

【Final Fiscal Year Target: FY2025 (March 2026)】

Daikin announces Strategic Management Plan “FUSION 25”

Realizing growth of the Daikin Group by leading the AC industry in low carbonization and contributing to a sustainable society

Daikin Industries, Ltd. has recently formulated its strategic management plan “FUSION 25,” which extends from fiscal year 2021 to fiscal year 2025.

In recent years, enormous structural changes have occurred in the economy, industry, and society with faster-than-expected speed and variability. These changes have widely impacted the business activities of the Daikin Group and even the way people live their lives.

With the growing importance of environmental and social contributions, companies are called upon to not only pursue profits but also to take the initiative in resolving the social issues set forth in the SDGs. At the same time, customer needs and values have changed, including a shift from goods to experiences, and market needs have expanded for indoor air quality and ventilation due to the COVID-19 pandemic. Additionally, digital technology advances have greatly impacted corporate activities, and their transformation of business activities has become an issue.

In the strategic management plan “FUSION 25,” Daikin sees these dramatic changes as an opportunity and explored themes leading to sustainable growth and development by viewing the world and its goals in the coming 10 to 20 years from a long-term perspective and then utilized the backcasting method in deciding which themes to adopt.

To expand its business and continue to grow and develop while contributing to the environment and society, Daikin has established three growth strategy themes: “Challenge to Achieve Carbon Neutrality,” “Promotion of Solutions Business Connected with Customers,” and “Creating Value with Air.” In addition to these, it set “AC Business in North America” as one theme from the perspective of strengthening existing businesses. Also, in India, where large market growth is expected, it strengthens local production and expands its business aiming to make the region one of the major bases of its global business. Furthermore, Daikin raised five themes to enhance the management foundation: “Strengthening Technology Development Capabilities,” “Establishing a Robust Supply Chain,” “Promoting Digital Transformation Supporting Innovation,” “Creating Market Value and Enhancing Advocacy Activities,” and “Improving HR Capabilities Through Advanced Diversity Management” for a total of nine key themes that aim to ensure Daikin success in the era of the new normal.

In terms of the quantitative targets, Daikin has set a sales target of 3.1 trillion yen and an operating profit margin of 10.5% in fiscal year 2023, the third year of “FUSION 25,” as a mid-term implementation plan and will make upfront investments that exceed 800 billion yen for further business expansion. Targets for the final year of fiscal year 2025 are sales of 3.6 trillion yen and operating profit of 430 billion yen (for an operating profit margin of 12%).

For carbon neutrality, with the base year set at 2019, Daikin aims for a reduction (in terms of market ratio) of 30% or more in net emissions in 2025 compared with emissions during business growth without implementing reduction measures, and 50% or more in net emissions in 2030 toward achievement of 2050 carbon neutrality.

Through “FUSION 25,” a management strategy that focuses on implementation, Daikin will provide new value for the environment and air and realize contributions to a sustainable society and Group growth.

Quantitative targets for FY2023

Net sales & Operating profit

(100 million yen)	FY 2020 result	FY 2023 plan	FY 2025 image
Net sales	24,934	31,000	36,000
Operating profit (%)	2,386 (9.6%)	3,250 (10.5%)	4,300 (approx. 12%)

Investment

(100 million yen)	3-year cumulative (FY 2021–23)
Capital investments	4,460
R&D	2,260
Digital investments (*)	1,370

