial air conditioners
- Daikin Malaysia Sdn. Bhd. (acquired in 2007)
Major products: residential air conditioners, commercial air conditioners, and chillers
- Daikin Air Conditioning (Vietnam) Joint Stock Company (established in 2018)
Major products: residential air conditioners

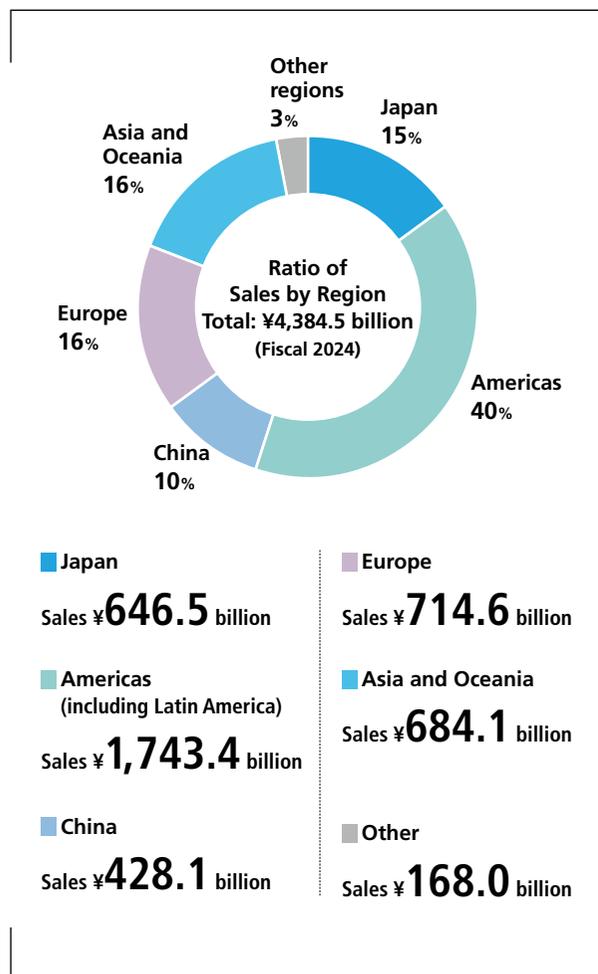
* Includes production bases of the Filter Business and the Refrigerator and Freezer Business



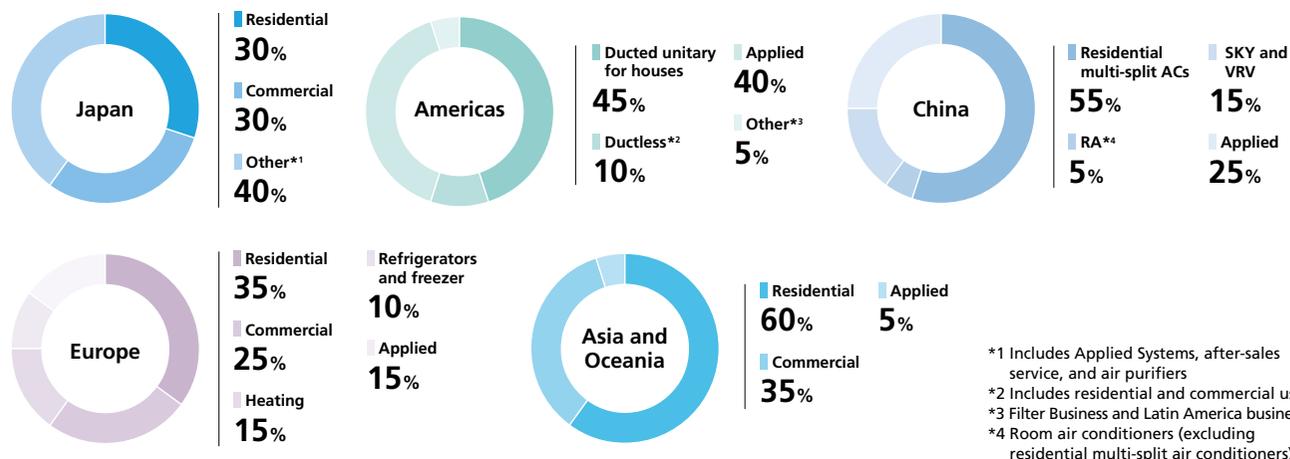
Review of Operations

Air Conditioning

From the familiar living spaces of residences and offices to the large spaces of factories and airports, our Air Conditioning Business utilizes a wealth of air-conditioning solutions to provide customers with comfortable spaces. Solutions extend even to the unique spaces of hospitals and kitchens, as Daikin continues to meet the needs of various climates around the world.



Ratio of Products Sold by Region



*1 Includes Applied Systems, after-sales service, and air purifiers
 *2 Includes residential and commercial use
 *3 Filter Business and Latin America business
 *4 Room air conditioners (excluding residential multi-split air conditioners)

FUSION 25 Strategies

Japan	Daikin is developing a new sales model and accelerating growth by using digital technology to assess changes in the market environment. We aim to capture the leading share in all regions and markets by expanding our line of IAQ/Ventilation products and strengthening our proposal of solutions that meet customer needs.
Americas	Daikin views the changes in environmental and energy-efficiency regulations as a business opportunity. We are promoting the shift to inverter air conditioners, heat pump heaters, and low global warming potential (GWP) refrigerants and creating new demand with our premium environmental business and unique sales model. In the applied systems market, we will direct our attention to data centers, where demand continues to grow.
China	Daikin is addressing the changes in market needs by accelerating the shift to a new business model that combines offline retail sales with online activities, such as live broadcasting using showrooms, web advertising, and social media. We are strengthening our proposal of solutions for the value of air with residential-use multi-split air conditioners and VRV systems. We will continue to create new markets and grow our business as a unique brand in China.
Europe	In light of stricter environmental regulations and soaring energy prices, Daikin aims to expand business by providing differentiated, energy-efficient products and solutions in all markets, including air-conditioning, heating, refrigeration, and ventilation. We will work to strengthen our sales and service network to capture the growing demand for heat pump heating.
Asia and Oceania	In Asia, where the market is likely to continue to grow, Daikin aims to expand business by enhancing its sales network and product lineup while improving its cost competitiveness and supply capacity. In India, we established a business foundation that will both serve as a major hub for our development and production activities and expand our market share by tapping into the region's rapidly growing demand.

Japan

▶ Market Environment

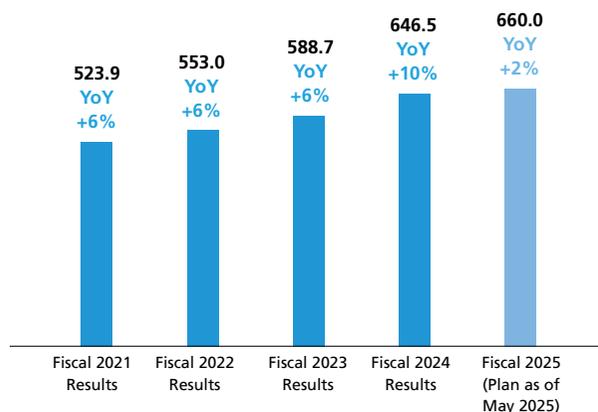
The air-conditioning market in Japan is mature and anchored by replacement demand. In fiscal 2024, demand for residential-use products increased from the previous year, due to higher average temperatures throughout Japan and a recovery in consumer confidence due to wage increases. Similarly, demand for commercial-use products rose due to increased capital investment in large-scale redevelopment projects and new construction and renovations of office buildings and commercial facilities.

▶ Daikin's Competitive Advantages

- Extensive know-how in realizing exceptional energy efficiency and ease-of-installation
- Wide range of products that cater to all needs from residential to commercial use
- Ability to provide value from air through air quality, energy management, and other aspects of air-conditioning that go beyond the scope of heating and cooling

Air Conditioning Business Sales (Japan)

(Billions of yen)



▶ Review of Fiscal 2024

In residential use, sales remained strong as Daikin strengthened its solution proposals centered on the highly energy-efficient *Urusara X* against the backdrop of rising electricity rates and a significant increase in the usage time of air conditioners. In commercial use, sales increased from the previous year as we enhanced our solution proposals based on high-value-added products, such as *FIVE STAR ZEAS*, which combines exceptional energy efficiency and ease-of-installation, *machi Multi*, which addresses the needs of small-capacity individual air-conditioning, and the *VRV Q* series, which allows users to replace air conditioners easily by reusing existing refrigerant piping.



S-Round Flow: Energy-efficient and easy-to-install commercial air conditioners

▶ Strategies for Fiscal 2025

In the residential-use market, Daikin will focus on proposing high-value-added products, such as *Urusara X*, while strengthening its spec-in activities for home equipment systems to home builders and construction companies. In the commercial-use market, we aim to increase market share by focusing on our solutions business, such as energy-saving proposals for buildings and factories, in addition to expanding sales of *FIVESTAR ZEAS* and other high-value-added products. We will also promote the market penetration of R32 refrigerants by expanding our lineup of VRV systems that use these refrigerants and by strengthening sales proposals.

Key Initiative

The Industry's First Nationwide Refrigerant Recovery and Recycling Business

Daikin has been promoting the use of low-GWP refrigerants to reduce the environmental impact of greenhouse gas (GHG) emissions from refrigerants while developing a recovery and recycling system for previously sold refrigerants. In January 2025, we established a system for expanding our refrigerant recovery and recycling business throughout our nationwide network of approximately 60 service stations, becoming the first company in the industry to localize refrigerant recovery and recycling throughout Japan. In establishing this system, Daikin has been lobbying governments and other companies in the industry throughout Japan and cooperating with various stakeholders, including construction, chemical processing, and transportation companies since around 2018. Since refrigerant recycling uses virtually no electrical energy, it is more effective at reducing CO₂ emissions than the use of chemical treatments to destroy refrigerants. In fiscal 2024, we reduced CO₂ emissions by 4,399 tCO₂e, which is equivalent to the amount of CO₂ emitted by approximately 900 to 1,000 cars per year.



Aiming to realize a circular economy for refrigerants by reducing GHG emissions throughout the product life cycle

Americas

▶ Market Environment

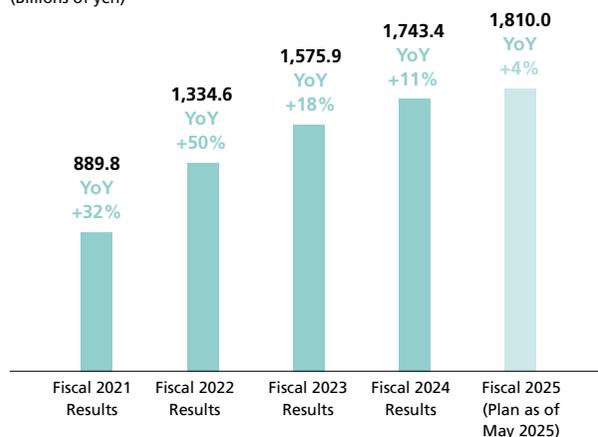
The air-conditioning market in the United States has reached maturity and is based mainly on replacement demand. In fiscal 2024, we saw surging demand for ducted unitary for houses due to a strong trend in ensuring sufficient inventory of P410A (previous refrigerant) models, owing to consumer concerns over higher prices and inadequate supply following the product switchover from changes in refrigerant GWP regulations. The market for applied systems remained strong, particularly for data centers and the manufacturing sector.

▶ Daikin's Competitive Advantages

- Promoting the increased use of inverters, heat pumps, and low-GWP products by taking advantage of opportunities presented by the tightening of environmental regulations
- Ability to develop markets with Daikin's own premium environmental products, such as inverter-equipped unitary products and ductless air conditioners
- Proprietary sales network developed in the United States

Air Conditioning Business Sales (Americas)

(Billions of yen)



▶ Review of Fiscal 2024

In ducted unitary for houses, because our focus was on switching to the new R32 units, we were unable to meet the rapid increase in demand for R410A models, leading to a loss of customers. Although we tried to regain market share by immediately increasing production of R410A models and accelerating sales of R32 units, sales declined due to a delay in winning back customers. Meanwhile, sales of *Fit* premium environmental products grew significantly by placing more emphasis on developing and supporting dealers. In ductless, sales of RA/SKY remained strong through the steady performance of our nationwide wholesalers and sales representatives. For VRV systems, we focused on strengthening sales capabilities by providing technical support and training for dealers. In applied systems, equipment sales increased, mainly for data centers and the manufacturing sector, where demand remains steady, through the enhancement of production capacity. In the solutions business, sales grew considerably on the strength of the instrumentation and engineering companies we acquired.



Fit ducted unitary for houses, a premium environmental product

▶ Strategies for Fiscal 2025

In ducted unitary for houses, Daikin will work to recover sales and regain market share by enhancing awareness of the advantages of R32 units throughout the distribution network and working to win customers back, providing support to existing dealers, and developing new dealers. For *Fit* premium environmental products, we will expand the lineup and focus on developing and supporting dealers. For ductless air conditioners, we will develop new dealers and train existing dealers to expand our sales network for these systems and enhance the lineup of products using R32 refrigerants. For applied systems, we will increase equipment sales to data centers, where demand remains strong, and expand our solutions business by enhancing our network and lineup of after-sales services.

Key Initiative

Showcasing Decarbonization Solutions for Air Conditioners at 2025 AHR Expo

Daikin Applied Americas participated in the 2025 AHR Expo held in Florida, United States in February 2025, where it showcased commercial air-conditioning solutions for accelerating the decarbonization of the air-conditioning industry. Held in the United States since 1930, AHR Expo is one of the world's largest exhibitions for air-conditioning and refrigeration, where companies from around the world related to air-conditioning, heating, and refrigeration gather to showcase the latest products and technologies. As a leading manufacturer of air conditioners, Daikin has been participating at AHR Expo for several years. At this year's event, we introduced low-GWP refrigerants, inverters, and heat pumps, the three pillars of our efforts to achieve decarbonization. Leveraging its extensive product portfolio, Daikin promoted its ability to provide customized solutions that meet the various decarbonization needs of its customers.



Proposing technologies that optimize operations, reduce CO₂ emissions, and improve indoor comfort

China

▶ Market Environment

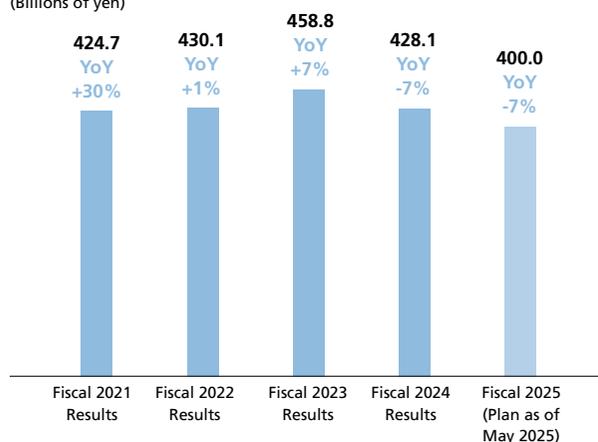
In fiscal 2024, the residential- and commercial-use markets experienced sluggish demand, particularly for new properties, due to deterioration of the real estate market and lower consumer spending. Nevertheless, demand for upgrades and remodeling increased in the residential-use market, while demand for energy-saving solutions remained robust in the commercial-use market in line with the promotion of carbon neutrality policies.

▶ Daikin's Competitive Advantages

- Ability to respond to customer needs through our residential multi-split air conditioners and development capabilities that differentiate these products from the competition
- Proprietary sales activities combining Daikin's exclusive PROSHOP stores and online sales formats
- Daikin's strong brand image, which has been cultivated since entry into the Chinese market

Air Conditioning Business Sales (China)

(Billions of yen)



▶ Review of Fiscal 2024

In residential use, sales declined due to a delay in the recovery of the real estate market, but operating profit remained at a high level due to the sales growth of high-value-added products and cost reduction efforts. We promoted our proprietary sales activities through direct sales to customers at PROSHOP stores and online sales formats, such as live broadcasts in showrooms, online advertising, and social media. Using Internet of Things (IoT) and data analysis, we strengthened our residential-use solutions to propose optimal air quality for each customer's lifestyle. In commercial use, Daikin strengthened its solution proposals by focusing on energy conservation in government properties, factories, and green buildings,* where demand remains strong. In applied systems, despite efforts to strengthen after-sales services, including maintenance and servicing, sales declined due to the impact of lower investment, particularly in the manufacturing sector.

* Green Buildings: Buildings designed with consideration for enhanced environmental performance

▶ Strategies for Fiscal 2025

Daikin aims to expand sales by concentrating resources in direct sales, aggressively developing new products, differentiating itself from the competition by proposing unique solutions, and catering sales activities to the specific needs of customers. In residential use, we will shift our resources from the new housing market to the remodeling and existing housing markets. In addition, we will further strengthen our combination of online and direct sales activities. In commercial use, we will focus on buildings, factories, and other markets where demand continues to grow in line with increasing needs for energy efficiency.

