

# Management

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Daikin's Sustainability

# Fundamental Approach to Sustainability

Daikin has established Core Values as the bedrock of its corporate management and the Daikin Group Philosophy as its basic management philosophy shared and upheld by all members of the Group. Since this philosophy was first created back in 2002, the Daikin Group's reach has extended further around the world, transforming us into a truly global company. We have developed unique products, services, and solutions with our environmental technologies, thus earning the confidence of society as an environmentally conscious company. Seeing the major changes taking place in our business environment and reflecting upon the trajectory of our constant growth, we needed to identify our underlying strengths and sources of competitiveness so that we can pass these qualities on to future generations to further develop them. As a result, we revamped the Daikin Group Philosophy in 2024 in conjunction with our 100th anniversary.

Today, we find ourselves in a world of uncertainty with upheaval both geopolitically and economically. Companies must not only pursue profit to raise their economic value but also make contributions to the environment and society to raise their social value. Satisfying these external expectations is the responsibility and mission of companies going forward. The first section of the new Group Philosophy, which lays out our purpose, is entitled "Resolve Social Issues and Enhance Corporate Value." This clearly demonstrates the Group's commitment to proactively working to resolve social challenges, particularly as a company that places the "air" so critical to the global environment at the core of its business.

Daikin will continue to pursue efforts to enhance its corporate value and contribute to the sustainable growth of society by putting the Group Philosophy into practice and working to resolve various social challenges, including global environmental problems.

## Core Values

**Absolute  
Credibility**

**Enterprising  
Management**

**Harmonious  
Personal  
Relations**

## Daikin 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

Daikin's Sustainability

# Highlights of Our Activities

Below, we present a snapshot of Daikin's approach to contributing to the realization of a sustainable society and the initiatives we would like to particularly share when reporting on our activities for fiscal 2024.

Daikin's core business of air conditioning contributes to people's health and is expected to see growing demand as a vital form of infrastructure that supports economic development. However, the increase in energy consumption that accompanies the use of air conditioning is a major social challenge. We believe that reducing this energy consumption, i.e., addressing climate change, is the most important social challenge that we must address.

One of the key themes of Daikin's Fusion 25 Strategic Management Plan is to take on the challenge to achieve carbon neutrality. To monitor these efforts, we established targets to reduce net greenhouse gas emissions throughout the lifecycle of products by 30% or more by 2025 and by 50% or more in 2030, compared to business as usual (BAU) scenario, with the base year set at 2019. By accelerating the spread of environmentally conscious products and other measures, Daikin already reduced net emissions by 27% in fiscal 2024.

In addition, in monozukuri (development and manufacturing) processes, we have set a target of reaching net-zero greenhouse gas emissions at all plants (excluding

chemical plants) by 2030. As of June 2025, three plants—Rinkai Factory at Sakai Plant, Daikin Air-Conditioning (Shanghai) Co., Ltd., and Daikin Rexxam Electronics Co., Ltd.—had achieved this target ahead of schedule.

We have incorporated our initiatives for a circular economy into Fusion 25 and are giving top priority to the creation of a system for recovering and reclaiming refrigerants, which are essential for air conditioners. In fiscal 2024, we established a system for the refrigerant recovery and reclamation business at all service stations across Japan, from Hokkaido in the north to Okinawa in the south.

[039 Environment Response to Climate Change Challenge to Achieve Carbon Neutrality](#)

[058 Environment Circular Economy Building a Refrigerant Eco-Cycle](#)

In this way, Daikin will continue to lead in environmental and social aspects and contribute to resolving social challenges while growing its business, thereby creating

new value that improves people's lives, especially in emerging countries.

Underpinning Daikin's sustainable growth is its unique corporate culture and organizational climate, which is based on People-Centered Management (PCM). Since its founding, Daikin has believed that the source of its competitiveness is its people. Our success has been made possible by sharing new ideas and innovating through diversity management that makes the most of employees' individuality.

In fiscal 2024, we formulated PCM Behaviors, a set of behavioral guidelines for each and every employee of the Daikin Group on occasion of revising the Group Philosophy. The aim of PCM Behaviors is to ensure that our employees around the world understand and accept these guidelines, leading to assertive action. We aim to unlock greater growth by developing human resources who are motivated to take on new challenges and can maximize their ability to get the job done.

[086 Social Human Resources Daikin's Approach to its People](#)

Daikin is committed to resolving social challenges by collaborating with a variety of stakeholders across sectors and regions, including participation in the World Business Council for Sustainable Development (WBCSD). As the final year of our Fusion 25 Strategic Management Plan, 2025 marks an important year in which we will focus on achieving our targets while also formulating our next strategic management plan. With an eye on future social challenges, we will continue to take on the challenge of creating value by leveraging our strengths, thereby balancing social contribution with business growth and aiming to sustainably enhance corporate value.

Fiscal 2025 Targets and Progress

	FY2020	FY2024	FY2025 target
Net sales	2.49 trillion yen	4.75 trillion yen	4.84 trillion yen
Reduction rate of net greenhouse gas (GHG) emissions* (compared to BAU with 2019 as base year)	7%	27%	Over 30% reduction

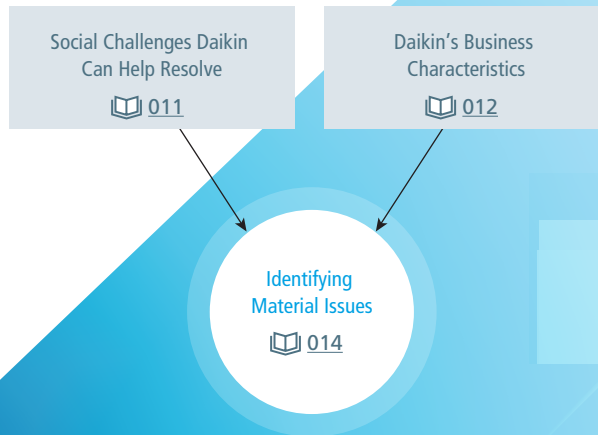
\* Net GHG emissions equals GHG emissions during the product lifecycle minus contribution to GHG emissions reduction.

