



Integrated Report 2024

Fiscal Year Ended March 31, 2024

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

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

* Daikin estimates based on The future of cooling, International Energy Agency, 2018.

A Spirit Passed Down from One Generation to the Next

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

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

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

Our Core Values

Absolute
Credibility

Enterprising
Management

Harmonious
Personal
Relations

Our Group Philosophy

Purpose

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

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

Together, We Brighten the Future

1. Resolve Social Issues and Enhance Corporate Value

2. Create New Value by Anticipating Future Needs

3. Realize a Better Society through Innovative Technologies

4. Take Action to Maintain Society's Trust

(1) Be Transparent to Society and Build Mutual Development

(2) Grow with our Business Partners

5. Think Globally and Be Flexible and Vibrant

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

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

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

(3) Promote and Respect Diversity Management



Please refer to Our Group Philosophy for details.

In Pursuit of Further Growth

In 2024, Daikin celebrated its 100th anniversary.

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

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

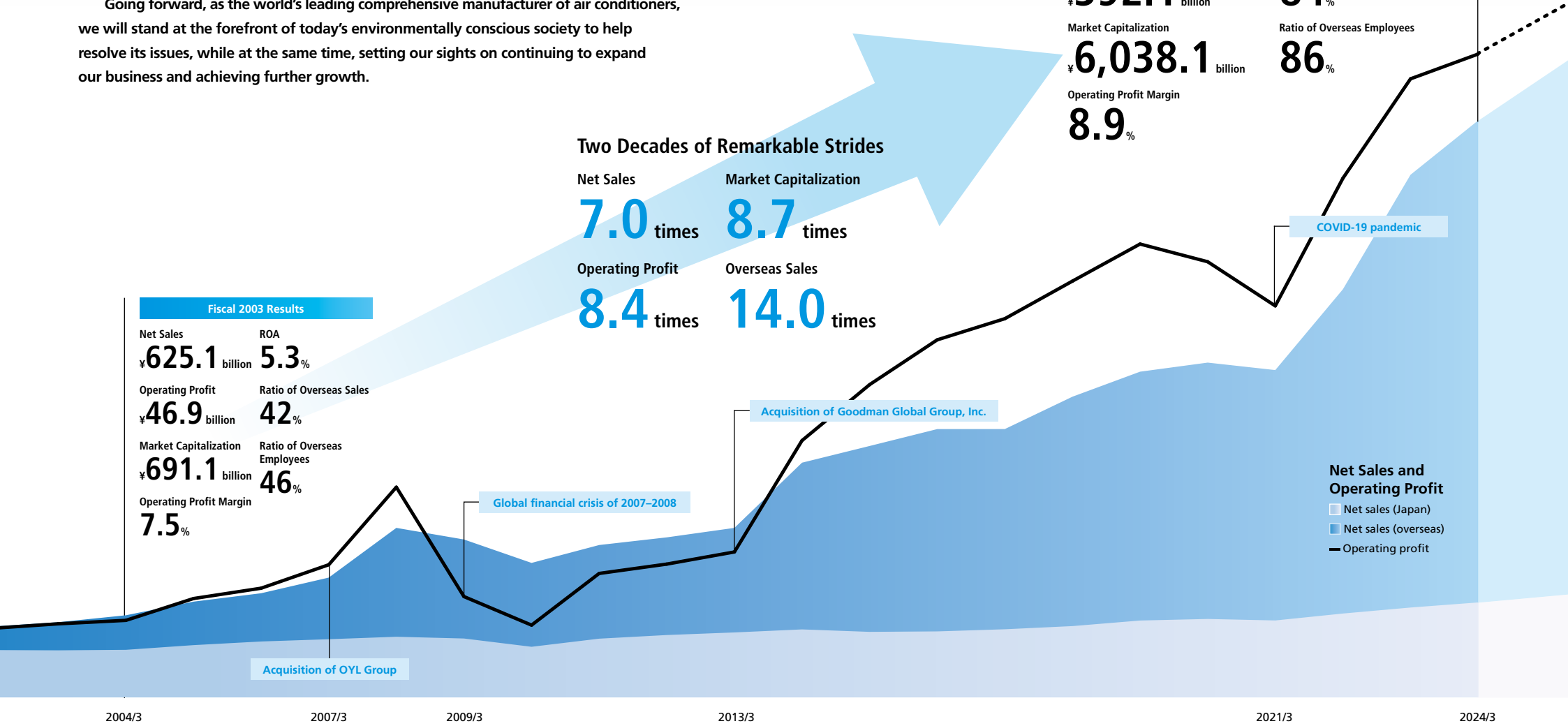
Fiscal 2023 Results	
Net Sales	ROA
¥ 4,395.3 billion	5.7 %
Operating Profit	Ratio of Overseas Sales
¥ 392.1 billion	84 %
Market Capitalization	Ratio of Overseas Employees
¥ 6,038.1 billion	86 %
Operating Profit Margin	
8.9 %	

Two Decades of Remarkable Strides

Net Sales	Market Capitalization
7.0 times	8.7 times
Operating Profit	Overseas Sales
8.4 times	14.0 times

Fiscal 2003 Results

Net Sales	ROA
¥ 625.1 billion	5.3 %
Operating Profit	Ratio of Overseas Sales
¥ 46.9 billion	42 %
Market Capitalization	Ratio of Overseas Employees
¥ 691.1 billion	46 %
Operating Profit Margin	
7.5 %	



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Editorial Policy

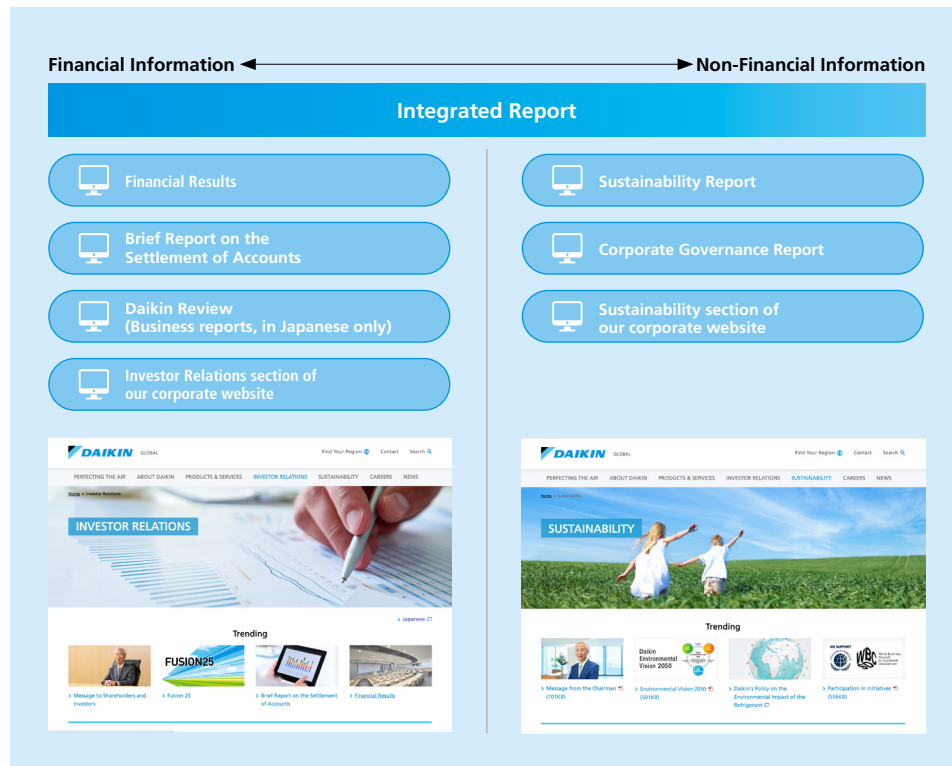
Integrated Report 2024 was created to provide stakeholders with a comprehensive view of Daikin's business, including its strengths, business model, unique corporate culture, and strategies for medium- to long-term growth and development.

To complement this report, we have also published *Sustainability Report 2024*, which discloses more detailed and comprehensive environmental, social, and governance (ESG) information to shareholders, investors, and evaluation organizations.

Referenced Guidelines:

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

Daikin's Information Disclosure



Scope of Coverage

This report covers Daikin Industries, Ltd. and its 349 consolidated subsidiaries (350 companies in total). However, the data relating to the environmental management system covers four Daikin Industries production sites, eight domestic production subsidiaries, and 58 overseas production subsidiaries and accounts for more than 95% of our production sites.

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

Period of Coverage

This report covers the period from April 1, 2023 to March 31, 2024 (fiscal 2023).

Forward-Looking Statements

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

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Message from the Chairman of the Board and CEO



In 2024, Daikin celebrated the 100th anniversary of its founding with a record performance.

Under Daikin's new management system, the Company will boldly tackle new themes to support its next 100 years of growth and development, by passing down its unique strengths and taking on successive challenges.

Masanori Togawa
Chairman of the Board and CEO

Achieving a Record Performance through an Emphasis on Execution

Business management is an unceasing activity that entails the continuous generation of results.

We must have a firm understanding of the changing times and determine and execute the measures necessary to continuously produce results. I constantly tell my employees that a "second-rate strategy with first-rate execution" takes priority over a "first-rate strategy with second-rate execution" so that they understand the importance of being fully committed to execution, because a first-rate strategy is meaningless unless it is executed and produces results.

What makes our first-rate execution possible is the Group's fast and flat organizational culture, which has been cultivated over many years. We have always taken an organizational management approach that reduces any gaps between management and frontline employees and creates a sense of unity across the organization. Whenever employees on the front lines observe signs of change, this information is immediately passed on to management, which takes timely decisions. At the same time, issues that management identifies are promptly shared with the entire organization, allowing us to execute our strategy faster and making our front lines more responsive.

We prioritize results and fully execute our strategies to achieve them. This commitment forms the basis of the FUSION 25 Latter-Half Three-Year Plan, which was announced in May 2023. The quantitative targets of this plan include net sales of ¥4,550.0 billion, operating profit of ¥500.0 billion, and operating profit margin of 11%, to be achieved by

the end of fiscal 2025. To reach these targets, we are implementing key strategy themes based on our three growth strategy themes of "Challenge to achieve carbon neutrality," "Promotion of Solutions Business connected with customers," and "Creating value with air." While responding to changes in our business environment, we will work to secure short-term profits and reinforce our management foundation by tackling themes that enhance profitability with an eye to medium- to long-term growth.

In fiscal 2023, we faced a challenging business environment, in which demand fell below expectations in many countries, regions, and businesses. In particular, there was sluggish demand for heat pump space and water heating in Europe and for ducted unitary for houses in the United States. In addition to addressing the changes in our business environment promptly and flexibly, the Group has been promoting priority measures thoroughly, such as proposing better solutions for carbon-neutral and energy-efficient products and services, implementing strategic selling price measures, and promoting comprehensive cost-reduction measures. We are also investing aggressively in medium- to long-term growth, such as strengthening production systems and enhancing R&D functions, to capture the growing demand for air-conditioning in India and other developing countries. Despite the challenging business environment, our efforts to thoroughly implement these measures led to a record performance in our 100th year in business.

Message from the Chairman of the Board and CEO

Strengthening Sales Capabilities for Heat Pump Space and Water Heating in Europe

Fiscal 2023 was a year in which several business issues were brought to light, as we were hit hard by the effects of the slowdown in demand for heat pump space and water heating in Europe. This slowdown in demand was more significant than expected due to a reduction in government subsidies for converting from combustion to heat pump heaters and the decline in gas prices. However, European countries remain committed to their policy of eliminating combustion and water heating by 2030, so we still expect significant growth in demand for heat pump space and water heating over the medium to long term. That said, we do not expect a full-fledged recovery in demand for another two to three years.

An issue that has come to light in this challenging business environment is the need to strengthen our sales capabilities. One of our strengths in the European market is the stability of our sales

network, which is centered on air-conditioning dealers. However, to expand sales of heat pump space and water heaters in this market, we must develop heating equipment dealers and establish a system that allows air-conditioning dealers to also handle heating equipment. Our heat pump space and water heaters are currently sold by dealers who operate through wholesalers that handle a wide range of products. Therefore, it is important that dealers recognize the advantages of selling Daikin's products. To ensure this awareness, we conduct sales support programs and other initiatives to develop dealers.

Meanwhile, we must continue to improve our development of skilled installers, as there is a shortage of installers who can handle heat pump space and water heaters. By training installers who have previously handled combustion heaters to manage heat pump space

and water heaters, we will quickly establish our own network of installers and differentiate ourselves from competitors. At the same time, consumers have been hesitant to make purchases due to installation costs, which can amount to one and a half times to twice as much as the equipment itself. Accordingly, we are working to reduce installation costs by streamlining the installation process. In addition, we plan to strengthen our production system through the continuous investment of resources, so that we are ready to expand sales significantly when there is a recovery in demand.

Heat Pump Space and Water Heating Business in Europe Page 60

Steadily Achieving Our FUSION 25 Latter-Half Three-Year Plan

Three Growth Strategy Themes

The term "FUSION" incorporates various meanings, including the combination of short-term profitability and long-term growth. Achieving our operating profit target of ¥425.0 billion by the end of fiscal 2024 is essential to accomplishing our FUSION 25 Latter-Half Three-Year Plan. With an eye to further growth, we will first focus on firmly achieving the growth strategy themes set forth in Strategic Management Plan FUSION 25.

Under "Challenge to achieve carbon neutrality," we are working to fulfill our mission as the world's leading comprehensive air-conditioning manufacturer by seizing the opportunities presented by the major global trend toward carbon neutrality. To contribute to the realization of a carbon-neutral society, we will reduce carbon dioxide (CO₂) emissions from our business activities by promoting the use of heat pump space and water heaters and inverter air conditioners, develop environment-friendly products, such as refrigerants with low global warming potential (GWP), and enhance energy management. Although sales growth of heat pump space and water heaters has been slower than anticipated when we formulated our initial FUSION 25 strategic management plan, we still aim to tap into medium- to long-term growth in demand. Meanwhile, Daikin's

other measures to achieve carbon neutrality, such as promoting the use of inverter air conditioners, promoting the conversion to low-GWP refrigerants, and developing a recovery and recycling network are making steady progress and going according to plan.