Key Initiative

Continuously Creating New Customer Value as an Unparalleled Global Air-Conditioning Brand in China

Daikin's residential-use multi-split air conditioners are our flagship products in the Chinese market. These systems are uniquely designed to allow customers to freely combine air-conditioning, ventilation, heat pump heating, air quality sensors, and other equipment tailored to their homes. Daikin's latest series of residential-use multi-split air conditioners was developed by reflecting the trend toward smarter, digitalized solutions using data, IoT, and AI. We teamed up with a smart home company to jointly develop sensors and controls, providing residential solutions unique to Daikin that integrate digital and physical elements. By combining air conditioners with other equipment and sensors, we provide optimal air quality for various lifestyles. We have also distinguished ourselves from the competition with the exceptional service and maintenance quality we offer through our data-driven customer support, extensive service menu, easy-to-install materials, and maintenance techniques. As an unparalleled global air-conditioning brand in the country, Daikin will continue to create new markets and grow its business in China by continuously creating new customer value.



An AI-powered smart home hub that controls residential-use multi-split air conditioners, heating, and other indoor equipment, as well as lighting systems and sensors

Europe, the Middle East, and Africa

▶ Market Environment

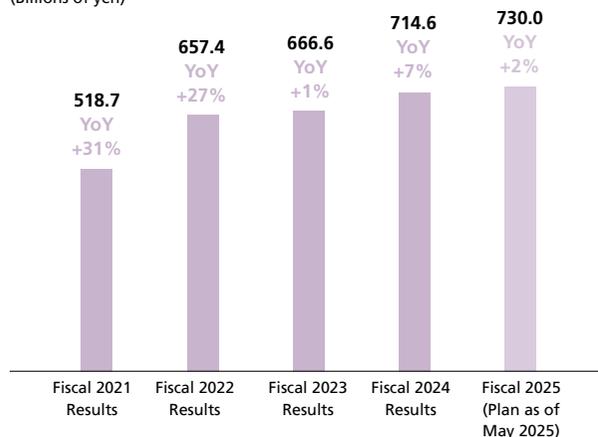
In residential use, demand continued on a downward trend, despite the easing of inflation and a gradual economic recovery. In commercial use, demand increased from hotels and restaurants owing to the recovery of the tourism industry and from the energy-saving needs of stores and offices. In the heating business, while it appears that the decline in demand due to reductions in government subsidies is bottoming out, customers have remained reluctant to make purchases.

▶ Daikin's Competitive Advantages

- Highly environmentally conscious products and a long-cultivated proprietary sales network
- Sales strategies tailored to the business environment and requirements of each country
- Participation in rule-making initiatives that involve the European Union, governments of member countries, and related organizations

Air Conditioning Business Sales (Europe, the Middle East, and Africa)

(Billions of yen)



▶ Review of Fiscal 2024

In residential use, sales expanded due to dealer development in Italy and Central Europe. Sales increased in Turkey in particular, owing to higher demand caused by excessively high temperatures and the effects of support from dealers. In commercial use, sales of VRV systems rose through greater emphasis on hotels, restaurants, and other markets with strong demand. In the heating business, sales of heat pump space and water heaters declined from the previous year, despite efforts to strengthen sales capabilities by expanding the product lineup, developing dealers, and providing support for subsidy applications. In applied systems, we saw an increase in sales of medium-size and large chillers for data centers. In the refrigerator and freezer business, sales increased significantly from the previous year.

▶ Strategies for Fiscal 2025

In residential use, Daikin aims to increase market share by strengthening support for dealers in order to expand sales of medium and high-end products. In commercial use, we will look to capture replacement demand in the hotel and restaurant markets, where demand remains firm, by focusing on the environment and energy conservation. We will also expand the solutions business by strengthening direct proposals to owners, expanding our service menu, and providing energy management support. In the heating business, we will focus on increasing the market share of heat pump space and water heaters by accelerating the use of air-conditioning sales channels and tapping into the surging demand for R290 refrigerants. In applied systems, we will expand sales by identifying markets with steady demand, such as data centers. In the refrigerator and freezer business, we will strengthen our solution proposals for environmentally conscious products, such as refrigerating and freezing showcases that use CO₂ as a refrigerant.

Key Initiative

Expanding Business by Promoting the Use of Environmentally Friendly Products

Refrigerants play a significant role in energy efficiency and environmental impact. Choosing the right refrigerant is essential to maximizing the performance of equipment in a variety of applications and climatic conditions. Daikin selects the best refrigerant for each application by striking a balance between four key factors: safety, energy efficiency, environmental impact, and cost over the entire product life cycle. In Europe, customer needs are diversifying due to refrigerant conversion and various environmental regulations. We will introduce differentiated products with superior environmental performance and provide solutions for specific applications and markets so that we can expand our business continuously by promoting products compliant with environmental regulations.

In fiscal 2024, Daikin began selling heat pump space and water heaters using natural refrigerant R290 and expanded its lineup of various commercial-use VRV air conditioners using R32 refrigerant. We also launched a VRV system using CO₂ refrigerant. Moreover, as a leader in the European air-conditioning market, we work with local governments and vocational schools to develop human resources for service operations, such as equipment installation and maintenance.



VRV system using CO₂ refrigerant

Review of Operations

Heat Pump Space and Water Heating Business in Europe

► Market Environment

Against the backdrop of the European Green Deal announced in 2019, which aims to realize net-zero GHG emissions by 2050, it is expected that decarbonization will be achieved through the conversion from combustion heaters, which generate energy from fossil fuels, to heat pump space and water heaters. Since fiscal 2022, demand for replacement of gas and oil boilers with heat pump space and water heaters has been stagnant in certain countries due to falling gas prices in Europe and the impact of reductions in government subsidies across the continent.

► Daikin's Competitive Advantages

- A business foundation developed through our entry into markets ahead of competitors
- Superior heat pump technology cultivated as a specialized air-conditioning manufacturer and a product lineup that fully utilizes this technology
- Utilization of our own air-conditioning sales network established throughout Europe

► Review of Fiscal 2024

Although there is an end in sight to the declining demand in certain regions, sales decreased from the previous year as consumers remained reluctant to make purchases. Daikin focused on strengthening its sales capabilities, such as developing dealers and supporting subsidy applications. In Germany, where demand for natural refrigerants is on the rise, we worked to expand our product lineup by commencing sales of heat pump space and water heaters using R290 natural refrigerant units. In the UK, sales grew through the acquisition of a service company, which bolstered our sales capabilities, in addition to the strengthening of subsidy programs and the movement to ban combustion heating.

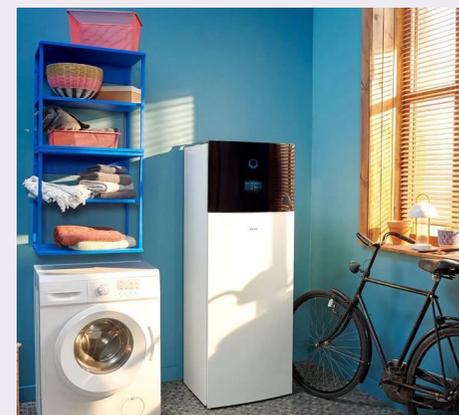
► Strategies for Fiscal 2025

Daikin will strengthen its sales network by expanding the handling of heating equipment at existing air-conditioning dealers. In the UK, we will strive to expand sales by capitalizing on the movement to ban combustion heating. In Germany, we will expand sales of heat pump space and water heaters using R290 refrigerants on the strength of our dealer development. We will focus on expanding our sales and service networks, developing high-value-added products, expanding sales of popular products in regions with high demand, and reinforcing our business foundation with an eye on medium- to long-term market growth.

► Heat Pump Space and Water Heaters Developed by Local Employees in Europe

The heating market in Europe is large and each region has diverse needs. *Daikin Altherma*, Daikin's flagship series of heat pump space and water heaters, was developed by a local development team that handled everything from marketing to development and manufacturing. These unprecedented heat pump space and water heaters, which combine environmental friendliness, energy-savings, and comfort, have created a new market in Europe, where combustion heating is the mainstream. The series' newest model *Daikin Altherma 4H* uses R290 refrigerant, addressing the rapidly growing demand for natural refrigerants. They are designed to meet the needs of the European market, including industry-leading heating performance that enables hot water heating even at low outside temperatures, low noise, and ease of installation.

The EMEA Development Center on the campus of Ghent University in Ghent, Belgium is a global hub for heating research and development. In an environment consisting of university laboratories, international corporate R&D centers, and public research institutes, we gather the latest technical information and apply it in our product development. Based on these locally rooted development capabilities, we will develop differentiated products, systems, and solutions that anticipate customer needs in each country.



Daikin Altherma 4H heat pump space and water heater using R290 natural refrigerant

Asia and Oceania

▶ Market Environment

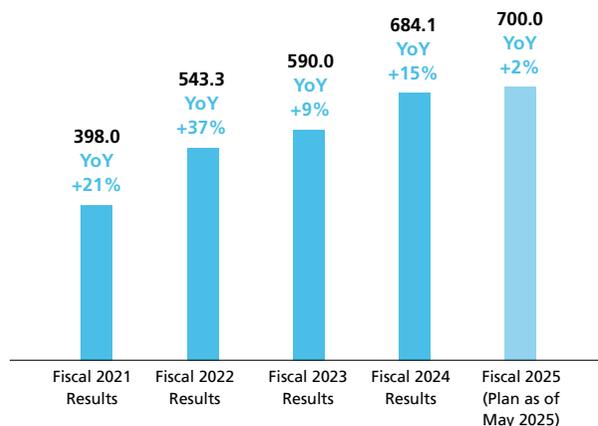
Asia is a growth market where air conditioners are becoming widely used. In fiscal 2024, we began to see a downward trend in demand throughout Asia and Oceania, with the exception of India, due to the impact of sluggish consumption caused by persistently high inflation.

▶ Daikin's Competitive Advantages

- Inverter products that meet market needs and have reduced environmental impact
- Cost competitiveness through the operation of local production sites in four countries
- Development and training of dealers in various countries

Air Conditioning Business Sales (Asia and Oceania)

(Billions of yen)



▶ Review of Fiscal 2024

Sales in the region as a whole increased significantly from the previous year due to efforts to develop and support dealers and continuously strong sales in India. In residential use, we expanded sales in India by utilizing our stronger sales network and supply capacity and tapping into the growing demand brought about by economic growth. We deployed sales strategies focusing on dealers and consumers and expanded sales in Australia, Vietnam, and other countries. In commercial use, we steadily converted small-scale projects into orders and expanded sales by developing and supporting dealers and strengthening solution proposals. In applied systems, we expanded equipment sales by capturing the growing demand from factories and data centers. We also focused on our after-sales service business, including maintenance and servicing, which led to improved sales.

▶ Strategies for Fiscal 2025

In residential use, Daikin will increase sales in India by expanding its sales network in regional cities, enhancing the value of its products and services, and bolstering production capacity. In the ASEAN region, we will promote sales of cost-competitive inverter air conditioners in Indonesia, Malaysia, and other countries where the market penetration rate of inverters is low. We will also expand our customer base by implementing product development and sales strategies tailored to the wealthy and to younger generations. In commercial use, we aim to expand sales through direct proposals to building owners and the introduction of new products, as well as strengthening our proposals for high-value-added solutions, such as energy conservation, IAQ, and maintenance and servicing. In applied systems, we will expand sales by focusing on after-sales services, such as maintenance and servicing.

Key Initiative

Start of Full-Scale Operation at New Indonesia Plant

In May 2025, Daikin commenced full-scale operation of its new residential air-conditioning plant at GIIC Industrial Park near Jakarta, the capital of Indonesia.

Indonesia's promising air-conditioning market is expected to expand further as the economy continues to grow, in terms of residential use in particular. The market is dominated by compact air conditioners that suit Indonesia's power situation and unique housing style and there is demand for inverter air conditioners and other highly energy-efficient products. Daikin has been operating in Indonesia for more than 50 years since 1970, creating an air-conditioning market by establishing a nationwide sales and service network. By promoting the use of inverter air conditioners and creating jobs in Indonesia through the operation of its new plant, Daikin will contribute to a better society and expand its business continuously.



Opening ceremony of Daikin's new Indonesia plant

Review of Operations

Establishment of a Major Hub in India

▶ Market Environment

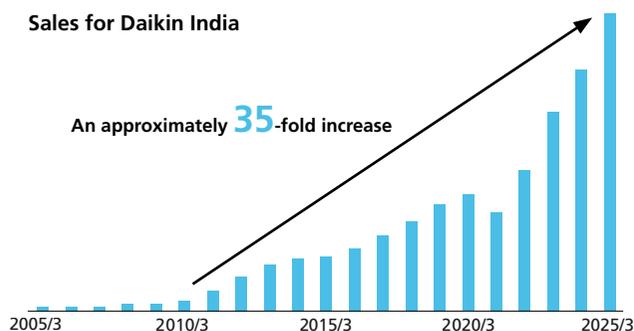
India's air-conditioning market is expected to grow faster than any other in the world and is projected to quadruple in size by 2030 from 2020 levels.* In fiscal 2024, air-conditioning demand remained strong thanks to the Indian government's proactive efforts to develop domestic industries, stimulate domestic demand including strong private consumption, and foster economic growth underpinned by foreign investments.

* Based on IEA estimates

▶ Daikin's Competitive Advantages

- Localization of production and development activities and a sales network of over 10,000 stores
- Local management with high familiarity with markets
- Cooling-only inverter air conditioners that are competitively priced and environment-friendly
- Participation in private-public partnerships to improve energy-saving performance and make proposals for the establishment of standards and regulations

Sales for Daikin India



Sales in India increased approximately 35-fold over the period from fiscal 2009, when local production and full-scale business development commenced, to fiscal 2024.

▶ Review of Fiscal 2024

Daikin focused on developing and providing training to dealers in regional cities, where the market continues to expand. We also began operation of our new plant in Sri City, in southern India. Despite the effects of the cool summer in the first half of the year, our sales improved significantly throughout the year on the strength of the sales network cultivated to date and the supply capabilities enhanced by the new plant.

▶ Strategies for Fiscal 2025

We will continue to develop sales networks in regional cities where growth is expected. In Tier 2 to Tier 4 regional cities, we will establish Daikin Solutions Plaza, an interactive showroom that proposes lifestyle ideas and solutions for high-end customers, to expand sales in India by building our sales network and raising brand awareness.

We will actively develop new products for both residential and commercial use, such as models exclusively for online sales and cost-competitive inverter products, to expand sales through differentiation. In terms of production, we will promote our existing dual-mechanism approach at the Neemrana and Sri City plants and enhance production capacity to meet growing demand.

FUSION 25 Strategies

India is the next growth frontier after China, and Daikin will accelerate business development there by establishing an integrated system spanning parts procurement to production, positioning the country as the key to its global strategy. In response to the rapid growth in demand, Daikin will strengthen its sales and service networks, expand its R&D functions, and promote the development of engineers and other human resources. In addition, it will enhance production capacity and promote local procurement of parts through the start of operation of its new Sri City plant. In preparation for further expansion of the Indian market, it is also considering establishing a new plant in the west of the country. Moreover, Daikin will strengthen its business foundation in India not only for the domestic market there but also as a base for exports to the Middle East and Africa.

▶ From India to Africa: The Key to Entering the African Market

Daikin aims to expand its business in emerging markets, such as the Middle East and Africa, with India as the major hub. The key to our strategy for entering the African market is the similarities between the market conditions and climates in India and Africa. For example, unreliable power supply and poor infrastructure are issues in both places. Given the unstable power supply and frequent power outages, products are designed to protect printed circuit boards from high voltage. When it comes to transportation, products are packaged to prevent damage in transit due to poor road conditions. There is significant potential to utilize the development know-how we have cultivated for our products in India in the African market.

Furthermore, the training of technicians for installation and after-sales services is essential to the sound development of the air-conditioning industry. Many air-conditioning technicians have been trained in India through Daikin Japanese Institute of Manufacturing Excellence (DJIME), an educational institution established in cooperation with the Japanese government, and Daikin's training centers, and it is very important that such training opportunities are also in place in Africa. Daikin has established training facilities in Nigeria, Kenya, and Tanzania, enhancing skills and awareness of its brand in these communities.



Daikin Japanese Institute of Manufacturing Excellence (DJIME), established in 2017

Filter Business

Overview of
Business Activities

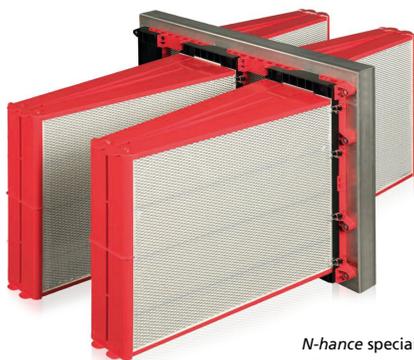
The Filter Business helps maintain air quality through the manufacture and sale of air filters and cleaning equipment that are of the highest quality and safety. Daikin boasts an extensive product lineup that includes coarse dust and medium-efficiency filters for standard air conditioners, high-efficiency filters for clean rooms in semiconductor and pharmaceutical plants, and dust collection systems for factories. There is a growing need to improve the air around people, such as by reducing air pollution and improving air environments in homes, offices, and factories. By combining the technologies of this business with those of the Air Conditioning and Chemicals businesses, we help control air pollution and ensure proper hygiene management in the pharmaceutical and food industries.