Daikin's Sustainability

# Overview of Sustainability

## Creating New Value and Contributing to Sustainable Development for Society

Through its business, Daikin aims to create new value that makes people and spaces around the world healthy and comfortable. By putting the Group's management philosophy into practice and working to resolve various social challenges, Daikin will continue to enhance its corporate value and contribute to the sustainable growth of society. We have identified material sustainability initiatives facing the company based on an assessment of impacts that our business operations have on the environment and society. Regarding the top priority theme of the environment, we established Environmental Vision 2050 based on an analysis of risks and opportunities. In turn, Fusion Strategic Management Plans are used to establish specific targets as well as plan and execute measures for every five-year period.



**Our Group Philosophy**  
 The basic management philosophy for the thoughts and actions of all employees  
 007

Targets for Sustainability 021

Strategic Management Plan Fusion 016

Environmental Vision 2050 015

## Daikin's Aims for Value Creation 010

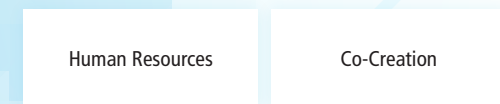
Provide new value that makes people and space healthier and more comfortable while at the same time reducing environmental impact.



Related SDGs



## Foundation Underpinning Value Creation 010



Related SDGs



2025 2030 2040 2050

Daikin's Sustainability

# Daikin's Value Creation and Priority SDGs

Daikin contributes to a sustainable society by creating new value that benefits the planet, cities, and people while reducing environmental impacts. Leveraging our strengths, we are committed to contributing to the Sustainable Development Goals (SDGs) through our business of making people and spaces healthy and comfortable.

## Daikin's Aims for Value Creation

### Value Creation for the Earth

Reduce environmental impact through all business activities and contribute to alleviating climate change

- Further raise the environmental performance of products
- Make effective use of resources
- Help sustain the inherent functions of forests



- Increased energy efficiency from the adoption of inverter air conditioners, etc.
- Development and adoption of lower GWP refrigerants



- Initiatives for net zero energy buildings (ZEBs)
- Adoption of energy management and demand response



- Energy efficiency, recycling-oriented, and lower resource production
- Refrigerant conversion in the market along with recovery, reclamation, and destruction



- Adoption of heat pump space and water heating
- Utilization and adoption of renewable energy

### Value Creation for Cities

Contribute to solving energy-related issues arising from urbanization and contribute to the creation of sustainable cities

- Effectively use energy throughout buildings and entire cities
- Create renewable energy
- Build systems for recycling-based societies

### Value Creation for People

Pursue new possibilities for air and contribute to healthy, comfortable lifestyles

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



- Protect people from heatstroke and infectious diseases
- Countermeasures for atmospheric pollution



- Creation of value in air and spaces for people's physical and mental wellbeing
- Contribution to increased productivity by providing a comfortable work environment
- Reduce food waste and loss in distribution supply chains

## Foundation Underpinning Value Creation

### Human Resources

Contribute to the growth of employees and local citizens



- Training to gain advanced skills
- Job creation
- Contribution to local economic development

### Co-Creation

Contribute to resolving social challenges through industry-government-academia partnerships



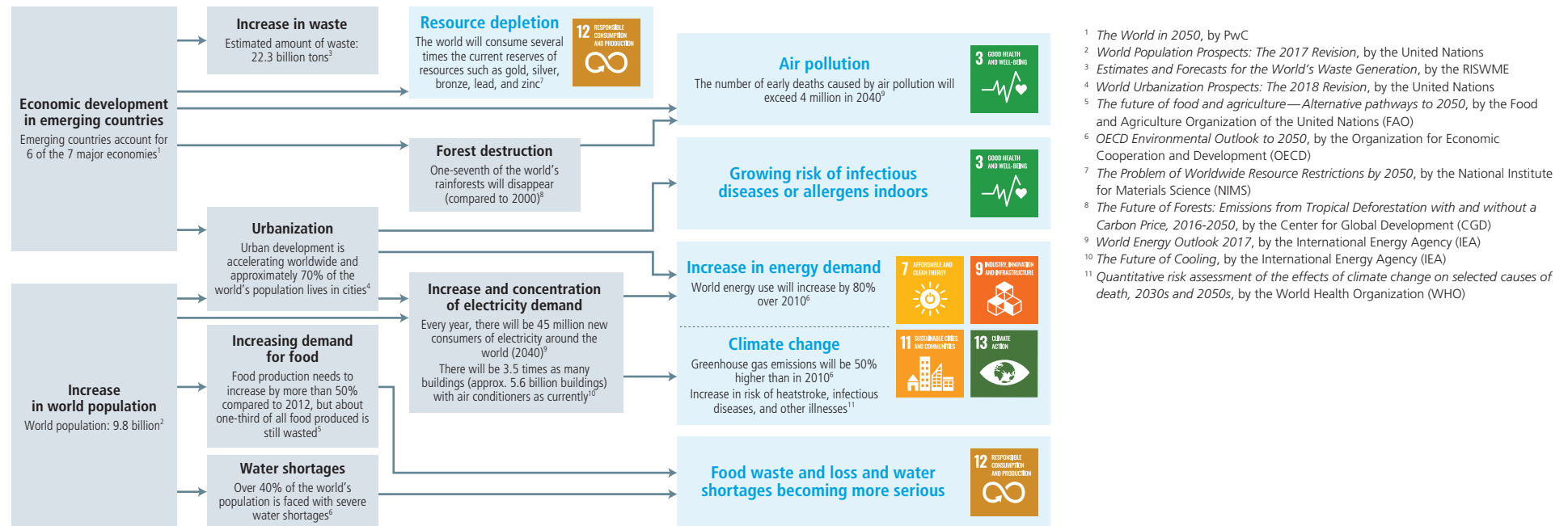
- Formation of market value (international rules and standards)
- Creation of new solutions that contribute to improving quality of life