There is a sense of urgency that Daikin's traditional business model centered on the sales of equipment will eventually lose its impact. We are working to address this issue through the strategy theme of "Promotion of Solutions Business connected with customers." Demand for applied air conditioners continues to expand globally, mainly in North America, Asia, and Europe. In response, we aim to expand sales by developing new products and enhancing our sales network at each of our business sites while strengthening the Commercial Solutions Business and thereby improving profitability. Taking Japan as an example, the air-conditioning market has matured and the number of households is not expected to grow in the near future, meaning that the overall demand for air conditioners is unlikely to increase. To overcome this issue and achieve medium- to long-term growth in this market, we must strengthen our Solutions Business by focusing on services with high added value, such as maintenance, in addition to equipment sales. To that end, it is important that we relate even more closely to our customers and

understand their specific needs. We believe this entails establishing a Product as a Service business model in which we engage in everything from design to installation, develop remote monitoring programs, and capture replacement demand.

In "Creating value with air," we addressed the need to reassess air quality following the COVID-19 pandemic by expanding our lineup of air purifiers, heat reclaim ventilators, and other products and directed our attention to the sales of ventilation and air purification systems. Going forward, we must focus on how we will commercialize the value we create in the form of safe, reliable, and comfortable air. We are working to create value with air in partnership with universities and other companies with a particular emphasis on the high correlation between air quality and certain health conditions, such as infections, allergies, obesity, and sleep disorders. Although we are still engaged in these efforts, we see tremendous potential in this area.

Three Growth Strategy Themes Page 33

Message from the Chairman of the Board and CEO

Three Themes for Focus Regions and Businesses

The Air Conditioning Business in North America, one of the focus regions of FUSION 25, continues to face a challenging business environment in which demand for residential-use products remains sluggish due to prolonged inflation and high mortgage rates. Despite these circumstances, our goal is to become the No. 1 air-conditioning business in North America, and we aim to expand sales of premium environmental products by capturing the growing interest in the environment and increasing the solution ratio in the Applied Systems Business. To expand sales of Fit premium environmental products, we are developing and training dealers who can handle and understand the characteristics of inverter-equipped unitary products. We are also working to strengthen the Applied Solutions Business by leveraging its new plant in Mexico, which commenced operations in December 2023, to strengthen the Applied Systems Business.

The Air Conditioning Business in North America relies on a vertically integrated business model in which we conduct all activities for development, production, sales, and services on our own and generate economies of scale by increasing sales. At the same time, the business requires a significant amount of investment and the profits are low compared with our competitors in the United States. To enhance profitability, we must increase our solution ratio. While the ratio of service solutions accounting for net sales is 60% for the three air

conditioner manufacturers we compete with in the United States, service solutions as a percentage of net sales in the Applied Systems Business in North America is currently just below 40%. Accordingly, we will work toward the goal of improving this ratio to 50% or more by the end of fiscal 2025, as set forth in the FUSION 25 strategic management plan.

The keys to improving our service solution ratio are instrumentation and engineering capabilities for planning, design, procurement, and implementation that ensure the efficient operation of air conditioners in factories, buildings, and other facilities, as well as the ability to propose solutions based on an awareness of customer needs. To develop a system for both sales of equipment and the proposal of service solutions, we are creating a sales network in 18 major North American cities to integrate the entire value-creation process from proposal to installation, which we have established in 13 cities as of the end of fiscal 2023. This sales network will be completed in the five remaining cities by the end of fiscal 2024, and we expect it to spur significant improvements in our solution ratio and profitability.

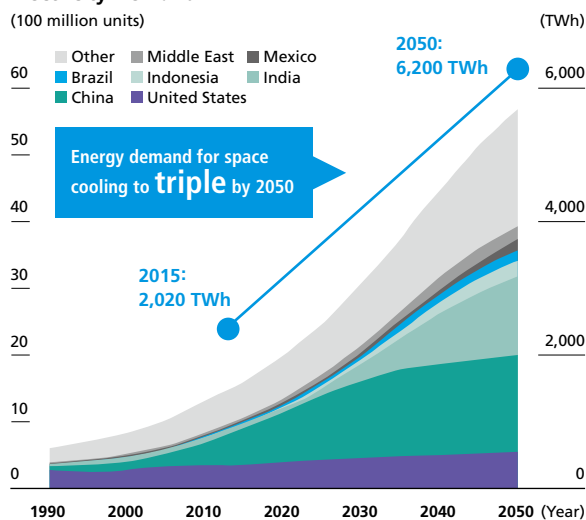
Demand for air-conditioning has expanded rapidly on a global scale due to the growing economies of India, countries in Africa, and other developing nations in the Global South, and according to the International Energy Agency, demand for electricity from air-conditioning is expected to triple by 2050 compared with 2015 levels. As the world's leading comprehensive manufacturer of air conditioners, the Daikin Group plays a major role in ensuring the continued growth of the air-conditioning industry worldwide, based on which we have included the "Establishment of a major base in India" as a theme in the FUSION 25 Latter-Half Three-Year Plan.

Special Feature: Aiming to Be No. 1 in the North American Air-Conditioning Market ▶ Page 31

Review of Operations: Establishment of a Major Hub in India ▶ Page 62

Review of Operations: Chemicals: Challenge to Become a Leading Company in High-Performance and Environmentally Conscious Materials ▶ Page 66

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



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



Message from the Chairman of the Board and CEO



Until now, the Group has strategically implemented local production for local consumption and focused mainly on higher priced products. However, it is now shifting its focus to broadening its product lineup. To expand sales in Global South markets, where purchasing power is low compared with developed countries, it is imperative that we compete in mass markets. To do so, we plan on adopting a cost leadership strategy.

Inverter air conditioners that are low in environmental impact cost more to manufacture than non-inverter air conditioners. However, we are convinced that we can reduce the cost of inverter air conditioners to a level where they can compete in mass markets. We will achieve these cost reductions through mass production to capture the rapid growth in demand and improvements in electronic circuits while drawing on our know-how in low-cost operation. This will clear the path to promoting wider use of inverter air conditioners even in the African market, where non-inverter air conditioners are still the mainstream. In these ways, we will position India not only as a place of consumption but also as a core strategic base and utilize it as a hub for production and R&D activities for the mass markets in our global strategy.

In our “Challenge to become a leading company in high-performance and environmentally conscious materials” for chemicals, we will minimize the environmental impact of our fluorochemical products throughout their life cycles while aiming to “become a leading company in high-performance materials that is essential for the growth of cutting-edge industries.” For many years, fluorochemicals have been one of the pillars of our business. Fluorine compounds, including per- and polyfluoroalkyl substances (known as PFAS), are essential to promoting sustainable solutions, such as carbon neutrality and green transformation (GX), around the world and support cutting-edge industries, such as semiconductors, automobiles, telecommunications, medical, energy, and air conditioning, heat pumps, and refrigeration.

Daikin will continue to supply fluorinated materials that comply with regulations and that have undergone scientific assessment. We will engage in sustainable production activities that address the essential needs of society to minimize the environmental impact of our products throughout their life cycles and contribute to the development of society as a trusted company. We will also engage in the development of products using materials other than fluorine depending on the application.

Daikin's Strengths and Challenges to Address in Support of the Next 100 Years of Growth and Development

Pursuing Further Growth with Our New Management Structure

Following the General Meeting of Shareholders in June 2024, Daikin transitioned to a new management structure in which I assumed the role of chairman of the Board and CEO and Naofumi Takenaka was appointed representative director, president and COO.

Under this new management structure, we will steadily promote the key strategic themes set forth in our FUSION 25 strategic management plan in support of Daikin's next 100 years of growth and development and we intend to accomplish the goals we have endeavored to achieve by the end of fiscal 2025. At the same time, as we look ahead 10 to 20 years from now, we will boldly embrace the challenge of reforming our corporate culture and structure and creating new value under our next strategic management plan, FUSION 30.

In the 30 years since Chairman Emeritus Noriyuki Inoue became president, Daikin has continued to press forward with globalization, developing into a global company that operates in more than 170

countries worldwide. Today, we develop differentiated products all over the world by drawing on our environmentally conscious technologies, such as inverter, heat pump, and refrigerant control, which we have refined over our long history as a specialized air-conditioning manufacturer. We have also developed a unique business model that consists of vertically integrated production based on in-house production of core parts, market-localized production based on local production for local consumption, integrated product development consisting of manufacturing, sales, research, and procurement functions, and a robust sales network based on our globally expanding dealer network. Along with these strengths, Daikin has continuously grown and expanded thus far through its ability to improve business performance and resolve social issues by developing business using advanced environmental technologies.

In transitioning to our new management structure, it is important that we continue to maintain our strengths and remain committed to

People-Centered Management. Our new president, Naofumi Takenaka, has built an extensive track record in various lines of business, including production, development, sales, supply chain management, human resources, and general affairs. In his role as COO, I believe he is the right person to accelerate our transition and introduce new and challenging themes to the front lines.

As chairman and CEO, I am determined to maintain the unique strengths that we have developed until now and further evolve them to suit the changing times. To succeed in this environment, we must continue to create new businesses, products, and services. Under our new management structure, we will continue to embrace challenges in our aim to achieve Daikin's further growth and development over the next 100 years.

Message from the Chairman of the Board and CEO

Aims of FUSION 30 Strategic Management Plan

In formulating FUSION 30, scheduled to be announced in 2026, we are considering various issues that will need to be addressed based on forecasts for global changes beyond 2030. In addition to the key strategy themes of our FUSION 25 strategic management plan and the areas in which we will further expand our existing business, we are seeking new areas to strengthen and enter, with a focus on resolving environmental and social issues. For example, in addition to delving more deeply into the carbon neutrality-related themes of FUSION 25, such as energy service solutions and a circular economy, we are likely to focus on businesses that contribute to decarbonization, such as those that create and store energy and capture and utilize CO₂.

Daikin will remain a company that contributes to the realization of a low-carbon society and that is deemed essential to society through its business activities, and it will continue to enhance corporate value. To that end, we are in the process of earnestly examining the issues and themes that we will need to tackle.

As the world's leading comprehensive air-conditioning manufacturer, there are a number of social issues for Daikin to address. For example, heatstroke is a cause of many deaths around the world. We are therefore working with national and local governments to ensure understanding of the proper use of air conditioners and develop products suited to each country and climate to enable people to

purchase air conditioners and live comfortably regardless of their incomes.

Food shortages and food loss are also major issues. More than half of the world's agricultural and livestock products is left to rot at its place of production due to a lack of logistics networks. Through the development of proper cold chains, including warehouses with refrigeration facilities, we aim to establish a network that efficiently delivers food to those in need. We will continue to resolve social issues by developing integrated cold chains, from places of production to places of consumption.

To Our Shareholders and Investors

We would like to thank all our shareholders and investors for their continued understanding and support of management.

We celebrated the 100th anniversary of our founding with a record performance. In this milestone year, we transitioned to a new management structure to begin the next 100 years of growth and development. Under the new structure, we will continue to leverage the unique strengths we have cultivated and enhance our technologies to confront turbulent times that cannot be overcome simply through extensions of past achievements.

We will resolve social issues through the value we provide, such as realizing a sustainable society through carbon neutrality and resource recycling initiatives and enhancing the lives of people in developing countries of the Global South. Going forward, Daikin will continue to enhance corporate value by resolving social issues as a company that is appreciated and trusted by its customers.

In terms of shareholder returns, we plan to pay a commemorative dividend of ¥50 per share in honor of our 100th anniversary in fiscal 2024. We will continue to enhance corporate value by achieving business growth and resolving environmental and social issues, improve shareholder returns, and meet the expectations and trust of our shareholders and investors in the years ahead.

Masanori Togawa

Chairman of the Board and CEO
August 2024



Naofumi Takenaka
Representative Director,
President and COO

Message from the President and COO



We aim to further grow and develop as a Group through the dedication of our employees to continuously take on challenges and enhance their ability to take action.

Naofumi Takenaka

Representative Director, President and COO

Role and Responsibilities as COO

My name is Naofumi Takenaka, and I have assumed the position of representative director, president and COO.

I joined Daikin Industries, Ltd. in 1986 as an engineer with the desire to create new things on my own. In my first 23 years with the Company, I was involved in the development and production planning of commercial-use air conditioners at a factory in Sakai City, Osaka Prefecture. In 2009, in the wake of the global financial crisis, I was transferred to a sales division of the domestic air-conditioning business where I was tasked with reforming the business. Thereafter, I worked in the supply chain and logistics departments, served as president of the Tokyo office, and was most recently involved in the human resources and general affairs departments, where I was responsible for a variety of tasks.

Through my experiences in these various roles, I can say with confidence that I have a greater sense of respect for the field than the average person. At the same time, I am always mindful of not building walls between people and departments, but rather listening to the opinions of those I work with and viewing things from the perspective of what is best for the entire Group while maintaining a humble attitude.

I am taking over as president and COO at a time when Daikin is about to embark on its next 100 years of growth and development. Under our new management structure, I will work alongside Chairman of the Board and CEO Masanori Togawa to not only achieve the targets of our key strategy themes in the FUSION 25 Latter-Half Three-Year Plan but also promote themes for further growth and development beyond the conclusion of this plan. Moreover, we will continue to pass down the unique strengths we have cultivated over the years, such as People-Centered Management and our FUSION strategic management plans and other management strategies, and evolve them in tune with the changing times. In an age of drastic change and uncertainty, I believe that my role as COO is to ensure that new management issues are consistently communicated to the front lines of our business and our strategies are executed as quickly as possible. I will become deeply involved in the front lines of our business and promote a management approach that brings our management team and frontline employees together.

Achieving the Targets of the FUSION 25 Strategic Management Plan and Further Growth Thereafter

To ensure the further growth and development of the Group, we will work to secure short-term profits and achieve medium- to long-term growth and development by accomplishing the key strategic themes of the FUSION 25 strategic management plan.

The Group's business environment remains challenging due to rising inflation and interest rates, declining housing investment worldwide, slowing demand in the heat pump market in Europe, and other factors. On the other hand, the data center, factory, and semiconductor-related markets continue to thrive. By turning predicaments into

Message from the President and COO

opportunities, we will thoroughly consider and implement further measures to achieve our annual plan for fiscal 2024 and the targets of the FUSION 25 strategic management plan in its final year. Looking ahead to the next 10 to 20 years, we will also tackle new themes in our next strategic management plan, FUSION 30.

The success of our business lies in our ability to provide new value by creating new products that are ahead of their time, contributing to customers and society, and enhancing our corporate value. We must overcome these uncertain times by discovering business solutions that are needed in today's age one step ahead of our competitors and by implementing change ourselves.