► Market Environment

Demand in China remained stagnant due to a prolonged slump in the real estate market, while the economic slowdown in Europe continued and the recovery of semiconductor market in Southeast Asia was slow. Meanwhile, demand in the United States remained strong.

► Daikin's Competitive Advantages

- Combination of air-conditioning and chemical technologies
- Connection to air-conditioning in the IAQ business
- Extensive product lineup and global sales channels



N-hance specialty filters for oil fields

► Review of Fiscal 2024

Sales increased from the previous year due to strong overall demand and the effect of foreign exchange rates. However, profits declined due to stagnant sales in the United States for highly profitable businesses, such as semiconductors and pharmaceuticals, and short-term expenses incurred in Europe for factory restructuring to improve productivity. In the air filter business, sales improved in the United States through the development of our dealers but declined in Asia due to a slow recovery in the semiconductor market and the effect of price competition. In Power & Industrial (P&I),* sales declined from the previous year due to the withdrawal from unprofitable businesses to improve the business structure, despite the strong sales of specialty filters for oil fields from the expansion of its sales domain.

* Power & Industrial: Commercial-use dust collection systems, such as for gas turbines and large-scale plants

► Strategies for Fiscal 2025

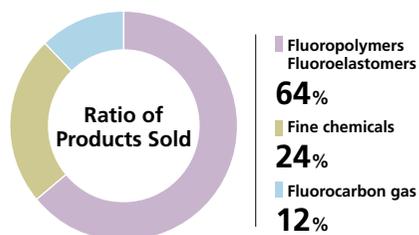
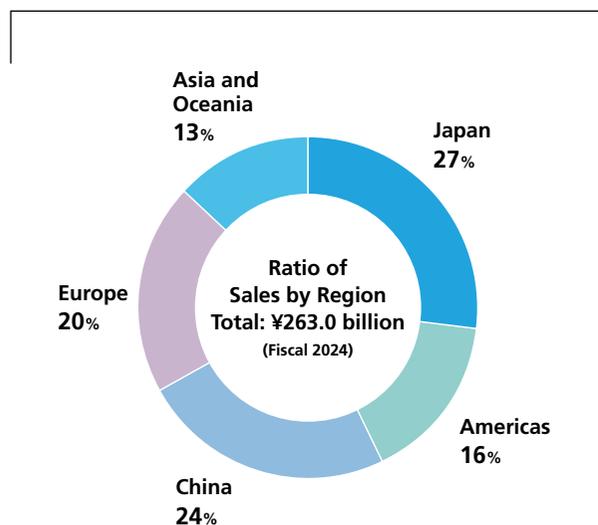
In the air filter business, Daikin will strive to expand sales of high-gross-margin products in the United States by strengthening sales at its own dealers. In Japan, Asia, and Europe, we will work to expand sales in high-end markets, such as semiconductors, pharmaceuticals, and data centers, as well as focusing on productivity improvements and cost reductions to improve profitability. In P&I, we will shift resources to profitable businesses, such as after-sales services, as we work to improve our business structure. For dust collection systems, we will focus on developing new customers by strengthening our sales capabilities to expand sales.

FUSION 25 Strategies

In the air filter business, Daikin aims to enhance profitability by reforming its business structure mainly in North America and Europe. We will also invest resources in strengthening sales in high-end markets, such as semiconductors, pharmaceuticals, and hospitals, to develop our business foundation and improve earnings. In P&I, we will seek to expand business by strengthening our product lineup, application development, and proposal-based sales, while shifting resources to after-sales and maintenance services to enhance profitability. In addition, we will expand the IAQ business by strengthening cooperation with the Air Conditioning Business.

Chemicals

Fluoropolymers offer exceptional capabilities in the form of heat and chemical resistance, water and oil repellency, and lubricity. Through its distinctive technology that utilizes these properties, Daikin will continue to expand its Chemicals Business worldwide, where its fluoropolymers are considered indispensable for automobiles, semiconductors, and air conditioner refrigerants, and in a variety of other fields.



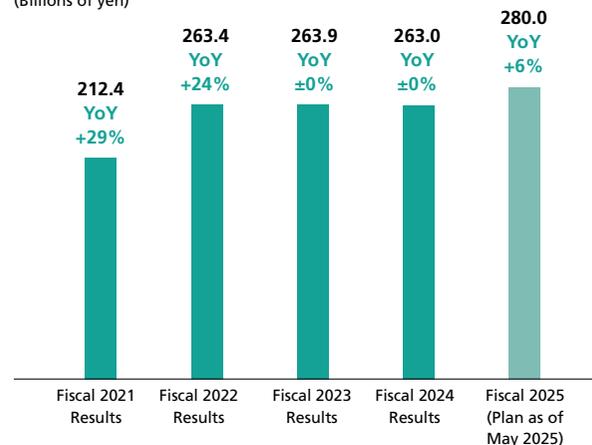
Main Fields and Applications of Fluorine Chemical Products

Semiconductor	Automotive	Information and Communications / Devices
Wafer carriers (PFA) Chemical bottles / tanks (PFA) Piping fittings (PFA/PTFE)	Fuel hoses (Fluoroelastomers) Crankshaft seals (Fluoroelastomers) Fuel injection devices (Fluoroelastomers)	Touch panel anti-smudge coating (OPTOOL) LAN cables (FEP) Immersion cooling systems for data centers (Cooling fluid)
Environment / Energy	Home and Living	
Lithium-ion batteries (Fluoropolymers) Solar cells (ETFE film) Wind power generation (ZEFFLE)	Home roofs / exterior walls (ZEFFLE) Air conditioners (Refrigerant gas)	

- Fluoropolymers / Fluoroelastomers
- Fine chemicals
- Fluorocarbon gases

Japan Sales ¥71.8 billion	Europe Sales ¥50.0 billion
Americas Sales ¥41.3 billion	Asia and Oceania Sales ¥34.9 billion
China Sales ¥63.7 billion	Other Sales ¥1.4 billion

Chemicals Business Sales (Billions of yen)



Market Environment

Despite growing demand in the data center sector and a recovery in demand for some fine chemicals, such as anti-fouling surface coating agents and etching agents for semiconductor manufacturing processes, demand slowed across a wide range of sectors, in particular semiconductor manufacturing and automobiles, resulting in a continuously slow market recovery.

Daikin's Competitive Advantages

- Extensive technical know-how as a pioneer in the fluorochemicals business in Japan
- Expansion of fluorocarbon applications in growth sectors, such as semiconductors, automobiles, and information and communications
- Expansion of application development in advanced fields, such as data centers and generative AI

Review of Operations

► Review of Fiscal 2024

Despite the impact of distribution inventory adjustments due to a delay in the resurgence of demand in the semiconductor and automotive sectors, sales were on a par with the previous fiscal year owing to the positive effects of foreign currency exchange rates. Sales of fluorocarbon gas increased through our efforts to maintain sales prices. Meanwhile, sales of fluoropolymers decreased due to a slow recovery in demand for LAN cables and semiconductor manufacturing equipment while fluoroelastomers also saw a decline from sluggish demand in the automotive sector. As for fine chemicals, sales of anti-fouling surface coating agents and etching agents for semiconductor manufacturing processes increased while sales of oil and water repellents decreased.



Developing a wide range of businesses for the semiconductor market, including fluoropolymers for manufacturing equipment and etching agents for manufacturing processes

► Strategies for Fiscal 2025

Although the recovery of demand in the semiconductor and automotive sectors is expected to remain slow, we will work to expand sales of materials for which demand is likely to increase, such as materials for AI semiconductor manufacturing equipment and electrical wire covering materials to meet the needs for faster communication speeds. We will also focus on accelerating our application development in the data center sector, where demand continues to grow. In the automotive sector, we will strengthen sales of sealing materials used in lithium-ion batteries for the EV market. As for repellents, we will expand sales by capturing the needs for environmentally advanced paper-based products stemming from the shift away from the use of plastic.



Expanding our material sales and application development in the data center sector

FUSION 25 Strategies

As the world moves toward a carbon-neutral society, we are seeing a growing need for high-performance, environmentally conscious materials. Viewing these changes as an opportunity, we will seek to capitalize on them to expand our businesses by enhancing our development of environmentally conscious products and refrigerant recovery and recycling systems. We will also seek full-scale entry into the high-performance materials business by forming alliances and partnerships and conducting M&As. In the key markets of semiconductors, automobiles, and information and communications/devices, we will focus on accelerating our application development and enhance sales of high-performance products by leveraging the supply capabilities that we have honed through our businesses in the United States and China.

Efforts to Comply with Environmental Regulations

► Daikin's Approach to PFAS

PFAS (Per- and polyfluoroalkyl substances) are a general term for many different types of organic fluorine compounds and have properties such as heat resistance, weather resistance, chemical resistance, water and oil repellency, lubricity, and electrical insulation. Fluoro materials, including those considered PFAS, are used in essential societal applications, such as semiconductors, automobiles, telecommunications, medicine and medical devices, energy, and air conditioning/heatpumps/refrigeration.

PFAS have different properties, applications, and environmental characteristics, and their properties vary greatly. Daikin's manufacturing sites around the world will continue to work closely with regulatory authorities to comply with regulations and strive to reduce any environmental impact.

In addition, Daikin closely monitors legal and regulatory trends regarding PFAS. We are committed to engage with stakeholders, including regulatory authorities, as a responsible manufacturer to achieve a sustainable society and system that address both environmental/ societal challenges and business development, balancing

environmental considerations with the importance and diversity of PFAS in cutting-edge industries.

Daikin is committed to reducing emissions of PFAS and continuously improving manufacturing processes to promote a sustainable fluorochemical business. We will continue to advance research and development of fluorochemical products that meet the needs for further high-performance materials and environmental sustainability. Furthermore, we will work to develop products and expand our business using materials other than fluorine depending on the application, aiming to become a "leading company in high-performance materials that are essential for the development of cutting-edge industries."

 Daikin's PFAS initiatives

► Daikin's Approach to PFOA

PFOA is a type of PFAS chemical, a general term for many different types of organic fluorine compounds.

Daikin has used PFOA since the late 1960s. By the early 2000s, we became aware of the possibility of PFOA remaining in the environment for long periods of time, and we voluntarily began to reduce environmental emissions from the manufacture/use of PFOA and to develop alternative substances. By 2015, we had ceased the manufacture/ use of PFOA in our domestic and overseas facilities. In 2019, PFOA was designated as restricted substances in the Stockholm Convention on Persistent Organic Pollutants. Daikin has never manufactured or used PFOS or PFHxS, which are designated as restricted substances by the convention, in the past or present.

As a company that manufactured and used PFOA in the past, Daikin will continue to closely monitor developments regarding PFOA and continue to respond in consultation with the government.

 Daikin's approach to PFOA

 Discontinuation of manufacturing and use of PFOA at Daikin

Oil Hydraulics

Daikin contributes to the development of industries by opening up new possibilities for power control through its unique, energy-efficient oil hydraulic technology.

► Overview of Business Activities

In 1929, Daikin became the first company in Japan to handle lubrication equipment for shipbuilding and engine manufacturers, and since then the Oil Hydraulics Business has been contributing to worldwide industrial development. We develop and manufacture environmentally conscious oil hydraulic pumps and units using a hybrid system that combines hydraulic control technology and motor/inverter technology.

► Market Environment

Demand for oil hydraulic equipment for industrial machinery continued to decline worldwide, particularly for machine tools, due to the economic slowdown in Japan and Europe. We also saw a downturn in the market for oil hydraulic equipment for construction machinery and vehicles in the United States due to the effects of economic stagnation and capital investment reviews.

► Daikin's Competitive Advantages

- Extensive lineup of energy-efficient products
- Ability to develop high-precision, silent, and miniaturized devices using technology cultivated in the Air Conditioning Business

► Review of Fiscal 2024

Overall sales of oil hydraulic equipment for industrial machinery decreased from the previous year due to lower sales in the domestic market as well as in Europe by Duplomatic MS Spa, an Italian company we acquired, despite sales remaining at a high level in the United States. Similarly, sales of oil hydraulic equipment for construction machinery and vehicles declined due to lower sales in the domestic and U.S. markets.

► Strategies for Fiscal 2025

Regarding oil hydraulic equipment for industrial machinery, we aim to expand sales in Europe in cooperation with Duplomatic by introducing hybrid products that cater to local needs and respond to stricter refrigerant regulations and heightened environmental awareness. In the United States, we will strengthen local engineering functions and focus on developing one-stop solutions that address the needs for both repairs and maintenance of local end users. In oil hydraulic equipment for construction machinery and vehicles, we aim to further expand our global market share by developing customized solutions for customers and introducing differentiated products.



Launch of AKZB series circulation-type oil cooling units using R32 refrigerant (reduces power consumption by 10% compared with our previous series)

FUSION 25 Strategies

In response to the growing momentum for energy savings toward the elimination of carbon emissions, Daikin will expand its lineup of high-efficiency products that utilize the technological capabilities cultivated so far. In oil hydraulic equipment for industrial machinery, we will expand our solutions business in the United States and improve profitability in China and other Asian countries. In addition, we will make a full-scale entry into the European market under the lead of Duplomatic MS and accelerate our global business expansion. In oil hydraulic equipment for construction machinery and vehicles, we will strengthen customer-oriented proposal sales in Japan and introduce highly efficient and durable differentiated products for small construction machinery in the United States to increase our market share.

Defense Systems

► Overview of Business Activities

In the Defense Systems Business, Daikin continuously expands the scope of manufacturing using high-precision processing technology that has been refined through its R&D and manufacture of defense-related products. We also manufacture and sell home-use oxygen therapy equipment, providing oxygen concentrators that require the highest levels of reliability, performance, functionality, and quality.

► Market Environment

In Japan, demand for oxygen concentrators and hypoxic systems* remained steady, while demand for oxygen concentrators declined in China due to the economic slowdown.

* Hypoxic system: Equipment that simulates high-altitude conditions to enhance exercise effectiveness over a short period of time by controlling oxygen concentration

► Daikin's Competitive Advantages

- High-precision processing technology that meets the needs of defense-related products requiring high levels of functionality and quality
- Oxygen control technology requiring high levels of reliability for the medical device field; application of this technology to develop business in the healthcare sector

Daikin's superior machining and quality control technologies are used in the manufacture of defense-related products and medical products and in other industries where high levels of reliability and performance are critical.

► Review of Fiscal 2024

Sales improved from the previous year through an increase in orders from the Japan Ministry of Defense and efforts to expand sales of oxygen concentrators by tapping into steady demand. Sales of hypoxic systems to the professional sports and athletic markets also increased.

► Strategies for Fiscal 2025

With demand for oxygen concentrators likely to remain strong, Daikin will develop and launch specialized models that address customer needs and new models with communications functions in order to expand sales and increase market share in each region. We will also establish our *OXORA* brand and promote the safety and quality of this oxygen therapy equipment at exhibitions and in the media to further enhance awareness.



A hypoxic system in which oxygen concentration can be controlled according to the size of the space by combining units

FUSION 25 Strategies

In home-use oxygen therapy equipment, we will introduce differentiated products, especially in Japan and China, to expand our market share. In response to growing interest in preventive medicine, we will fully expand business in the healthcare sector. We will use our oxygen control technology cultivated through the development and production of home-use oxygen therapy equipment to expand sales of hypoxic systems to athletes and fitness clubs, while aiming to develop markets outside of fitness by collecting health data obtained from low-oxygen settings and utilizing it in sales proposals. We also aim to develop new services that promote health in daily life by utilizing the vital data acquired from this equipment.



Daikin's hypoxic system brand

Our Vision for Corporate Governance: A System That Ensures **Management Is Always a Step Ahead**

An Integrated Management Framework That Facilitates Timely Decision-Making and Business Execution

Under this framework, directors assume responsibility for both business execution and management.

Directors make strategic decisions in a timely manner and provide sound and appropriate supervision and guidance, thereby fulfilling their responsibilities for all areas of management through cooperation.

A Supervisory Function That Ensures Sound and Transparent Management

Through its adoption of a company with audit and supervisory board organizational system, Daikin is strengthening and exercising the supervisory function of the Board of Directors through the efforts of its internal directors. This function is also being enhanced through the efforts of the Company's Audit & Supervisory Board members and the participation of external directors who possess a wealth of experience in supervising management from an independent and objective perspective.

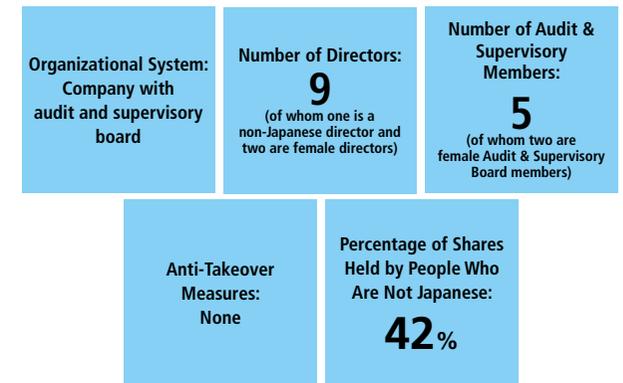
An Officer Personnel and Compensation System Tailored to Medium- to Long-Term Increases in Corporate Value

To fulfill the expectations of shareholders and all other stakeholders, Daikin's officer personnel and compensation system is designed to enhance the motivation of directors so that they continuously improve the Company's performance over the medium to long term and contribute to increasing Daikin's overall value in accordance with its management policies.



