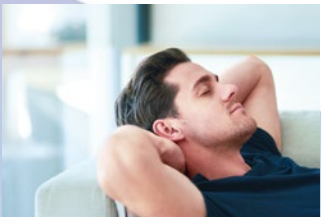




Sustainability Report

2022



*For the Air We Live in*



# For the Air We Live in

Air is something that surrounds us 24 hours a day.  
In fact, our existence, as well as the Earth's, depends on it.  
At Daikin, the future of the world's air is our greatest concern.  
We use the knowledge, innovation and technologies,  
dedicated to air, cultivated over many years,  
to improve the quality of air we breathe  
and the quality of lives we live.  
This is our mission.

## Company Profile

**Name:** Daikin Industries, Ltd.  
**Address:** Umeda Center Bldg., 2-4-12, Nakazaki-Nishi, Kita-ku, Osaka, Japan  
**Incorporated:** February 11, 1934  
**Founded:** October 25, 1924  
**Capital:** 85 billion yen

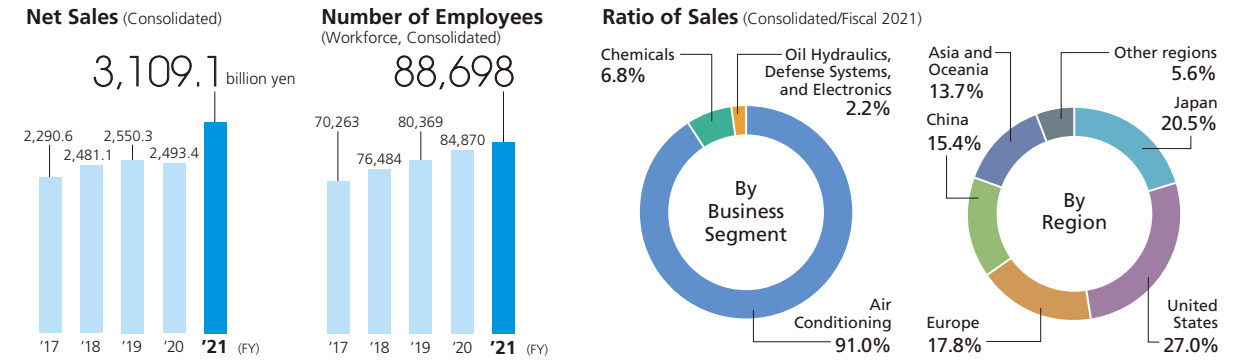
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# Bringing the World Healthy, Comfortable Lifestyles

Daikin is a global manufacturer with close to 80% of net sales originating from outside of Japan and more than 80% of the Group's employees working overseas. In our businesses of air conditioning and fluorochemicals, we respond to the needs that arise from the diverse cultures and values of the world's countries and regions by providing products and services that make people and space healthier and more comfortable.



**Our Business:** Providing Healthy, Comfortable Lifestyles through Air Conditioning and Fluorochemical Technologies

**Air Conditioning**  
 Achieving Both Comfort and Environmental Performance to Satisfy All Global Air Conditioning Needs

Residential Air Conditioners  
 Commercial Air Conditioners  
 Air Filters

Air Purifiers

Space and Water Heaters

Air Conditioning Systems

Refrigeration Equipment

**Chemicals**  
 Utilizing the Characteristics of Fluorochemicals and Contributing to a Wide Range of Fields

Semiconductor Field

Automotive Field

Information and Telecommunication Field

**Oil Hydraulics, Defense Systems, and Electronics**  
 Proprietary Technologies at Work in a Range of Industries, IT Solutions

Machine Tools

In-Home Medical Equipment

IT Solutions

**Business Sphere:** Daikin Is Active in Over 170 Countries

**Europe**

11,147 Employees  
 77 Subsidiaries

**Japan**

13,369 Employees  
 31 Daikin Industries and subsidiaries

**United States**

20,275 Employees  
 67 Subsidiaries

**China**

19,567 Employees  
 32 Subsidiaries

**Asia and Oceania**

18,542 Employees  
 55 Subsidiaries

**Other regions**  
 (Latin America, Middle East, Africa, etc.)

5,798 Employees  
 61 Subsidiaries

**88,698** Employees  
**322** Subsidiaries



# Aiming for Sustainable Growth by Resolving Social Issues Related to Air and the Environment



## Transforming the Changes Caused by Uncertain Times into Opportunities

In fiscal 2021, despite challenging business conditions, including the COVID-19 pandemic, soaring prices of raw materials, and semiconductor shortages, Daikin recorded net sales that surpassed 3 trillion yen and operating income in the 300 billion yen range for the first time. Living in a time of turbulent change presents opportunities for reform, and we will continue to tackle challenges and implement new measures.

## Achieving Both Business Growth and Solutions to Social Issues as the Social Mission of an Air Conditioner Manufacturer

Over the years, Daikin has supplied products and services utilizing environmental technologies as the only company in the world that manufactures both air conditioners and refrigerants. Our core business of air conditioning, which has transformed the indoor environment in hot climate regions, is considered a part of the infrastructure that underpins society. Our products and services have been used to prevent heatstroke and improve air quality, thereby contributing to customers' health and economic development by improving work efficiency.

On the other hand, as worldwide demand for air conditioning is expected to triple by 2050, increased demand for electricity poses serious issues. The Group's social mission is to minimize the impact of future global warming while providing healthy and comfortable air environments that are safe and reliable, which has increased in importance during the COVID-19 pandemic. Daikin is committed to being a company always looking for ways to resolve environmental and social issues while achieving business growth.

## Steadfast Efforts Toward Carbon Neutrality

The world has made a sharp and accelerated turn toward carbon neutrality. The Daikin Group has seized this opportunity to establish "Challenge to achieve carbon neutrality" as one of the growth strategy themes of Fusion 25, our strategic management plan running through 2025, based on the Environmental Vision 2050, which aims to achieve net zero greenhouse gas emissions by 2050. We have set a target to reduce net greenhouse gas emissions throughout the entire lifecycle of our products by 50% or more in 2030 compared to BAU\* with fiscal 2019 as the base year. In fiscal 2021, we reduced net emissions by 10% by expanding the sales of energy efficient products mainly in Asia.

The rising cost of energy, in especially recent years, presents the Daikin Group with an opportunity to spread our products and services with low environmental impact worldwide because of our leading environmental technologies of inverters and refrigerants with lower global warming potential. As the transition from gasoline-powered vehicles to electric vehicles continues, we will make new investments in the European market as we aim to promote the switch from combustion heating to heat-pumps that use heat in the air.

With efforts to achieve a decarbonized society being rolled out widely around the world, it is our top priority to further speed up our initiatives to reduce greenhouse gas emissions across the entire lifecycle.

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

## Utilizing Diversity in Human Resources as a Source of Our Competitiveness

Daikin Group's greatest strengths are "flat and speedy" management aiming to promote solidarity in organizational management along with closeness between management and frontline workers and "diversity management" that seeks to attract diverse talent in terms of culture, ethnicity, age, and lifestyle habits and harness their individuality and strengths as the organization's strength. The diverse value offered by the Daikin Group's 80,000-strong workforce serves as the source of our competitiveness, which is backed by the cohesiveness and trust between management and employees. Our ability to refine management's capabilities utilizing the diversity of our workforce will make Daikin's sustainable growth a reality.

## Continuing to Live Up to the Expectations of Stakeholders

Daikin has supported the 10 principles of the UN Global Compact since 2008 and endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since 2019. We are committed to continuously meeting the expectations of our various stakeholders, including customers, shareholders, investors, suppliers, employees, and local communities as a company that gives back to society as it grows.

*Masanori Togawa*

Masanori Togawa  
President and CEO Daikin Industries, Ltd.

	FY2020	FY2021	FY2025 target
Net sales	2.49 trillion yen	3.11 trillion yen	3.6 trillion yen
Reduction rate of net greenhouse gas (GHG) emissions* (compared to BAU with 2019 as base year)	7 % reduction	10 % reduction	Over 30 % reduction

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

# Creating New Value and Contributing to Sustainable Development for Society

Daikin pursues management aimed at new value creation from short-, medium-, and long-term perspectives to contribute to solutions to social issues and sustainable growth through its businesses. In terms of short- and medium-term perspectives, we use our CSR Action Plan to evaluate the impacts our businesses have on society. As for long-term perspectives, we have established Environmental Vision 2050 after identifying and forecasting risks and opportunities. Fusion Strategic Management Plans are used to establish specific targets as well as plan and execute measures for every five-year period.

## International Frameworks toward Solving Society's Problems

### Social Problems Daikin Can Help Solve

- Intensifying climate change
- Increase and concentration of demands for electricity and other energy forms
- Intensifying atmospheric pollution
- Pandemics
- Resource depletion
- Food loss

### International Frameworks

- Sustainable Development Goals (SDGs)
- Paris Agreement to the UN Framework Convention on Climate Change
- Kigali Amendment to the Montreal Protocol

## Daikin's Business Characteristics as Seen from Social Issues

- The spread of Daikin's air conditioning, our core business, represents one form of climate change adaptation. Although they will be required more in the future, air conditioners do impact the environment throughout their lifecycle, as electricity used to power air conditioners accounts for roughly 10% of the world's total electricity usage.
- Daikin possesses technologies that benefit society through the added value nature of air, including addressing the growing demand for air purification during the COVID-19 pandemic.