Furthermore, Daikin will remain a company that helps resolve environmental and social issues by pursuing themes that need to be addressed, such as "Global South" and "Creating value with air," and boldly taking on the challenge of pursuing new markets, businesses, and technologies.

Areas to Focus on as COO

I would like to focus on the following three points to accelerate the execution of our key strategy themes and maximize results and thereby ensure the further growth and development of the Group going forward.

The first is to strengthen our frontline capabilities. Through my experience in a variety of frontline operations, including production, development, sales, supply chain management, logistics, human resources, and general affairs, I have realized that the information obtained from the front lines and the people who work there are essential to management. My interactions with frontline employees allow me to get a sense of what is happening in the field and what these employees are thinking and to consider what kind of actions must be taken. I will make decisions in a timely manner and consistently implement themes that lead to results.

I ask that our employees also place emphasis on our frontline operations above all else. In terms of sales, our customers are the cornerstone of our success. We must propose a variety of solutions that cater to their needs, which we learn directly from customers and tie to our product development. In manufacturing, our success stems from our manufacturing bases. Quality control and production processes at manufacturing bases as well as the proficiency and motivation of frontline employees directly impact the quality and competitiveness of the final product. The combination of frontline expertise and the latest digital technologies enables the development of differentiated products. I will strive to listen directly to the voices of our frontline employees and interact with them to strengthen our management structure by building closer relationships between frontline employees and management.

The second point I would like to emphasize is the creation of new value through a Groupwide effort. To continue to grow and develop our business in this rapidly changing era, we must transcend our existing roles and frameworks, create new business models, and respond to the needs of the times. To that end, we must not only optimize sales and production at an individual level but also Groupwide, through stronger cooperation among all regions and divisions.

From the perspective of the "Promotion of Solutions Business connected with customers," one of the growth strategy themes of the FUSION 25 strategic management plan, we must further accelerate our measures in the service and solutions businesses and enhance profitability with an eye on fiscal 2025, the final year of the plan. To do so, we must provide differentiated products, services, and solutions that reflect customer needs through the integration of our sales, production, and development activities and stronger cross-divisional cooperation. Specifically, we are strengthening our owner-direct sales network and sales structure to promote our Solutions Business, which proposes solutions based on each market, customer, and project. In addition, the Daikin Group as a whole is working to rapidly expand the lineup of products and solution proposals according to each application and market to address the needs for digital transformation, carbon neutrality, and labor saving.

Furthermore, our external collaborations with various other companies, universities, and research institutes are just as important as our internal collaborations. I will harness my experience to devise new ideas for collaboration from a wide range of perspectives, including business development, sales, technology, and

manufacturing, to inject new energy into the Group and create new value for society.

The third point I would like to focus on is refining our People-Centered Management corporate culture.

We have continued to grow since our founding by overcoming numerous difficulties. I believe that this is due both to our ability to make appropriate and accurate decisions and boldly execute them as well as to our unique strengths, such as our corporate culture, our employee code of conduct, and People-Centered Management. It is my duty to inherit these strengths and rich corporate culture and to continue to refine and develop them.

In 2024, we revised the Daikin Group Philosophy. I will promote awareness of this philosophy through my own actions so that all of our employees across the Group understand its importance and concretely adopt it and put it into practice in their daily work.

Based on our purpose of "Together, We Brighten the Future" as stated in the Daikin Group Philosophy, we will contribute to a sustainable society and further grow and develop our business by enabling individuals to demonstrate their full potential.

I would like to ask our shareholders and investors for their continued understanding and support going forward.

Naofumi Takenaka

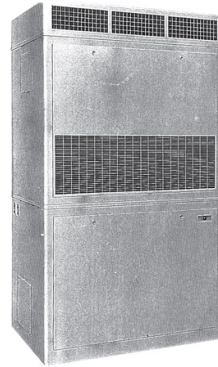
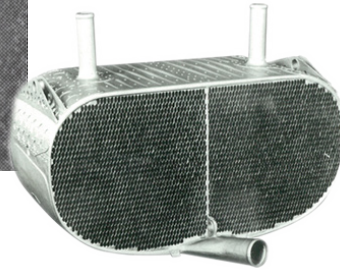
Representative Director, President and COO
August 2024

History of the Daikin Group



Founder Akira Yamada

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



Mifujirator, Japan's first packaged air conditioner

Social Issue

Japan's Uncomfortable Office Environments

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

Daikin's Response

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

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

1924

Founding of Osaka Kinzoku Kogyosho Limited Partnership

1935

Development of Japan's first fluorocarbon refrigerant

1951

Launch of Japan's first packaged air conditioner

1958

Entry into the room air-conditioning business

1982

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

Our Founding

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

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

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

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

Our Three-Pillar AC Business Plan and Global Expansion

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

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

History of the Daikin Group



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



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

Social Issue

Impact of Air Conditioner Refrigerants on Global Warming

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

Daikin's Response

World's First Air Conditioner Featuring R32 Refrigerant

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

1999

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

2006

Launch of Daikin Altherma heat pump space and water heater

2007

Acquisition of O.Y.L. Group, a major global air-conditioning manufacturer

2008

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

2012

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

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

A Leading Air Conditioner Company

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

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



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

Our Ambitious Pursuit of the Chinese Market

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

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

Full-Fledged Entry into the U.S. Market

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

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

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

History of the Daikin Group



Technology and Innovation Center



Joint press conference with the University of Tokyo

Social Issue	<p>COVID-19 Pandemic</p> <p>The global spread of COVID-19 increased the need for safe, reliable, comfortable, and healthy air environments and rapidly expanded the air purification and ventilation market.</p>
Daikin's Response	<p>Air Conditioner with Ventilation Function</p> <p>As the only manufacturer that was producing air conditioners with a ventilation function at the time of the pandemic, Daikin incorporated the ventilation function into its entire line of air conditioners available in Japan.</p>

2014

Launch of cooling-only inverter air conditioners for developing countries

2015

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

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

2018

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

2024

Daikin's 100th anniversary

Promoting the Use of R32 Refrigerant

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

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

* GWP: Global warming potential is a numerical value representing the potential global warming effect of a GHG in comparison with CO₂.

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

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

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

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

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

Our Value Creation Process

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

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

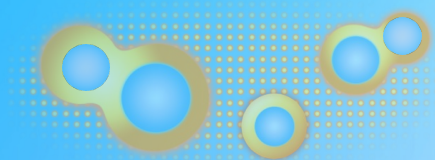


Core Air-Conditioning Technology That Leads in Applying Environmentally Friendly Practices

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

Heat Pump Technology

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



Technology-Driven Business Opportunities

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

Daikin's Strengths

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

Reducing CO₂ Emissions through Our Heat Pump Technology

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

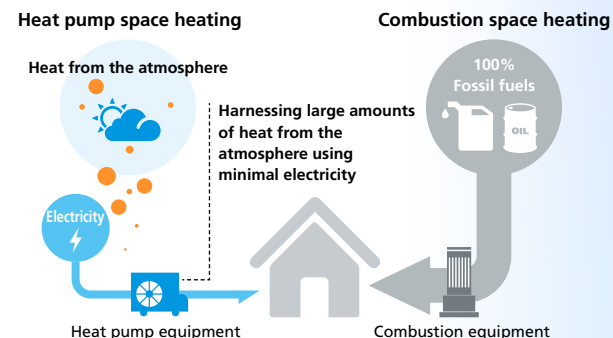
As a leading air-conditioning company, Daikin is developing heat pump technology that contributes to increases in energy efficiency and energy conservation.

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

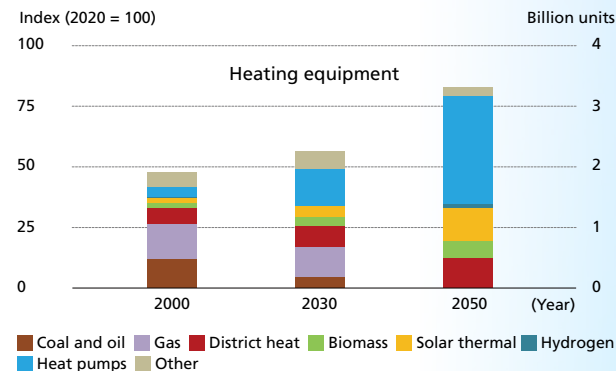
Approximately 4.0 billion tons of CO₂ is emitted by heating sources in the global heating market, and it is estimated that the conversion of 30% of these sources to heat pumps would reduce CO₂ emissions by up to 1.2 billion tons (approximately 3% of total global CO₂ emissions), which is equivalent to the amount of CO₂ emitted by 560.0 million passenger cars.

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

Systems for Heat Pump and Combustion Space Heating



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



Source: Net Zero by 2050—A Roadmap for the Global Energy Sector, IEA, 2021.

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

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

Inverter Technology

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

Technology-Driven Business Opportunities

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

Daikin's Strengths

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

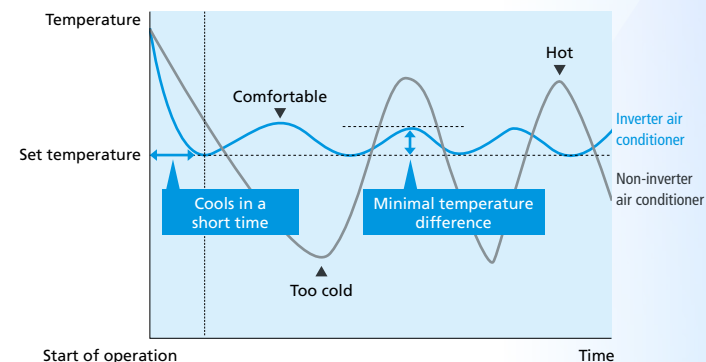
Inverter Technology That Offers More Energy-Efficient and Comfortable Solutions

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

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

* Calculated based on in-house demonstration tests

Inverter Air Conditioners vs. Non-Inverter Air Conditioners



Reducing Energy Consumption through the Increased Use of Inverter Air Conditioners

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

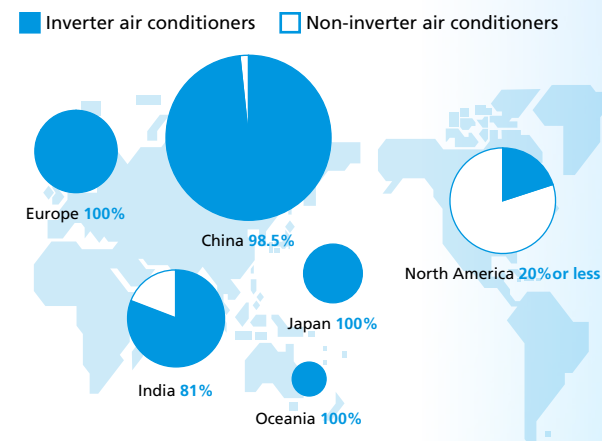
Daikin is the first company in the world to develop inverters specifically for air conditioners. To control global warming on a global scale, we must promote the wider use of inverter air conditioners and other energy-efficient air conditioners around the world.

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

*1 Source: World Outlook, IEA, 2023

*2 Source: Space Cooling, IEA, 2023

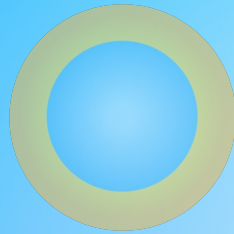
Inverter Air Conditioners as a Percentage of All Air Conditioners Worldwide



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

Refrigerant Control

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



Technology-Driven Business Opportunities

- Increased sales of air conditioners with low-GWP refrigerants
- Promotion of effective energy management through the delivery of energy-saving solutions

Daikin's Strengths

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

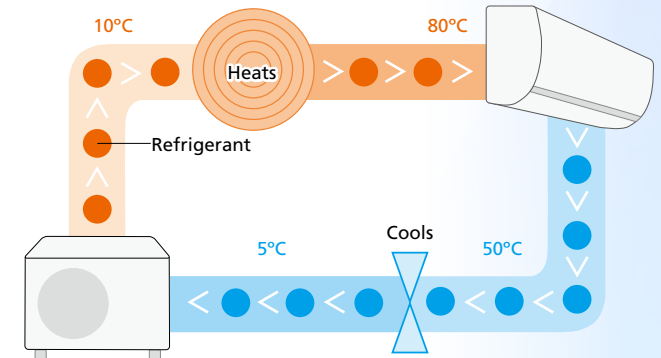
Refrigerant Control Technology: Key to Enhancing Energy Efficiency of Air Conditioners

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

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

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

Circulation and Transfer of Heat between Indoor and Outdoor Units



Reducing Environmental Impact by Selecting the Right Refrigerant for Each Application

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

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

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

Daikin's Refrigerant Direction

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

Daikin's Unique Business Model

Daikin operates its business, which encompasses research and development (R&D), manufacturing, and sales and services, around the world, with its Air Conditioning Business at the core. By drawing on our accumulated strengths and forging our unique business model, we continue to provide comfortable air to people around the world.

Vertically Integrated Production

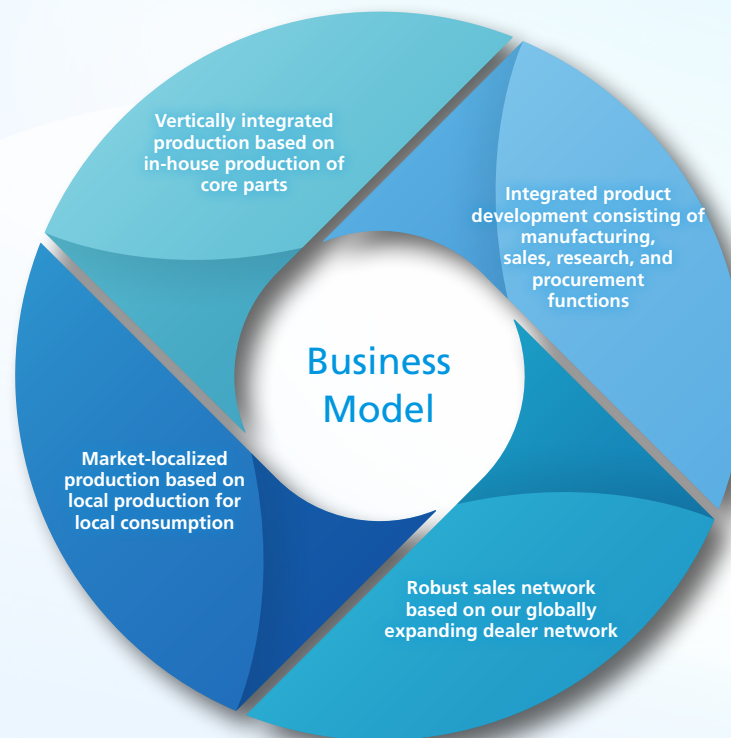
Based on In-House Production of Core Parts

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

Market-Localized Production

Based on Local Production for Local Consumption

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



Integrated Product Development

Consisting of Manufacturing, Sales, Research, and Procurement Functions

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

Robust Sales Network

Based on our Globally Expanding Dealer Network

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

Daikin's Unique Business Model

Our Response to the Varying Needs of Each Region

In the air-conditioning business, the need for products varies because each region and country has different climates, building styles, and lifestyles. Additionally, since product regulations and environmental restrictions for each country differ, it is essential that we develop products, manufacture them, and create a service and sales network that cater to the characteristics of the area.