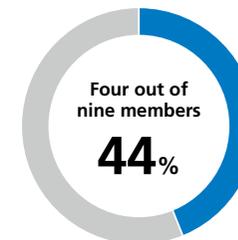
Corporate Governance Report

Daikin's Governance at a Glance

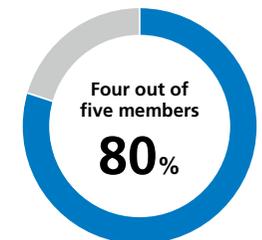


Composition of the Board of Directors and Other Committees

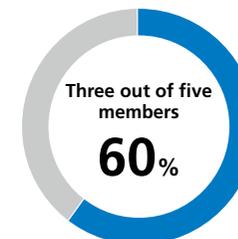
Ratio of Independent, External Directors



Directors



Members of the HRM Advisory Committee and the Compensation Advisory Committee



Audit & Supervisory Board Members

Basic Philosophy

The Daikin Group strives to raise corporate value through corporate governance. We carry out decision-making with foresight, as well as by executing business with greater speed, transparency, and soundness in response to challenges and changes in the business environment.

We strive to improve our current integrated management framework, under which directors assume responsibility for both business execution and management. In this way, we fulfill our responsibility for management, making strategic decisions quickly and providing appropriate supervision. We also seek to improve the monitoring function conducted by third parties, including multiple external directors.

We aim for management with greater speed, soundness, and transparency. We will continue to boost corporate value by seeking and implementing new ways to achieve optimal corporate governance, pursuing best practices in all facets and at all levels of the Daikin Group.

Key Points

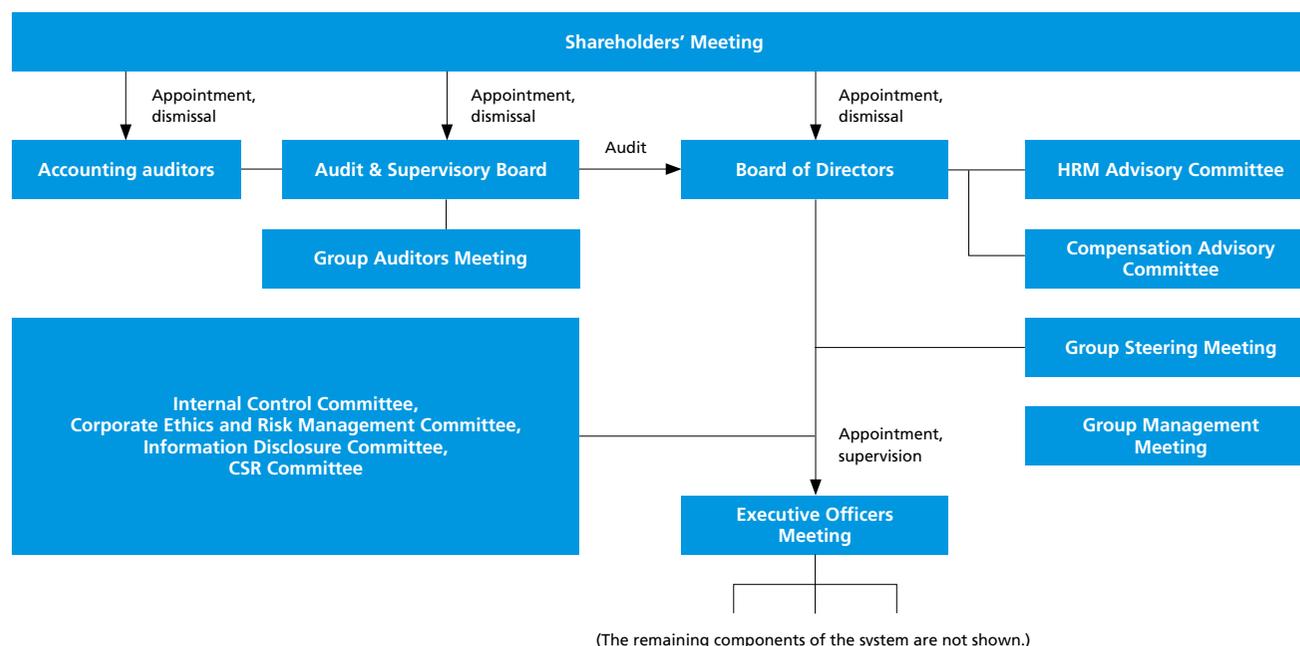
1. Unique Integrated Management Framework

We increase the speed of management decisions and action through our integrated management framework. Under this framework, directors work together in assuming responsibility for management and execution in response to the increasingly complex and wide-ranging management issues and key Groupwide challenges we face.

2. Executive Officer System and Board Composition

We have implemented an executive officer system aimed at accelerating the speed of execution based on autonomous judgments and decision-making in each business, region, and function of Daikin. Under this system, officers engage in speedy, strategic decision-making and sound management. The number of officers maintained is well suited to carrying out appropriate debate and decision-making on all issues. We have at least four external directors at all times. Based on this, the Board of Directors currently consists of nine members, including four external directors (including one female) and one non-Japanese director.

Corporate Governance System (As of July 1, 2025)



3. Management System

The Group Steering Meeting is the highest deliberative body in our management system. The role of this meeting is to speed the pace at which Daikin decides future direction and solves issues related to important management policy and strategies. The Group Management Meeting aims to ensure a unified opinion on all corporate action. We accomplish this by sharing major Group management policy and basic strategy and by better supporting Daikin Group companies in solving their problems. The Group Auditors Meeting strengthens auditing and control functions throughout the Group, including those at overseas subsidiaries. This meeting ensures these functions are working effectively.

4. Enhancement of Group Cohesiveness

The chief global group officer leads efforts to strengthen the unifying force of the Daikin Group. This officer is responsible for enhancing corporate governance and the organizational management of Daikin as a multinational company.

5. Officer Personnel and Compensation System

The HRM Advisory Committee and the Compensation Advisory Committee are chaired by external directors. The role of these committees is to improve the transparency and appropriateness of decisions related to personnel and compensation for officers.

An Organizational Structure That Supports Speedy Management Implementation

Daikin Industries, Ltd. is striving to ensure prompt decision-making by having a smaller number of directors and having them take part in practical debate on issues. The Company has three main management bodies—the Board of Directors, the Group Steering Meeting, and the Executive Officers Meeting.

The Board of Directors is the Groupwide decision-making body for items stipulated in laws, regulations, and articles of incorporation. It also provides sound, appropriate supervision and guidance in the execution of business operations. In fiscal 2024, meetings of the Board of Directors were convened 16 times, with external

directors attending, on average, 97% of the meetings and external Audit & Supervisory Board members attending, on average, 100% of the meetings. The highest body for deliberating the Group's management system is the Group Steering Meeting, which strives to constantly accelerate the pace at which Daikin decides on its future direction and solves issues related to important management policies and strategies. In fiscal 2024, the Group Steering Meeting held discussions on refrigerant strategies and policies, a key theme of the FUSION 25 strategic management plan. The Executive Officers Meeting, established following the introduction

of the Executive Officer System, promotes thorough deliberation and speedy implementation of important management tasks related to operational execution.

At the same time, to ensure the effectiveness of audits, we developed a system that positions the Internal Control Committee, the Corporate Ethics and Risk Management Committee, the Information Disclosure Committee, and the CSR Committee under the Board of Directors. We are strengthening governance as the foundation for sustainable growth.

Audit System

Daikin Industries, Ltd. has adopted a company with audit and supervisory board organizational system and accordingly established an Audit & Supervisory Board. As of July 1, 2025, Daikin Industries, Ltd. had five Audit & Supervisory Board members, three of whom were external Audit & Supervisory Board members. One of the principal nomination criteria for external Audit & Supervisory Board members, which are the same as those for external directors, is being independent of the Company in terms of not having a conflict of interest with Daikin Industries, Ltd.

Audit & Supervisory Board members attend meetings of the Board of Directors, as well as other important meetings, receive reports, and express frank and diverse opinions.

To ensure effective audits, the Audit & Supervisory Board receives reports on important issues related to management and business performance as necessary, monitors relevant units, confirms and approves documents, and has regular discussions with representative directors, executive officers, and the Company's auditing firm. The Audit & Supervisory Board Member Office has

been established to assist with the duties of Audit & Supervisory Board members and ensure that they are performed effectively. In turn, Audit & Supervisory Board members direct the activities of the Audit & Supervisory Board Member Office personnel and provide them with valued advice on job rotations, performance evaluations, and other relevant matters.

Group Management

Daikin strives to raise corporate value and fulfill corporate social responsibility through actions based on our Group Philosophy. We conduct appropriate Group management by ensuring that Group companies maintain close communications to share directives and orders, as well as guidance, advice, and evaluations.

With the exception of inside information, key decisions made by the Board of Directors and the Executive Officers Meeting are shared within the Group. We execute corporate actions based on consensus to ensure appropriate decisions are made to the satisfaction and agreement of all relevant parties.

The head office establishes divisions responsible for managing and supporting Group companies and promotes measures to constantly provide operational support. At the same time, to ensure governance on a Groupwide basis, including companies acquired through M&As, the Group Management Meeting thoroughly shares important management policies and basic strategies and promotes and supports Group companies in resolving issues with the aim of unifying corporate conduct. In addition, regional manager meetings are held regularly to enable our head office management to determine regional business strategies through face-to-face discussions with the heads of each Group company.

The Group Auditors Meeting, comprising auditing officers of major Group companies and internal auditing officers, is working to enhance operations with a view to strengthening auditing and supervisory functions across the Group.

Furthermore, important matters at our subsidiary companies are determined and addressed in accordance with our Management Regulations to Limit Authority of Daikin Group Companies, which were revised in April 2008, as well as through prior consultations and engagements and the regular monitoring of the status of their business conditions.

Policy for the Appointment of Directors

The Company strives to materialize advanced management with an integrated management system in which directors quickly make strategic decisions and conduct sound and appropriate supervision and guidance, thus achieving collective management responsibility across all management, and at the same time, assume work execution responsibility through prompt action. We believe this integrated management system is effective in speeding up decision-making and execution. Directors make decisions, execute operations, and provide supervision and guidance in an integrated manner, thus implementing their own decisions and taking responsibility for seeing these through. We appoint multiple external officers who monitor the execution of operations from an independent perspective and offer appropriate supervision and advice during decision-making. Through this process they take responsibility for supporting our integrated management from the standpoint of transparency and soundness.

In order for the Company's Board of Directors to make decisions on important business operations for the Group, supervise the Group, and boost corporate value, directors are expected to have deep insight into and abundant experience in corporate management and global business. In particular, for external directors, we require that they have work experience such as serving as directors

of listed companies. In addition, toward accomplishing Strategic Management Plan Fusion 25, the Board of Directors as a whole should be equipped with experience and knowledge of legal affairs, risk management and governance, finance and accounting, technology, human capital and diversity management, sustainability, and the environment and energy, in order to further strengthen the Company's corporate governance. With regard to the Audit & Supervisory Board also, it is considered important that its members possess knowledge spanning a wide range of business areas in auditing the execution of duties by directors from an independent standpoint, and thus the Audit & Supervisory Board consists of full-time Audit & Supervisory Board members who are highly familiar with the Company's business and management system, and Audit & Supervisory Board Members (external) who have acquired abundant management experience at their respective companies or deep insight in their respective areas of expertise, such as law or finance and accounting.

Furthermore, for the functions of the management base such as sales, production, finance and accounting, legal affairs, and digital transformation, executive officers are appointed to dedicate themselves in executing operations. In addition, each executive officer attends the meetings of the Board of Directors in accordance with the

agenda and reports on the status of execution to the directors and Audit & Supervisory Board members to secure the effectiveness of decision-making and supervision of the Board of Directors.

In appointing officers, we emphasize that they have diverse backgrounds, including nationality, gender, and career, from the perspectives of business globalization, business expansion, and diversity management. Furthermore, we also emphasize the importance of having excellent personalities, aptitudes, and qualities. In appointing directors, qualities necessary for corporate management are also considered important, such as leadership that draws out the potential of people and drives an organization to enhance action-taking capabilities, speedy action to materialize foresight and insight that are a half step ahead of society gained through staying at the *genba* (actual site) where information originates, willpower and decisiveness to derive solutions to issues without answers, and capability to pass down and further develop the respected philosophy and value of companies.

The experience and knowledge possessed by the Company's nine directors and five Audit & Supervisory Board members, as well as their expected roles, are as shown in the following tables.

Skill Sets of Directors

All directors, based on their extensive experience and knowledge as corporate managers, have achieved significant results in their respective fields. We believe that the skills and attributes possessed by each director are necessary for further improving the Group's corporate value. Of these, five internal directors are responsible for monitoring the execution of operations and possess the skills to strengthen the foundation for growth in this era of change. Four external directors possess the necessary skills to participate in decision-making and management supervision to ensure the accomplishment of the Group's key strategies, based on extensive experience at their respective companies and knowledge in their respective areas of expertise.

Skills Matrix for Directors

Name	Gender	Position	Corporate Management	Global Business	Legal Affairs, Risk Management, and Governance	Finance and Accounting	Technology	Human Capital and Diversity Management	Sustainability, Environment, and Energy
Masanori Togawa	Male	Representative Director, Chairman of the Board and CEO	●	●	●			●	●
Naofumi Takenaka	Male	Representative Director, President and COO	●		●		●	●	
Tatsuo Kawada	Male	External Director	●	●	●		●		●
Akiji Makino	Male	External Director	●	●	●			●	●
Shingo Torii	Male	External Director	●	●	●				●
Yuko Arai	Female	External Director	●					●	
Koichi Takahashi	Male	Director and Senior Executive Officer	●		●	●			
Keiko Mori	Female	Director and Executive Officer	●					●	
Kanwal Jeet Jawa	Male	Director and Senior Associate Officer	●	●					

Note: The above list shows a maximum of five items among the areas of highly specialized knowledge and experience possessed by each officer and does not include all of their knowledge and experience.

Skill Sets of Audit & Supervisory Board Members

The Audit & Supervisory Board consists of two full-time Audit & Supervisory Board members who are highly familiar with Daikin's business and the Group's operations and three external Audit & Supervisory Board members who have acquired abundant management experience at their respective companies or deep insight in their respective areas of expertise, such as law or finance and accounting. They possess the skills necessary to monitor and audit the Company's business activities and provide management advice. By utilizing these skills, Audit & Supervisory Board members contribute to the sound and sustainable growth of the Company and the enhancement of corporate value.

Skills Matrix for Audit & Supervisory Board Members

Name	Gender	Position	Corporate Management	Global Business	Legal Affairs, Risk Management, and Governance	Finance and Accounting	Technology	Human Capital and Diversity Management	Sustainability, Environment, and Energy
Kaeko Kitamoto	Female	Audit & Supervisory Board Member (External)			●	●			
Fumi Takatsuki	Female	Audit & Supervisory Board Member (External)		●	●				
Atsushi Ukawa	Male	Audit & Supervisory Board Member (External)	●		●	●			
Kosei Uematsu	Male	Audit & Supervisory Board Member (Full-time)		●	●				
Hisao Tamori	Male	Audit & Supervisory Board Member (Full-time)			●	●			

Note: The above list shows a maximum of five items among the areas of highly specialized knowledge and experience possessed by each officer and does not include all of their knowledge and experience.

Reasons for Selection of Each Skill Item

Skill Items	Reason for Selection of Each Skill Item
Corporate Management	<ul style="list-style-type: none"> In an era of great uncertainty, it is essential to have corporate management skills to gain insight into social changes from a medium- to long-term perspective, formulate management strategies to enhance corporate value, and thoroughly implement them. It is also an essential skill from the perspective of supervising the status of execution. In particular, for external directors, the Company requires that they have work experience such as serving as directors of listed companies.
Global Business	<ul style="list-style-type: none"> Given that the Company's overseas sales ratio exceeds 80%, it is essential to have extensive expertise in overseas business development or management experience, as well as a deep understanding of regional cultures and business customs, etc.
Legal Affairs, Risk Management, and Governance	<ul style="list-style-type: none"> As the Company grows and expands as a global group, it is essential to have a deep understanding of each country's laws and regulations in relation to business and new business development, as well as high sensitivity in risk management. Skills in establishing a groupwide governance structure and in understanding and supervising the status of business operations are also essential.
Finance and Accounting	<ul style="list-style-type: none"> From a perspective of enhancing profitability and improving financial position, and to thoroughly enforce ratio management and promote future growth investments and financial strategies, expertise and practical experience in finance and accounting are essential. It is also an essential skill for the supervision of business operations from a quantitative perspective.
Technology	<ul style="list-style-type: none"> For the Company, which regards manufacturing as the foundation of its growth, <i>genba</i> (actual site) knowledge of technology and production is essential.
Human Capital and Diversity Management	<ul style="list-style-type: none"> To practice People-Centered Management, which is one of the beliefs and values that the Company has valued since its founding, it is essential to have the human capital skills to maximize the capabilities of each individual, including the formulation of human resource strategies, human resource development, and the promotion of diversity management.
Sustainability, Environment, and Energy	<ul style="list-style-type: none"> In fulfilling our social mission as the world's leading comprehensive air-conditioning manufacturer, it is essential to have executive decision-making and supervisory skills based on knowledge of sustainability. Knowledge and experience in environmental and energy issues are also essential in implementing "Challenge to achieve carbon neutrality."