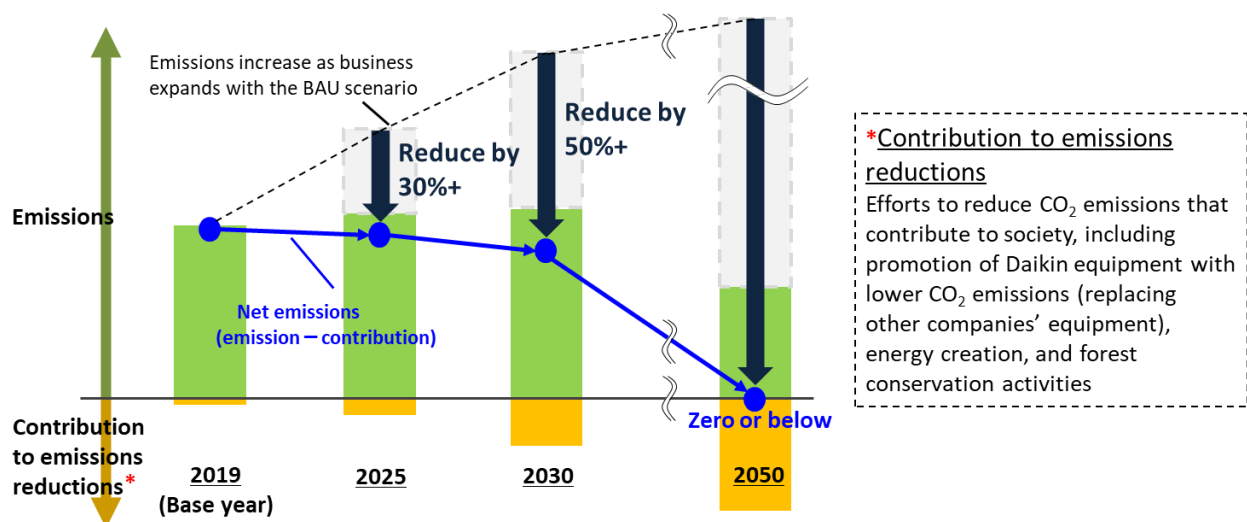
< 9 Key Group Strategies >

3 Growth Strategy Themes

(1) Challenge to Achieve Carbon Neutrality

With the base year set at 2019, Daikin aims to reduce actual greenhouse emissions (in terms of market ratio) by 30% or more in 2025 and 50% or more in 2030, compared with emissions during business growth without implementing reduction measures, as it works toward target achievement of “Realizing carbon neutrality by 2050” that was declared in 2018. To this end, Daikin will strive to fulfill its social responsibility by establishing environmentally advanced technologies and setting a course toward carbon neutrality while contributing to reductions in electrical consumption by widespread acceptance of energy-saving products such as heat-pump space and hot water heaters and inverter units, conversion to low GWP refrigerants, and creation of a refrigerant eco-cycle of recovery and reclamation. The heat-pump space and hot water heater business is positioned with a focus on Europe and North America and will accelerate the shift from combustion space and hot water heaters by utilizing the technology cultivated in the air conditioning business. Daikin is also taking on the challenge of new environmental businesses such as participation in smart city projects and energy creation, which are expected to contribute to market expansion and CO₂ reductions.

Net CO₂ emissions reduction target



(2) Promotion of Solutions Business Connected with Customers

For air conditioning solutions, Daikin is changing to a business model of providing experiences that combine equipment sales with sales of controls, engineering design, and services to fully meet customer needs. By directly connecting with users by application and market such as hospitals and factories, utilizing equipment operation data, and combining energy management and IAQ technology, it works to provide new value such as providing optimal space for each individual and improving comfort and safety.

For refrigeration solutions, Daikin will horizontally develop the energy-saving and environmental technology that have been cultivated in the air conditioning business. In this way, the company intends to contribute to solving social issues, such as food loss along with food safety and security, by establishing a unique store solutions business that includes air conditioning and refrigeration equipment, store design, and maintenance. At the same time, it will take on the challenge of connecting the entire cold chain from place of production to place of consumption.

(3) Creating Value with Air

By creating new products and services to meet the growing needs for indoor air quality (IAQ) and ventilation due to the COVID-19 pandemic, Daikin aims to establish a major IAQ and ventilation business on a global basis. In addition to taking on the challenge of the healthcare sector through the accumulation and analysis of air conditioner and vital data that serve to improve health, the company will strive to create value for IAQ and air environments in order to enrich people's lives.

1 Theme for Focus Regions

(4) Air Conditioning Business in North America

Daikin will expand development of its air conditioning business in each region. In the air conditioning business for North America, the largest market in the world, the company will promote market adoption of inverters, heat pumps, and low GWP refrigerants to meet the stricter environmental policies, such as for environmental and energy efficiency regulations, that are expected to set in the future. Aiming for the No. 1 position in the North American market in fiscal year 2025, it intends to expand energy-saving equipment in the residential and light commercial businesses and implement a full-scale expansion of the solutions business.

5 Themes to Enhance the Management Foundation

(5) Strengthening Technology Development Capabilities

In the rapidly changing external environment, Daikin is shifting resources to technology domains and themes relating to a growth strategy. The Technology and Innovation Center (TIC), which is the technology control tower of the Daikin Group, works together with relevant divisions, including its global R&D bases, to create differentiated technologies and engages in collaborative innovation with external organizations to produce differentiated technologies and products.