Daikin's Sustainability

# Social Challenges Daikin Can Help Resolve

Daikin backcasts from its predictions for society in 2050 to identify social challenges that it can help resolve, aiming for sustainable growth for both the company and society. We will take on these social challenges in accordance with relevant global frameworks and tackle the challenge of creating value by treating business risks as opportunities.

## Forecast of Society in Which Daikin Will Operate in 2050 and Identified Social Challenges



<sup>1</sup> *The World in 2050*, by PwC  
<sup>2</sup> *World Population Prospects: The 2017 Revision*, by the United Nations  
<sup>3</sup> *Estimates and Forecasts for the World's Waste Generation*, by the RISWME  
<sup>4</sup> *World Urbanization Prospects: The 2018 Revision*, by the United Nations  
<sup>5</sup> *The future of food and agriculture—Alternative pathways to 2050*, by the Food and Agriculture Organization of the United Nations (FAO)  
<sup>6</sup> *OECD Environmental Outlook to 2050*, by the Organization for Economic Cooperation and Development (OECD)  
<sup>7</sup> *The Problem of Worldwide Resource Restrictions by 2050*, by the National Institute for Materials Science (NIMS)  
<sup>8</sup> *The Future of Forests: Emissions from Tropical Deforestation with and without a Carbon Price, 2016-2050*, by the Center for Global Development (CGD)  
<sup>9</sup> *World Energy Outlook 2017*, by the International Energy Agency (IEA)  
<sup>10</sup> *The Future of Cooling*, by the International Energy Agency (IEA)  
<sup>11</sup> *Quantitative risk assessment of the effects of climate change on selected causes of death, 2030s and 2050s*, by the World Health Organization (WHO)

### International Frameworks for Resolving Social Challenges

- **Sustainable Development Goals (SDGs):** Common goals to find solutions by 2030 for pressing world problems such as poverty, inequality, and climate change in order to realize a sustainable society
- **Paris Agreement to the UN Framework Convention on Climate Change:** An international mechanism that calls for a major greenhouse-gas emitting countries, including emerging countries, to reduce their emissions in order to limit global warming by less than 2°C compared to preindustrial levels by the latter half of this century
- **Kigali Amendment to the Montreal Protocol:** The Amendment mandates to phase down the production and consumption of HFCs in CO<sub>2</sub>-equivalent to mitigate their impact on global warming
- **UN Global Compact (UNG):** A worldwide framework for sustainable growth supported by companies that endorse universal principles on human rights, labor, environment, and anti-corruption

Daikin's Sustainability

# Daikin's Business Characteristics

## Business Characteristics

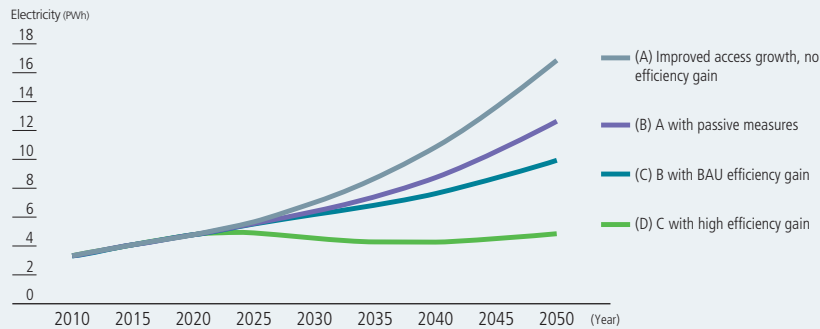
- The spread of Daikin's air conditioning, our core business, represents one form of climate change adaptation, which will be required more in the future. 1
- Daikin possesses technologies that meet diverse needs for air conditioning and air purification. 2
- Electricity used to power air conditioners accounts for roughly 10% of the world's total electricity usage.<sup>1</sup>
- Within the value chain of air conditioners, the operation of air conditioners accounts for most CO<sub>2</sub> emissions. 3

<sup>1</sup> According to IEA *World Energy Outlook 2023*

### 1 Air Conditioning Electricity Usage as Predicted World

Demand for air conditioners is expected to expand further resulting from economic development in emerging countries. In order to meet demand without increasing greenhouse gas emissions, air conditioner energy efficiency is essential. *Global Cooling Watch 2023*, published by United Nations Environment Programme, classifies the energy efficiency of air conditioners into four scenarios and forecasts global electricity use.

Forecast of Electricity Use for Cooling<sup>2</sup>

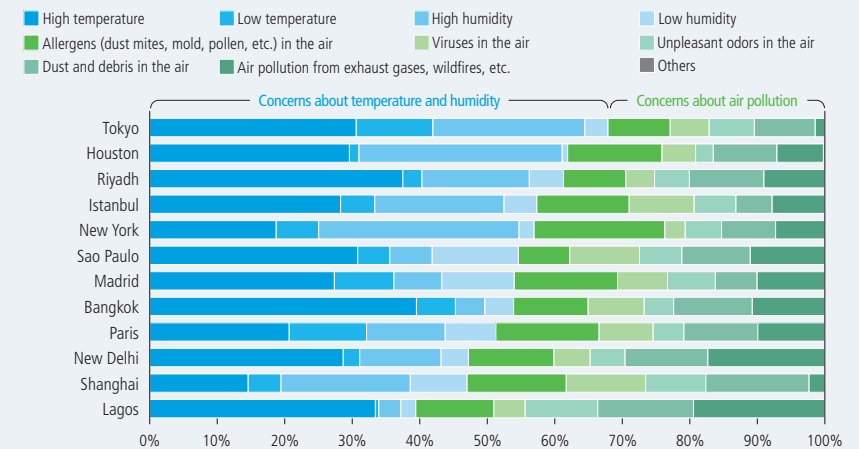


<sup>2</sup> According to *Global Cooling Watch 2023* published by UNEP

### 2 Daikin World Air Survey

People have a wide range of concerns about air, and their main concerns vary depending on regional characteristics.