Evaluation of the Effectiveness of the Board of Directors

The secretariat of the Board of Directors distributes questionnaires to directors and members of the Audit and Supervisory Board in advance, conducting interviews based on the questions. The interviews are conducted in individual or group formats to encourage open and active discussions. Based on the interview results, the Board of Directors discusses, analyzes, and evaluates findings, identifying any issues to address for further enhancement of effectiveness. The Board determines initiatives for the next fiscal year and strengthens Board governance through a PDCA cycle.

Assessment Results for Fiscal 2024

Based on the interviews with directors and auditors, as well as deliberations at Board of Directors meetings, we confirmed that the Board of Directors engages in appropriate decision-making and supervision and that its effectiveness is being ensured. We will continue to improve the effectiveness of the Board of Directors based on the results of the latest effectiveness evaluation.

Main Agenda Items at Board of Directors' Meetings (Fiscal 2024)

Classification	Agenda Items
FUSION 25 strategic management plan	<ul style="list-style-type: none"> Discussion on M&As and capital investment projects toward completion of FUSION 25 strategic management plan
Sustainability	<ul style="list-style-type: none"> Response to sustainability disclosure requirements, including those of the Corporate Sustainability Reporting Directive (CSRD) and the Sustainability Standards Board of Japan (SSBJ)
Governance	<ul style="list-style-type: none"> Reorganization of Daikin's unique corporate governance and organizational structure
Succession	<ul style="list-style-type: none"> Measures to develop the next generation of executives
Risk management	<ul style="list-style-type: none"> Safety issues in Japan and overseas Daikin's risk response, including litigation Recent trends in security export control and the Daikin Group's efforts in this area

Activities for External Directors and Audit & Supervisory Board Members (Fiscal 2024)

- Prepared a glossary of in-house and technical terms, ensuring that technical terms are annotated in agenda materials
- Conducted plant tours in Japan and provided information on Daikin's latest products

Key Initiatives to Enhance Effectiveness

Key Initiatives Implemented in Fiscal 2024

- Improved reports on the status of compliance and risk management to strengthen supervisory functions
- Continued to enhance the quality of discussions by standardizing the format of agenda materials, preparing a glossary of in-house and technical terms, and ensuring that technical terms are annotated in agenda materials
- Conducted plant tours in Japan and provided information on Daikin's latest products to strengthen information sharing with external directors

Questionnaire and Interview Items

- Composition and operation of the Board of Directors
- Board of Directors' meetings agendas
- Quality of discussions at Board of Directors' meetings
- Issues to be addressed in future Board of Directors' meetings (e.g., strengthening profitability, improving capital efficiency, and governance)

Evaluation Summary and Interview Results

Interviews conducted during fiscal 2024 included the following responses: "There are no issues with meeting management, and improvements are being made year by-year."

"We see the latest information from the field during budget deliberations, presented by the officer in charge; we (the Board) oversee progress in business execution toward strengthening profitability."

"We receive extensive reports on compliance and risk initiatives, which strengthens the supervisory function of the Board."

Key Measures for Improvement in Fiscal 2025

- Enhance discussions on the formulation of the FUSION 30 strategic management plan
- Share the status of dialogues with institutional investors, such as investor relations and shareholder relations activities
- Improve reports on the status of compliance and risk response for each proposal

Officer Compensation System

To ensure the transparency of management by executive officers and of compensation processes, the Company has established the HRM Advisory Committee and the Compensation Advisory Committee. These committees engage in discussions and deliberations on issues including executive officer nomination criteria, candidates, and compensation levels.

The officer compensation system is designed to increase motivation of directors to improve the ongoing and medium- to long-term performance of the Company, responding to the expectations of shareholders and other stakeholders in accordance with our management philosophy. Director compensation (excluding external directors) consists of three components: 1. Fixed compensation; 2. Performance-linked compensation (reflecting short-term Group earnings and division earnings); and 3. Compensatory stock options (reflecting medium- to long-term earnings). Compensation levels are determined after analyzing and comparing compensation data for major Japanese manufacturing companies selected from objective compensation survey data on approximately 300 Japanese companies listed on the Prime Market of the Tokyo Stock Exchange, collected by a third-party institution specializing in corporate officer compensation research (executive compensation database managed by WTW). Net sales, operating income, and ROE (return on equity) are used as the three basic indicators in this formula. Decisions are based on Daikin's position relative to the performance and compensation of the comparison companies, linked to medium- and long-term improvements to corporate value. Furthermore, we have made the correlation between performance and compensation higher than the industry average in our performance-linked compensation for directors, in order to fully act as an incentive.

Performance-linked compensation for the chairman and president uses a performance-linked coefficient derived from Companywide performance-linked indicators. Performance-linked compensation for directors other than the chairman or president is determined using a performance-linked coefficient derived from Companywide performance-linked indicators, adjusted by single-year performance versus budget for net sales and operating income for their respective divisions (serving as indicators that represent the targets of the work that each division carries out daily) and individual priority initiatives carried out over the short, medium, and long term. The priority initiatives have been established in line with the 11 key strategy themes of the second half of the FUSION 25 Latter-Half Three-Year Plan, and targets (e.g., contribute to a sustainable society, realize the Group's growth, "Challenge to achieve

carbon neutrality," "Promotion of Solutions Businesses connected with customers," "Creating value with value," etc.) have been set for each individual in accordance with their job responsibilities.

Compensatory stock options are paid to directors excluding external directors. Each fiscal year, the number of stock options to grant is calculated by dividing a sum determined by taking into account the status and results of each individual's efforts on short-term, medium- and long-term priority issues in the previous fiscal year and that is based upon the standard for each position, by the average closing price of the most recent share price. These are exercisable from three to 12 years after the date of grant.

The Compensation Advisory Committee is chaired by an external director and composed of a majority of external directors. The committee deliberates on the appropriateness of compensation policies, the compensation system and levels, and individual compensation, etc., in light of the environment surrounding the compensation of directors, in order to ensure full objectivity and transparency in the decision-making process. Specifically, the Compensation Advisory Committee collects information and advice from compensation advisors from outside professional organizations to ensure the independence of decisions and enhance the effectiveness of its advisory function. The committee also examines and

deliberates the comparative performance position of the Group from various perspectives among comparable companies, as well as the appropriateness of compensation. Having confirmed the details of draft proposals concerning the amount of compensation, etc., for each individual director, the committee deliberate said proposals from an objective viewpoint, and then submit their opinion to the chairman of the Board and CEO. Chairman of the Board and CEO Masanori Togawa receives approvals from the Board of Directors for reappointments and, in principle, makes the final decision on the amount of compensation, etc., for each individual director based on said report. If the decision differs from said report, the Compensation Advisory Committee reconsiders the reasoning behind said decision.

The reason for delegating this authority to Chairman of the Board and CEO Masanori Togawa is that he is the most suited to overseeing company management and Companywide performance and to evaluating the overseen departments and individuals themselves. Furthermore, excluding the chairman of the board of directors, the Compensation Advisory Committee consists of four external directors and one internal director. An external director serves as the chair of the committee.

Total Compensation for Directors and Audit & Supervisory Board Members (Fiscal 2024)

Position	Total Compensation (Millions of Yen)	Total of Different Types of Compensation (Millions of Yen)				Number of Persons Paid
		Fixed Compensation	Compensatory Stock Options	Performance-Linked Compensation	Distinguished Service Compensation	
Directors (excluding external directors)	5,418	414	252	451	4,300	9
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	77	77	—	—	—	2
External executive officers	139	139	—	—	—	8

Compensation for Certified Public Accountants (Fiscal 2024)

Compensation for audit certification duties	¥281 million
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Messages from External Directors

At Daikin, we believe that corporate governance enhances corporate value by allowing us to make and act on decisions quickly to ensure that we are constantly one step ahead and to continuously improve the transparency and soundness of our business operations in relation to the issues faced by management and the changes in our business environment. In this section, our external directors explain their stance and the features of Daikin's Board of Directors.

Tatsuo Kawada

Chairman of the
HRM Advisory Committee
Chairman of the
Compensation
Advisory Committee



Significant Concurrent Posts
Chairman and CEO of Seiren Co., Ltd.

Attendance at Meetings of the Board of Directors
Attended 16 out of 16 meetings held in fiscal 2024

The fundamental duties of external directors are to supervise the activities of the Board of Directors in order to help prevent the occurrence of issues related to business execution from a legal or risk management perspective and to ensure the rationality, objectivity, and transparency of the entire execution process.

Meetings of the Company's Board of Directors are also attended by executive officers, whose participation ensures that the specific initiatives of each business site are reported, discussions are held in a healthy and respectful manner, and rational, transparent, and objective decision-making is practiced. By directly asking executive officers about their proposals, I can more readily grasp said proposals by understanding their background and significance. Discussions at Board meetings are particularly lively when it comes to the annual budget progress report, in which the executive officers in charge explain the specific issues and countermeasures of each business, the aggressive strategies to incorporate into these countermeasures to address changes in the market, and the market trends that underlie these changes. In addition, the status of debt collection, legal risks, and litigation cases is reported constantly, ensuring that risks are managed across the entire organization.

I will continue to help facilitate sufficient discussions at Board of Directors' meetings to better meet the expectations of shareholders and investors.

Akiji Makino

Member of the
HRM Advisory Committee
Member of the
Compensation
Advisory Committee



Significant Concurrent Posts
Chairman and CEO of Iwatani Corporation
Chairman of the Board of Iwatani Industrial Gases Corporation
Representative Director and Chairman of the Board of
Central Sekiyu Gas Corporation Limited
Representative Director and Chairman of KINSEI MATEC CO., LTD.

Attendance at Meetings of the Board of Directors
Attended 14 out of 16 meetings held in fiscal 2024

In recent years, we have seen a shift in corporate management from a shareholder-first approach to a focus on the interests of all stakeholders, including employees and customers. As a manager, it is important to not only adopt some of the management methodologies practiced in the West but also preserve and build on the strengths of Japanese-style management.

For example, management executives at Daikin engage in the execution of business, listen to and incorporate the opinions of frontline employees, and make management decisions while assessing the market together with on-site personnel. For these reasons, my sense is that that Daikin's management is trusted by those on the front lines.

On the other hand, with the rapidly changing business environment, the Company will not advance to its next stage of growth simply by focusing on its existing businesses. We therefore monitor management by taking into account whether novel approaches are being implemented regularly in response to the changing business environment and whether what is essential for the Company's future growth is being considered. From this point of view, Daikin is a company that continues to embrace new challenges and at which important investment proposals are openly discussed at Board of Directors' meetings.

I will continue to ensure lively discussions that incorporate frontline perspectives to contribute to the Company's sustainable growth and the enhancement of its corporate value.

Shingo Torii

Member of the
HRM Advisory Committee
Member of the
Compensation
Advisory Committee



Significant Concurrent Posts
Representative Director and Vice Chairman of the
Board of Suntory Holdings Limited
Chairperson of the Osaka Chamber of
Commerce and Industry

Attendance at Meetings of the Board of Directors
Attended 16 out of 16 meetings held in fiscal 2024

Meetings of the Company's Board of Directors are attended by executive officers from around the world. Such participation enables the sharing of the latest information on political, economic, and social situations and market trends in each region, which is an important part of deliberations and has contributed to appropriate management decisions.

For example, in January 2025, following the reporting of trends in U.S. tariffs from the field, a management project was quickly launched to discuss the impact of said trends on business performance. I applaud the Company for taking such prompt action, which is in line with the current times.

In addition, reports at executive meetings are often made directly by young section managers in the field, not just by executive officers, so the information is very vivid.

That being said, with the expanding number of overseas Group subsidiaries, I would like the status of product quality, safety, and security to be shared more often at Board of Directors' meetings. By sharing more detailed information on the organizational structure and systems we should adopt throughout the Daikin Group over the medium to long term, as well as the issues to address going forward, I believe I can offer advice based on my experience as an external director and help prevent and minimize risks.

Yuko Arai

Member of the
HRM Advisory Committee
Member of the
Compensation
Advisory Committee



Significant Concurrent Posts
Senior Advisor of ANA Akindo Co., Ltd.
Outside Director of Aichi Steel Corporation
Outside Director of Mizuno Corporation

Attendance at Meetings of the Board of Directors
Attended 16 out of 16 meetings held in fiscal 2024

Safety initiatives and other risk-related themes are reported and discussed thoroughly at Board of Directors' meetings each year, which, in my opinion, has shed more light on the key issues that need to be addressed.

One such issue for me is managing companies that have been incorporated into the Daikin Group through M&As, so I have requested the Company to strengthen its risk management, particularly in terms of reporting regularly on the progress of post-merger integration.

If we, including executive officers, can utilize the experience we have gained, to discuss and bring about improvements, the Daikin Group will become an even stronger organization and continue to increase its corporate value. I will actively engage in discussions to contribute to the further enhancement of Daikin's corporate value.

As an external director, I remain dedicated to improving Daikin's corporate governance by offering advice and supervision from the perspective of providing products and services based on the customers' viewpoint as well as women's empowerment.

Experience and Knowledge of Each Director and Their Expected Role



Masanori Togawa

Representative Director,
Chairman of the Board and CEO

Member of the
HRM Advisory Committee
Member of the Compensation
Advisory Committee

Date of birth: January 11, 1949
Term of office: 23 years
Number of Company shares owned: 10,300

Significant Concurrent Posts
Outside Director of
Nippon Venture Capital Co., Ltd.

Mr. Togawa has served as representative director, president and COO since 2011 and representative director, president and CEO since 2014, and contributed to the execution of the strategic management plan and growth of the Group. Since 2024, as the representative director, chairman of the Board and CEO, he has continually striven to attain Strategic Management Plan FUSION 25 as well as demonstrated his strong leadership to carry on the Company's unique strengths and promoted measures flexibly and quickly, while also working to evolve the Group ahead of changes in the times for further growth and development of the Group.



Naofumi Takenaka

Representative Director,
President and COO

Chairman of the
Internal Control Committee

Date of birth: January 31, 1964
Term of office: 1 year
Number of Company shares owned: 2,200

Mr. Takenaka has experience across various business operations, including production and development, sales, supply chain management, and public relations. Since 2024, as representative director, president and COO, he has striven to attain Strategic Management Plan FUSION 25, ensured that management policies are incorporated into business activities in the ever-changing environment, and enhanced action-taking capabilities for further business expansion.



Koichi Takahashi

Member of the Board, Senior Executive Officer

Date of birth: May 24, 1956
Term of office: 1 year
Number of Company shares owned: 7,900

Mr. Takahashi has engaged in accounting and finance over many years at the Company and significantly contributed to business expansion, particularly in terms of financial strategy and capital policy. Currently, he is also engaged in activities to promote operational efficiency through IT. He aims to strengthen the Company's management base toward further growth.



Keiko Mori

Member of the Board, Executive Officer

Date of birth: September 9, 1974
Term of office: 1 year
Number of Company shares owned: 1,000

Ms. Mori has engaged in human resource development and maximizing the talents of women over many years at the Company and significantly contributed to business expansion, particularly in terms of human capital formation. Currently, she is also in charge of training next-generation leaders and overseas executives. She aims to strengthen the Company's management base toward further growth.



Kanwal Jeet Jawa

Member of the Board, Senior Associate Officer

Date of birth: November 10, 1959
Term of office: 7 years
Number of Company shares owned: 0

Significant Concurrent Posts
Managing Director and CEO of
Daikin Airconditioning India Pvt. Ltd.

Mr. Jawa has engaged in the air-conditioning business in India over many years to significantly contribute to business expansion. Currently, he is in charge of the air-conditioning business in India and African regions (excluding some regions). Leveraging his rich experience in the air-conditioning business and capability in developing business in emerging regions, he aims to further expand business.

Experience and Knowledge of Each Director and Their Expected Role



Tatsuo Kawada

Member of the Board
(External)

Date of birth: January 27, 1940
Term of office: 9 years
Number of Company shares owned: 0

Chairman of the
HRM Advisory Committee
Chairman of the Compensation
Advisory Committee

Significant Concurrent Posts
Chairman and CEO of Seiren Co., Ltd.

Leveraging his abundant experience and deep insight as a corporate executive of Seiren Co., Ltd., Mr. Kawada provides advice on and supervision of the Company's management matters based on extensive and advanced insight as an independent director, with a focus on his perspectives on business model transition, innovation creation, and other matters.



Akiji Makino

Member of the Board
(External)

Date of birth: September 14, 1941
Term of office: 9 years
Number of Company shares owned: 2,000

Member of the
HRM Advisory Committee
Member of the Compensation
Advisory Committee

Significant Concurrent Posts
Chairman and CEO of Iwatani Corporation
Chairman of the Board of
Iwatani Industrial Gases Corporation
Representative Director and
chairman of the Board of
Central Sekiyu Gas Corporation Limited
Representative Director and
chairman of KINSEI MATEC CO., LTD.