(6) Establishing a Robust Supply Chain

Daikin will work to bolster its supply system amid rapidly growing uncertainties that include global supply chain disruptions and the advance of decoupling on a global scale. It further pursues local production for local consumption by shifting to local-based procurement, prepares a production backup system for risks, and leverages digital technologies to reform the supply chain.

(7) Promoting Digital Transformation for Innovation

Digital investments will significantly grow. Together with providing value corresponding to diversifying customer needs, Daikin will increase the speed of digital technology development, build digital platforms, connect equipment, and promote *monozukuri* and SCM reforms. In-house HR training centered on the Daikin Information and Communications Technology College (DICT) will develop 1,500 people by 2023 to facilitate the creation of new products, services, and business models.

(8) Creating Market Value and Enhancing Advocacy Activities

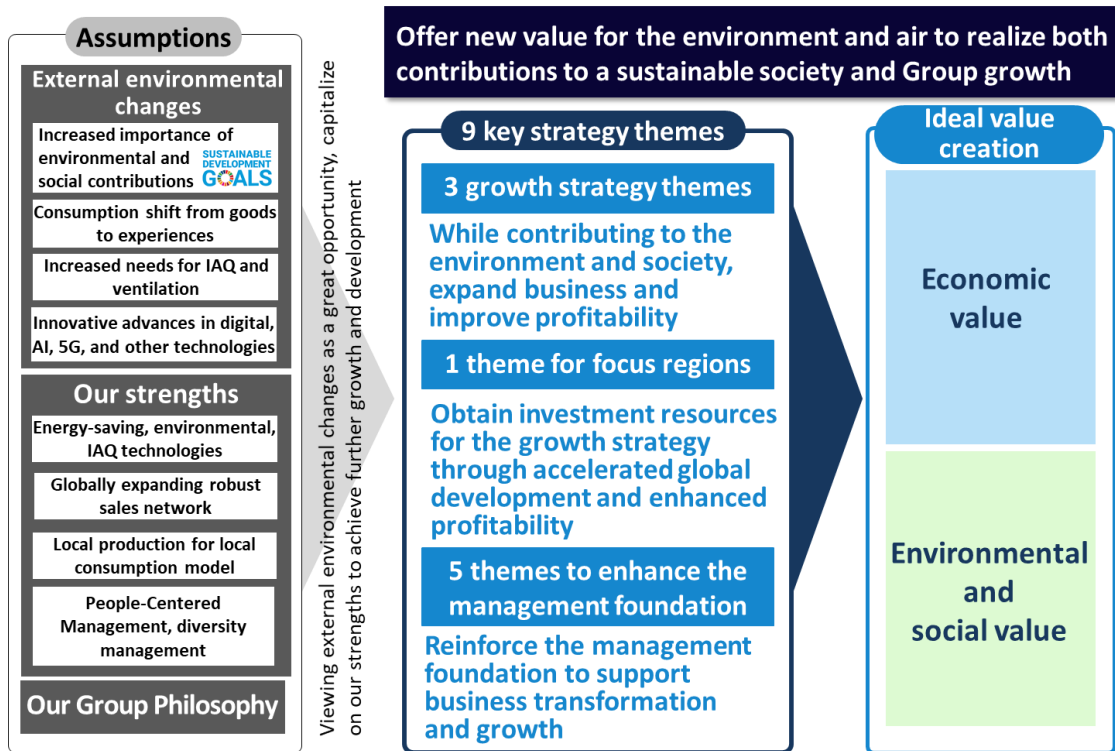
Daikin will work to gain broad stakeholder support for its technologies and products that contribute to the resolution of social issues, including achieving carbon neutrality and IAQ, and enhance market value. It will promote the widespread adoption of R32 and inverter products where their penetration rate is still low, accelerate the use of heat pumps to mitigate the effects of global warming, and perform refrigerant recovery and reclamation.

To create new value with air, Daikin will seek the involvement of universities, research institutes, and industries to establish new safety and security standards.

(9) Improving HR Capabilities Through Advanced Diversity Management

Daikin will enhance the corporate culture based on “People-Centered Management,” which is the foundation of its company growth and development, by further adapting the organizational DNA to the changing times and promote it throughout the entire Group. The company will develop human resources measures in which all members around the world can grow and fully exhibit their diverse individuality and infinite potential. In the era of the new normal in which workstyles and way of life have changed from the impact of COVID-19, Daikin will implement a system that leads to an increase in productivity and new value creation.

Appendix: FUSION 25 Overview



9 key strategy themes