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

Accordingly, conducting business rooted in local communities has enabled the rapid development and introduction to the market of new products that are tailored to the market needs in each region and created cost reductions.

Establishment of Our Own Sales Networks Worldwide

Daikin has maintained a high market share around the world behind its own sales network, which it has developed over the years in each region.

Unlike other home appliances, after-sales services, including installation and maintenance, are essential for the use of air conditioners. At Daikin, we value the importance of selling products directly to consumers through our own sales network rather than relying on outside distributors. Climate and lifestyles differ by country and region and so does the need for air conditioners. Daikin's sales network is an integral part of our global business development because it allows us to engage with customers directly and provide products that cater to their diverse needs in a timely manner.

Going forward, we will continue to monitor conditions in each market and look to strategically acquire more dealerships while reinforcing our sales network.

Major Production Bases of the Air Conditioning Business

Europe

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

Japan

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

United States

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

India

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

Asia

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

China

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

Latin America

- DAIKIN AR CONDICIONADO AMAZONAS LTDA. (established in 2012)
Major products: residential air conditioners and commercial air conditioners

Daikin has established production bases in over 90 locations* spanning 27 countries, where it promotes market-localized production.

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

Differences in Air Conditioner Styles by Region

Region	Market Characteristics	Distinctive Products
Japan	<ul style="list-style-type: none"> • Importance placed on energy-saving capabilities and comfort • Airtightness of buildings • Standardization of heating and cooling on demand through individual ductless air conditioners that use refrigerant piping 	<ul style="list-style-type: none"> • Multi-split air-conditioning system for buildings (VRV) • <i>Ururu Sarara</i>, an air conditioner with air humidifying and cleaning functions
Europe	<ul style="list-style-type: none"> • High energy-saving capabilities and environmental awareness • Importance placed on design • Popularization of heating through radiators and under-floor heating in particular, since users find direct contact with air drafts unpleasant • Standardization of ductless air conditioners that can be retrofitted to existing buildings 	<ul style="list-style-type: none"> • <i>Daikin Altherma</i> heat pump space and water heater • <i>Daikin Emura 3</i>, with superior design
China	<ul style="list-style-type: none"> • Rapid popularization of air conditioners since 1990 • Preferences about interior design and luxury • Advancing use of data • Popularization of easily retrofitted ductless air conditioners 	<ul style="list-style-type: none"> • Multi-split air-conditioning system for residences • Intelligent VRV
United States	<ul style="list-style-type: none"> • Birthplace of air conditioners • Preference for heating and cooling floors and rooms inside buildings collectively • Standardization of 24-hour air-conditioning throughout the entire building through ductless (air duct and water pipe) air conditioners for use in both residences and businesses 	<ul style="list-style-type: none"> • Ducted unitary for houses • Daikin applied air conditioners (central)
Asia	<ul style="list-style-type: none"> • High need for cooling functions only • High electricity rates and unstable electricity supplies 	<ul style="list-style-type: none"> • Cooling only inverter • Air conditioners for high ambient temperature zones

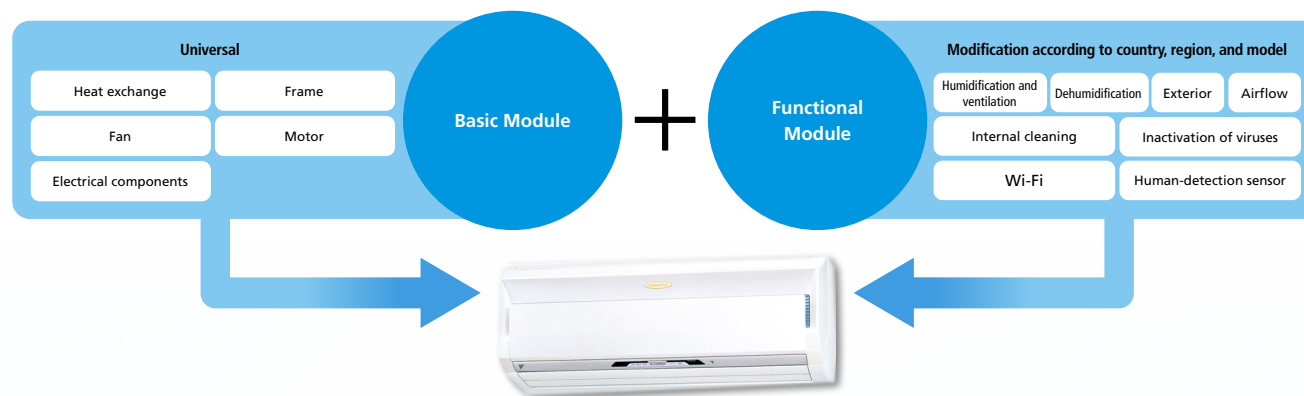
Daikin's Unique Business Model

Using Modular Design to Expand Our Product Lineup and Accelerate Our Product Development

Daikin sells air-conditioning systems around the world. We began to engage in modular design in 2017 and applied it to models sold from 2019, with the aim of providing a wide-ranging product lineup and reducing costs in line with the diverse and specific needs of each region.

Modular design consists of two types of modules: a basic module and a functional module. The basic module offers universal functions and features that are used throughout the Group and cannot be modified by any of our business sites or developers. Meanwhile, the functional module provides the necessary functions that can be created by the developers at our respective business sites and used on air conditioners. Based on a design that combines these modules, we are able to address the varying needs of each market and enhance the speed of product development. In addition to reducing fixed costs and preventing opportunity losses by accelerating our product development, we expect to achieve further cost reductions from the standardization of components.

Close-Up View of Modular Design



Air-Conditioning Solutions That Provide Value throughout the Value Chain

In air-conditioning solutions, we must establish a business of selling services that deliver added value after the sale of our air conditioners. We offer solutions that address customer issues throughout the air-conditioning value chain, from maintenance and inspection of air conditioners and other value-added services during product use to repairs and renewal of the entire system. By remaining closely connected with its customers, Daikin will develop a solutions business that resolves their concerns, such as by creating an air-conditioning load prediction model for each building and developing technologies that regulate energy use and adjust power supply and demand for the entire area while predicting the indoor environment.

Daikin has established a business model focused on air-conditioning solutions and is working to help realize carbon neutrality by providing consulting on energy conservation and making full use of the Internet of Things (IoT).

Case Studies on Air-Conditioning Solutions

Service Solutions Based on Air-Conditioning Data

In October 2019, Daikin released *Kirei Watch*, the industry's first service*¹ that uses IoT to notify users of recommended cleaning times*² via a computer or tablet terminal by automatically analyzing the degree of uncleanliness of drain pans in the indoor units of commercial air conditioners through fixed-point camera images.

In addition to collecting, analyzing, and using data from air conditioners to reduce management and maintenance costs, we will collect data on temperature, humidity, CO₂, and other factors and use it to create more comfortable environments.

*¹ Based on reference values of the degree of uncleanliness analyzed by our proprietary algorithm

*² Based on in-house survey conducted on September 10, 2019

Initiatives on Air-Conditioning Solutions




AC Solutions: Discerning the Latest Information from Daikin Case Studies

Contributing to Resolution of Social Issues through Energy Solution Initiatives


Daikin engages in energy solutions across entire buildings and communities through the unique environmental technology it has developed. We create sustainable communities by promoting measures including the optimization of energy consumed by air conditioners, peripheral equipment, and building infrastructure; utilization of renewable energy; and demand response to level electricity usage during peak hours. We aim to balance the resolution of social issues with business growth through energy solution initiatives.

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


 Please refer to *Sustainability Report 2024* for details.

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


Changes in Society




Intensification of climate change




Expansion and concentration of energy and power demand



Increased interest in IAQ



Occurrence of natural disasters



Transition to a digital society

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

Efforts to Comply with Environmental Regulations ▶ Page 66

Sustainability Targets and Results ▶ Page 83

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

Identifying Material Issues and Incorporating Them into Management Materiality

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

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

The rapid increase in demand for space cooling predicted mainly in emerging countries represents a major opportunity for Daikin because its core business is air-conditioning. The spread of air conditioning is one way to adapt to climate change and it also responds to the need for air purification, which increased during the COVID-19 pandemic. However, risks include rising electricity consumption and GHG emissions from the use of air conditioning. With a rapid

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

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

Process for Identifying Material Issues

1 Understanding Stakeholder Interests and Impacts

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

2 Assessing the Impact of Our Business on Society

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

3 Identifying Material Issues for Daikin and Society

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



Inclusion in Strategic Management Plan FUSION 25

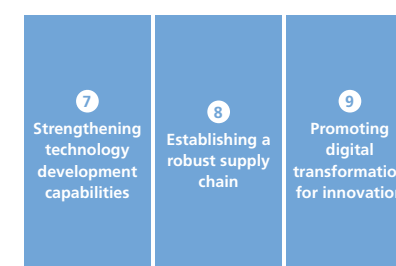
Taking into account the changes in our external business environment, our strengths, and our material issues, we formulated 11 key strategy themes under our FUSION 25 strategic management plan.

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

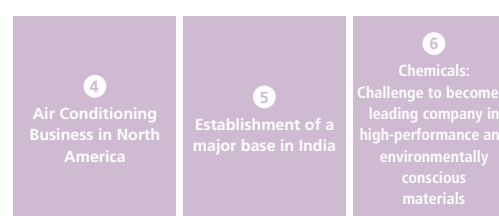
Three Growth Strategy Themes



Five Themes to Enhance the Management Foundation



Three Themes for Focus Regions and Businesses



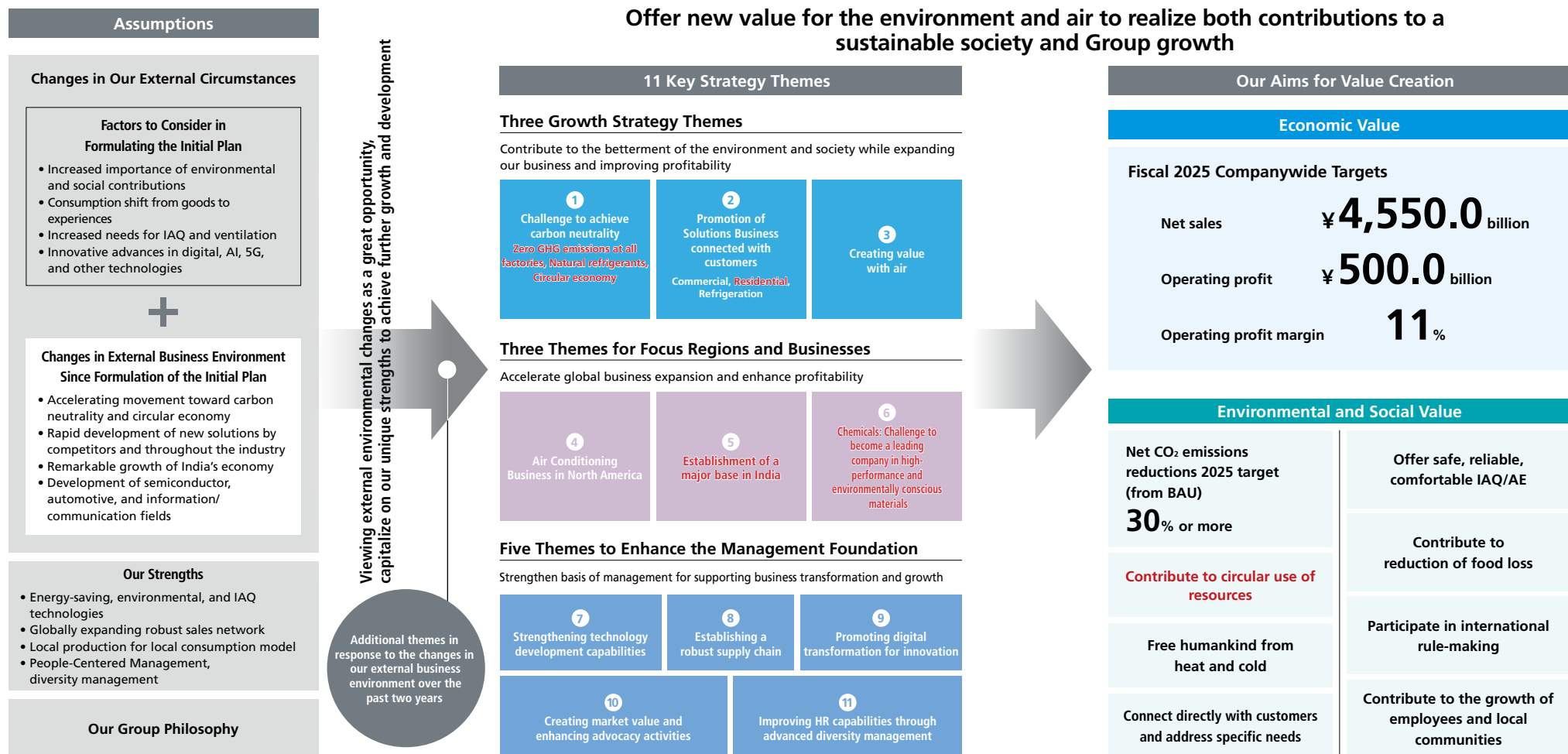
Overview of Strategic Management Plan FUSION 25



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

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

Strategic Management Plan FUSION 25 at a Glance
 Daikin's FUSION 25 strategic management plan defines its approach to developing the Group's business over the next five years based on its external business environment and its awareness of the current circumstances. Daikin formulates an initial plan that forecasts its performance five years down the line, setting specific quantitative targets and an action plan for the first three years. After two years, it establishes a latter-half three-year plan in which it replaces its forecasts for the final year with specific targets and a revised action plan.



Note: The content in red has been newly added as part of the FUSION 25 Latter-Half Three-Year Plan.