Leveraging his abundant experience and deep insight as a corporate executive of Iwatani Corporation, Mr. Makino provides advice on and supervision of the Company's management matters based on extensive and advanced insight as an independent director, with a focus on his perspectives on energy, environmental fields, the service business, and other matters.



Shingo Torii

Member of the Board
(External)

Date of birth: January 18, 1953
Term of office: 5 years
Number of Company shares owned: 1,000

Member of the
HRM Advisory Committee
Member of the Compensation
Advisory Committee

Significant Concurrent Posts
Representative Director and Vice Chairman
of the Board of Suntory Holdings Limited
Chairperson of the Osaka Chamber of
Commerce and Industry

Leveraging his abundant experience and deep insight as a corporate executive of Suntory Holdings Limited, Mr. Torii provides advice on and supervision of the Company's management matters based on extensive and advanced insight as an independent director, with a focus on his perspectives on corporate management anticipating customers' needs, corporate activities on the sustainable development goals and environmental, social, and governance factors, and other matters.



Yuko Arai

Member of the Board
(External)

Date of birth: January 27, 1961
Term of office: 4 years
Number of Company shares owned: 500

Member of the
HRM Advisory Committee
Member of the Compensation
Advisory Committee

Significant Concurrent Posts
Senior Advisor of ANA Akindo Co., Ltd.
Outside Director of Aichi Steel Corporation
Outside Director of Mizuno Corporation

Leveraging her abundant experience and deep insight as a corporate executive of the ANA Group, Ms. Arai provides advice on and supervision of the Company's management matters based on extensive and advanced insight as an independent director, with a focus on her perspectives on customer-centric corporate management and business development, and the further promotion of the activities of female employees.

Experience and Knowledge of Each Director and Their Expected Role



Kaeko Kitamoto

Audit & Supervisory Board Member (External)

Date of birth: April 15, 1965
Term of office: 2 years
Number of Company shares owned: 0

Significant Concurrent Posts

Certified Public Accountant
Outside Director of Harmonic Drive Systems Inc.
Independent Director of EBARA CORPORATION

Ms. Kitamoto has a wealth of experience and highly specialized knowledge in finance and accounting from her years of involvement in corporate auditing practices as a certified public accountant. Leveraging this experience and knowledge, she continues to monitor the Group's entire operations, conduct effective audits, and provide information and advice to management particularly from the viewpoint of maintaining effective financial accounting systems. By doing so from a fair and unbiased perspective as an Audit & Supervisory Board member (external), we expect that she will continue to contribute to the sound and sustainable growth of the Group.



Fumi Takatsuki

Audit & Supervisory Board Member (External)

Date of birth: June 24, 1975
Term of office: 1 year
Number of Company shares owned: 0

Significant Concurrent Posts

Partner of Oh-Ebashi LPC & Partners
Outside Director of Shionogi & Co., Ltd.
Outside Auditor of Sankyo Seiko Co., Ltd.

Ms. Takatsuki has a wealth of experience and highly specialized knowledge from her years of experience as an attorney in corporate legal affairs in Japan and overseas. Leveraging this experience and knowledge, she continues to monitor the Group's entire operations, conduct effective audits, and provide information and advice to management particularly from the viewpoints of legal and other compliance and risk management. By doing so from a fair and unbiased perspective as an Audit & Supervisory Board member (external), we expect that she will continue to contribute to the sound and sustainable growth of the Group.



Atsushi Ukawa

Audit & Supervisory Board Member (External)

Date of birth: July 19, 1956
Appointed: June 27, 2025
Number of Company shares owned: 0

Significant Concurrent Posts

Representative Director, President and CEO of Senshu Ikeda Holdings, Inc.
Representative Director, President and CEO of The Senshu Ikeda Bank, Ltd.

Leveraging his abundant experience and deep insight as a corporate manager of a financial institution, Mr. Ukawa is expected to monitor the Group's entire operations, conduct even more effective audits, and provide appropriate information and advice to management particularly based on his experience in corporate management and in strengthening group governance. By doing so from a fair and unbiased perspective as an Audit & Supervisory Board member (external), we expect that he will contribute to the sound and sustainable growth of the Company.



Kosei Uematsu

Audit & Supervisory Board Member (Full-Time)

Date of birth: January 21, 1952
Term of office: 10 years
Number of Company shares owned: 8,000

Mr. Uematsu has experience as a long-standing member of the Company's management, particularly in the global air-conditioning business, and extensive experience and insight through his role in monitoring the Group's global and domestic operations from a broad perspective as an Audit & Supervisory Board member. He has served as a full-time Audit & Supervisory Board member at the Company since 2015. He continuously contributes to the sound and sustainable growth of the Group by monitoring its entire operations, conducting effective audits, and providing appropriate information and advice to management.



Hisao Tamori

Audit & Supervisory Board Member (Full-Time)

Date of birth: July 31, 1960
Term of office: 6 years
Number of Company shares owned: 1,000

Mr. Tamori has a wealth of experience and knowledge in finance and accounting through his years of involvement in the Company's Finance and Accounting Division. He has served as a full-time Audit & Supervisory Board member since 2019. He continuously contributes to the sound and sustainable growth of the Group by monitoring its entire operations, conducting effective audits, and providing appropriate information and advice to management.

Executive Officers

Position	Name	Main Responsibilities / Titles
Chairman Emeritus and Chief Global Group Officer	Noriyuki Inoue	–
Senior Executive Officer	Takashi Matsuzaki	In charge of Solution Engineering
Senior Executive Officer	Satoshi Funada	In charge of Air Conditioning Business in Japan, After Sales Service
Senior Executive Officer	Yoshikazu Tayama	Department Manager of Budget and Administration Group, Finance and Accounting Division
Senior Executive Officer	Katsuyuki Sawai	In charge of CSR, Global Environment, External Relations, General Manager of Tokyo Office, General Manager of External Relations Department, Tokyo Office, Chairman of CSR Committee
Senior Executive Officer	Tsutomu Morimoto	In charge of the Americas Business Support, Executive Secretarial Department
Senior Executive Officer	Yuji Yoneda	In charge of Air Conditioning Product Development (Including Applied Solutions, Commercial & Industrial Refrigeration) General Manager of Technology and Innovation Center
Senior Executive Officer	Masaki Saji	In charge of Human Resources General Manager of Human Resources Division
Senior Executive Officer	Toshio Ashida	In charge of Corporate Planning, Electronics Business
Senior Executive Officer	Yoshiyuki Hiraga	In charge of Chemicals Business, Chemical Environment and Safety
Senior Executive Officer	Shigeki Morita	In charge of PL & QC (Air Conditioning, Applied Systems, Commercial & Industrial Refrigeration), Promotion of Alliance with Gree, PD Affiliation Alliance Promotion, Concurrent Development Promotion General Manager of Air Conditioning Manufacturing Division, General Manager of Sakai Plant
Senior Executive Officer	Kota Miyazumi	In charge of Marketing and Corporate Communications General Manager of Marketing Research Division, Department Manager of Planning Group, Marketing Research Division, Chairman of Information Disclosure Committee
Senior Executive Officer	Makio Takeuchi	Deputy General Manager, Applied Product R&D, Applied Solution Business Division, Leader of Global Applied Development Group, Applied Solution Business Division, Deputy General Manager, Applied Systems, Technology and Innovation Center
Senior Executive Officer	Hideki Maruoka	In charge of Oil Hydraulics Business
Senior Executive Officer	Kenkichi Kagawa	In charge of Strategy Office, Technology and Innovation Center, Coordination and Collaborative Creation with the University of Tokyo
Senior Executive Officer	Yasushi Yamada	In charge of Safety

Position	Name	Main Responsibilities / Titles
Executive Officer	Hitoshi Jinno	In charge of Global Procurement
Executive Officer	Akira Murai	In charge of Defense Systems Business Member of Co-creation Projects, Technology and Innovation Center, General Manager of Yodogawa Plant
Executive Officer	Shoji Uehara	In charge of Global Operations Division, Training
Executive Officer	Junichi Omori	General Manager of Global Operations Division
Executive Officer	Katsumi Kawahara	Deputy General Manager, Industry–Government–Academia Collaboration Promotion, Technology and Innovation Center
Executive Officer	Hiroaki Ueda	In charge of DX strategy General Manager of Corporate Planning Department
Executive Officer	Katsuya Miura	In charge of Refrigeration Business
Executive Officer	Kenji Matsuba	In charge of Refrigerant Strategies Deputy General Manager, Business Strategies, Air Conditioning Manufacturing Division, Department Manager of Planning Department, Air Conditioning Manufacturing Division
Executive Officer	Tomohiro Mizuguchi	In charge of IT Development, General Affairs General Manager of General Affairs Department
Executive Officer	Kimikazu Hatou	Deputy General Manager, Product R&D, Air Conditioning Manufacturing Division, Senior Manager, Product R&D Promotion, Refrigeration Division, Deputy General Manager, Direct Expansion Systems, Technology and Innovation Center, General Manager of Shiga Plant
Executive Officer	Isao Hasegawa	In charge of Production Engineering Deputy General Manager, Production Engineering, Air Conditioning Manufacturing Division, Department Manager of Production Engineering Department, Air Conditioning Manufacturing Division
Executive Officer	Masaaki Miyatake	In charge of Applied Solutions Business
Executive Officer	Katsunori Ishii	General Manager of Air Conditioning Sales Division
Executive Officer	Nin Sokin	In charge of Corporate Ethics, Compliance, Legal Affairs, Information Security General Manager of Legal Affairs and Compliance Center, Chairman of Corporate Ethics and Risk Management Committee

Compliance and Risk Management

Taking an Integrated Approach to Compliance and Risk Management

At Daikin, the Internal Control Committee, chaired by the representative director, president and COO, checks and confirms that internal controls, including risk management, are functioning properly throughout the Group. On top of this, the Corporate Ethics and Risk Management Committee promotes operational risk management and ensures thorough compliance.

In principle, the Corporate Ethics and Risk Management Committee meets twice a year to identify issues that need to be addressed and promote their resolution, and to report on the status of initiatives at overseas Group companies.

Daikin has established its Group Conduct Guidelines that clearly outline the required conduct for individual officers and employees of the Group. In addition, it has appointed a compliance and risk management leader (CRL)

for each division and each of the major Group companies in Japan and overseas to ensure thorough compliance with these guidelines. By regularly checking the status of compliance and risk management, sharing information, and disseminating the guidelines, Daikin is making every effort to foster a “culture free of compliance violations” and to elevate “mechanisms to ensure that there are no compliance violations.”

Utilizing Daikin’s Proprietary Self-Assessment System to Confirm Compliance with the Group Conduct Guidelines

Each year, Daikin conducts a self-evaluation on compliance with the Group Conduct Guidelines using its proprietary self-assessment system. Based on these results, we identify organizational issues and take countermeasures, the details of which are reported to and shared with the Corporate Ethics and Risk Management Committee.

In addition, the self-assessment results are used to determine the divisions and Group companies that are subject to legal audits on the status of compliance activities, which are conducted each year by the Legal Affairs Department. The Group also conducts compliance surveys.

The self-assessment results are shared with the Internal Auditing Department and the Finance and Accounting Division and used in our various audits.

Establishing Standard Rules Across All Group Companies in Japan and Overseas

Daikin has established standard rules on compliance and risk management that are followed by all Group companies, including those overseas. A management system has been put in place in each region, through which compliance committees have been established, corporate ethics handbooks have been created and distributed, and self-assessments and risk management checks are conducted. In addition, members of Daikin Industries Ltd.’s Legal Affairs Department take

part in compliance meetings in various regions to confirm the status of compliance and risk management and share information.

Furthermore, to strengthen this system in each region, Daikin Americas Chief Legal Office (CLO) was established in January 2024 to oversee important legal cases and compliance activities in the Americas region. Meanwhile, in Asia and Oceania, we established the Regional Compliance

Center in October 2024 to oversee compliance and risk management activities throughout this region.

During fiscal 2024, we convened a Regional Legal Affairs, Compliance Council on topics such as antitrust laws, personal information protection, and trade compliance in July 2024 in Asia and Oceania, in September 2024 in the Americas, in February 2025 in China, and in March 2025 in Europe.

Basic Policy on Information Security

Daikin’s Group Conduct Guidelines state that we must manage and use confidential information appropriately. We have also established the Information Security Basic Policy. Daikin stipulates that information leaks from internal information systems, products and services, and plant equipment systems constitute a major Companywide risk.

Additionally, with the increasingly widespread problems of companies losing information over the Internet, we are striving to raise the awareness of employees regarding managing their information; for example, we have strict Company policies on the use of social media.

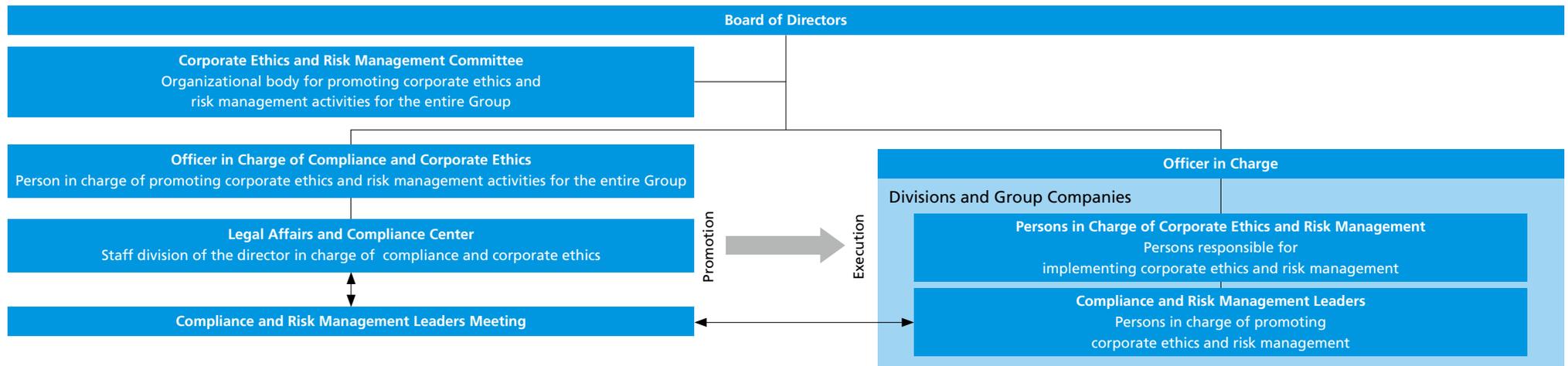
Information security leaders in each division lead efforts

in implementing the Basic Regulations of Information Security and Common Security Guidelines. We also strictly manage confidential information we are holding that is the property of other companies.

There were no cases of inappropriate information management or information leaks during fiscal 2024.

Compliance and Risk Management

Corporate Ethics and Risk Management Structure



Preventing Bribery and Corruption

With the progress of a global economy, demand for anti-corruption measures is increasing while regulations are being tightened not only domestically but also internationally. Daikin has established its policies on Free Competition and Fair Trading, Practicing Moderation in Entertainment, Gift Exchanges and invitations, and Maintaining a Firm Attitude against Anti-social Activities in its Group Conduct Guidelines. The Legal Affairs and Compliance Center spearheads the prevention of corruption and bribery under the supervision of the executive officer in charge of Corporate Ethics and Compliance.

At each division and at our principal Group companies in Japan and abroad, we conduct risk assessments annually, including risks relating to bribery and corrupt practices, and confirm compliance with internal rules and guidelines using self-assessments.* Based on the results, each company plans and implements its own countermeasures. Legal audits are also conducted every year by the legal departments of Group companies in Japan and overseas, which select the targets of these audits.

Each company reports and shares the status of these initiatives with the Corporate Ethics and Risk Management Committee, with

the results reported to the Internal Control Committee chaired by the president and COO. Furthermore, the Company's risk response is reported to the Board of Directors.

 [Sustainability Report 2025: Prohibiting Bribery and Corruption](#)

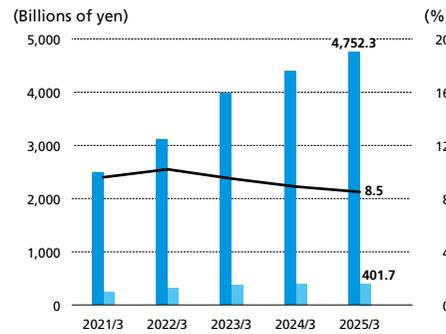
* Self-assessments: Daikin has a proprietary system for employees to check their own behavior based on the Group Conduct Guidelines. These self-checks are conducted each year, and the results are used to identify internal issues and formulate compliance measures.