A strategic management plan formulated every five years that stipulates the direction of the Group's progress

Details on page 11

Details on page 13

## Indicators and Targets for Sustainability

● Fusion Strategic Management Plan

● Environmental Vision 2050

An environmental vision for taking action to achieve net zero greenhouse gas emissions over the long term (formulated in 2018)

Details on page 11

## Daikin's Aims for Value Creation

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

### Value Creation for the Earth

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

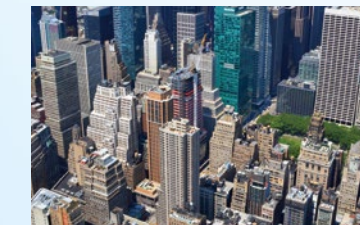
- Further raise the environmental performance of products
- Make effective use of resources
- Protect forests and help sustain their inherent functions



### 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
- Build systems for recycling-based societies
- Create new types of energy



### 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



- Increased energy efficiency from the adoption of inverter air conditioners, etc.
- Development and adoption of lower GWP refrigerants
- Adoption of heat pump space and water heating
- Utilization and adoption of renewable energy



- Initiatives for net zero emission buildings (ZEB)
- Promotion of energy management and demand response



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



- 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

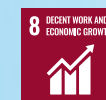


- Contribution to increased productivity by liberation from heat and cold

## 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 (partnerships)

Contribute to solving social issues through industry-government-academia partnerships



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

2020 2025 2030 2035 2040 2045 2050

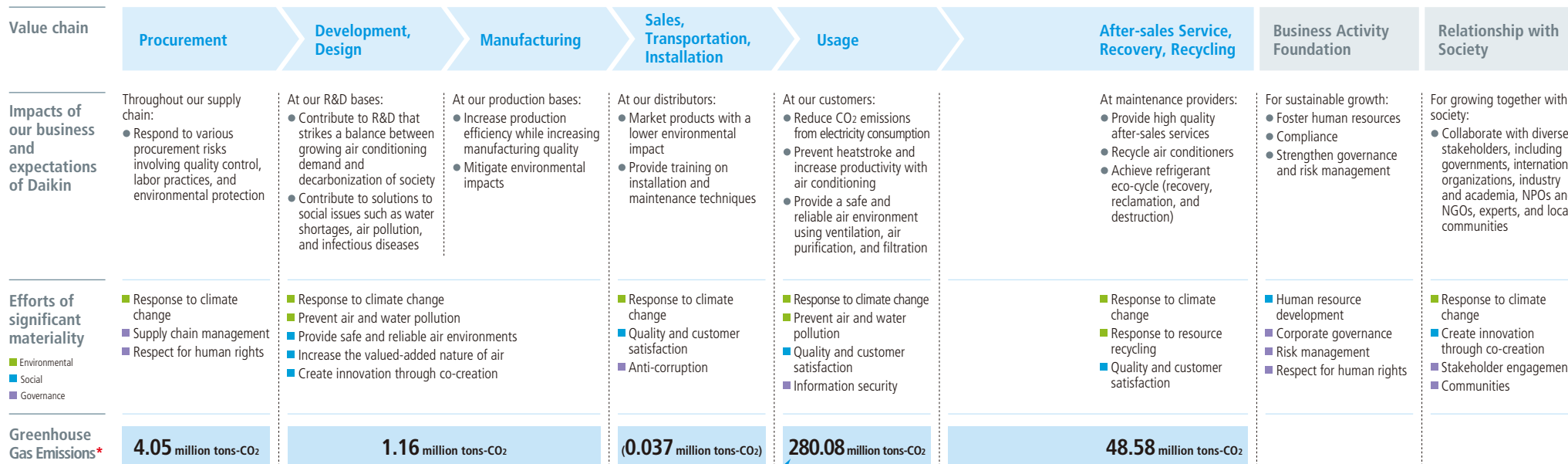


# Identification of Key Themes for Daikin and Society

We analyzed risks and opportunities based on the characteristics of our own business operations, the impacts caused by our business activities, and market forecasts. In turn, we identified key sustainability themes, among which was response to climate change, and we are now working to realize a sustainable society by addressing these themes.

## Analysis of Business Characteristics and Risks/Opportunities → Identification of Key Sustainability Themes

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



\* The figures on this page represent the total for the group in fiscal 2021. Figures in ( ) are for Daikin Industries, Ltd. only.

Usage is the largest source of CO<sub>2</sub> emissions

### Emphasis Placed on Climate Change

We reviewed key sustainability themes at the time of formulating the Fusion 25 Strategic Management Plan and identified the following seven as top priorities shown in the figure below. Climate change is a theme of particular emphasis.

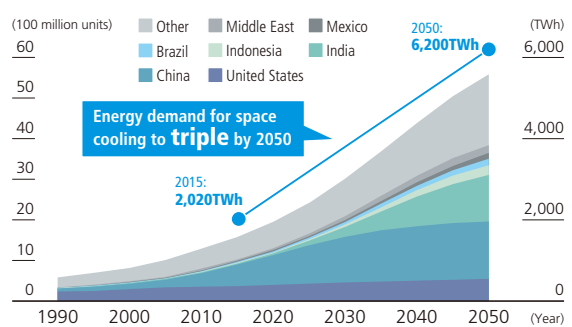
The rapid increase in demand for space cooling predicted mainly in emerging countries represents a major opportunity for Daikin because its core business is air conditioning. The spread of air conditioning is one way to adapt to climate change and it also responds to the need for air purification which increased during the COVID-19 pandemic. 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 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 reduce society's carbon footprint. With our long-term vision to achieve net zero greenhouse gas emissions, we are promoting efforts under the key themes of the Fusion 25 Strategic Management Plan.

### Analysis of Business Environment

The International Energy Agency (IEA) predicts that demand for space cooling will increase sharply by 2050, which will triple worldwide electricity demand for space cooling.

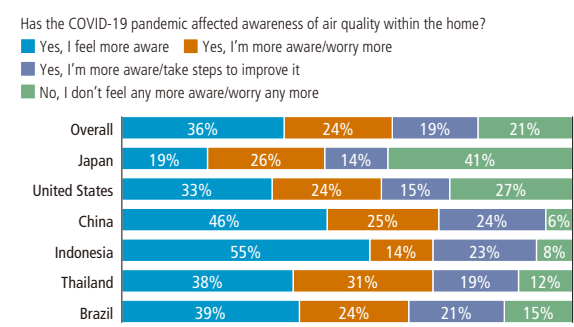
#### Worldwide air conditioner stock (number of units) and electricity demand



Note: Graph figures compiled by Daikin based on IEA The Future of Cooling

In addition to demand for space cooling, there is growing interest around the world in indoor air quality due to the COVID-19 pandemic.

#### Results of Survey on Air Quality at Home

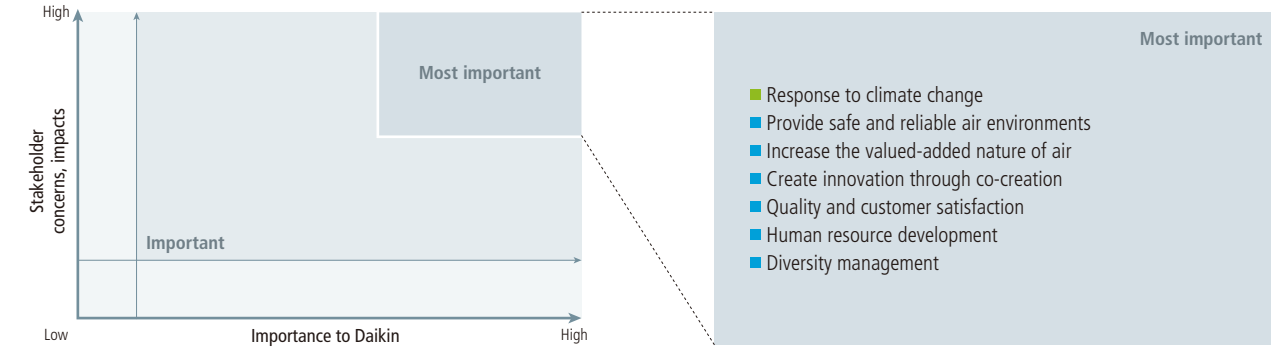


Source: Compiled by Daikin based on Sunstar Global Healthy Thinking Report 2021.

### Impact Assessment for Daikin and Society

Our CSR Committee identified the highest priority themes for both Daikin and society after evaluating the impacts our business has on society and narrowing the range of important initiatives.

#### Materiality analysis



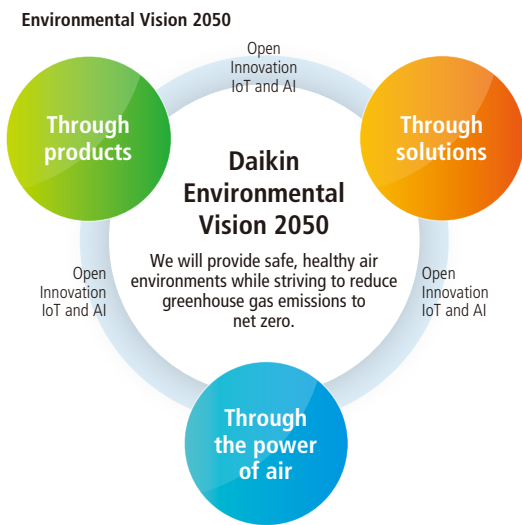
# Climate Change Response as a Management Plan

Daikin has established a long-term vision for 2050 and medium- to long-term targets for climate change response, which it positions as a critical CSR theme. Toward this end, we will implement a number of measures during the course of our five-year strategic management plans.

## Environmental Vision 2050

### Toward Net Zero Greenhouse Gas Emissions

In 2018, Daikin established Environmental Vision 2050, a plan that lays the groundwork for the company to reach net zero greenhouse gas emissions by 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.