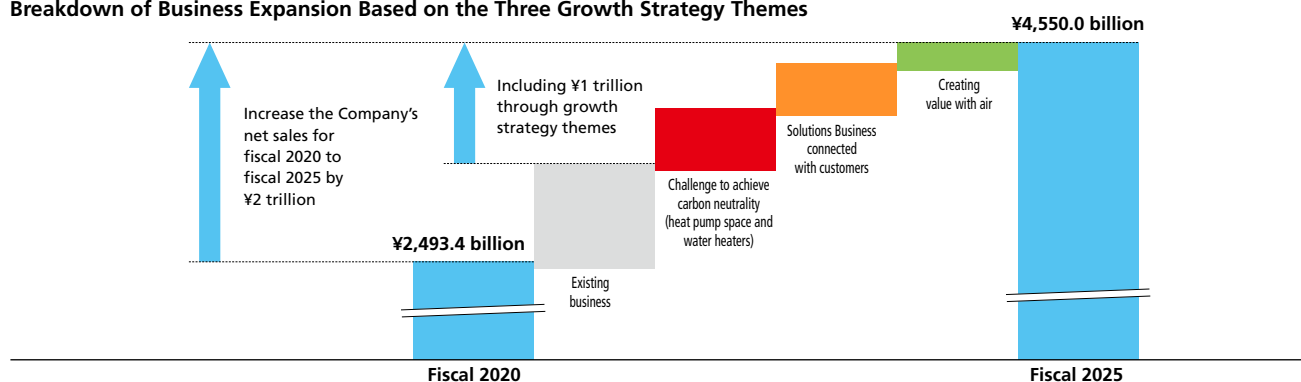
Overview of Strategic Management Plan FUSION 25

Quantitative Targets

In fiscal 2023, the first year of the FUSION 25 Latter-Half Three-Year Plan, we achieved record performance with increased sales and profits. Going forward, we will improve on these results by strengthening and promoting our growth strategy themes and expanding business in North America, India, and other regions, with the aim of achieving net sales of ¥4,550.0 billion and operating profit of ¥500.0 billion by the end of fiscal 2025.

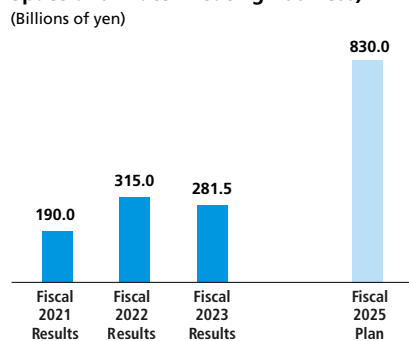
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2025 Plan
Net sales	2,493.4	3,109.1	3,981.6	4,395.3	4,550.0
Operating profit	238.6	316.4	377.0	392.1	500.0
Operating profit margin	9.6%	10.2%	9.5%	8.9%	11%

Breakdown of Business Expansion Based on the Three Growth Strategy Themes



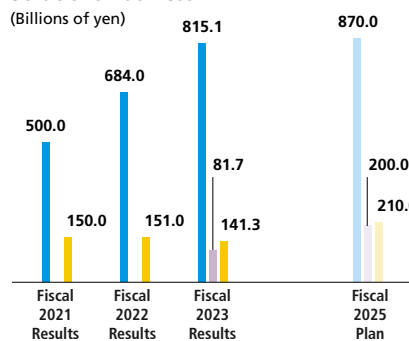
1 Challenge to achieve carbon neutrality

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



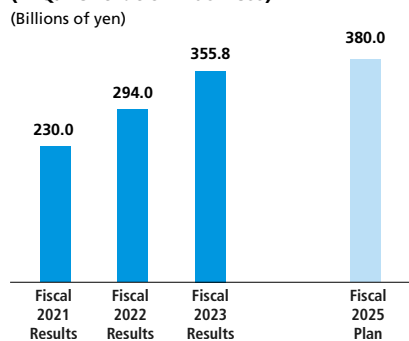
2 Promotion of Solutions Business connected with customers

Sales Results and Plan for the Solutions Business



3 Creating value with air

Sales Plan and Target (IAQ/Ventilation Business)



Commercial Solutions Refrigeration Solutions Residential Solutions

Note: Residential solutions was established as a theme for the FUSION 25 Latter-Half Three-Year Plan.

Selection as an SX Brand 2024



Daikin Industries, Ltd., announced its selection to the "Sustainability Transformation (SX) Brands 2024," which is jointly awarded by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE). SX Brands denote those outstanding companies listed on the TSE that are selected for enhancing their ability to create a source of funds for growth in a sustainable manner through SX to realize the improvement of corporate value. This brand was established for the first time with the purpose of introducing brands that appeal to investors who emphasize improvements in corporate value over the medium to long term.

The main points evaluated in the selection this time are as follows:

1. The FUSION 25 strategic management plan formulates strategies from both aspects of backcasting and forecasting and incorporates them into concrete action plans. This helps improve understanding of the connections and consistency of each strategy.
2. Rapid decision-making and efforts were seen from a governance perspective to establish an appropriate supervisory and monitoring system. For this reason, continuous and prompt review of strategies can be expected for changes in the external environment.
3. The Company works in the air-conditioning business with a set of values and long-term strategy to develop business by identifying risks and opportunities related to climate change issues. Even while maintaining an overall perspective, Daikin demonstrates an orientation toward integration by promoting such views as technological capabilities being the source of its competitiveness.
4. Daikin boasts advanced technologies, and utilizing its high technical capabilities, the Company is actively formulating rules in various parts of the world. The Group's intellectual property strategy is effectively linked to its execution strategy, contributing to its implementation strategies, and contributes to the expansion of the air-conditioning market.

Financial Strategy

Message from the Officer in Charge of Finance



We will strengthen our earnings capacity even further toward the achievement of the FUSION 25 Latter-Half Three-Year Plan.

Koichi Takahashi

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

Progress on Quantitative Targets of Strategic Management Plan FUSION 25

Under the FUSION 25 Latter-Half Three-Year Plan, hereinafter the Latter-Half Three-Year Plan, announced in May 2023, we are working to implement key strategic themes to achieve our quantitative targets of net sales of ¥4,550.0 billion, operating profit of ¥500.0 billion, and operating profit margin of 11% by the end of fiscal 2025. In fiscal 2023, the first year of the Latter-Half Three-Year Plan, we thoroughly implemented priority measures, such as proposing better solutions for carbon-neutral and energy-efficient products and services, extensively implementing strategic selling price measures, and promoting comprehensive cost-reduction measures, amid a challenging business environment in which demand fell below expectations in many regions and businesses. As a result, we achieved our highest results for net sales, at ¥4,395.3 billion, and operating profit of ¥392.1 billion. However, in terms of our operating profit margin, we are behind in our progress to achieve the 11% target by the end of fiscal 2025, as it fell from 9.5% in fiscal 2022, to 8.9% in fiscal 2023.

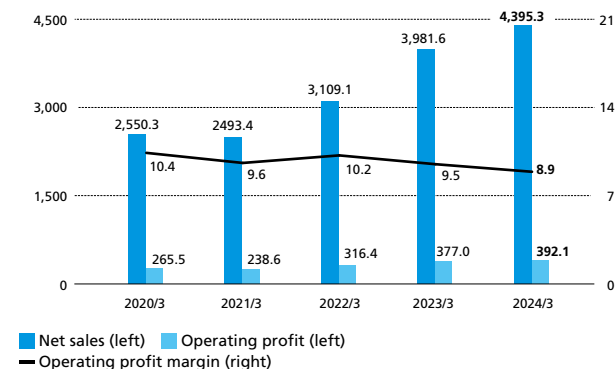
We believe the current decline in profitability is due to three main factors. First, in the highly profitable European air-conditioning business, sales of residential heat pump space and water heaters have fallen due to sluggish demand. Second, we have seen delays in returns on certain M&A investments. Third, our investment burden increased through the implementation of aggressive upfront investments in the future growth of our business in the first two years of the FUSION 25 strategic management plan, including investments in R&D, digital technology, and capital assets to enhance production capacity in each region.

At Daikin, our basic policy is to promote future growth and development and strengthen our management structure by aiming to expand our business through strategic investments, in addition to enhancing profitability and improving our financial position. While this direction remains unchanged, we believe we must further enhance our earnings capacity in order to achieve our operating profit margin of 11% by the end of fiscal 2025, as set forth in the Latter-Half Three-Year Plan. We aim to enhance earnings capacity by thoroughly implementing measures across the Group, such as expanding sales in thriving regions and businesses, including the Applied Systems Business and the Air Conditioning Business in India, enhancing the profitability of the Air Conditioning Business in North America, accelerating returns on investments, and streamlining fixed costs.

While achieving our operating profit target of ¥425.0 billion by the end of fiscal 2024 is essential to accomplishing our Latter-Half Three-Year Plan, we must first focus on restoring our operating profit margin to the 9% level. Although the business environment will likely remain challenging in fiscal 2024, we will continue to engage as a Group in our initially declared key Groupwide themes, such as strengthening sales and marketing capabilities to realize selling-price measures that absorb cost increases and expand sales and market share, reducing variable costs on a global cross-functional basis, and streamlining fixed costs. Furthermore, we will expand sales by capturing the increasing global demand for applied air conditioners and enhance earnings by strengthening the Commercial Solutions Business.

To enhance production capacity, Daikin commenced the operation of new plants in southern India in August 2023 as well as the operation of Daikin Comfort Technologies North America, Inc.'s new plant in Mexico in April 2024. In fiscal 2024, we plan to complete construction and begin operations of new air-conditioning plants in Poland, Indonesia, and China, as well as a second chemical plant. In order to steadily secure returns from investments and enhance profitability, we will monitor demand trends and, if necessary, review the scale of investment projects for which work has already begun, as well as the timing of construction. We will also look to expand synergies through the acquisitions we have made to date,

Net Sales / Operating Profit / Operating Profit Margin
(Billions of yen) (%)



Financial Strategy

such as strengthening the sales network and service solutions business in the Air Conditioning Business in North America and the refrigeration business in Europe.

Moreover, we will invest resources in strengthening our sales networks and accelerate upfront investments in digitalization. Although we will curb other new investments and take measures to reduce existing fixed costs, the continuous rise in labor costs will likely lead to an increase in total fixed costs. We will take measures to further streamline fixed costs to realize a cost structure that is conducive to increases in net sales and profit margin. This will be achieved by streamlining our indirect operations using generative AI and indirect material purchasing operations across regions in the United States, Europe, and Asia. We also intend to fully prioritize investments by ensuring that their benefits and returns are understood.

Daikin will continue to build on the success of these priority measures to achieve the targets (operating profit of ¥500.0 billion and operating profit margin of 11% by fiscal 2025) of its Latter-Half Three-Year Plan.

Measures to Reduce Costs

One of our key Groupwide themes for fiscal 2024 is to further strengthen cost reductions through a global and Groupwide effort. Amid a challenging business environment in which demand is likely to remain sluggish and a significant rise in production is not expected, we plan to increase cost reductions in fiscal 2023 by continuing to engage in priority themes to reduce costs globally. In the past few years, Daikin has been affected by the rising prices of raw materials and electronic components. In fiscal 2024, we will reduce the cost of base model products, standardize key components, convert from the use of copper to aluminum, enhance cost competitiveness at our five new air-conditioning plants in India, Mexico, Indonesia, China, and Poland, conduct four-way integrated activities involving development, production, procurement, and suppliers, and reform production, procurement, and logistics processes to streamline fixed costs and achieve our highest cost reductions ever.

Measures to Improve Working Capital Efficiency and Reduce Interest Expense

In fiscal 2023, interest expense increased ¥24.6 billion from the previous fiscal year, to ¥44.9 billion, due to increased investment and high inventory levels amid rising interest rates worldwide. To improve working capital efficiency, a Groupwide effort was made to reduce days in inventory to the high 70s in fiscal 2023. However, due to lower sales caused by sluggish demand for heat pump space and water heaters in Europe and ducted unitary for houses in North America, days in inventory remained at 87. To achieve our target of low 70s by the end of fiscal 2024, we will improve the accuracy of our sales forecasts, implement flexible production adjustments by strengthening coordination between production and sales, reduce obsolete models and excessive inventory, review inventory standards, and steadily implement and monitor other measures to reduce interest expense through more efficient inventory management.

Foreign Exchange Control and Intra-Group Financing of Surplus Funds

As an organization that operates in more than 170 countries worldwide, the Daikin Group recognizes the importance of global financial management, including the minimization of foreign exchange impacts and the efficient utilization of funds within the Group. In foreign exchange control, we reduce foreign exchange risks through natural hedges, in which the amounts of foreign currency-denominated assets and liabilities are equal, and the setting of payment terms for intra-Group transactions to 20 days, in principle. In addition, each company's foreign exchange exposures are hedged in accordance with Groupwide rules to minimize foreign exchange risks on a global basis.

The financial conditions of Group companies vary according to region and business format, with some companies having surplus funds while others do not. From the perspective of utilizing surplus funds within the Group, we have already introduced a system to finance funds on a national and regional level in China, Europe, and other areas. Furthermore, in order to accommodate funds on a global basis, we utilize the global cash management system (GCMS) to consolidate funds in Japan and provide funds to regions that need them. This intra-Group financing has led to reductions in external borrowings and interest expense.

Approach to the Disclosure of Non-Financial Information

The business environment is changing and stakeholders' expectations and demands of companies now include not only the demonstration of improved business performance through financial results but also contribution to the betterment of society and the environment. Sustainability initiatives that pay due consideration to society and the environment play a key role in enhancing a company's corporate value, and this is increasing the importance of promoting business management that correlates financial information with non-financial information and achieving sustainable increases in corporate value.

The explanation and disclosure of non-financial information in a clear and concise way is essential to addressing sustainability issues. It is important to ensure that sustainability issues and initiatives are understood by everyone within the Group and that our dedication to sustainability is conveyed clearly to stakeholders. We also believe that clearly communicating our measures to address future risks and opportunities and providing regular information to our various stakeholders will help enhance corporate value. As the officer in charge of accounting and finance, I will actively disclose information in a way that is easy to understand, consolidating non-financial information, which tends to be dispersed across multiple divisions, including corporate divisions, and correlating it with financial information.