Financial Highlights Daikin Industries, Ltd. and Consolidated Subsidiaries (For the Years Ended March 31)

Quantitative Targets of FUSION 25 Latter-Half Three-Year Plan (Billions of yen)

	Fiscal 2024 Results	Fiscal 2025 (Latter-Half Three-Year Plan)
1 Net sales	4,752.3	4,550.0
2 Operating profit	401.7	500.0
3 Operating profit margin	8.5%	11%
4 ROE	9.7%	12%

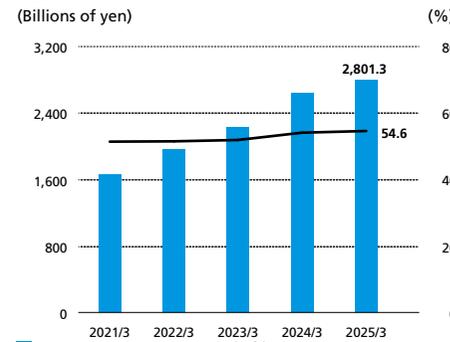
Net Sales / Operating Profit / Operating Profit Margin 1 2 3



■ Net sales (left) ■ Operating profit (left) — Operating profit margin (right)

Amid a continuously challenging business environment in which demand remained stagnant in various regions, we achieved record results by implementing measures under our key strategy themes and expanding sales both in regions and of products with high demand.

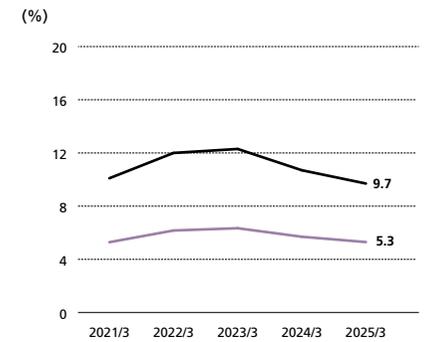
Total Shareholders' Equity / Shareholders' Equity Ratio



■ Total shareholders' equity (left) — Shareholders' equity ratio (right)

In fiscal 2024, Daikin's shareholders' equity ratio came in at 54.6%, exceeding 50% for the eighth consecutive year. The Company is taking positive steps to ensure its financial stability.

ROE / ROA 4



— ROE — ROA

We intend to aggressively engage in strategic investments, such as R&D, capital expenditures, and acquisitions, for the sustainable growth of our business. Through the steady flow of returns from these investments, we will aim to continue to enhance our business results and our ROE and ROA.

Environmental and Social Value 5

Net CO₂ emissions reductions 2025 target (from BAU)
30% or more

Contribute to circular use of resources 7

Free humankind from heat and cold

Connect directly with customers and address specific needs

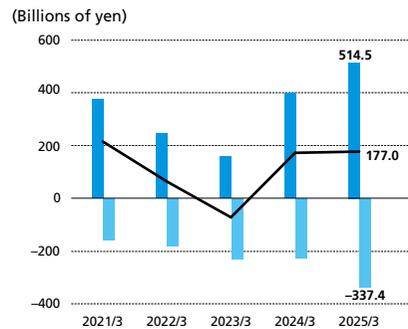
Offer safe, reliable, comfortable IAQ/AE

Contribute to reduction of food loss

Participate in international rule-making

Contribute to the growth of employees and local communities 8

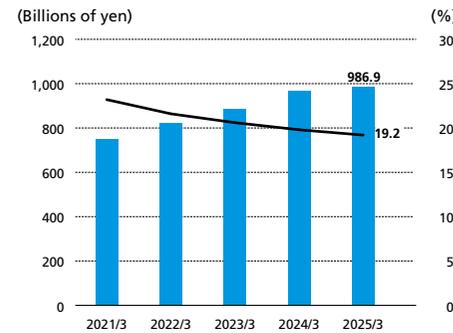
Cash Flow



■ Net cash provided by operating activities ■ Net cash used in investing activities — Free cash flow

In addition to increasing earnings and improving investment efficiency, efforts are being made to generate cash flow from a working capital perspective. This includes thoroughly reducing the balances of accounts receivable and inventory.

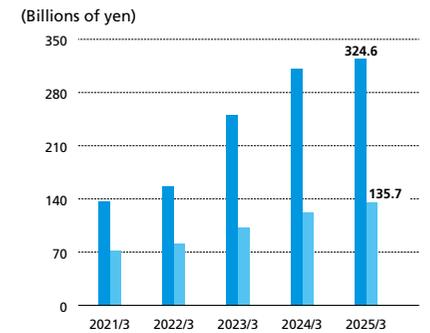
Interest-Bearing Liabilities / Interest-Bearing Liability Ratio



■ Interest-bearing liabilities (left) — Interest-bearing liability ratio (right)

We are working to reduce the balance of interest-bearing liabilities by generating free cash flow and using Group funds effectively. In fiscal 2024, interest-bearing liabilities increased from the previous year due to an increase in long-term borrowings but the interest-bearing liability ratio decreased over the same period (from 19.8% to 19.2%).

Capital Investments / R&D Expenses

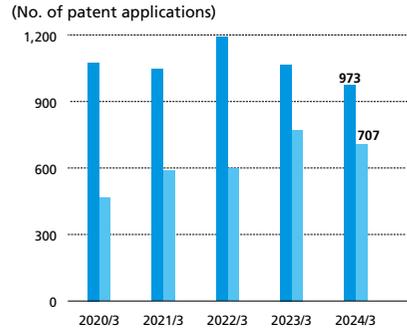


■ Capital investments ■ R&D expenses

From a capital investment perspective, energies are being directed toward upgrading and expanding sales networks and constructing new plants and enhancing existing ones. We are also boosting production capacity, focusing on emerging countries and key markets where there has been remarkable growth. As far as R&D expenses are concerned, Daikin recognizes that strengthening technological competitiveness is the lifeblood of a manufacturer. On this basis, the Company is coordinating with its eight development bases worldwide and the Technology Innovation Center that serves as the Group's development control tower, and it is accelerating the development of distinctive technologies and products, including those for addressing global environmental problems.

Non-Financial Highlights Daikin Industries, Ltd. and Consolidated Subsidiaries (For the Years Ended March 31)

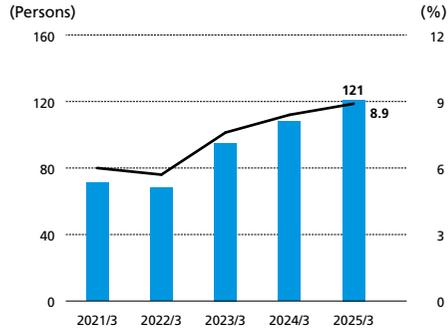
Number of Patent Applications 5



■ Japan ■ Overseas
Note: The latest figures are for the fiscal year ended March 31, 2024.

Daikin is working to stimulate employees' motivation to invent, spur the creation of intellectual property, increase the quality and quantity of patents in competitive fields, and increase the number of overseas patents in key technological fields, in particular in emerging countries.

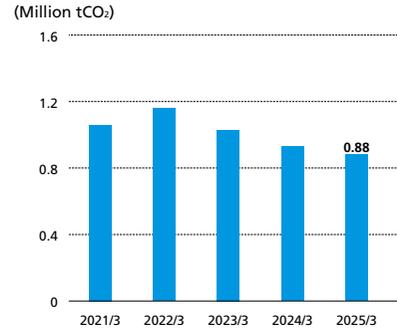
Number and Percentage of Female Managers (Non-Consolidated) 8



■ No. of female managers (left)
— Percentage of female managers (right)

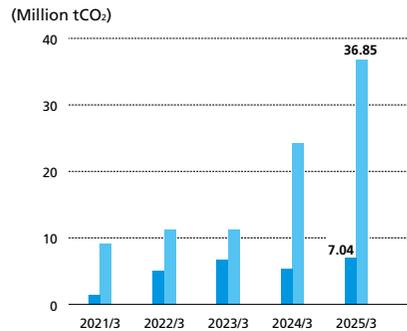
One of the Company's key policies is to promote the empowerment of women. Daikin is implementing various measures to raise awareness of managers and female employees, accelerate the development of female leaders, support early return to work after childcare leave, and support the participation of male employees in childcare.

Greenhouse Gas Emissions (From Development and Production Processes) 6



Aiming to lower greenhouse gas (GHG) emissions from our manufacturing processes (development and production) to 1.1 million tCO₂ by fiscal 2025 (a 17% reduction from fiscal 2019 levels), we were able to reduce GHG emissions to 0.88 million tCO₂ in fiscal 2024 (a 33% reduction from fiscal 2019 levels).

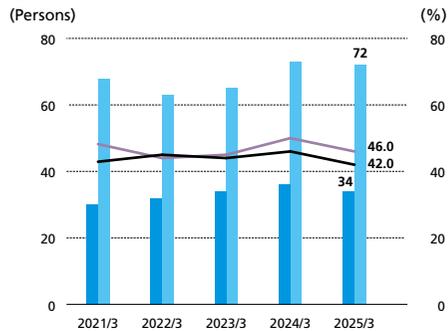
Amount of Contribution to Emissions Reduction* 6 7



■ Contribution to GHG emissions reduction through the spread of air conditioners and heat pumps, hot water supply systems, and refrigeration systems with lower emissions
■ Contribution to GHG emissions reduction due to the use of R32 refrigerant in air conditioners and refrigeration systems by other companies as a result of Daikin's offer of free access to patents and technical support, etc.

* Calculated with F-gas recovery rate as 0%

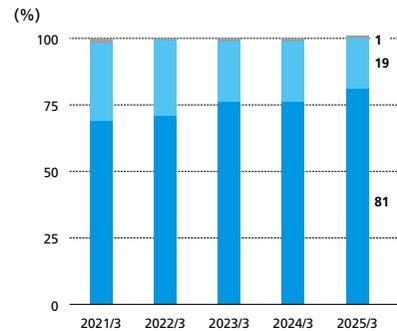
Number and Percentage of Presidents and Executives of Overseas Bases Who Are Local Nationals 8



■ No. of presidents(left) ■ No. of executives (left)
— Percentage of presidents (right)
— Percentage of executives (right)

Daikin actively promotes local employees of its overseas bases to management positions. We also identify and develop locally hired overseas employees with exceptional capabilities and promote them to executive positions at Daikin Industries, Ltd. (head office).

Environmentally Conscious Products* as a Percentage of Sales Volume (Residential-Use Air Conditioners) 6



■ Super Green Products ■ Green Products
■ Other products

* Environmentally conscious products: A generic term that covers Super Green Products and Green Products
Products that satisfy all of the conditions below qualify as Super Green Products while products that meet at least one of these conditions classify as Green Products:

- Reduction in electricity use by at least 30% compared with conventional products
Example: Inverter air conditioners
- Use of refrigerants with less than one-third the global warming potential (GWP) of conventional refrigerants
Example: Air conditioners using low-GWP R32 refrigerant

Key External Recognition

- Selected for inclusion in the MSCI Selection Indexes



- Selected for inclusion in the MSCI Nihonkabu ESG Select Leaders Index

2025 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

- Selected for inclusion in the MSCI Japan ESG Select Leaders Index

2025 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

- Selected for CDP's Climate A List, the highest rating



- Chosen for inclusion in the FTSE Blossom Japan Index
- Chosen for inclusion in the FTSE Blossom Japan Sector Relative Index



FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Daikin Industries, Ltd. has been independently assessed according to the FTSE Blossom Japan Index criteria and the FTSE Blossom Japan Sector Relative Index, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index Series. The FTSE Blossom Japan Index Series is designed to measure the performance of Japanese companies that demonstrate strong Environmental, Social and Governance (ESG) practices. There are two indexes within the family, the FTSE Blossom Japan Index and FTSE Blossom Japan Sector Relative Index. The indexes are widely used by sustainable investment funds and for creating and evaluating financial products.

FTSE Russell website
<https://www.ftserussell.com/>

- Received a rating of 4.5 stars (deviation value of 65 to 70) in the Nikkei Smart Work Management Survey and a rating of 4 stars (deviation value of 60 to 65) in the Nikkei SDGs Management Survey.



Eleven-Year Financial Highlights

Daikin Industries, Ltd. and Consolidated Subsidiaries (For the Years Ended March 31)

(Millions of yen)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Results (for the year):											
Net sales	¥1,915,014	¥2,043,691	¥2,043,969	¥2,290,561	¥2,481,109	¥2,550,305	¥2,493,387	¥3,109,106	¥3,981,578	¥4,395,318	¥4,752,335
Gross profit	649,902	711,576	730,935	798,829	868,923	884,898	864,136	1,057,338	1,331,476	1,509,674	1,626,688
Selling, general and administrative expenses	459,314	493,704	500,166	545,089	592,668	619,385	625,513	740,987	954,443	1,117,536	1,225,019
Research and development expenses* ¹	42,892	46,138	53,870	62,051	65,216	67,968	71,738	81,535	102,208	122,500	135,711
Operating profit	190,588	217,872	230,769	253,740	276,255	265,513	238,623	316,351	377,033	392,138	401,669
EBITDA* ²	268,354	302,075	315,798	348,574	375,570	393,999	372,217	464,413	559,257	607,702	647,686
Net profit attributable to owners of the parent	119,675	136,987	153,939	189,052	189,049	170,731	156,250	217,710	257,755	260,312	264,758
Cash Flows (for the year):											
Net cash provided by operating activities	¥ 160,423	¥ 226,186	¥ 267,663	¥ 223,740	¥ 250,009	¥ 302,167	¥ 374,691	¥ 245,071	¥ 158,897	¥ 399,568	¥ 514,451
Net cash used in investing activities	(77,331)	(105,493)	(128,823)	(127,459)	(165,773)	(156,187)	(159,667)	(180,790)	(229,794)	(227,189)	(337,407)
Free cash flow* ³	83,092	120,693	138,840	96,281	84,236	145,980	215,024	64,281	(70,897)	172,379	177,044
Net cash provided by (used in) financing activities	(83,073)	(85,422)	(73,544)	(93,955)	(68,721)	(169,934)	98,942	(48,698)	(113,089)	(129,623)	(153,469)
Financial Position (at year-end):											
Total assets	¥2,263,990	¥2,191,105	¥2,356,149	¥2,475,708	¥2,700,891	¥2,667,513	¥3,238,703	¥3,823,038	¥4,303,683	¥4,880,230	¥5,133,416
Total interest-bearing liabilities	662,413	608,981	609,430	554,371	585,642	553,807	751,213	824,874	887,684	968,239	986,901
Total shareholders' equity	1,024,725	1,014,409	1,111,636	1,296,553	1,416,075	1,434,968	1,664,729	1,968,727	2,235,031	2,637,536	2,801,282
Per Share Data (yen):											
Net income (basic)	¥ 410.19	¥ 469.23	¥ 526.81	¥ 646.53	¥ 646.39	¥ 583.61	¥ 533.97	¥ 743.88	¥ 880.59	¥ 889.22	¥ 904.27
Shareholders' equity	3,511.34	3,473.54	3,802.10	4,433.62	4,841.15	4,904.46	5,688.57	6,726.45	7,635.27	9,009.19	9,567.14
Free cash flow	285	413	475	329	288	499	735	220	(242)	589	605
Cash dividends	100.00	120.00	130.00	140.00	160.00	160.00	160.00	200.00	240.00	250.00	330.00
Ratios (%):											
Gross profit margin	33.94%	34.82%	35.76%	34.87%	35.02%	34.70%	34.66%	34.01%	33.44%	34.35%	34.23%
Operating profit margin	9.95	10.66	11.29	11.08	11.13	10.41	9.57	10.17	9.47	8.92	8.45
EBITDA margin	14.01	14.78	15.45	15.22	15.14	15.45	14.93	14.94	14.05	13.83	13.63
Return on shareholders' equity (ROE)	13.10	13.44	14.48	15.70	13.94	11.98	10.08	11.98	12.26	10.68	9.74
Shareholders' equity ratio	45.26	46.30	47.18	52.37	52.43	53.79	51.40	51.50	51.93	54.05	54.57

*1 Research and development expenses are included within general and administrative expenses and manufacturing expenses.

*2 Earnings before interest, taxes, depreciation, and amortization (EBITDA) = Operating profit + Depreciation and amortization

*3 Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

Notes:

1. Effective from April 1, 2018, the consolidated financial statements for the fiscal year ended March 31, 2018 have been revised in accordance with a change in accounting policy.

2. Effective from April 1, 2022, the consolidated financial statements for the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022 have been revised in accordance with a change in accounting policy.

Sustainability Targets and Results

We are working to achieve the indicators and targets for the Company's key sustainability themes that we established based on the results of our impact assessment in terms of Daikin and society and the FUSION 25 strategic management plan.