## Medium- to Long-Term Environmental Strategy

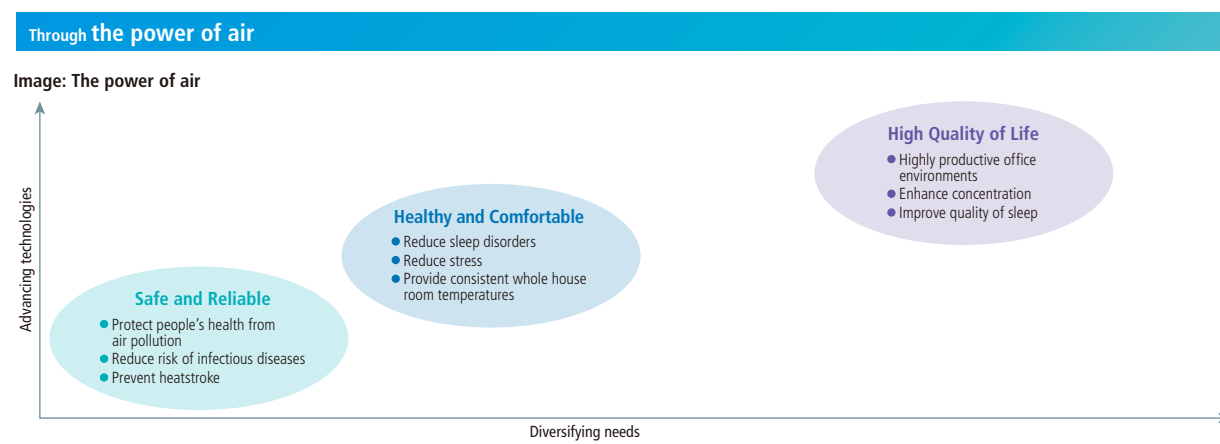
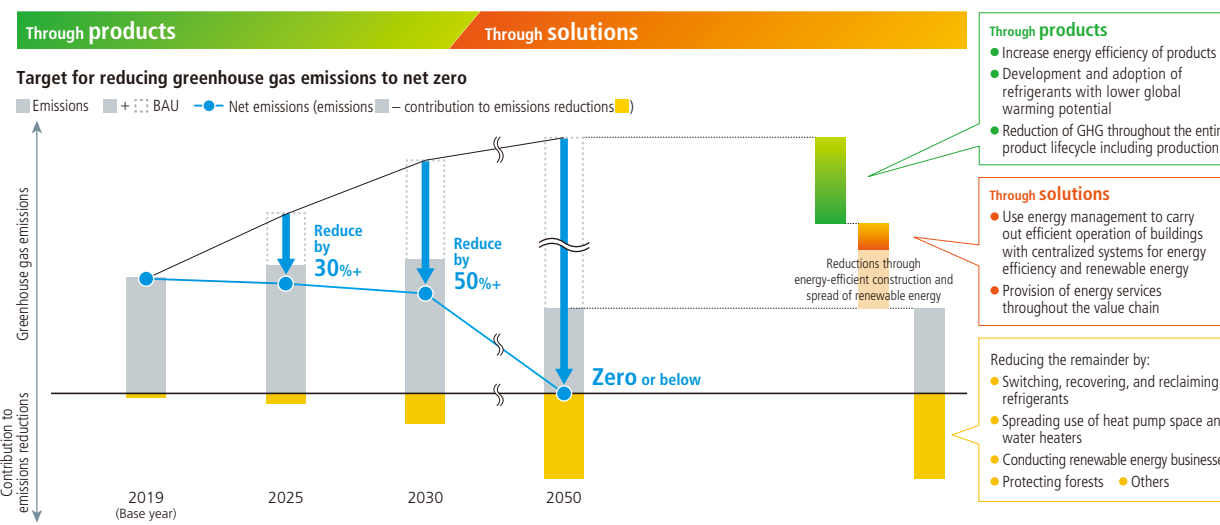
### Targets for Achieving Environmental Vision 2050

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.

**Greenhouse Gas Reduction Targets**

With 2019 as the base year, **reduce net greenhouse gas emissions by 30% or more in 2025 and by 50% or more in 2030** compared to emissions without measures (business as usual: BAU).

**FY2021 results: 10% reduction**



## Fusion 25 Strategic Management Plan

### Executing Measures within Business Plans

The three themes of the growth strategy for achieving our environmental vision have been incorporated into the nine key themes of the Fusion 25 Strategic Management Plan. We will now implement 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**
- Challenge to Achieve Carbon Neutrality**
- Reduce emissions of energy-induced CO<sub>2</sub> and HFCs/PFCs in development and production processes
  - Global acceleration of conversion to inverter units to lead other companies with environmental products (energy-saving equipment)
  - Positioning Europe and North America as the priority regions to accelerate conversion of combustion heaters to heat pump space and water heaters
  - Various measures connecting to refrigerant-induced CO<sub>2</sub> emissions reductions to lead the environmentally conscious society and industry
  - Initiatives toward market expansion and CO<sub>2</sub> reduction contributions
  - Research on leading-edge technologies on CO<sub>2</sub> decomposition, recovery, and reuse specific measures to obtain those technologies

- Through solutions**
- Promotion of Solutions Business Connected with Customers**
- Solutions for service/inspections, value-added proposals during equipment operation, and retrofits/replacements to establish a business model that provides customers with experiences
  - Global business expansion by deploying energy-saving and environmental technologies Daikin has cultivated in the AC domain

- Through the power of air**
- Creating Value with Air**
- Market creation from opportunities presented by growing IAQ/Ventilation demand. Creation of new products and services to establish a large-scale IAQ/Ventilation business
  - Accumulating and analyzing air conditioning data and vital data to create value with IAQ/AE for people's physical and mental well-being

# Sustainability Targets and Results

We have established indicators and targets on the Company's key sustainability themes based on the results of our impact assessment in terms of Daikin and society and the Fusion 25 Strategic Management Plan.

		Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2021 Achievements	Explanation of Index
Value Provision Themes	E	<b>Environment</b> Introduce state-of-the-art technologies to the market in order to address environmental and energy issue	Reduce net greenhouse gas emissions throughout the entire lifecycle in an effort to achieve carbon neutrality by 2050	<ul style="list-style-type: none"> <li>Reduce net greenhouse gas emissions throughout the entire life cycle 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>1.2</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>10% reduction</b></li> <li><b>1.16 million tons-CO<sub>2</sub></b> (36% reduction compared to fiscal 2015)</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>
		<b>Value with Air</b> We will contribute to healthy and comfortable living using the power of air	Focus on businesses that help control air pollution and infectious diseases to provide a safe, reliable, healthy and comfortable air environment	<ul style="list-style-type: none"> <li>Net sales of IAQ/Ventilation business: <b>290</b> billion yen in fiscal 2023</li> </ul>	<ul style="list-style-type: none"> <li>Net sales of IAQ/Ventilation business</li> </ul>	<ul style="list-style-type: none"> <li><b>230 billion yen</b></li> </ul>	<ul style="list-style-type: none"> <li>We used net sales to measure the extent to which we provide a safe, reliable, healthy and comfortable air environment</li> </ul>
	S	<b>Customer Satisfaction</b> Provide peace of mind and reliability through a focus on customer orientation, experience, performance, and advanced technologies	Elevate customer value by connecting with customers and providing detailed proposals in response to the needs of each vertical market	<ul style="list-style-type: none"> <li>Net sales of the Air Conditioning Solutions business: <b>560</b> billion yen in fiscal 2023</li> <li>Establish service network covering all regions worldwide</li> </ul>	<ul style="list-style-type: none"> <li>Net sales of Air Conditioning Solutions business</li> <li>Customer satisfaction with after-sales services</li> </ul>	<ul style="list-style-type: none"> <li><b>500 billion yen</b></li> <li>Japan: <b>1.14</b></li> <li>China: <b>1.04</b></li> <li>India: <b>1.19</b></li> <li>France: <b>1.02</b></li> </ul>	<ul style="list-style-type: none"> <li>We used net sales to measure the extent to which we provide solutions tailored to needs</li> <li>We measured customer satisfaction (setting the base year as 1.00)</li> </ul>
		<b>Human Resources</b> Respect individual personalities and values, and maximize the potential of each employee so that they can benefit Daikin and society as a whole	Strengthen human resource capabilities by deepening diversity management	<ul style="list-style-type: none"> <li>Maintain and increase the development of global leaders</li> <li>Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions: <b>1</b> in <b>4</b> in fiscal 2025</li> </ul>	<ul style="list-style-type: none"> <li>Number of persons participating in executive management and leadership development programs</li> <li>Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions</li> </ul>	<ul style="list-style-type: none"> <li>Held in regions around the world including North America and Asia. There were <b>31</b> participants in the Group's next-generation leadership development program.</li> <li><b>1</b> in <b>6.8</b> employees</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>We measured the number of persons developed with advanced engineering skills and knowledge and who can lead manufacturing</li> </ul>
<b>Co-creation</b> We will combine people, knowledge, and information from around the world to create social value	Collaborate, partner, and combine efforts with other companies, universities, and research institutes to achieve manufacturing and also creating experiences of new value for society	<ul style="list-style-type: none"> <li>R&amp;D expenditure <b>226</b> billion yen from 2021 to 2023</li> <li>Promotion of industry-industry and industry-academia collaboration</li> </ul>	<ul style="list-style-type: none"> <li>R&amp;D expenditure</li> <li>Number of cases of industry-industry and industry-academia collaboration</li> </ul>	<ul style="list-style-type: none"> <li><b>81.5 billion yen</b></li> <li><b>7</b> industry-industry and <b>122</b> industry-academia cases (Daikin Industries, Ltd. only)</li> </ul>	<ul style="list-style-type: none"> <li>We measured the investment amount for value creation</li> <li>We measured the number of cases of industry-industry and industry-academia collaboration</li> </ul>		
Foundational Themes	S	<b>Respect for Human Rights</b>	Show respect for basic human rights in accordance with all international norms based on the laws and regulations of each country and region	<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>	Build a robust and resilient supply chain that minimizes risk	<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>72%</b></li> </ul>	<ul style="list-style-type: none"> <li>We measured the ratio of suppliers who satisfied Daikin's Class A in-house standards to total procurement value</li> </ul>
		<b>Stakeholder Engagement</b>	Respond appropriately to society's needs and expectations through two-way communication	<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 air conditioner forums held, number of outside participants</li> </ul>	<ul style="list-style-type: none"> <li>Held <b>eight times</b> around the world with a total of <b>127 people</b>, including university professors and specialists from <b>17 countries</b> taking part</li> </ul>	<ul style="list-style-type: none"> <li>We measured the number of dialogue sessions with experts around the world related to our core business of air conditioning</li> </ul>
		<b>Communities</b>	Create strong bonds with communities as a good corporate citizen	<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>1.4 billion yen</b></li> </ul>	<ul style="list-style-type: none"> <li>We calculated the monetary amount, through donations, goods, and other ways, that we provided to communities</li> </ul>
	G	<b>Corporate Governance</b>	Support the Group's sound development	<ul style="list-style-type: none"> <li>Accelerate decision-making and operational execution in response to management tasks and the changing management environment, and raise the level of management transparency and soundness to raise corporate value</li> </ul>	<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: <b>1</b> 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>1</b> female director, <b>1</b> foreign national director among the <b>11</b> directors (Daikin Industries, Ltd. only)</li> <li><b>1</b> (Daikin Industries, Ltd. only)</li> </ul>
<b>Risk Management</b>				<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 times</b> and <b>3 times</b>, respectively</li> </ul>	<ul style="list-style-type: none"> <li>We measured the number of meetings as a way to ensure thorough implementation of policies globally</li> </ul>
<b>Compliance</b>				<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>We measured the 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.