Concerns Related to Air in Daily Lives



Source: *Daikin World Air Survey* by Daikin Industries, Ltd.

### 3 Impacts in the Value Chain and Business Environment

We evaluated the impact our business has on society across the value chain.

#### Value Chain



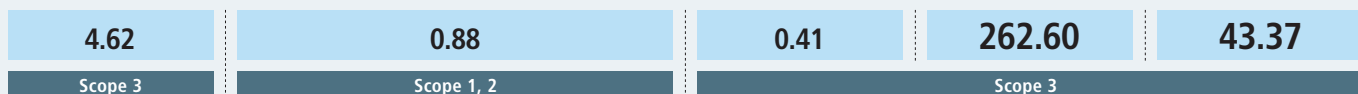
#### Impacts of our business and expectations of Daikin

<p>Throughout our supply chain:</p> <ul style="list-style-type: none"> <li>Respond to various procurement risks involving quality control, labor practices, and environmental protection</li> </ul>	<p>At our R&amp;D bases:</p> <ul style="list-style-type: none"> <li>Contribute to R&amp;D that strikes a balance between growing air conditioning demand and decarbonization of society</li> <li>Contribute to solutions to social challenges such as air pollution and infectious diseases</li> </ul>	<p>At our manufacturing bases:</p> <ul style="list-style-type: none"> <li>Increase production efficiency while increasing manufacturing quality</li> <li>Mitigate environmental impacts</li> </ul>	<p>At our distributors:</p> <ul style="list-style-type: none"> <li>Market products with a lower environmental impact</li> <li>Provide training on installation and maintenance techniques</li> </ul>	<p>At our customers:</p> <ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions from electricity consumption</li> <li>Prevent heatstroke and increase productivity with air conditioning</li> <li>Provide a safe and reliable air environment using ventilation, air purification, and filtration</li> </ul>	<p>At maintenance providers:</p> <ul style="list-style-type: none"> <li>Provide high quality after-sales services</li> <li>Recycle air conditioners</li> <li>Achieve refrigerant eco-cycle (recovery, recycle, reclamation, and destruction)</li> </ul>	<p>For sustainable growth:</p> <ul style="list-style-type: none"> <li>Foster human resources</li> <li>Compliance</li> <li>Strengthen governance and risk management</li> </ul>	<p>For growing together with society:</p> <ul style="list-style-type: none"> <li>Collaborate with diverse stakeholders, including governments, international organizations, industry and academia, NPOs and NGOs, experts, and local communities</li> </ul>
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#### Key Sustainability Issues

<ul style="list-style-type: none"> <li>Response to climate change</li> <li>Circular economy readiness</li> <li>Supply chain management</li> <li>Respect for human rights</li> </ul>	<ul style="list-style-type: none"> <li>Response to climate change</li> <li>Circular economy readiness</li> <li>Management of chemical substances</li> <li>Prevent air and water pollution</li> <li>Creation of value of air</li> <li>Create innovation through co-creation</li> </ul>	<ul style="list-style-type: none"> <li>Response to climate change</li> <li>Quality and customer satisfaction</li> <li>Anti-corruption</li> </ul>	<ul style="list-style-type: none"> <li>Response to climate change</li> <li>Prevent air and water pollution</li> <li>Creation of value of air</li> <li>Quality and customer satisfaction</li> <li>Information security</li> </ul>	<ul style="list-style-type: none"> <li>Response to climate change</li> <li>Circular economy readiness</li> <li>Quality and customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Human resource development</li> <li>Diversity management</li> <li>Respect for human rights</li> <li>Corporate governance</li> <li>Risk management</li> <li>Compliance</li> <li>Information security</li> </ul>	<ul style="list-style-type: none"> <li>Response to climate change</li> <li>Management of chemical substances</li> <li>Protecting biodiversity</li> <li>Create innovation through co-creation</li> <li>Stakeholder engagement</li> <li>Contribution to local communities</li> </ul>
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#### Greenhouse Gas Emissions\*



\* The figures on this page represent the total for the group in fiscal 2024.

Daikin's Sustainability

# Identifying Material Initiatives

## Identified Material Initiatives

### Emphasis Placed on Climate Change

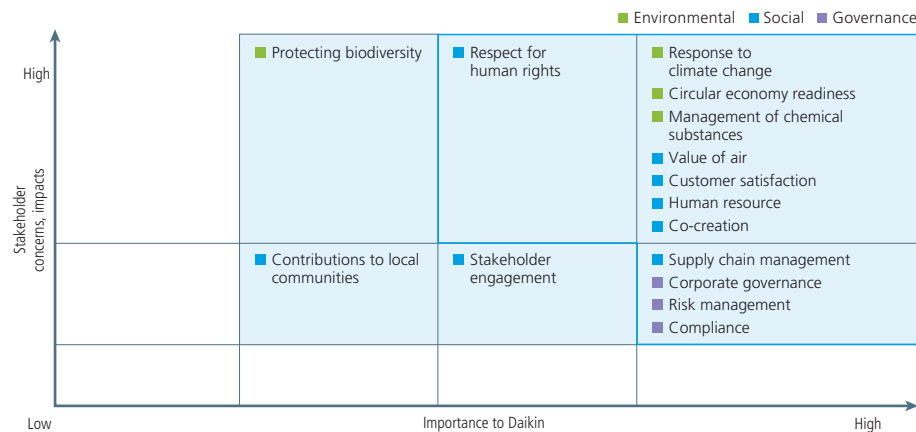
Based on the latest social trends and findings from dialogue with stakeholders, Daikin reviews and identifies key sustainability initiatives as appropriate. Particular emphasis is placed on responding to climate change.