We have been required to provide enhanced disclosure of sustainability information since our annual securities report for the fiscal year ended March 31, 2023. The Group is responding to this challenge by strengthening horizontal cooperation between relevant corporate divisions that meet regularly to share and disclose information. We are also working to enhance disclosure of sustainability information in compliance with the Corporate Sustainability Reporting Directive (CSRD) in Europe. We do not view these efforts as mere institutional compliance but rather as an opportunity to communicate Daikin's initiatives, achievements, and strengths to external parties. We will continue to ensure the reliability of our information disclosure by strengthening cooperation within the organization.

Financial Strategy

Capital Policy Based on Our Growth-Oriented Mindset

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

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

Investment Plan

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

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

Fiscal 2023		
Cash generation	<p>Improvement of profitability Operating profit margin: 8.9% (Fiscal 2025 Plan: 11%) Reductions in working capital Days in inventory: 87</p> <p>Utilization of interest-bearing liabilities Interest-bearing liabilities: ¥968.2 billion Interest-bearing liability ratio: 19.8%</p>	<p>Free cash flow</p> <p>Maintain certain levels while expanding business and enhancing profitability Three-year cumulative target (fiscal 2023 to fiscal 2025): ¥500.0 billion</p>
Capital allocation	<p>Strategic investments Three-year cumulative plan (fiscal 2023 to fiscal 2025): ¥1,370.0 billion</p> <p>M&A Actively consider as a key strategic management tool</p> <p>Shareholder returns Maintain the DOE ratio at 3.0% or higher based on our policy of providing stable and continuous dividend payments DOE: 3.0% Dividends per share: ¥250</p> <p>Financial base Implement strategic investments to expand business, enhance profitability, and strengthen our financial position</p>	

Main Areas and Themes for Investment in FUSION 25 Latter-Half Three-Year Plan

Investment Plan (Three-year totals for fiscal 2023 to fiscal 2025)

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

Financial Strategy

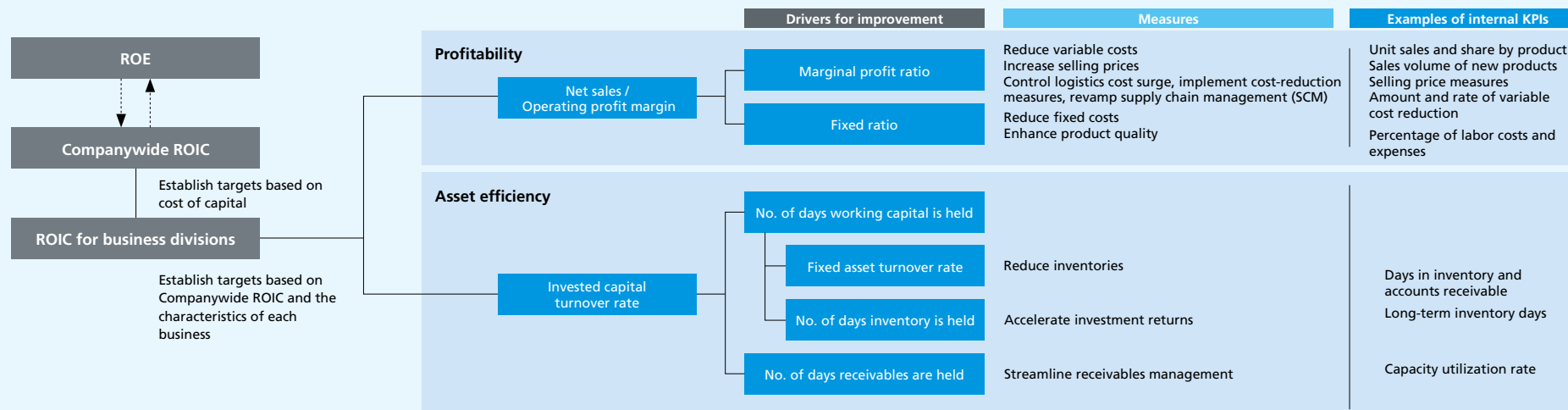
Promoting Ratio Management to Maximize Corporate Value

We began ratio management to focus more on operating profit margin, profitability, and financial structure based on our aim to “become an attractive company that draws together people, capital, and information” set forth in the revamped version of FUSION in 1999. Under ratio management, we actively expand our business and enhance our management structure on the basis of free cash flow (FCF), return on invested capital (ROIC), return on assets (ROA), and return on equity (ROE) as key management indicators. We place particular emphasis on FCF as a source of corporate value and as an

integrated indicator that serves to enhance all management indicators. In addition to increasing earnings and improving investment efficiency, we are proceeding with the measures necessary to generate cash flow from a working capital perspective, which includes thoroughly reducing the balances of accounts receivable and inventory.

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

and then applied it to each business target to show clearly how the duties of each employee are connected to ROIC. For example, during employee training we describe ROIC as a tree as a way to explain concepts such as how inventory reduction improves ROIC and how adjusting the relationship between selling prices and costs can increase profitability. We also use the ROIC Tree to explain to management at our overseas bases how ROIC is linked to their daily duties.



Policy on Cross-Shareholdings

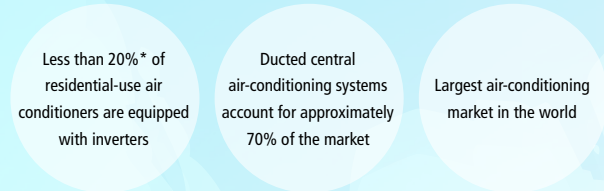
As our business becomes more complex and wide-ranging, alliances and partnerships with other organizations in diverse fields are becoming increasingly important for our continuous growth. We have deemed it appropriate to hold shares in companies with potential for improvements in corporate value. This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

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

Special Feature Aiming to Be No. 1 in the North American Air-Conditioning Market

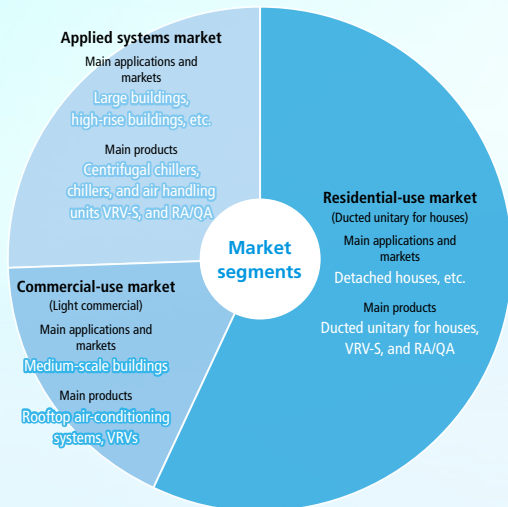
North America is the birthplace of air-conditioning and the largest air-conditioning market in the world. Aiming to be No. 1 in the North American air-conditioning market, Daikin is leading the transformation of this market with products that offer superior environmental performance.

Characteristics of the North American Air-Conditioning Market



* Estimated figure that includes ducted unitary and ductless equipment, which are the mainstream air-conditioning systems in the North American residential-use market. Air-conditioning systems in North America differ from those in other regions, and therefore the inverter percentage for this market as a whole has not been officially released.

Ducted air conditioners deliver temperature-controlled air to each room via ducts (piping) that extend throughout a building to control the temperature of an entire house. In the United States, where ducted air conditioners are the mainstream, air-conditioning systems are considered part of the home, and therefore involve a vastly different sales approach from other countries, as the type of system used is entirely at the discretion of distributors and installers.



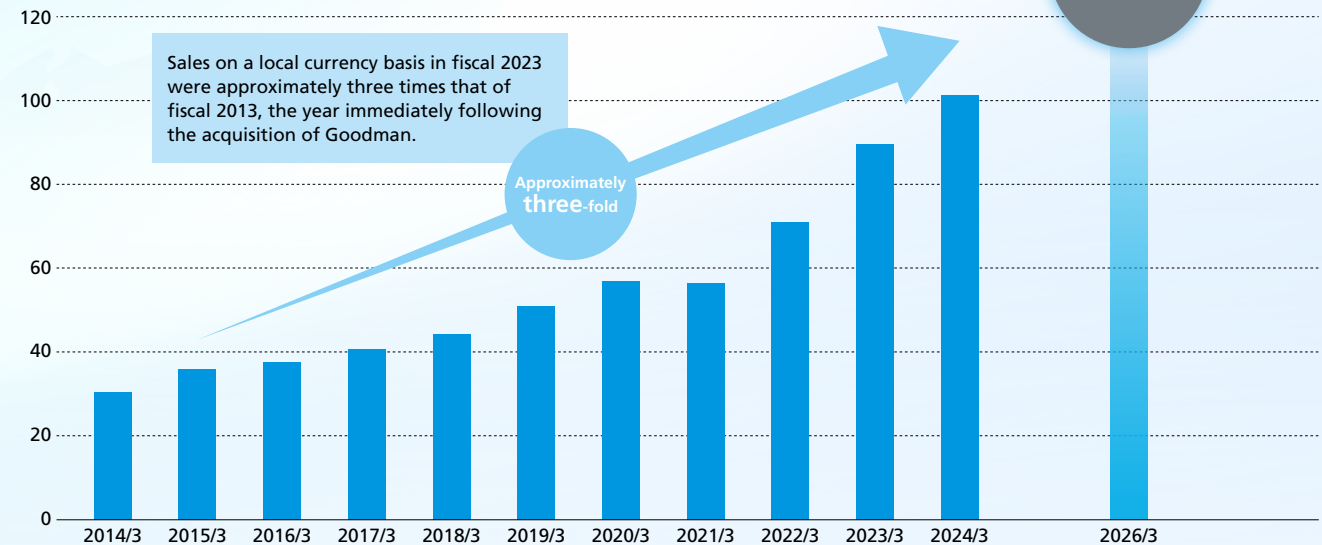
Our Third Attempt to Be No. 1 in the North American Air-Conditioning Market

Daikin made previous attempts to establish a presence in the North American market in the 1980s and the 1990s. However, we were forced to withdraw on both occasions due to constraints in developing business through alliances with local companies as well as the challenge of adjusting to North America's unique air-conditioning culture, including consumers' lack of familiarity with ductless air-conditioning, which is Daikin's area of expertise.

The acquisition of OYL Group (finalized in 2007), a major global air conditioner manufacturer, provided the foothold for our third attempt in the North American market and led to the acquisition of McQuay US,^{*1} an applied business operator in North America. Since then, we have been building a business foundation in this market, including through the acquisition of Goodman Global Group, Inc.,^{*2} a residential air-conditioning manufacturer in the United States.

The acquisition of Goodman, which boasts a network of 60,000 dealers and 900 sales offices for ducted air-conditioning across the United States, has boosted Daikin's presence in North America.

Sales in the North American Air-Conditioning Business: Results for Daikin Comfort Technologies North America, Inc. (DNA) and Daikin Applied Americas Inc. (DAA) (Billions of U.S. dollars)



(Reference) Denominated in Japanese yen	Fiscal 2021 Result	Fiscal 2022 Result	Fiscal 2023 Result	Fiscal 2025 Target
	¥794.0 billion	¥1,214.4 billion	¥1,463.6 billion	¥1,500.0 billion

*1 Currently Daikin Applied Americas Inc. (DAA)
*2 Renamed Daikin Comfort Technologies North America, Inc. (DNA) in April 2022

Aiming to Be No. 1 in the North American Air-Conditioning Market

Initiatives of the FUSION 25 Latter-Half Three-Year Plan

We will capture an overwhelming share of the market in the residential-use business and aim to rise to the top of the air-conditioning market in North America by taking further steps ahead in our Applied Solutions Business.

Residential-Use Air-Conditioning Business

Expanding Sales of Fit Inverter-Equipped Unitary and Other Premium Environmental Products

Through the combination of Goodman's cost competitiveness and sales network in the United States and Daikin's technological capabilities, the two companies have been utilizing their respective strengths to create synergies since 2012.

To continue to expand business in the North American market, it is essential that we utilize Goodman's foundation for high-volume businesses and establish the premium environmental business that Daikin has been promoting across its global network.

Fit premium environmental products, which harness Daikin's strength in energy-saving technology, were introduced with the aim of revolutionizing the North American market, where energy-saving products are not yet widespread. Fit inverters operate quietly and are lightweight, compact, and distinctively designed.

There is currently increasing demand for premium environmental products that offer exceptional energy-saving performance due to the environmental regulations of the United States' Department of Energy (DOE), the promotion of electrification through Inflation Reduction Act (IRA) subsidies (for the replacement of gas heating with heat pump heating), and growing environmental awareness among consumers.

At present, DNA (formerly, Goodman) has approximately 1,900 distributors (wholesalers) and over 70,000 dealers throughout the United States, including its own and those of other companies. Aiming to expand sales of premium environmental products, DNA is acquiring distributors that are deeply rooted in their regions to further strengthen its sales network, while training and developing dealers that operate under these distributors so that they can propose and sell premium environmental products to end-users through an understanding of their benefits.

Going forward, we will capture an overwhelming share of the residential-use market by continuously expanding sales of premium environmental products.



Fit premium environmental product

Commercial-Use Air-Conditioning Business

Further Expanding the Commercial-Use Air-Conditioning Business through Enhanced Collaboration between DNA and DAA

Daikin will continue to expand the commercial-use air-conditioning business by enhancing collaboration between DNA, which specializes in individual air-conditioning systems, such as VRVs, and DAA, which specializes in applied air-conditioning equipment for large spaces. It will combine their respective products, including VRVs, applied equipment, and control equipment, to propose systems that address all air-conditioning needs.

Joint initiatives are underway to propose optimal solutions for schools, offices, and commercial facilities, particularly in the north-eastern region of the United States, according to the scale and needs of each property, such as providing applied equipment for common areas and other large spaces and VRVs that meet the specific needs of offices and classrooms.

Establishment of New Plant in Mexico to Expand Production in the United States and Mexico

We are accelerating the reinforcement of production capacity and market-localized production in the Americas to become No. 1 in the North American air-conditioning market. In Mexico, we are building new plants on the same site to produce DNA's direct expansion products, such as Fit and RA/QA, and DAA's applied products, such as air-cooled chillers, and we began mass production in 2024 under the integrated management of the two companies. Through the integration of development, production, and sales functions in the area, we will quickly identify local needs, reflect them in product specifications, shorten delivery lead times, and strengthen cost competitiveness.