Feature

# Challenge to Achieve Carbon Neutrality

## Why is it important?

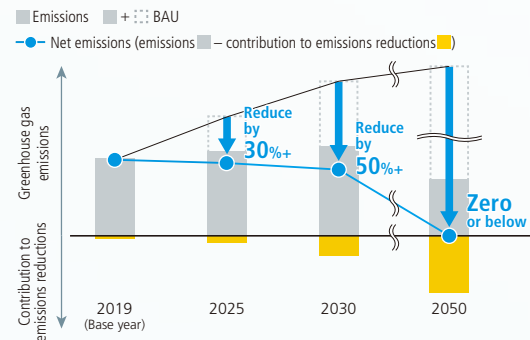
### Carbon Neutrality will Mitigate the Worldwide Impacts of Global Warming Amid the Sustained Growth in Demand for Air Conditioning

Air conditioners have become vital to people's lives around the world, and yet they emit large amounts of CO<sub>2</sub> through energy consumption during use and from the impacts of their refrigerants. As the only manufacturer in the world to produce both air conditioners and refrigerants, Daikin recognizes it has a major social responsibility to the natural environment.

Daikin formulated Environmental Vision 2050 in an effort to achieve net zero greenhouse gas (carbon neutrality) emissions by 2050. Under the Fusion 25 Strategic Management Plan, which targets fiscal 2025, Daikin has positioned "Challenge to achieve carbon neutrality" as one of its growth strategies. The target for this strategy aims to lower net greenhouse gas emissions by 30% or more in 2025 and by 50% or more in 2030 compared to BAU, with 2019 as the base year. Using innovative initiatives reflected in management strategy,

we will develop a roadmap to net zero greenhouse gases and aim to balance business growth with contributions to the environment (see pp.11–12).

#### Targets for Achieving Net Zero Greenhouse Gas Emissions



## Daikin's Approach

### Reducing Greenhouse Gas Emissions to Net Zero Across the Entire Value Chain

Daikin's plan calls for helping achieve a carbon neutral society including across its entire value chain, spanning from not only product development and production, but also during product use. Demand for air conditioning is expected to continue growing around the world in the future, which requires us to find ways to reduce electricity consumption during the use of air conditioners. In emerging countries, where air conditioners are still spreading and there are no appropriate energy efficiency standards in place, many air conditioners that consume large amounts of electricity during operation are sold, becoming a factor for energy issues. Daikin is working alongside governments, international

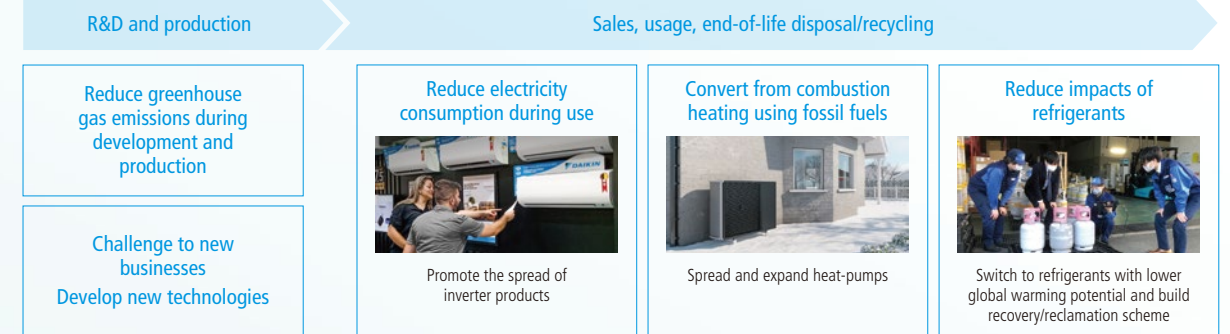
organizations, industry groups, and research institutes, among others, to create systems and frameworks based on the unique situation and issues of each country.

## Daikin's Performance

### Helping Mitigate Global Warming Under Strategic Management Plans

Under Fusion 25, we are focusing not only on reduction of CO<sub>2</sub> emissions during manufacturing, but also redoubling efforts for the spread of inverter air conditioners, heat-pump space and water heaters, and reducing the impacts of refrigerants. By the end of 2025, we intend to crystallize measures to achieve net zero greenhouse gas emissions.

## Daikin's Approach to Achieving Carbon Neutrality



### Reducing Greenhouse Gas Emissions During Development and Production

#### Minimizing CO<sub>2</sub> Emissions from Our Business Operations

Daikin has established a certification system for environmentally advanced factories based on its own standards in an effort to reduce environmental impacts from manufacturing in a coordinated effort with its production bases around the world. For example, we have established a system for visualizing electricity consumption using the IoT platform of plants. This has resulted in efficient improvements based on the quicker implementation of the cycle involving current situation understanding, data analysis, improvement, and confirmation of effects. As a result, despite the increase in production volume following the growth in demand for air conditioning, in fiscal 2021, we reduced greenhouse gas emissions during development and production by 36% compared to fiscal 2015.

### Reducing Electricity Consumption During Usage Using Energy Efficiency Technologies to Control CO<sub>2</sub> Emissions During Air Conditioning Usage

Air conditioners with inverters consume 50% less electricity than ones without inverters. For this reason, Daikin has for years focused on the spread of inverter air conditioners.

Inverter air conditioners represent an effective way of lowering energy consumption, particularly in emerging countries, where energy problems are becoming more serious as economies grow. Price, however, has posed a challenge to spreading these models in people's homes. Therefore, Daikin decided to partner with a major Chinese air conditioner manufacturer in 2008. Joint product development has enabled lower cost and higher production efficiency production of inverter air conditioners, helping to boost the share of inverter air conditioners sold in the marketplace.

In ASEAN, countries have introduced industry standards (CSPF\*) for evaluating energy efficiency performance following Daikin's grassroots advocacy

efforts. We will continue with these activities aimed at the introduction of a harmonized system covering the entire region.

In India, Daikin encouraged the introduction of evaluation standards and labeling system. In 2010, the share of inverter air conditioners in the marketplace was nearly zero, but in fiscal 2020, this share had risen to 55% and it is expected to grow to 80% in 2024.\*2

In Brazil, the government revised the country's energy efficiency standards for air conditioners in 2020. Daikin participated in this process by providing specialized information and technical support with the cooperation of the Japan International Cooperation Agency (JICA) and universities, among others. Daikin is contributing to building a foundation for consumers to select energy efficient air conditioners.

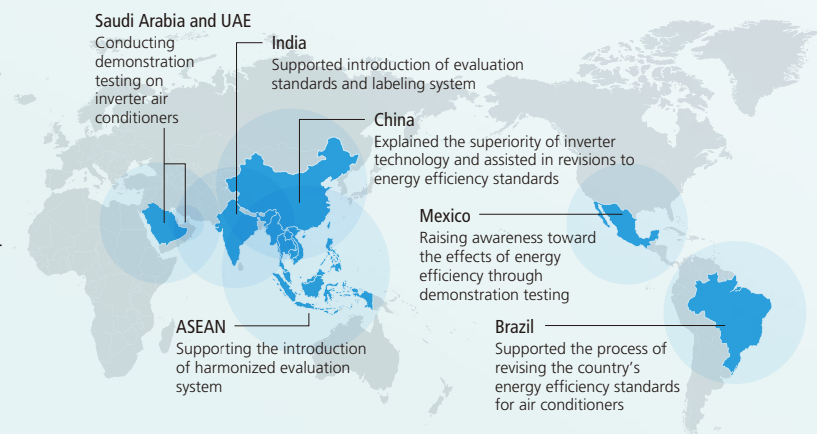
In Saudi Arabia and the UAE, we have conducted demonstration testing on inverter air conditioners. To expand our activities in the Middle East and to Africa, we held discussions with government officials on the need for policy for promoting the spread of energy efficient air conditioners.

Looking ahead, we will continue to propose inverter air conditioners with a focus on regions where market penetration is still low.