The rapid increase in demand for space cooling predicted mainly in emerging countries represents a major opportunity for Daikin because its core business is air conditioning. The spread of air conditioning is one way to adapt to climate change and it also responds to the need for air purification. However, risks include rising electricity consumption and greenhouse gas emissions from the use of air conditioning. Currently, air conditioning accounts for around 10% of the world's electricity consumption.\* With a rapid increase in demand in the future, the impacts are expected to become larger.

Given this, Daikin's mission is to address society's needs for air in the future and to help decarbonize society. With our Environmental Vision 2050 to achieve net zero greenhouse gas emissions, we are promoting efforts under the key strategy themes of the Fusion 25 Strategic Management Plan.

\* Based on IEA *World Energy Outlook 2023*

### Materiality Analysis



## Process for Identifying Material Initiatives

### Step 1 Understanding Stakeholder Concerns and Impacts

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

- [Social Challenges Daikin Can Help Resolve](#) 011
- [International Frameworks](#)

### Step 2 Assessing the Impact of Our Business on Society

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

- [Daikin's Business Characteristics](#) 012

### Step 3 Identifying Material Initiatives for Daikin and Society

Each initiative of high importance was assessed according to two axes: society and the company. In the case of society, Daikin listened to the voices of investors, experts, and outside directors, among others, and evaluated the "stakeholders' concerns and impacts." In terms in the case of the company, Daikin interviewed employees and management to evaluate the "importance for Daikin," ultimately determining the key sustainability initiatives through materiality analysis. The most important initiatives are deliberated by the CSR Committee and approved by the Board of Directors.

Daikin's Sustainability

# Environmental Vision 2050

Environmental Vision 2050

Medium- to Long-Term Environmental Strategy

## Toward Net-Zero Greenhouse Gas Emissions

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

Environmental Vision 2050

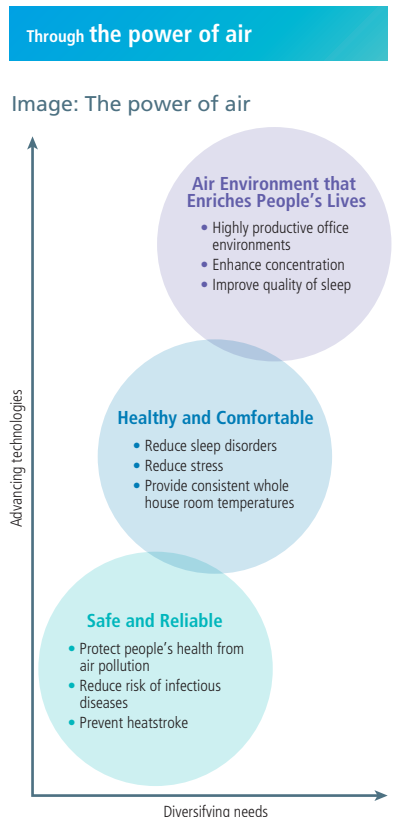
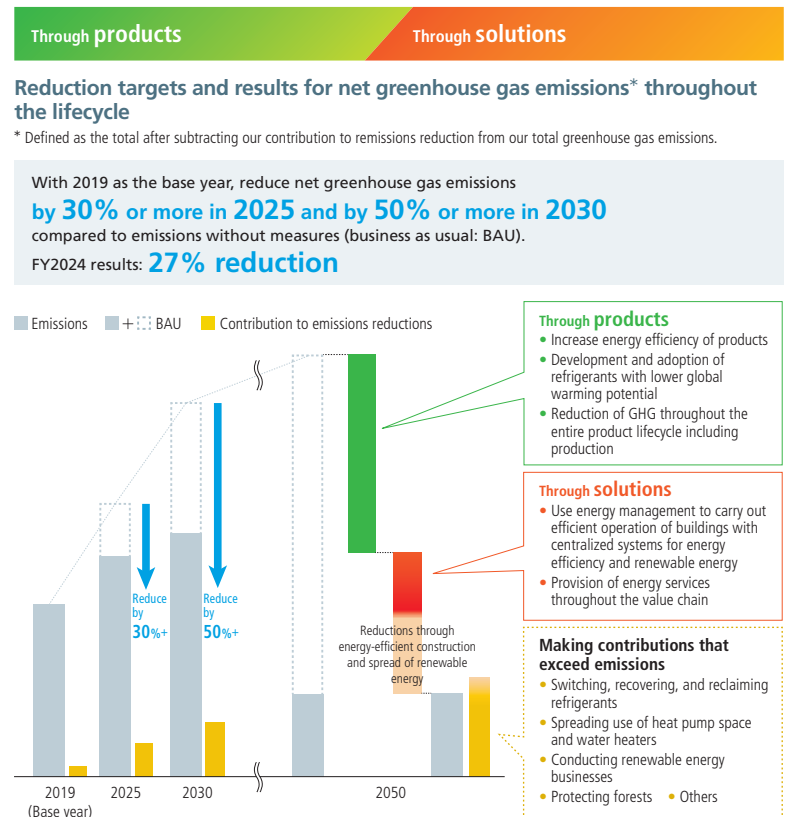


We will reduce the greenhouse gas emissions generated throughout the entire lifecycle of our products. Furthermore, we are committed to creating solutions that link society and customers as we work with stakeholders to reduce greenhouse gas emissions to net zero. Using IoT and AI, and open innovation attempts, we will meet the world's needs for air solutions by providing safe and healthy air environments while at the same time contributing to solving global environmental problems.