Progressing steadily Acceleration needed No numerical target

		Key Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2024 Achievements	Explanation of Index
Value Provision Themes	E	Response to Climate change	An air conditioner consumes a large amount of electricity. As the only manufacturer in the world to make both air conditioners and refrigerants, Daikin recognizes that it has a great responsibility to society in terms of the global environment. With the aim of resolving environmental and energy problems, we will work to reduce greenhouse gas (GHG) emissions throughout the life cycle of our products and contribute to a carbon-neutral society.	Reduce net GHG emissions throughout the life cycle by 30% or more in fiscal 2025 compared with BAU, with 2019 as the base year	Net GHG emissions from our own business operations	27% reduction 	We measure the extent of reduction in net GHG emissions from our own business operations.
				GHG emissions from manufacturing (development and production): 1.1 million tCO ₂ in fiscal 2025	GHG emissions from manufacturing	0.88 million tCO₂ (33% reduction compared with fiscal 2019)	We measure how much we reduced GHG emissions generated from product manufacturing and other processes.
		Circular Economy Readiness	Air conditioners are made from a variety of resources, including copper and aluminum. In addition, the fluorocarbons used as refrigerants have an impact on global warming. We will contribute to the transition to a recycling-oriented society by providing products and services based on the premise of resource recycling, and by utilizing limited resources effectively to maximize the value of things. In particular, we place the highest priority on the construction of refrigerant recovery and reclamation systems.	Recovery and reclamation of refrigerants from the market through the establishment of a refrigerant eco-cycle	Amount of refrigerant recovery and reclamation from market	4.34 million tCO₂e 	We measure the refrigerant recovered from the market or reclaimed by Daikin and reclaimed refrigerant purchased by Daikin (in CO ₂ equivalent).
		Management and Reduction of Chemical Substances	As a company that handles chemicals, we are working to prevent environmental pollution caused by our business activities. In accordance with laws and regulations, we extensively request our material suppliers to prevent prohibited substances from finding their way into our products, and we manage and reduce the emissions of chemical substances we handle in our production processes.	Reduce chemical substances emissions per unit of production, including PRTR* substances and VOCs, by 10% in fiscal 2025, based on the average value from fiscal 2013 to fiscal 2015	Reduction rate for PRTR* substances and volatile organic compounds (VOC) emissions	45% reduction 	We measure how much PRTR substances and VOC emissions have been reduced compared with the base year (average from fiscal 2013 to fiscal 2015).
	Protecting Biodiversity	Climate change has a significant impact on biodiversity. In addition to working to reduce GHG emissions through its business activities, Daikin supports forest conservation activities to contribute to biodiversity protection outside of its business activities.	Carrying out forest conservation activities in various parts of the world where critical forests are being lost at a rapid pace	Number of communities receiving support	7 locations around the world including World Natural Heritage sites 	We measure the number of locations receiving support where we work with international NGOs and others to implement conservation activities.	

* PRTR: Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement

Sustainability Targets and Results

 Progressing steadily
  Acceleration needed
 — No numerical target

	Key Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2024 Achievements	Explanation of Index
Value Provision Themes	Value with Air	People's awareness and demand for air quality is increasing worldwide against the backdrop of infectious diseases and the adverse health effects of air pollution. As a company that provides value with air globally, Daikin contributes to people's health and comfortable living by providing a safe and reliable air environment through its business.	Net sales of IAQ/Ventilation Business: ¥ 380 billion in fiscal 2025	Net sales of IAQ/Ventilation Business	¥ 399.7 billion 	We use net sales to measure the extent to which we provide a safe, reliable, healthy, and comfortable air environment.
	Customer Satisfaction	It is our social mission as a manufacturer to provide safe, high-quality products and services while responding to diversifying needs. Daikin enhances customer value and provides peace of mind and reliability through its extensive customer focus, experience, track record, and advanced technological capabilities to meet the detailed needs of each market application.	Net sales of Solutions Business:* ¥ 1,280 billion in fiscal 2025	Net sales of Solutions Business*	¥ 1,060.9 billion 	We use net sales to measure the extent to which we provide solutions tailored to needs.
			Establish service network covering all regions worldwide	Customer satisfaction with after-sales services	Japan: 1.15 China: 1.00 India: 1.24 France: 0.99 	We measure customer satisfaction (setting the base year as 1.00).
	Human Resources	In order for Daikin to grow sustainably and continue to contribute to solutions to social issues, human resources are of utmost importance as the executors of corporate activities. We will generate strength as an organization and for society by respecting individuality and values, drawing out the infinite potential of individuals, and deepening diversity management.	Maintain and increase the development of global leaders	Number of persons participating in executive management and leadership development programs	Held in regions around the world including North America and Asia. There were 38 participants in the Group's next-generation leadership development program. 	We measure the number of participants in executive management and leadership development programs as an indicator for measuring the development of executive management and leadership globally.
			Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions: 1 in 4 in fiscal 2025	Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions	1 in 5.9 employees 	We measure the number of employees with advanced engineering skills and knowledge and who can lead manufacturing.
			Increase ratio of female managers	Number of female managers	121 employees (8.9%) (Daikin Industries, Ltd. only) 	We measure the number of female managers and percentage of overseas bases where local nationals are president as indicators for measuring employee diversity.
			Maintain and increase percentage of overseas bases where local nationals are president	Percentage of overseas bases where local nationals are president	42% (overseas bases) 	
			Frequency rate of lost work time accidents: 0	Frequency rate of lost work time accidents	1.14 	We measure whether manufacturing bases are operating safely.
	Co-Creation	In order to create new value in an era of a rapidly changing competitive environment, it is necessary to innovate beyond the reach of the Company. By collaborating and partnering with other companies, universities, and research institutes, among others, and creating experiences that create new value for society in addition to manufacturing, we aim to create value for society by bringing together people, knowledge, and information from around the world.	R&D expenditure ¥ 390 billion from 2023 to 2025	R&D expenditure	¥ 135.7 billion 	We measure the investment amount for value creation and the number of cases of industry-government-academia and industry-industry collaboration.
			Promotion of industry-government-academia and industry-industry collaboration	Number of cases of industry-government-academia and industry-industry collaboration	161 industry-government-academia and 12 industry-industry cases (Daikin Industries, Ltd. only) 	

* Total of Commercial, Residential, and Refrigeration solutions

Sustainability Targets and Results

	Key Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2024 Achievements	Explanation of Index
Value Provision Themes	Respect for Human Rights	As various human rights issues such as child labor, forced labor, and divulgence of customer information at suppliers, among others, materialize, companies find now more than ever that they must ensure that their business activities respect human rights. Daikin understands various international norms on human rights and respects fundamental human rights.	Thoroughness of respect for human rights and implementation of human rights due diligence	Self-assessment*1 implementation rate	99%	We measure the thoroughness of respect for human rights through the implementation rate of self-assessments.
	Supply Chain Management	Amid growing concerns, there is momentum to resolve human rights, labor, and environmental issues in the supply chain through dialogue with suppliers. By promoting CSR procurement, Daikin minimizes risk and builds a robust and resilient supply chain.	Increase Class A CSR procurement achievement rate among all suppliers	Class A CSR procurement achievement rate	84%	We measure the percentage of suppliers who satisfy Daikin's Class A in-house standards to total procurement value.
	Stakeholder Engagement	A company's business activities have a direct or indirect impact on stakeholders, the environment, and society. Understanding the concerns and expectations of stakeholders through dialogue and working to create a virtuous cycle of mutual relationships is essential for companies to fulfill their social responsibilities and continue to grow sustainably. Through two-way communication, Daikin will address the demands and expectations of society appropriately.	Engage in dialogue with stakeholders and reflect this dialogue into management	Number of air conditioner forums held; number of outside participants	Held 6 times around the world with a total of 130 people, including university professors and specialists from 49 countries taking part	We measure the number of dialogue sessions with experts around the world related to our core business of air-conditioning.
	Communities	In order to operate our business smoothly around the world, it is essential for us to contribute to the development of each region as a member of the community and to build relationships where we grow together with stakeholders. At Daikin, it is important for employees to take action unique to the region and to build relationships of trust with local residents.	Contribution to environmental conservation, education support, and cooperation with the local community	Expenditure for social contribution activities	¥1.7 billion	We calculate the monetary value of our contributions (donations of cash, goods, etc.) to communities.
G	Corporate Governance Risk Management Compliance	As business values change, globalization advances, and calls for corporate social responsibility become stronger, the importance of corporate governance as a check on management is increasing. In order to strengthen corporate governance, Daikin will strive to increase corporate value by speeding up decision-making and business execution as well as improving transparency and soundness in response to management issues and changes in the operating environment.	Degree of independence from the Company, diversity, and transparency of the Board of Directors	Number of directors who are from outside the Company, who are female and who are foreign nationals	4 external directors, 2 female directors,*2 and 1 foreign national director among the 9 directors (Daikin Industries only)	We measure the diversity of the composition of directors.
			Appointment of female officers from inside the Company: 1 or more in fiscal 2025	Number of female officers appointed from inside the Company	2 (Daikin Industries only)	We measure the appointment of female officers from inside the Company.
			Strengthen appropriate and smooth risk management capabilities	Number of meetings of the Corporate Ethics and Risk Management Committee and regional legal and compliance committees	Held committee meetings 2 times and 4 times, respectively	We measure the number of meetings as a way to ensure thorough implementation of policies globally.
			Strengthen and upgrade global legal and compliance systems	Self-assessment*1 implementation rate	99%	We measure the implementation rate of self-assessment as a way to foster compliance awareness among each and every employee.

*1 Self-assessment refers to a self-check system for verifying the status of compliance with the Group Conduct Guidelines.

*2 As of July 1, 2024



IR team members

Issuance of *Integrated Report 2025*

The integrated report is issued to provide shareholders and investors with information on the initiatives Daikin is taking to enhance corporate value over the medium to long term. By working alongside all our stakeholders, including customers, business partners, employees, and local communities, we will help overcome social and environmental issues while continuing to develop our business and grow as an organization. Daikin's ultimate goal is to help realize a sustainable society, and this report incorporates detailed information on our approach to achieving this goal. This report has been compiled with reference to guidelines such as the International Integrated Reporting Framework of the IFRS Foundation and the Guidance for Collaborative Value Creation of Japan's Ministry of Economy, Trade and Industry.

Fiscal 2025 marks the final year of Daikin's FUSION 25 strategic management plan. *Integrated Report 2025* explains how we will

thoroughly promote efforts under the key strategy themes of FUSION 25, further strengthen our management foundation, and implement specific measures for our next stage of growth, from both financial and non-financial perspectives.

As the world's leading comprehensive manufacturer of air conditioners, it is our mission to continue to provide solutions to environmental and social issues. We will continue to grow and expand our business by drawing on the strengths and advanced environmental technologies we have cultivated through a commitment to our corporate culture of People-Centered Management.

This report contains information that is of particular importance for enhancing Daikin's corporate value. For more detailed information, please refer to Daikin's corporate website.

Communication with Shareholders and Investors

As stated in its Group Philosophy, Daikin Industries will remain a trusted company that acts with consideration for its relationship with society. Accordingly, in addition to complying with laws and regulations and conducting business activities with high ethical standards, we must maintain a high level of management transparency by actively disclosing information to shareholders and investors.

Daikin Industries conducts a wide range of investor relations (IR) activities to keep shareholders and investors informed about its business activities and developments.

Main Investor Relations Activities in Fiscal 2024

Target	Investor Relations Activity	No. of Times Held
Analysts and institutional investors	Meetings with institutional investors	Over 500
	Of which, group meetings:	15
	Of which, response to ESG / engagement requests :	22
	Financial results briefings	4
	Sustainability briefings	1
Individual investors	Conferences sponsored by securities firms	5
	Company briefings	2 (online) 1 (in person)
Employees	Sustainability briefings (held individually by domestic business sites and divisions)	6 (approx. 2,200 participants)

Company Overview and Investor Information (As of March 31, 2025)

Company name Daikin Industries, Ltd.

Head office Osaka Umeda Twin Towers South,
1-13-1, Umeda, Kita-ku, Osaka,
530-0001, Japan

Tel: 81-6-6147-6864

Tokyo office Tokyo Midtown Yaesu—Yaesu Central Tower,
2-2-1, Yaesu, Chuo-ku, Tokyo,
104-0028, Japan

Tel: 81-3-3520-3100

Fiscal year-end date March 31

Date of founding October 25, 1924

Paid-in capital ¥85,032 million

Number of subsidiaries and affiliated companies Consolidated subsidiaries: 350
Affiliates: 14

Number of employees 103,544 (Consolidated)

Total number of authorized shares 500,000 thousand

Total number of shares issued 293,113 thousand

Number of shareholders 85,184

Shareholder register administrator Mitsubishi UFJ Trust and Banking Corporation, 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Ordinary General Meeting of Shareholders June

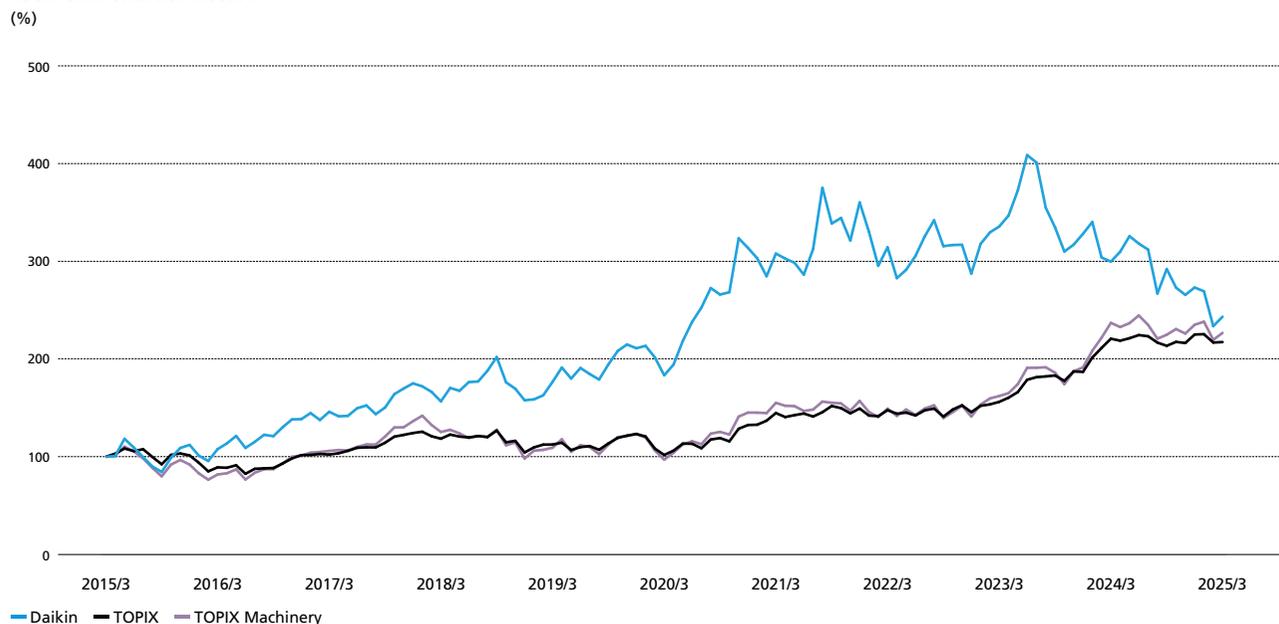
Auditor Deloitte Touche Tohmatsu LLC

Major Shareholders (10 Largest by Shareholding)

Shareholders	No. of Shares Held (Thousand Shares)	Shareholding Ratio* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	56,128	19.2
Custody Bank of Japan, Ltd. (Trust Account)	23,033	7.9
State Street Bank and Trust Company 505001	11,197	3.8
JP Morgan Chase Bank 385632	10,736	3.7
Sumitomo Mitsui Banking Corporation	7,500	2.6
State Street Bank West Client - Treaty 505234	5,123	1.8
The Master Trust Bank of Japan, Ltd. (The Norinchukin Bank Account)	4,649	1.6
Custody Bank of Japan, Ltd. (Trust Account 4)	4,599	1.6
State Street Bank and Trust Company 505103	4,394	1.5
MUFG Bank, Ltd.	4,083	1.4

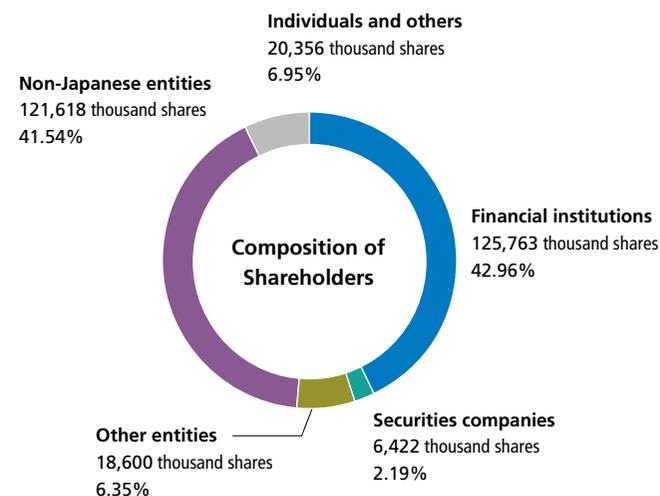
* Shareholding ratio: Percentage shareholdings are rounded off to one decimal point and calculated after deducting treasury shares (306 thousand shares).

Total Shareholder Return



Notes:

1. Total shareholder return (TSR): Total rate of return on investment reflecting capital gains and dividends
2. TSR is calculated based on cumulative dividend amounts and stock price fluctuations for Daikin and based on the stock market index inclusive of dividends for TOPIX (prepared by the Company based on data provided by Bloomberg, etc.).
3. Graph data represents market prices indexed by TSR with closing price data as of March 31, 2014, as a base of 100 (holding period up to March 31, 2024).



Note: Treasury stock of 306,617 shares is included in "Individuals and others." Shares have been rounded down to the nearest thousand shares.



Daikin Industries, Ltd.
Corporate Communication Department
Corporate IR Group
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