\*1 CSPF: Cooling Seasonal Performance Factor

\*2 Source: BSRIA World Air Conditioning Overview 2022

### Countries and Regions Where Daikin has Partnered with Others to Spread Energy Efficient Air Conditioners (Since 2010)





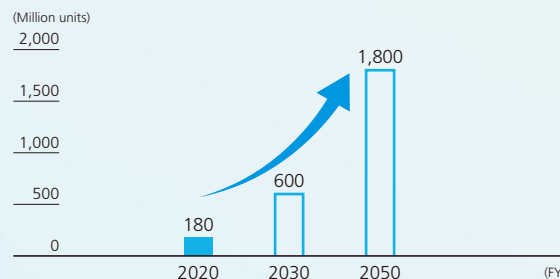
Transitioning Away from Combustion Heating Using Fossil Fuels

Supplying Heat-Pump Heating to Europe and the World

Daikin is working to spread heat-pump heating. Looking at the size of the worldwide space heating market by heat source, heat-pumps account for 0.8 trillion yen\*<sup>3</sup> compared to 3.3 trillion yen for combustion type heating which burns fossil fuels using gas boilers. This means that inexpensive and quicker to heat combustion type heating remains prevalent worldwide despite its larger CO<sub>2</sub> emissions.

However, in Europe, where heating is widely used, decarbonization is accelerating due to the European Green Deal Policies enacted in 2019. A number of subsidy programs and tax refunds have been announced, leading to the rapid growth of the heat-pump market there. Furthermore, according to the International Energy Agency (IEA),\*<sup>4</sup> the transition to heat-pumps will be key to social system transformation in terms of not only decarbonization but also securing stable sources of energy, because in recent years the prices of fossil fuels are soaring while supply has been constrained due to instability.

Forecast for the Spread of Heat-Pumps in Buildings based on the Net Zero Scenario for 2050



Source: Prepared by Daikin based on the IEA's Net Zero by 2050: A Roadmap for the Global Energy Sector.

Daikin launched *Daikin Altherma*, a heat-pump space and water heater, in Europe in 2006. Since then, we have steadily expanded the product lineup based on the climate and needs of every European country. For example, *Daikin Altherma 3H HT* launched in fiscal 2020 for cold regions can supply hot water without use of electric heaters even in outdoor temperatures as cold as negative 15 degrees Celsius. It is the only product in the industry that can replace combustion heating with heat pump without modifying an existing home. In fiscal 2021, we launched a smaller capacity model.

Sales of *Altherma* have grown 4.5 times since fiscal 2014 thanks to our fine-tuned services including installation and maintenance.

Daikin will continue with its proposal activities in regions around the world that still mainly use combustion heating. As part of this, Daikin is stepping up its efforts in North America where there is growing momentum for a shift in environmental policy.

\*<sup>3</sup> Calculated by Daikin based on data from BRG for North America, Europe, and China, and from FUJII KEIZAI CO., LTD. (2020) for Japan.

\*<sup>4</sup> IEA press release: A 10-Point Plan to Reduce the European Union's Reliance on Russian Natural Gas

Mitigating the Impacts of Refrigerants

Switching to Lower GWP Refrigerants and Building a Refrigerant Eco-Cycle

The CO<sub>2</sub> emissions from air conditioners are affected by not only electricity consumption but also the fluorocarbons used as refrigerants. Daikin has been working tirelessly to mitigate the impacts of these refrigerants.

One area of these efforts is switching to refrigerants with lower global warming potential. The selection of next-generation refrigerants requires a comprehensive evaluation of environmental impact, safety, and cost-effectiveness as well as finding the right refrigerant for each application based on model

of air conditioner, water heater, or refrigeration unit. Daikin has identified that R-32, which has approximately one-third the global warming potential of conventional refrigerants, is the right choice for both residential and commercial air conditioners today based on independent evaluations and reviews taking into account international discussions. For this reason, we have been promoting the spread of R-32 around the world.

Transitioning to new refrigerants from conventional ones requires the understanding from the market and technologies. This is why Daikin has performed demonstration testing on R-32 air conditioners and provided technical guidance for the proper handling of R-32 in emerging countries such as India, Thailand, and Malaysia. We have also helped improve the market environment around the world by raising awareness and fostering technicians in the field. Moreover, in 2011, we began offering free access to multiple patents related to the manufacture and sales of air conditioners using R-32, and in July 2021, we added an additional 123 patents to this list. The ability for manufacturers around the world to manufacture R-32 air conditioners will help to curb global warming going forward.

As of June 2021, when including other manufacturers, more than 160 million R-32 air conditioners have been sold and the contribution to CO<sub>2</sub> emissions reductions is estimated to be 260 million tons-CO<sub>2</sub>. We will continue working to spread R-32 while also developing new refrigerants with lower global warming potential. In July 2021, we made an equity investment in OCSiAl of Luxembourg to speed up the development of energy efficient refrigerants used in electric vehicles.

Another initiative is the development of an appropriate recovery and reclamation system for used refrigerants. At the time of air conditioner and heat pump disposal, most refrigerants are destroyed to prevent their release into the air. Establishment of a circular economy requires the further utilization of recovered and reclaimed refrigerants. In fiscal 2019, Daikin began selling air conditioners in Europe that use reclaimed refrigerants, with sales exceeding 40,000 units as of March 2022. We are now actively working to establish and utilize a refrigerant reclamation scheme together with Group companies as well as refrigerant recovery providers and construction companies, in order to help build a recovery and reclamation cycle for refrigerants.

Daikin is attempting to develop this system worldwide. For example, in Japan, we established an implementation structure involving both the air conditioning divisions and the chemicals divisions which manage refrigerants. Going forward, we will work alongside governments and other companies to commercialize the recovery and reclamation of refrigerants that have undergone destruction in an effort to boost the recovery rate of refrigerants which remains at low levels.

Cumulative Total of R-32 Air Conditioners Sold by Daikin (As of June 2021)

Over 35 million air conditioners sold in more than 120 countries worldwide (Approx. 13.5 million in Japan and 19.5 million overseas)



Next Challenge

Growing Company Leading Environmental Initiatives

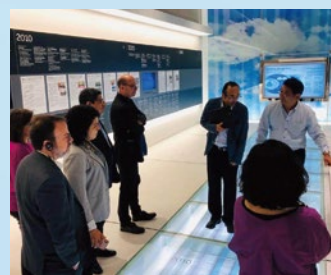
Focused on the reduction of CO<sub>2</sub> emissions worldwide, Daikin is tackling the challenges of new business and new technology creation from a long-term view while also increasing the contributions from its existing businesses.

One example is our involvement in Singapore's smart city project of 2020. The project is looking to build a district-level centralized cooling system that is optimized to control every neighborhood in the city state. Daikin is also promoting the energy creation business with micro-hydroelectricity, with the goal of making the many untapped hydroelectric resources around the world a baseload power source. Furthermore, we are working on co-creation with Doshisha University to explore CO<sub>2</sub> ambient temperature decomposition, direct recovery, and reuse technologies that directly reduces CO<sub>2</sub>.

Controlling the emissions of CO<sub>2</sub> and fluorocarbons deeply correlated with climate change is a mainstay theme of Daikin's core business. Carbon neutrality both poses a risk and represents an opportunity for Daikin. We will contribute to solutions to environmental and energy issues by connecting innovative technologies to markets while we grow as a company.

Working with Stakeholders to Promote the Spread of Environmental Technologies

Spreading environmental technologies such as inverters, heat-pumps and refrigerants with a lower global warming potential requires market creation by marketing the actual environmental impact performance and the fostering of correct understanding in society. The establishment of rules for properly evaluating and utilizing these new technologies is vital. However, there is only so much a single company can accomplish in this regard. Daikin has participated in the creation of systems and programs around the world through collaboration and partnerships with governments, international organizations, industry groups, research institutes, and NGOs/NPOs. We will continue working with industry, government, and academia to hold discussions on market creation and rulemaking for a carbon neutral era.



Brazilian government delegation visiting a research center

Expectations of Daikin's Ability to Resolve Climate Change Issues

Yukari Takamura  
Professor  
The University of Tokyo Institute for Future Initiatives



Daikin's businesses and technologies are garnering attention worldwide as potential solutions to the challenge of carbon neutrality. I expect that Daikin will grow its businesses linked to such solutions to climate change issues. Particularly, I would like to see Daikin play an even larger role in Asia which accounts for a large share of the world's CO<sub>2</sub> emissions.





Feature 2

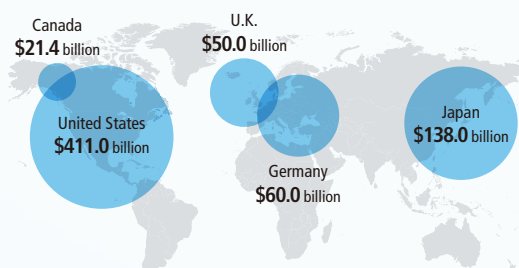
# Creating an Environment Conducive to Napping for Greater Vitality

## Why is it important?

### To Encourage Napping that Benefits the Social Economy and Health

Lowered productivity due to lack of sleep has led to economic losses in the trillions of yen per year in five major countries. While sleepiness during the day can occur even with adequate sleep the night before, napping represents a potential way to counteract this. Napping is being studied for its effect on improving concentration and reducing the risk of cardiovascular diseases, but the key is improving the quality of sleep. Daikin believes it can contribute to addressing economic and health issues of today by developing many areas conducive to effective napping at any time.

