

Daikin Group Released Its Sustainability Report 2020

Reports on activities contributing to a sustainable society

Daikin Industries, Ltd. has released its English edition of Sustainability Report 2020, which is currently available on the company website.

The report summarizes the basic approach of the Daikin Group for contributing to the realization of a sustainable society through its business along with fiscal 2019 results and future plans.

Accompanying economic development in emerging countries, demand for global air conditioners in 2050 is projected to be more than triple the current amount.¹ Additionally, the impact of the COVID-19 pandemic has further increased interest in such issues as air quality, ventilation, and air purification. In responding both quantitatively and qualitatively to growing needs, Daikin believes that its social mission is to provide safe and healthy air environments to the world while mitigating the effects of global warming to the greatest extent possible.

In this report, the Daikin Group sets forth its position and approach to formulating and implementing specific targets and measures as it aims to achieve net zero greenhouse gas emissions toward realization of its Environmental Vision for 2050, which was formulated in 2018. Furthermore, as information disclosure has become increasingly more important, Daikin discloses the status of its initiatives for “governance,” “risk management,” “strategy” and “metrics and targets” relating to climate change in accordance with TCFD² recommendations.



Main Points of Sustainability Report 2020

1. Features on Typical Global Activities to Realize Environment Vision for 2050

This report presents the approach and examples of Daikin Industries toward social issues from among major CSR themes concerning the “environment,” “new value creation,” “customer satisfaction,” and “human resources.”

I) Environment: **“Launched New Refrigerant Service in Europe Contributing to a Circular Economy”**

Reusing refrigerant has become increasingly more important due to the soaring prices of a tight refrigerant market and a stagnant rate in refrigerant recovery. Utilizing the collective strength of its air conditioning and chemicals businesses, Daikin established a refrigerant reclamation facility in Germany. Also, with the launch of VRV L∞P, a commercial-use multi-split air conditioner that uses recovered refrigerant, the amount of new refrigerant charged to commercial-use, multi-split air conditioners sold in Europe has been reduced by approximately 40% compared with the past. In this way, Daikin aims to shift from a society of a one-way system for production, consumption, and disposal to a system that continues to recycle and reuse resources.

II) New Value Creation: **“Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation”**



This feature describes the example of Daikin developing the first air conditioner subscription business in the developing country of the United Republic of Tanzania. Development is being performed in collaborative creation with WASSHA Inc., a startup business involved in the electricity business for non-electrified areas. By uniting Daikin’s energy-saving technologies and WASSHA’s business model, the challenges of such barriers as high electrical bills and high price of purchasing air conditioners are being overcome. The new initiative delivers the value provision of air conditioning.

2. Folded Pamphlet Entitled “Using the Power of Air for the Future” Describes Contribution to Climate Change Measures

The tri-fold pamphlet offers an easy-to-understand explanation of inverter technology and promotion of low-GWP refrigeration, areas Daikin has especially focused its energies in aiming to strike a balance between resolving social issues related to air and the environment and promoting business growth of the company.

Increasing Worldwide Demand for Air Conditioners

Worldwide air conditioner stock (number of units) and electricity demand (100 million units) (Other, Middle East, India, Southeast Asia, China, USA, Europe)

Energy demand for space cooling is expected to triple by 2050.

2010: 2,000TWh
2050: 6,000TWh

Demand for air conditioners is expected to increase around the world and by 2050 electricity demand attributed to space cooling is predicted to triple compared to 2015. This has raised concerns regarding the effects on the environment and climate. In order for people around the world to continue using air conditioners, Daikin believes that energy efficient air conditioners as well as refrigerants used in air conditioners for reduction in environmental and climate impacts must be promoted.

What is needed for people around the world to continue using air conditioners?

Key SDGs for Daikin

The Sustainable Development Goals (SDGs) adopted in 2015 comprise 17 goals (see figure at left) aimed at resolving the world's challenges. Through its businesses, Daikin will focus on a total of six SDGs, including *1-3, take urgent action to combat climate change and its impacts,* followed by 3, 7, 9, 11, and 12 (see back cover). We will contribute to a sustainable society by creating new value in making people and spaces healthy and comfortable, while reducing environmental and climate impacts.

Energy efficiency

Air conditioners are essential to comfortable spaces. However, large amounts of electricity are required to operate air conditioners.

The key is **inverter technology**

Inverter technology optimally controls the speed of the compressor motor inside the outdoor unit of air conditioners based on room temperature. Inverter air conditioners can reduce electricity consumption compared to non-inverter models.

Refrigerants

A gas known as refrigerant carries heat inside an air conditioner. Refrigerants play an essential role in the cooling and heating function of an air conditioner. Refrigerants circulate between the outdoor unit and indoor unit, transporting heat indoors during cooling outdoors, and when heating it transports heat from outside to inside.

Refrigerants are essential to the heat exchange of air. However, when emitted into the air, refrigerants affect global warming.

The key is **lower global warming potential refrigerants**

3. Report on Fiscal 2020 Targets and Fiscal 2019 Achievements in the CSR Action Plan 2020

In 2016, Daikin formulated its CSR Action Plan 2020 and established quantitative targets and indexes toward achievement of its key CSR themes for 2020. Since then, the company has annually managed progress for each theme and steadily promoted transparent and sincere corporate action.

Index Examples Based on Key Themes	2020 Targets When Formulating CSR Action Plan 2020	Fiscal 2019 Achievements
Contribute to reducing greenhouse gas emissions	60 million tons-CO ₂ reduction of greenhouse gas emissions by promoting adoption of environmentally- conscious products ³	68 million t-CO ₂ reduction of greenhouse gas emissions by promoting the worldwide adoption of environmentally- conscious products / 97% of sales volume of residential-use air conditioners are environmentally- conscious products
Reduce greenhouse gases during development and production	70% reduction over fiscal 2005 (reduced to 1.58 million tons-CO ₂)	76% reduction over fiscal 2005 (reduced to 1.28 million tons-CO ₂)

To view Daikin Sustainability Report 2020, access the Daikin Industries, Ltd. website.

<https://www.daikin.com/csr/report/>

At the end of October, Daikin plans to provide ESG information disclosure by providing comprehensive information at URL <https://www.daikin.com/csr/index.html>.

*1 Source: "The Future of Cooling," International Energy Agency (IEA)

*2 TCFD: Task Force on Climate-related Financial Disclosures. It was established by the Financial Stability Board (FSB) and recommends that companies assess their business risks and opportunities due to climate change, fully understand the financial impact, and disclose information.

*3 Environmentally-conscious product: A product that satisfies either or both factors in which "electrical power consumption is reduced by 30% or more compared to conventional models" and "a refrigerant is used that has a global warming potential (GWP) that is less than one-third or more than that of conventional refrigerants."

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