New plant in Mexico

Applied Solutions Business

Branching Out into New Markets with the Solutions Business

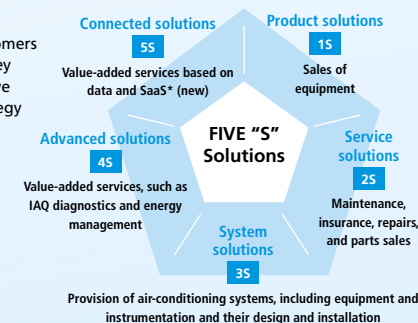
Currently, the applied solutions market in North America is overflowing with opportunities. Capital investment in data centers and EV factories is on the rise, and the shift to decarbonization is accelerating around the world. Against this backdrop, Daikin is combining its resources to expand the lineup of products that differentiate its brand from competitors and to bolster its menu of products and solutions geared to carbon neutrality. A major and common theme in all of this is the expansion of our solutions businesses.

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

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

Five "S" Strategy

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



* SaaS: Software as a service

Three Growth Strategy Themes



Challenge to Achieve Carbon Neutrality

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

Basic Policy

Medium- to Long-Term Trends in Environmental Change

The 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change, an international conference to discuss climate change policies, was held in Dubai, United Arab Emirates, from November to December 2023. A total of 197 countries and regions that are signatories to the United Nations Framework Convention on Climate Change (UNFCCC) attended the conference, and the movement toward carbon neutrality continues to gain momentum. Moreover, at COP28, 63 countries including Japan announced their support for Global Cooling Pledge, an international initiative requiring countries to reduce GHG emissions from the use of air conditioners, improve energy efficiency, and promote the use of air conditioners in developing countries, thus increasing the role of air conditioners in the achievement of carbon neutrality.

Aim of Our Strategies

We will contribute to the achievement of carbon neutrality by 2050 through the six key initiatives listed on the right.

Measures to Achieve Net Zero GHG Emissions

Environmental Initiatives ▶ Page 48

Sustainability Report 2024: Challenge of Achieve Carbon neutrality

FUSION 25 Latter-Half Three-Year Plan

Key Initiatives	Targets and Policies	Specific Measures
1. Reduction of Power Consumption During Product Use	<ul style="list-style-type: none"> Work to accelerate the global conversion to inverters and lead the industry in environmentally conscious products (energy-saving equipment) Increase the use of inverters in room air conditioners to 93% or more by fiscal 2025 (81% as of March 31, 2024) 	<ul style="list-style-type: none"> Expand sales of inverter air conditioners on a global scale, including Fit heat pump unitary products in North America and room air conditioners for our high-end market strategy in the developing countries of the ASEAN region and Oceania Develop and expand sales of energy-saving systems, such as those combining VRVs and total heat exchangers
2. Expansion of the Heat Pump Space and Water Heating Business	<ul style="list-style-type: none"> Significantly expand business in the residential market by launching differentiated products and strengthening sales and after-sales service networks 	<ul style="list-style-type: none"> Expand sales of Fit heat pump unitary products in North America Participate in the U.S. Department of Energy's Cold Climate Heat Pump Challenge*1 Release new products using R290 natural refrigerant in Europe (scheduled for fall 2024) Establish a new plant in Poland to serve as a manufacturing hub for heat pump heaters
3. Refrigerant Initiatives to Support the Air Conditioning Business	<ul style="list-style-type: none"> Select optimal refrigerants for each region Promote the conversion to R32 refrigerants on a global scale 	<ul style="list-style-type: none"> Expand sales of R32 products in the residential-use air-conditioning market in the United States Promote conversion to R32 refrigerants for VRV systems Promote sales of products using natural refrigerants in Europe Promote the development of next-generation refrigerants
4. Reduction of GHG Emissions During Manufacturing (Development and Production Processes) and Office Activities, etc.	<ul style="list-style-type: none"> Achieve net-zero GHG emissions at all plants, excluding chemical plants, by fiscal 2030 Achieve net-zero GHG emissions at major offices of domestic business sites by fiscal 2025 	<ul style="list-style-type: none"> Globally expand initiatives that proved successful in achieving net-zero GHG emissions at our Sakai Plant's Rinkai Factory in Japan in fiscal 2024
5. Development of New Business That Takes a Carbon-Neutral Society into Account	<ul style="list-style-type: none"> Reinforce initiatives for negative emissions and electric power 	<ul style="list-style-type: none"> Discuss development themes and possible business opportunities for the direct recovery and utilization of CO₂ Expand sales of micro-hydroelectric power systems Explore possibilities for power-related businesses
6. Initiatives for Realizing a Circular Economy	<ul style="list-style-type: none"> Accelerate the global establishment of a refrigerant eco-cycle (recovery and reclamation) Strengthen circularity-focused efforts for other materials, such as promoting the use of recycled materials and improving durability 	<ul style="list-style-type: none"> Offer product design and services based on circularity Establish a recovery network for products and materials Enhance technology for horizontal recycling*2

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

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

Three Growth Strategy Themes

Regional Policies on Carbon Neutrality and Daikin's Strategies

Japan

Under the "designated products" category of the Fluorocarbon Emission Control Law, from 2025 a regulation will be imposed to limit the GWP of VRV installation and the replacement of refrigerant pipes to 750 or less. In response, the VRV7 series using R32 refrigerant will be sequentially released to the market in November 2024. We are establishing multiple routes for the recovery and recycling of refrigerants through the introduction of proprietary services and the cooperation of partner dealers and reclaimers to expand recovery volume and are developing a recovery and recycling network throughout the country.

United States

A regulation will come into effect as of January 2025 requiring refrigerants to have a GWP of 700 or less, except for VRV systems. Accordingly, Daikin will introduce new R32 products ahead of its competitors. In the U.S. market, where non-inverter air conditioners are still the mainstream, we are working to promote the wider use of energy-saving products by releasing new Fit inverter-equipped premium environmental products. We have also launched an initiative to recover and recycle refrigerants using our own wholesalers.

Europe

In March 2024, the European Union's amended F-gas regulation came into effect, requiring self-contained heat pumps with a maximum rated capacity of 12 kW to have a GWP of 150 or less from 2027. To get a head start over this amended requirement, Daikin will launch *Altherma* water heat pumps using R290 natural refrigerant in fall 2024. Because R290 is highly flammable, we will do everything possible in our role as a manufacturer to ensure that the heat pumps are used safely by providing the appropriate training to dealers.

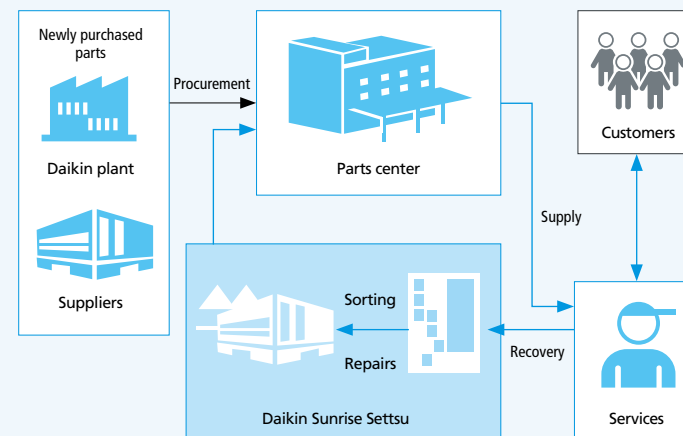
Asia

Although refrigerant recovery is not regulated in most Asian countries, Daikin has taken the lead over its competitors in this region by promoting refrigerant recovery efforts in Vietnam, Thailand, and Indonesia.

Efforts to Recover and Recycle (Refurbish) Printed Circuit Boards at Daikin Sunrise Settsu

Daikin has been involved in refurbishing printed circuit boards for more than 20 years, and it has supplied over 100,000 refurbished printed circuit boards in the last 10 years. P-boards recovered at service facilities nationwide are first sent to our subsidiary Daikin Sunrise Settsu Co., Ltd., where they are assessed as a good or defective product using strict visual sorting criteria. Next, testers conduct continuity checks and eliminate parts with functional issues. Worn parts are replaced to improve product durability, and finally a complete functional inspection, equivalent to operational inspections at factories, is conducted to ensure quality.

These activities are all conducted at Daikin Sunrise Settsu, which makes significant contributions to society related to the Sustainable Development Goals (SDGs) through the many employment opportunities it provides to people with severe disabilities.



Recovery and recycling process for printed circuit boards

Refrigerant Recovery and Recycling in Vietnam

As part of the Ministry of the Environment's Joint Crediting Mechanism (JCM) project in Vietnam, in fiscal 2022 we began working with three other Japanese companies to establish a scheme for managing refrigerants over their life cycle. The aim of this project is to establish refrigerant disposal and recycling facilities in Vietnam, promote the collection and management of containers of recovered refrigerants, recover refrigerants from end users, and coordinate a tracking system to monitor the movement of these refrigerants. The profits from the sale of carbon credits earned through the destruction of refrigerants are used to cover the cost of these activities. Under this project, Daikin is working to establish a system for recovering refrigerants and delivering them to collection points. Furthermore, by engaging in discussions with the governments of Vietnam and Japan, conducting demonstration experiments with local universities, and inviting researchers to Japan, Daikin is working to establish comprehensive legal and regulatory requirements for refrigerant life cycle management, providing training to those involved in the project, and considering the possibility of carbon credits and other economic incentives for recycling.



Recovery and recycling efforts in Vietnam

Three Growth Strategy Themes

2

Promotion of Solutions Business Connected with Customers

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

Basic Policy

Commercial Solutions

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

Residential Solutions

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

* HVAC: Heating, ventilation, and air-conditioning

Refrigeration Solutions

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

Commercial Solutions

Focus on strengthening proposal-based sales capabilities, expanding menus for each vertical market, and strengthening business promotion functions along with building an owner-direct sales network

Market Needs

As the need for environmental and decarbonization solutions becomes more pronounced, an increasing number of companies are working to reduce CO₂ emissions from their facilities and factories.

We have also seen a growing need for better IAQ and well-being (a more enriched society) following the containment of the COVID-19 pandemic.

Daikin's Competitive Advantages

Daikin has developed an extensive HVAC product lineup that meets the specific needs and energy-saving standards of each global region, optimal control technology that achieves energy savings and comfort, and a service network tailored to the various regions in which it operates.

Issues and Approach Going Forward

It is important that we identify the varying needs of customers and use these insights to continue to promote the selling of services that combine our solutions for equipment with those for services, controls, and applications.

We will transition to a solutions business by establishing themes that strengthen our application- and market-based solutions according to region, drawing on our know-how in solution proposals and product development, and sharing best practices throughout our global operations.

Residential Solutions

Create our own solutions model that combines energy efficiency and comfort by controlling the balance between heat generation and electric power consumption of HVAC* products, which accounts for most of the energy used in a home

Market Needs

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

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

Daikin's Competitive Advantages

Daikin has a large stock of HVAC systems around the world as well as heat pump, inverter, and other energy-saving technologies and technologies that provide comfort, such as temperature and humidity control. We also boast development, production, sales, and service systems that are deeply rooted in local communities, and are developing HVAC systems and services that are specifically tailored to regional circumstances, such as residential multi-split air conditioners in China, heat pump space and water heaters in Europe, and Fit premium environmental products in the United States.

Issues and Approach Going Forward

Residential and lifestyle needs vary by region, so Daikin is developing HVAC systems and solution models that cater to these specific needs. We must also develop business concepts based on future housing trends. We will not only promote systems connectivity but also develop ideas for new equipment, systems, and solutions based on market research and turn them into business opportunities. We will also consider establishing an energy management business to manage the power supply of HVAC systems according to demand to ensure that we continue to provide comfort through the global supply of HVAC systems.

Three Growth Strategy Themes

Refrigeration Solutions

We will take on the challenge of developing business in the Middle East and other emerging markets, where growth is expected, as well as expanding our existing businesses. We will also create new business models to provide customer value, such as achieving decarbonization and reducing food loss, in addition to developing a cold chain business that covers all processes from production to consumption.

Market Needs

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

Daikin's Competitive Advantages

We will apply the elemental and energy-saving technologies we have cultivated in air-conditioning, such as inverter technology for compressors, into our refrigeration products. We will also incorporate our development of control technology for natural refrigerants, such as CO₂ (R744) and propane (R290), that we have cultivated in Europe, which remains at the forefront of environmental measures.

In addition, to maintain food quality, we are strengthening differentiation technologies and products, such as outdoor unit controls that manage temperatures with minimal variations and freshness preservation technology based on adjustments to internal air quality.

Issues and Approach Going Forward

Daikin will expand its business domain from the existing Marine Container Business and commercial-use business in Europe to the entire cold chain. Also, in developing countries, where there is a large amount of food loss due to the vulnerability of the cold chain, Daikin will establish a new business model that inspires solutions to social issues using the air-conditioning technology and sales and service networks it has cultivated to date.

▶ Examples of Application- and Market-Based Commercial Solutions: Air-Conditioning Business for Data Centers

As the volume of data processing increases dramatically with the enhanced use of AI, the need for state-of-the-art HVAC systems continues to rise around the world among digital platform providers and major data center operators.

We are also seeing an increasing need for monitoring and timely support services.

In North America, Daikin's largest market, we lacked the HVAC products and engineering capabilities for data centers compared with our competitors in the United States. However, we rapidly enhanced our product lineup with the acquisition of Alliance Air Products, an air handling unit manufacturer, in 2022. To enhance cost competitiveness, we carry out our development and production activities in Mexico. Furthermore, Daikin is creating solutions that respond to the high demands of customers by combining its highly efficient and durable air-cooled chillers that minimize water and energy use with its technical sales, engineering, and service capabilities to address customer needs thoroughly.

Daikin will continue to meet the air-conditioning needs of data centers, which operate in various climates and locations around the world.



There is increasing demand for air conditioners at data centers

▶ Refrigeration Solution: Development of Environmentally Conscious Natural Refrigerants

Due to the increasing awareness of decarbonization, natural refrigerants, which have a low GWP, are already being used in supermarket refrigeration showcases in Europe. Daikin offers environmentally friendly equipment, refrigeration machines that use CO₂ refrigerant (R744), a type of natural refrigerant, and refrigeration plug-in showcases that use propane refrigerant (R290).

In Japan, Daikin was one of the first companies to introduce refrigeration plug-in showcases using propane refrigerant. Our showcases with doors have been recognized for their energy-saving features, such as the ability to maintain internal temperatures, and they have been used by the Aeon Group and other businesses since 2022. Going forward, Daikin will continue to contribute to a better environment and take on the challenge of expanding its cold chain business on a global scale.



Refrigeration plug-in showcase

Three Growth Strategy Themes

3

Creating Value with Air

We will seek opportunities to create new value with air by drawing on the increasingly diverse needs for air and ventilation.