**187 Data Process Used to Formulate Environmental Vision 2050**

## Setting Targets Aimed at Realizing Environmental Vision 2050

Daikin has established a greenhouse gas emissions reduction target after analyzing the future of its business operations in order to reduce these emissions to net zero while bringing the added value nature of air to people around the world.



Daikin's Sustainability

# Strategic Management Plan Fusion 25

## Strategic Management Plan Fusion 25

### Executing Measures within Business Plans

The three themes of the growth strategy (taking on the challenge of carbon neutrality, promoting solutions businesses connected with customers, and creating value with air) for achieving our environmental vision have been incorporated into the key themes of the Fusion 25 Strategic Management Plan. We will now implement this plan aiming to strike a balance between resolving social challenges 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

##### Challenge to achieve carbon neutrality

- Power consumption reductions during product use
- Heat Pump Space and Water Heating business
- Refrigerant initiatives supporting the AC business
- Reduce greenhouse gas emissions in monozukuri (development and production) and offices, etc.
- Embrace new businesses aimed at a carbon neutral society
- Initiatives toward a circular economy

#### Through solutions

##### Promotion of solutions business connected with customers

- Establishment of owner-direct sales network, enhancements to sales proposal capabilities, expansion of service options by application and market, and improvements in business promotion functions
- Tackling the challenge of creating solution models balancing both 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

##### Creating value with air

- Establishing a large-scale IAQ/Ventilation business
- Creation of IAQ/AE that enrich people's lives
- Pursuit of new value with air

### Strategic Management Plan Fusion

Daikin's strategic management plan was established with directions for the Group's growth in five years based on Our Group Philosophy and awareness of current conditions. Currently, Strategic Management Plan Fusion 25 is being implemented with fiscal 2025 as the final year of the strategy. In 2023, the midpoint of Fusion 25, we formulated a three-year plan covering the second half.

#### 📄 Fusion 25

<https://www.daikin.com/investor/management/strategy/fusion25>

### What's Strategic Management Plan Fusion

1. Fusion defines the five-year Group direction based on external business environment and assessment of the current situation
2. Based on this, the key strategy as well as a three-year quantitative targets and implementation plan are finalized
3. Upon the elapse of two years from the start, establish a new quantitative target for the final year (three-year plan for second half)

### Main initiatives in the three-year plan for the second half

- Reduction of greenhouse gas emission in manufacturing and offices, etc. (achieve net-zero greenhouse gas emissions at all plants, excluding chemicals plants, by 2030)
- Promotion of switch to heat pump space and water heating in areas where combustion-type systems are still mainstream
- Establishment of refrigerant eco-cycle for recovering and reclaiming refrigerants
- Further promotion of solutions business closely linked with customers, etc.

# 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 will disclose progress appropriately and aim for further growth while contributing to a carbon-free 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

### The Organization's Governance around Climate-Related Risks and Opportunities

Daikin's mainstay product of air conditioners is characterized by the large amount of CO<sub>2</sub> 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, as well as monitors results and progress of initiatives, in addition to making proposals to CEO, followed by reporting to the Board of Directors.

## Strategy

### The 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 analysis of climate-related scenarios in *The Future of Cooling* published by the International Energy Agency 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 greenhouse gas emissions resulting from air conditioners and contribute to our business growth. For this reason, we have reflected this in business strategies.

We established Environmental Vision 2050 for the final three-year plan of Fusion 20 Strategic Management Plan. Specifically, we aim to achieve net zero greenhouse gas emissions in own business operations by 2050. The targets and measures for 2030 aimed at realizing this goal have been laid out in Fusion 25 Strategic Management Plan.

### Details of scenario analysis Scenarios referenced

- IEA *Sustainable Development Scenario*
- IEA *Base line Scenario, Current Policies Scenario*
- IEA *The Future of Cooling*
- IEA *Net Zero by 2050*
- IEEJ *Reference Scenario*

### 4-degree 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 -20 degrees 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 by 2.4-fold. (Worldwide power generation will increase 1.4-fold compared the 1.9-fold increase in air conditioner demand.)

**1.5-degree scenario with stricter regulations from decarbonization policy**

- The progress of 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 today do not have strong regulations will adopt strict energy conservation policies.

**Under the 4-degree and 1.5-degree 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- and 1.5-degree scenarios according to IEA forecasts based on our CO<sub>2</sub> emissions (Scope 1 and Scope 2) reduction target for 2030 by region.

4-degree scenario: 1.6 billion yen in carbon taxes

1.5-degree scenario: 15.7 billion yen in carbon taxes

Note: The 4-degree scenario assumes the introduction of carbon taxes in the EU and China. These taxes would amount to 39 US dollars/ton-CO<sub>2</sub> in China and 140 US dollars/ton-CO<sub>2</sub> in the EU (according to the IEA *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 140 US dollars/ton-CO<sub>2</sub> in developed countries (with net zero targets), 90 US dollars/ton-CO<sub>2</sub> in emerging and developing countries (with net zero targets) (according to the IEA).