### Economic Losses in Each Country due to Lowered Productivity from Insufficient Sleep



Note: Compiled by Daikin based on data from RAND Corporation *Why Sleep Matters: Quantifying the Economic Costs of Insufficient Sleep*

## Daikin's Approach

### Collaborative Industry-Academia Research on the Optimal Thermal Environment for Napping

Comfortable air conditioning improves bodily comfort and enhances quality of sleep. Based on the knowledge developed through the Good Sleep mode of residential air conditioners, Daikin has focused its attention on effective short-duration sleep that leads to increase productivity. Since January 2020, we have been conducting research on optimal thermal control for daytime napping in collaboration with a lab at the University of Electro-Communications. We believe that it is essential and meaningful to modern society to offer an alternative to those who have difficulty getting a good sleep at night.

Quality sleep requires three elements: falling asleep quickly, stable sleep at a moderate depth, and conditions to prevent drowsiness pre-waking. Given that a short nap of 30 minutes or less is recommended to prevent reduced productivity during daytime sleepiness, the study set out to identify the thermal environment that optimizes each of the three stages of pre-sleep, being asleep, and waking within the 30-minute period. Brain waves of test subjects napping in the test booth were measured. The air conditioning inside the booth was controlled according to the sleep state, then the acquired data was analyzed.

## Daikin's Performance

### Demonstration with Interactive System Launched for Future Commercialization

In January 2022, we published the results of testing conducted over two years. In a Japanese regular office space with 40 to 60% humidity, sleep latency can be shortened by making the room temperature 27 degrees Celsius. Once asleep, non-REM sleep suitable for naps can be achieved in 10 minutes by lowering the room temperature to 26 degrees Celsius. Moreover, sleep depth will become shallower by making the room temperature 27 degrees Celsius or higher three minutes prior to waking, which will lead to more refreshing wake-up. This thermal control allows sleepiness to be resolved with 30 minutes of sleep and achieves the effect of improved brain processing speed and memory after waking. Looking ahead to the commercialization of these results, Daikin and the University of Electro-Communications have begun a demonstration test in an office environment.

This testing involves a booth set up with an interactive napping system at point O marunouchi, a membership-based co-working space that Daikin is a part of. In the testing, vital sensors are used to obtain the sleep log of users, while a post-nap survey is also conducted to receive feedback on the napping space. In conjunction with demonstration testing, Daikin is also developing an algorithm to be used in future products to enable comfortable and effective napping.

\* One of the projects under Daikin's collaborative platform CRESNECT under which it works with a number of partner companies. It serves as a space for demonstration testing geared toward the development of future offices. The purpose of the space is for users to experience spatial concepts Daikin has created in collaboration with each partner company in order to develop new products and services.

## Next Challenge

### Bringing Nap Spaces to Various Locations to Boost Human Performance

Napping is an effective way to reduce sleepiness. It has proven indispensable to those in the professions of healthcare, long-distance driving, and so on. With a growing recognition of napping as a factor linked to working with greater energy, there is an increased number of offices that encourage napping. Daikin is committed to supporting the improvement of workers' performance through the power of air by expanding our products and services which will enhance the quality of sleep such as maximizing the effect of napping spaces.

In the future, we will continue to pursue the potential of air and space and strive to create new value through our technology and collaboration with partners.

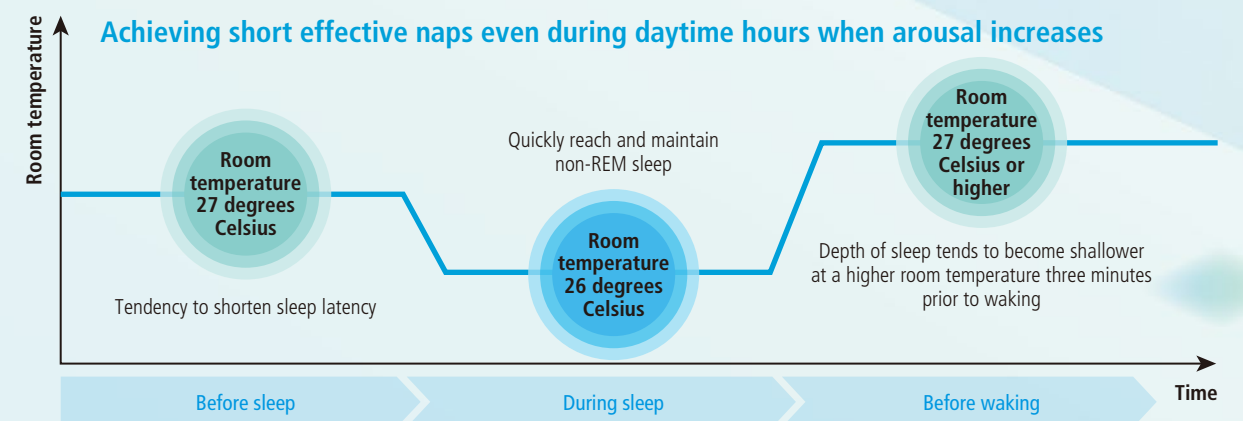
### Commercialization of Technology and Knowledge Through Collaboration with Daikin

**Keiki Takadama**  
Professor, Department of Informatics, Cluster I (Informatics and Computer Engineering)  
The University of Electro-Communications Graduate School of Informatics and Engineering



This research seeks to answer the question that everyone wants to know: what kind of nap increases productivity? Deep sleep can help eliminate tiredness but makes one sleepier. On the other hand, light sleep doesn't make one sleepy but does not eliminate tiredness. The research is motivated by the desire to address this question of trade-off. We are able to expand the possibility of applications of the technology and knowledge past the confines of the university through working collaboratively with businesses. Our goal is to commercialize the idea to bring useful products to the public.

## Thermal Control for Effective Napping







Feature 3

# Establishing a More Flexible and Resilient Supply Chain

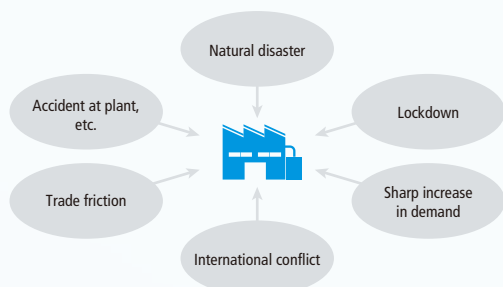
## Why is it important?

### A Manufacturer's Responsibility is to Supply Its Products Whenever Needed

Daikin believes it is important to deliver products to customers without delay no matter the circumstances. Our core products of air conditioners often require urgency and experience sharp fluctuations in demand caused by weather, as purchases are often made to counter a heat wave. This requires that our customers have access to a stable supply of air conditioners.

Stable production at our plants, flexible production adjustments, and sourcing raw materials and supplies are vital to this process. There is no way of knowing when a contingency may occur that threatens stable supply, such as natural disasters, accidents, pandemics, or economic disruptions caused by trade friction. With rising risk of supply interruptions caused by a combination of factors, we need to establish a resilient supply chain that can sustain production while avoiding these many risks.

### Examples of Risk Factors Standing in the Way of Stable Supply



## Daikin's Approach

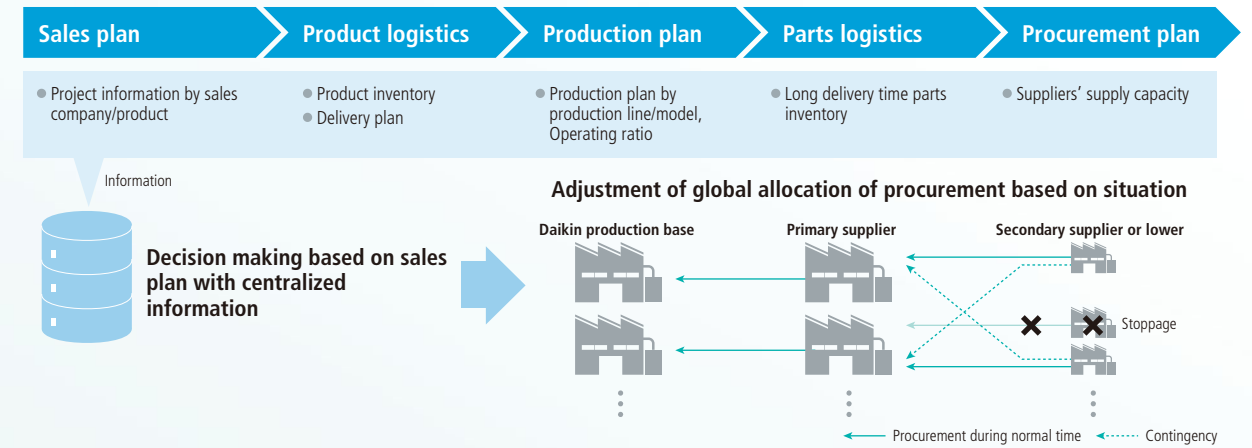
### Establishing Systems to Instantly Cope with Demand Fluctuations Worldwide

To lower the risk of supply interruptions, Daikin has looked to market-localized manufacturing where we produce products in areas where they are in demand. Once a heat wave strikes, demand for air conditioning jumps as a lifeline for people without it. To ensure we can immediately address such sharp fluctuations, we have established a variable model variable volume production system at all of our production bases enabling us to constantly adjust the models being produced and production volume on a daily and weekly basis. For procurement as well, we have established a management approach that combines concentrated purchasing by our procurement divisions in Japan with local production for local consumption where production bases carry out procurement within their own respective areas.

Even with this flexible system in place, however, Daikin had to exert a great deal of effort to avoid the impacts from the Great East Japan Earthquake and the historic flooding that occurred in Thailand. For this reason, Daikin is taking unique steps to reinforce its Business Continuity Plan (BCP) aiming for a truly resilient supply chain.

The secret behind this is close collaboration among Group companies, divisions, and suppliers based on the shared mission to keep production going. For example, in the aftermath of the Great East Japan Earthquake, the development divisions updated product specifications so that substitute components could be used. Based on this experience, we have incorporated a system into our BCP that enables us to swiftly respond to the development of substitute components and products during a contingency.