**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	<b>Stricter regulations on refrigerants</b> If regulations on refrigerants become too strict, there is a possibility that existing air conditioners no longer compliant with these regulations will become obsolete.	High	Large
	<b>Tight supply and demand for electricity</b> 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
	<b>Production delays due to major disaster or water shortage</b> 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 the shortage of water necessary for production processes.	Medium	Medium
Opportunities	<b>Stricter regulations on refrigerants</b> 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
	<b>Stricter regulations on energy efficiency</b> 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
	<b>Stricter regulations on the use of fossil fuels</b> 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 on growing demand for heat pump heaters, which is our strength.	High	Large

**Evaluation and Management Process of Climate-Related Risks and Opportunities**



## 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 at the time Strategic Management Plan Fusion is 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 Strategic Management Plan Fusion and implemented by each business department.

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

## Metrics and Targets


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

We incorporate the greenhouse gas emissions reduction target based on Environmental Vision 2050 into the Fusion 25 Strategic Management Plan, as well as manage the progress of our environmental activities by setting metrics and targets related to climate change.

1. **Scope 1, 2, 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 to a BAU scenario.
2. **Scope 1 and 2:** Reduce net GHG emissions resulting from manufacturing activities by more than 55% in 2030 compared to 2019.

 [015 Management Daikin's Sustainability Environmental Vision 2050](#)

See below for indicators and results at manufacturing bases

 [159 Data ESG Data Environment Reducing Environmental Impacts of Business Activities](#)



# Sustainability Targets and Results

We are working to achieve the indicators and targets on 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	Environment	Response to Climate Change	An air conditioner consumes a large amount of electricity. As the manufacturer 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 emissions throughout the entire life cycle of our products and contribute to a carbon-neutral society.	<ul style="list-style-type: none"> <li>Reduce net greenhouse gas emissions throughout the entire lifecycle by <b>30%</b> or more in fiscal 2025 compared to BAU, with 2019 as the base year</li> <li>Greenhouse gas emissions from manufacturing (development and production): <b>1.1</b> million tons-CO<sub>2</sub> in fiscal 2025</li> </ul>	<ul style="list-style-type: none"> <li>Net greenhouse gas emissions from our own business operations</li> <li>Greenhouse gas emissions from manufacturing</li> </ul>	<ul style="list-style-type: none"> <li><b>27% reduction</b> ➤➤➤</li> <li><b>0.88 million tons-CO<sub>2</sub></b> ➤➤➤ (33% reduction compared to fiscal 2019)</li> </ul>	<ul style="list-style-type: none"> <li>We measured the extent of reduction in net greenhouse gas emissions from our own business operations</li> <li>We measured how much we reduced greenhouse gas emissions generated from product manufacturing and other processes</li> </ul>
			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 effectively utilizing limited resources to maximize the value of goods. In particular, we place the highest priority on the construction of refrigerant recovery, recycle, and reclamation systems.	<ul style="list-style-type: none"> <li>Recovery, recycle, and reclamation of refrigerants from the market through the establishment of a refrigerant eco-cycle</li> </ul>	<ul style="list-style-type: none"> <li>Amount of refrigerant recovery and reclaiming from market</li> </ul>	<ul style="list-style-type: none"> <li><b>4.34 million tons-CO<sub>2</sub></b> ➤➤➤</li> </ul>	<ul style="list-style-type: none"> <li>Measure the refrigerant recovered from the market or reclaimed by Daikin and reclaimed refrigerant purchased by Daikin (in CO<sub>2</sub> equivalent)</li> </ul>
			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.	<ul style="list-style-type: none"> <li>Reduce chemical substances emissions per unit of production, including PRTR* substances and VOCs, by <b>10%</b> in fiscal 2025, based on the average value from fiscal 2013 to fiscal 2015</li> </ul>	<ul style="list-style-type: none"> <li>Reduction rate of PRTR substances and volatile organic compounds (VOC) emissions</li> </ul>	<ul style="list-style-type: none"> <li><b>45% reduction</b> ➤➤➤</li> </ul>	<ul style="list-style-type: none"> <li>Measure how much PRTR substances and VOC emissions were reduced compared to the base value (average from fiscal 2013 to fiscal 2015)</li> </ul>
			Protecting Biodiversity	Climate change also has a significant impact on biodiversity. In addition to working to reduce greenhouse gas emissions through its business activities, Daikin also supports forest conservation activities to contribute to protection biodiversity outside of its business activities.	<ul style="list-style-type: none"> <li>Carrying out forest conservation activities in various parts of the world where critical forests are being lost at a rapid pace</li> </ul>	<ul style="list-style-type: none"> <li>Number of communities receiving support</li> </ul>	<ul style="list-style-type: none"> <li><b>7 locations</b> around the world including World Natural Heritage sites ➤➤➤</li> </ul>	<ul style="list-style-type: none"> <li>Number of locations receiving support where we worked with international NGOs and others to implement conservation activities</li> </ul>

\* Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement.