## Optimized Supply Chain Management using Digital Technology



## Daikin's Performance

### Global Collaboration Shines during the COVID-19 Pandemic's Procurement Crisis

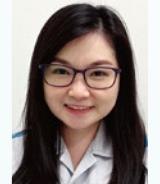
In 2021, there was a worldwide shortage of semiconductors and other electronic components due to lockdowns, travel restrictions, and robust stay-home demand during the COVID-19 pandemic. Many manufacturers were forced to reduce production or suspend operations. Despite this, Daikin was able to maintain a stable supply of its products around the world.

We were able to adjust supply globally despite the pandemic because of the collaboration within the Group on a regular basis. Persons in Japan responsible for procurement, production, development, and finance held weekly meetings with the heads of the production divisions at overseas production bases. At these meetings, constantly changing information on risk was shared among each region, and after countermeasures were determined, approval was given on the spot to either develop substitutes for components in short supply or determine how to best to address delayed responses with the resources on hand. Action was then taken and the process carried out over again. Global procurement management functioned as a basis for this quick and timely decision making. Daikin ascertains and centrally manages information on supply in the supply chain and inventory at secondary suppliers and others. Therefore, we were able to secure the necessary components and correctly allocate them around the world, and swiftly determine the need for development of substitute components.

In this manner, we were able to supply products to customers in a stable manner despite a challenging situation.

### Reaffirmed the Group's Solidarity During Contingencies

**Chutharat Achima**  
Supervisor, Procurement Department,  
Daikin Industries (Thailand) Ltd.



The tight supply-demand conditions of electronic components turned everything upside down. In response, we sharply increased discussions with other production bases and suppliers, and today the Global Procurement Division members in Japan have become like close friends after working so much together. We were able to supply products to customers without delay thanks to cooperation with members from development, manufacturing, production engineering, and planning as well as IT divisions that developed a highly accurate inventory simulation system for this occasion.

## Next Challenge

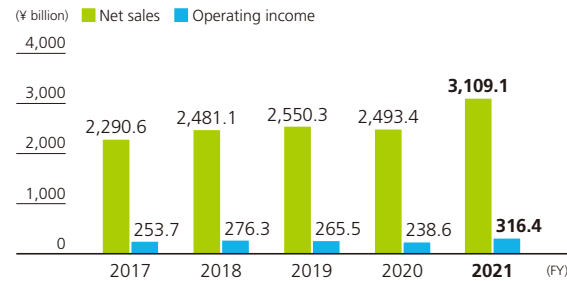
### Honing Our Strengths with Digital Technology

Amid rising uncertainty, such as global supply chain disruptions caused by natural disasters or trade frictions and decoupling on a worldwide scale, Daikin has positioned "Establishing a resilient supply chain" as a key theme of the Fusion 25 Strategic Management Plan. To ensure we continue to provide stable supplies to markets in the future, we will achieve optimal supply chain management Groupwide by centralizing supply chain information using digital technology and having regions take the lead in procurement to conduct local production for local consumption.

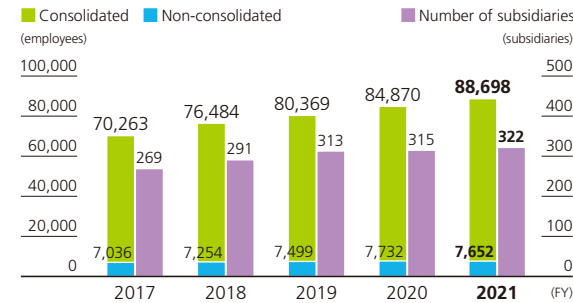


## Corporate Data

### Net Sales/Operating Income (Consolidated)

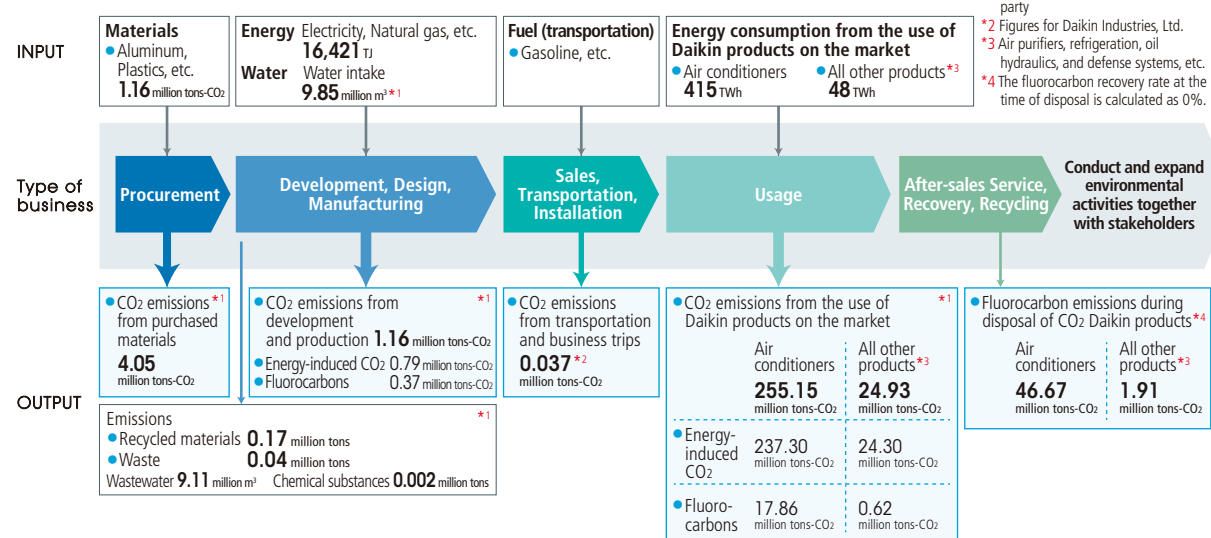


### Number of Employees (Workforce)/Subsidiaries

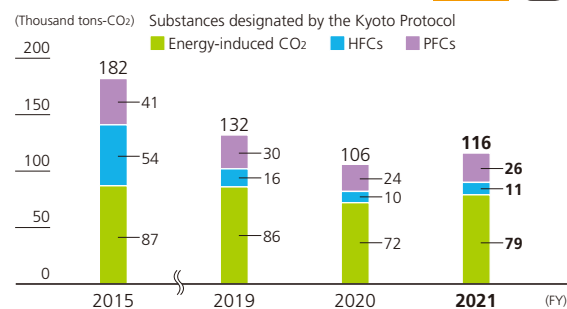


## Environment

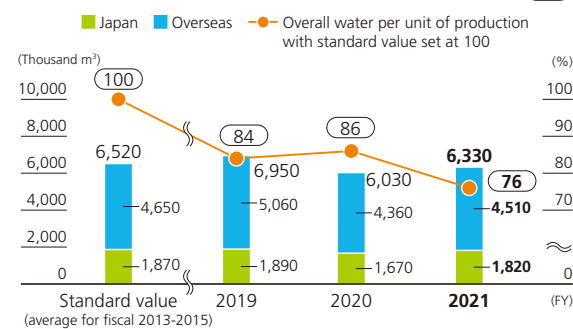
### Overview of Environmental Impact of Business Activities



### Greenhouse Gas Emissions (Development and Production)



### Water Intake/ per Unit of Production



### Environmentally Conscious Products\* as Percentage of Sales Volume (Residential Air Conditioners)

	2018	2019	2020	2021
Environmentally Conscious Products	93	97	98	99
Super Green Products	51	60	69	71
Green Products	42	36	29	28
Other products	7	3	2	1

\* Environmentally conscious products: Name for Super Green Products and Green Products. Products that satisfy all of the conditions below are Super Green Products. Products that satisfy at least one of the conditions are Green Products.

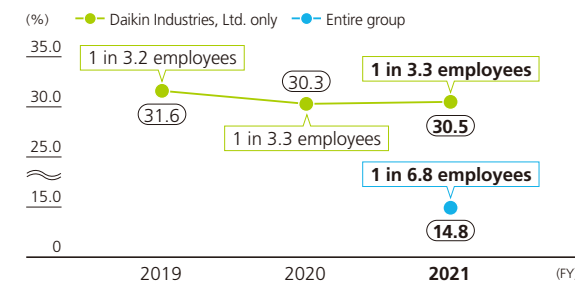
- Consume at least 30% less electricity than conventional products  
Example: Air conditioners equipped with inverters.
- Use refrigerants with at least two-thirds less global warming potential than conventional refrigerants.  
Example: Air conditioners using R-32, a refrigerant with low global warming potential

### Materials Used (Thousand tons)

	2019	2020	2021
Iron	579	528	595
Copper	94	86	84
Aluminium	85	83	73
Other metals	13	4	5
Plastics	105	101	112
Chemicals (PRTR-designated)	292	259	295
Total	1,167	1,061	1,164

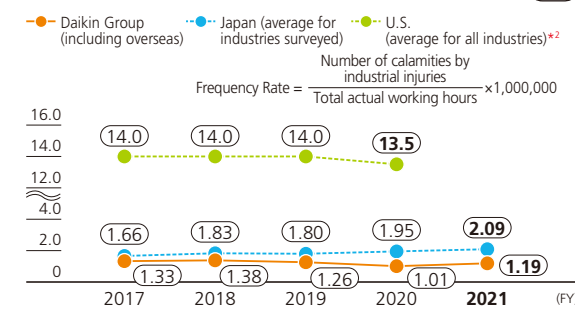
## Human Resources

### The Ratio of Excellent or Advanced Skilled Engineers\* in Manufacturing



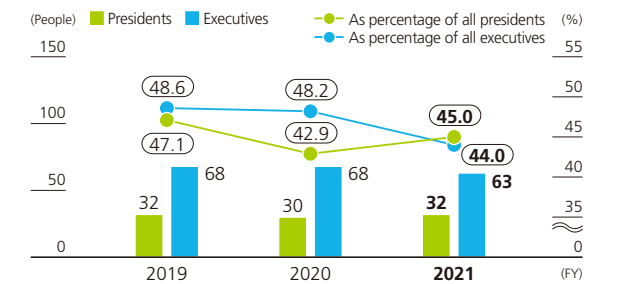
\* High-skilled engineers with knowledge and leadership.