Key Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2024 Achievements	Explanation of Index
Value Provision Themes <b>S</b>	<b>Value with Air</b> 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: <b>380</b> billion yen in fiscal 2025	• Net sales of IAQ/Ventilation business	• <b>399.7 billion yen</b> ➤➤	• We used net sales to measure the extent to which we provide a safe, reliable, healthy and comfortable air environment
	<b>Customer Satisfaction</b> 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*: <b>1,280</b> billion yen in fiscal 2025 • Establish service network covering all regions worldwide	• Net sales of Solutions business • Customer satisfaction with after-sales services	• <b>1,160.9 billion yen</b> ➤➤ • Japan: <b>1.15</b> China: <b>1.00</b> India: <b>1.24</b> France: <b>0.99</b> ➤➤	• We used net sales to measure the extent to which we provide solutions tailored to needs • We measured customer satisfaction (setting the base year as 1.00)
	<b>Human Resources</b> In order for Daikin to grow sustainably and continue to contribute to solutions to social challenges, human resources are of utmost importance as the bearers 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 leaders globally	• Number of persons participating in executive management and leadership development programs	• Held in regions around the world including North America and Asia. There were <b>38</b> participants in the Group's next-generation leadership development program ➤➤	• We measured 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: <b>1</b> in <b>4</b> in fiscal 2025	• Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions	• <b>1 in 5.9 employees</b> ➤➤	• We measured the number of persons developed with advanced engineering skills and knowledge and who can lead manufacturing
		• Increase ratio of female managers	• Number of female managers	• <b>121 employees (8.9%)</b> (Daikin Industries, Ltd. only) ➤➤ • <b>42%</b> (overseas bases) ➤➤	• We measured the number of female managers and percentage of overseas bases where local nationals are president as indicators for measuring employee diversity
<b>Co-Creation</b> In order to create new value in an era of a rapidly changing competitive environment, it is necessary to innovate beyond the reach of our own company. By collaborating and partnering with 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.	• Maintain and increase percentage of overseas bases where local nationals are president	• Percentage of overseas bases where local nationals are president			
	• Frequency rate of lost work time accidents: <b>0</b>	• Frequency rate of lost work time accidents	• <b>1.14</b> ➤➤	• We measured whether manufacturing bases are operating safely	
		• R&D expenditure: <b>390</b> billion yen from fiscal 2023 to fiscal 2025 • Promotion of industry-government-academia and industry-industry collaboration	• R&D expenditure • Number of cases of industry-government-academia and industry-industry collaboration	• <b>135.7 billion yen</b> ➤➤ • <b>161</b> industry-government-academia and <b>12</b> industry-industry cases (Daikin Industries, Ltd. only) ➤➤	• We measured the investment amount for value creation and the number of cases of industry-government-academia and industry-industry collaboration

\* Total of commercial, residential and refrigeration solutions.

		Key Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2024 Achievements	Explanation of Index
Value Provision Themes	S	<b>Respect for Human Rights</b>	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.	<ul style="list-style-type: none"> <li>Thoroughness of respect for human rights and implementation of human rights due diligence</li> </ul>	<ul style="list-style-type: none"> <li>Self-assessment implementation rate</li> </ul>	<ul style="list-style-type: none"> <li><b>99%</b></li> </ul>	<ul style="list-style-type: none"> <li>We measured how thorough we were in respect for human rights through the implementation rate of self-assessments</li> </ul>
		<b>Supply Chain Management</b>	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.	<ul style="list-style-type: none"> <li>Increase Class A CSR procurement achievement rate among all suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Class A CSR procurement achievement rate</li> </ul>	<ul style="list-style-type: none"> <li><b>84%</b></li> </ul>	<ul style="list-style-type: none"> <li>Ratio of suppliers who satisfied Daikin's Class A in-house standards to total procurement value</li> </ul>
		<b>Stakeholder Engagement</b>	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 addresses the demands and expectations of society appropriately.	<ul style="list-style-type: none"> <li>Engage in dialogue with stakeholders and reflect this dialogue into management</li> </ul>	<ul style="list-style-type: none"> <li>Number of forums held, number of outside participants</li> </ul>	<ul style="list-style-type: none"> <li>Held <b>6 times</b> around the world with a total of <b>130 people</b>, including university professors and specialists from <b>49 countries</b> taking part</li> </ul>	<ul style="list-style-type: none"> <li>Number of dialogue sessions with experts around the world related to our core business of air conditioning</li> </ul>
		<b>Communities</b>	In order to operate our business smoothly around the world, it is essential 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.	<ul style="list-style-type: none"> <li>Contribution to environmental conservation, education support, and cooperation with the local community</li> </ul>	<ul style="list-style-type: none"> <li>Expenditure for social contribution activities</li> </ul>	<ul style="list-style-type: none"> <li><b>1.7 billion yen</b></li> </ul>	<ul style="list-style-type: none"> <li>Monetary amount, through donations, goods, and other ways, that we provided to communities</li> </ul>
G	Corporate Governance	Corporate Governance	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.	<ul style="list-style-type: none"> <li>Degree of independence from the company, diversity, and transparency of the Board of Directors</li> <li>Appointment of female officers from inside the company: 1 or more in fiscal 2025</li> </ul>	<ul style="list-style-type: none"> <li>Number of directors who are outside the company, women, and foreign nationals</li> <li>Number of female officers appointed from inside the company</li> </ul>	<ul style="list-style-type: none"> <li><b>4</b> external directors, <b>2</b> female directors,* <b>1</b> foreign national director among the <b>9</b> directors (Daikin Industries, Ltd. only)</li> <li><b>2</b> (Daikin Industries, Ltd. only)</li> </ul>	<ul style="list-style-type: none"> <li>We measured the diversity of the make-up of directors</li> <li>Appointment of female officers from inside the company</li> </ul>
		Risk Management		<ul style="list-style-type: none"> <li>Strengthen appropriate and smooth risk management capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Number of meetings of the Corporate Ethics and Risk Management Committee and regional legal and compliance committees</li> </ul>	<ul style="list-style-type: none"> <li>Held committee meetings <b>2</b> times and <b>4</b> times, respectively</li> </ul>	<ul style="list-style-type: none"> <li>Number of meetings as a way to ensure thorough implementation of policies globally</li> </ul>
		Compliance		<ul style="list-style-type: none"> <li>Strengthen and upgrade global legal and compliance systems</li> </ul>	<ul style="list-style-type: none"> <li>Self-assessment implementation rate</li> </ul>	<ul style="list-style-type: none"> <li><b>99%</b></li> </ul>	<ul style="list-style-type: none"> <li>Implementation rate of self-assessment as a way to foster compliance awareness among each and every employee</li> </ul>

Note: Self-assessment refers to a self-check system for verifying the status of compliance with the Group Conduct Guidelines.

\* As of July 1, 2025