### Frequency Rate of Lost Work Time Accidents\*1



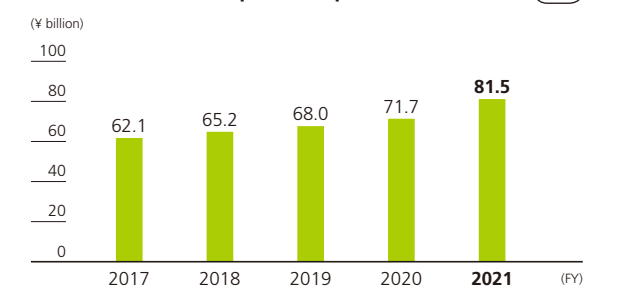
\*1 This shows the frequency of occupational accidents resulting in lost work time, expressed in number of casualties for every 1,000,000 working hours.  
 \*2 Calculated based on information from U.S. Bureau of Labor Statistics (November 2021). No data was released for the U.S. in fiscal 2021. (As of the end of JUN 2022)

### Number and Percentage of Overseas Bases Where Local Nationals Are President or Executives



## Co-creation

### Research and Development Expenses



## Supply Chain Management

### CSR Procurement Implementation Rate\*(%)

	2020	2021
Japan	65	66
Overseas	65	73
Entire Group	65	72

\* Ratio of procurement value from suppliers who satisfied Daikin's standards to total procurement value.

## Communities

### Expenditure for Social Contribution Activities (million yen)

	2019	2020	2021
Expenditure for Social Contribution Activities	1,477	1,292	1,388

## Honors for Daikin

### Overall CSR

#### Daikin Industries, Ltd.

- Chosen for inclusion in the MSCI ESG Leaders Indexes
- Chosen for inclusion in the MSCI Japan ESG Select Leaders Index
- Chosen for inclusion in the MSCI Japan Empowering Women Index (WIN)
- Chosen for inclusion in the FTSE Blossom Japan Sector Relative Index



### Honors for Customer Satisfaction

#### Daikin Industries, Ltd.

- Received the fiscal 2021 Good Design Award for a total of four products including MCK70Y humidifier streamer air purifier



### Environmental Honors

#### Daikin Industries, Ltd.

- Chosen for the CDP "Climate Change A List" (highest evaluation) as a worldwide leader in climate change countermeasures
- Received the Minister of Economy, Trade and Industry Award for "machi Multi" multi-split type air conditioners for commercial buildings and received recognition in a total of four categories at the fiscal 2021 Energy Conservation Grand Prize



### Human Resource Honors

#### Daikin Industries, Ltd.

- Awarded the NIKKEI Smart Work Awards 2022 in the 5th NIKKEI Smart Work survey conducted by Nikkei Inc., which assesses companies based on the adoption of diverse, flexible work practices, and received the highest 5-star rating



## Online Content

Additional information can be found on our corporate website (<https://www.daikin.com/csr>). The website will be updated with information for fiscal 2021 in October 2022.

<b>Message from the President</b>	
<b>Management Strategy and Sustainability</b>	
• Overview of Sustainability	• Long-Term Outlook Policy (Environmental Vision 2050)
• Relationship between Sustainability and Management Strategy	• Information Disclosure based on the TCFD Framework
• Social Issues and Business Characteristics	• Participation in the Global Compact
• Daikin's Aims for Value Creation	• Daikin's Priority SDGs
<b>CSR Management</b>	
• CSR Philosophy	• CSR Management Structure
- Group Conduct Guidelines	• Sustainability Targets and Results
• Process for Identifying Key Sustainability Themes	
<b>Value Provision Themes</b>	
<b>Environment</b>	
• Basic Environmental Policy	- Providing Solutions
• Overview of Environmental Impact	- Recovery, Recycle and Destruction of Fluorocarbons, etc.
• Environmental Management	• Effective Use of Resources
• Response to Climate Change	- Resource Recycling
- Developing and Promoting Products and Services That Reduce Environmental Impact	- Water Resource Reduction, etc.
- Increasing Air Conditioner Efficiency	• Management and Reduction of Chemical Substances
- Low Environmental Impact Refrigerants	• Protecting Biodiversity
- Promoting the Use of Inverter Products	• History of Environmental Activities
- Promoting the Use of Heat-Pump Type Space and Hot Water Heaters	• Endorsement as an Eco First Company
<b>Value of Air</b>	
• Value of Air	
<b>Customer Satisfaction</b>	
• Customer Satisfaction	• Product Quality and Safety
• Protecting Customer Information	
<b>Human Resources</b>	
• Fostering Human Resources	• Work-Life Balance
• Workplace Diversity	• Employee Evaluation and Treatment
• Occupational Safety and Health	• Labor Management Relations
<b>Co-Creation</b>	
• Collaborative Innovation Led by Industry-Government-Academia Partnerships	• Start-Up Arises from Collaborative Innovation
• Collaborative Innovation Led by Industry-Industry Partnerships	

<b>Foundational Themes</b>	
<b>Corporate Governance</b>	
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• Risk Management	• Information Security
• Compliance	• Respect for Intellectual Property Rights
• Free Competition and Fair Business Dealings	• Tax Compliance
<b>Respect for Human Rights</b>	
• Respect for Human Rights	
<b>Supply Chain Management</b>	
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• Supply Chain CSR Promotion Guidelines	• Green Procurement Guidelines
<b>Stakeholder Engagement</b>	
• Stakeholder Engagement	• Dialogue with Government and Industry Groups
• Dialogue with Shareholders and Investors	
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• Protecting the Environment	• Harmony with Communities—Contributing to Promotion of Sports
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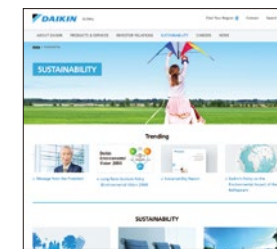
### Editorial Policy of the Report

Daikin has identified key sustainability themes, among them response to climate change, after analyzing risks and opportunities based on the business characteristics of its operations, impacts of its business activities and market forecasts. We have also reviewed our indicators and targets on sustainability based on the Fusion 25 Strategic Management Plan formulated in 2021.

This report contains Daikin's basic approach to sustainable growth, fiscal 2021 achievements, and future plans following the five Value Provision themes (environment, value of air, customer satisfaction, human resources, and co-creation) and the five Foundational themes (corporate governance, respect for human rights, supply chain management, stakeholder engagement, and local communities). It was designed to convey this information to stakeholders in an easy-to-understand manner.

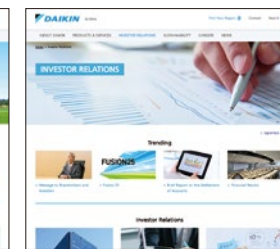
Additionally, our corporate website provides more detailed ESG information (see page 25 of Online Content).

#### Sustainability section of Daikin's corporate website



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

#### Investor Relations Website



<https://www.daikin.com/investor/>

Please refer to the above website for the latest financial information and other IR information.

### Referenced Standards and Guidelines

- GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI).
- Task Force on Climate-related Financial Disclosures (TCFD)
- ISO 26000 Guidance on social responsibility
- Environmental Reporting Guidelines of Japan's Ministry of the Environment

### Third-Party Verification

To ensure reliability of the content of this report, the Daikin Group had a third-party verification conducted for data on greenhouse gas emissions, water use, wastewater, waste emissions, and chemical substances emissions. (See Daikin's corporate website)

### Daikin Organizations Covered

This report covers Daikin Industries, Ltd. and its consolidated subsidiaries. Environmental performance data, however, covers four production bases of Daikin Industries, Ltd., eight production subsidiaries in Japan, and 58 production subsidiaries overseas.

Daikin as used in this report refers to the Daikin Group, and Daikin Industries and the Company refer to Daikin Industries, Ltd.

### Term Covered

This report covers fiscal 2021 (April 1, 2021, to March 31, 2022).

### Publication Date

September 2022 (English edition)

The next publication (Japanese) is planned for July 2023. The next English edition is scheduled for publication in September 2023.

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### Note

In reporting on fiscal 2021 CSR activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual results and information reported for previous years. Also, because figures are rounded off, totals may not equal the sum of individual figures.

### Forecasts, Expectations, and Plans

This report includes forecasts, expectations, and plans, in addition to past and present facts, about Daikin Group. Please be aware that these are assumptions and judgments made based on the information available at the time this report was written and thus incorporate a degree of uncertainty. Consequently, there is a possibility that events occurring in the future may turn out differently from the forecasts, expectations, and plans stated in this report.



# **DAIKIN INDUSTRIES, LTD.**

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You can also view this report on our website.

**URL** <https://www.daikin.com/csr/>

Published September 2022

**WE SUPPORT**



### **UN Global Compact**

Since 2008 Daikin has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, the environment and anti-corruption.



### **Eco First**

For its range of environmentally advanced efforts, Daikin Industries, Ltd. has been certified as an Eco-First Company by Minister of the Environment of Japan.

**In all of us,  
a green heart**



### **The Daikin Group Environmental Symbol**

The symbol of the Earth in the shape of a green heart represents a determination on the part of each and every employee of Daikin to think green (think of the Earth and take care of the environment).