Under our FUSION 25 Latter-Half Three-Year Plan, we aim to further expand our business by shifting from the sale of stand-alone equipment to the sale of air-conditioning, ventilation, and air purification systems.

Basic Policy

Establishment of Large-Scale IAQ/Ventilation Business

We will take on the challenge of shifting our sales focus from stand-alone equipment to systems combining air-conditioning, ventilation, and air purification functions as well as proposing solutions for IAQ diagnostics and maintenance.

Creation of IAQ/AE That Enrich People's Lives

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

Pursuit of New Value with Air

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

Establishment of Large-Scale IAQ/Ventilation Business

We will expand sales of air handling units, filters, total heat exchangers, air purifiers, and other IAQ and ventilation products. By conducting air diagnosis and analysis on-site, we propose optimal solutions that cater to our customers' needs for selecting and installing air-conditioning, ventilation, and air purification equipment. Moreover, we will also work to identify specific IAQ and ventilation needs for each region, pursue energy-saving features, and propose maintenance solutions.

Going forward, it will be important to conserve significant amounts of energy in buildings to achieve zero energy building (ZEB) status. Since ventilation accounts for a particularly large proportion of energy consumption, Daikin is developing total heat exchangers using new materials and systems that link air-conditioning and ventilation equipment to achieve energy savings and comfort.

Creation of IAQ/AE That Enrich People's Lives

Over the years, Daikin has been working on a number of themes related to IAQ. We have narrowed our focus to themes with a high likelihood of being resolved through better air quality—such as concerns related to hay fever and sleep disorders—and are creating new business under the themes of infection prevention, allergens, hypoxia, hyperoxia, and the autonomic nervous system.

For each of these five themes, along with our own air-conditioning data, we will use biometric data obtained through external collaborations to provide IAQ/AE that enrich the health care field in its promotion of health as well as people's lives through improvements in sleep quality, learning efficiency, and productivity.

For example, we can improve AE by eliminating indoor allergens to alleviate the symptoms of people with pollen allergies; linking and combining users' vital sign data with air conditioners to regulate their autonomic nervous systems; and controlling the oxygen concentration of indoor air to improve people's concentration, memory, and learning efficiency.

▶ 2nd Industry-Academia Co-creation Forum on Value Creation of Air

In July 2024, Daikin-UTokyo Lab., an initiative to promote the industry-academia co-creation activities of Daikin and the University of Tokyo, held its second industry-academia co-creation forum on the theme of valuing air as a common good.

Executives from the International Energy Agency and the Organization for Economic Cooperation and Development (OECD) were invited to speak on their expectations for air-conditioning from an energy perspective and the relationship between IAQ and health, as well as to discuss initiatives on the value creation of air, the role of comprehensive knowledge gained through industry-academia co-creation in realizing a sustainable society, the importance of IAQ in resolving social issues, and the role of international leadership. Daikin-UTokyo Lab. will continue to examine how it can contribute to society through its business going forward.



Strengthening Technology Development Capabilities

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

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

Strengths

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

Issues to Address

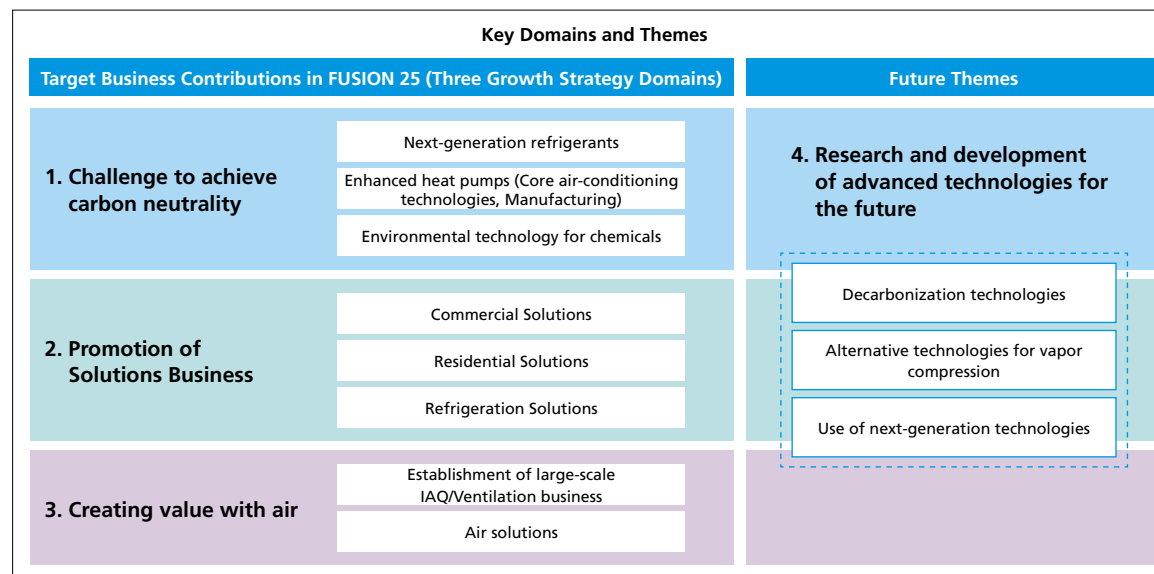
Technology development capabilities are the lifeline of a manufacturer, and in light of our rapidly changing business environment, it is essential that we forge ahead with the technological development themes in our four key domains (three growth strategy domains and one domain with future themes) and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

Approach Going Forward

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

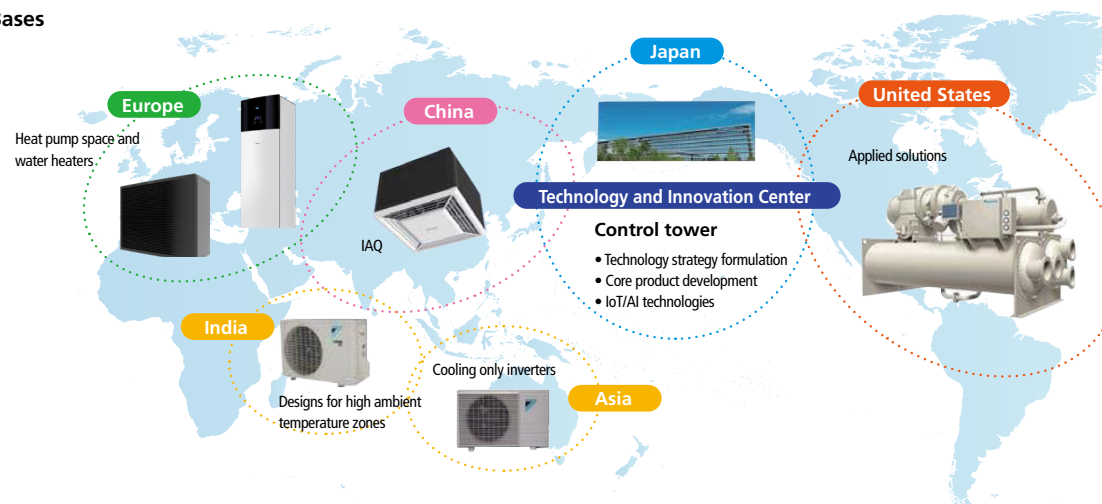
- The development of new systems and air conditioners suited to low-GWP and natural refrigerants;
- The development of high-efficiency heat reclaim ventilators that make efficient use of air-conditioning capacity with minimal use of refrigerants;
- The conversion of materials from copper to aluminum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

Technological Development Themes



Promoting themes based on internal and external co-creation

R&D Bases



Strengthening Technology Development Capabilities

Measures to Protect Intellectual Property Rights

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

To strategically promote its intellectual property (IP) activities, Daikin's Intellectual Property Group is working alongside the technology development and corporate divisions to build and strengthen an IP portfolio that helps grow the Company's business. The results of analysis of IP information and market trends are shared with these divisions as well as management and incorporated into the formulation of IP strategies. We are also expanding our IP landscape activities to develop business and IP strategies using a backcasting approach. To extend these activities to our overseas markets, we are establishing an IP system across our business sites and expanding and strengthening our IP portfolio globally. Moreover, to enhance the IP skills of our employees worldwide, we provide training to those in charge of IP and product development.

Raising Awareness of Intellectual Property

We have an effective patent incentive system in place that incentivizes the acquisition of patents that not only protect our technologies and products but also attract attention from other companies. In addition, at our annual patent award ceremony, external instructors are invited to speak and share advanced IP activities being undertaken outside the Company with Daikin's employees. In addition,

we hold training programs on patent strategies for engineers to enhance their awareness of IP.

Developing Win-Win Relationships through Co-creation

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

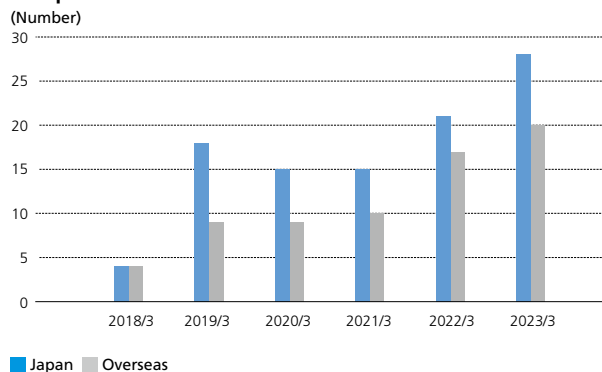
As part of industry-government-academia collaboration, we work together with the IP divisions to discuss matters such as establishing patent portfolios and granting incentives for inventions that contribute to the growth of our business, with a view to creating a strong IP portfolio through the results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

external co-creation efforts has increased significantly both in Japan and overseas.

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

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

Patent Applications by Key Collaborating Partners* in Japan



* Six universities and two research institutes

External Evaluation of IP Activities

In fiscal 2023, Daikin's IP activities were internationally recognized with the following three awards.

2023 Asia IP Elite

Daikin was selected as a 2023 Asia IP Elite company by Intellectual Asset Management (IAM), an international IP media platform run by Law Business Research Limited. The Company was also selected by IAM as the Industrials Team of the Year in recognition of its global IP activities.



Top 100 Global Innovators 2024

For the ninth time overall and for the first time since 2021, Daikin was selected to be among the Top 100 Global Innovators 2024 by international information services provider Clarivate Plc, which recognizes the 100 most innovative companies and research institutes worldwide by analyzing patent data.



Innovation Momentum 2024: The Global Top 100

For the first time, Daikin was selected for Innovation Momentum 2024: The Global Top 100 by leading global information and analytics provider LexisNexis, which recognizes 100 innovative companies that are driving the future of science and technology worldwide by analyzing patent data.



Establishing a Robust Supply Chain

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

Strengths

Daikin ensures stable supplies of products with a production system based on a localization approach that ensures that the necessary products are delivered as quickly as possible and a dual-mechanism approach that achieves concurrent production. We are also developing a procurement network that minimizes risk and maximizes cost competitiveness through region-based procurement aimed at promoting local production for local consumption.

Issues to Address

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

Approach Going Forward

Along with continuing to pursue local production for local consumption through the shift to region-based procurement, we will further solidify our supply system by concentrating our purchasing activities on high-risk materials.

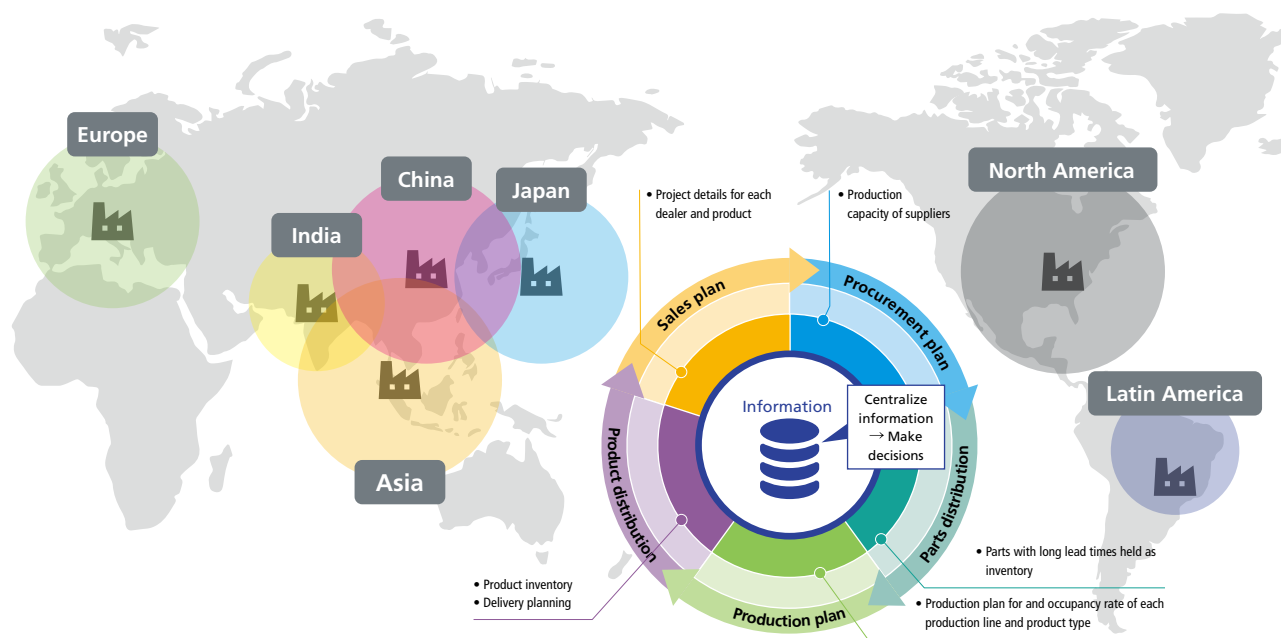
In addition, we will reduce CO₂ emissions in our supply chain, enhance CSR procurement, accelerate the realization of carbon-neutral factories, and strengthen our production technology to address labor shortages and continue to improve our cost competitiveness.

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

CSR Procurement Initiatives



Sustainability Report 2024: Responsible Procurement



Our Goal: “Simultaneous and Integrated Management”

Risk Management in the Supply Chain

As we expand our business globally, our suppliers have also been globalizing their businesses. Accordingly, we are working to mitigate the increasing levels of procurement risk that accompany this shift.

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

To ensure a stable and timely supply of raw materials and parts at reasonable prices, even in the event of deteriorating business conditions among suppliers, natural disasters, or accidents, we are

geographically dispersing and increasing the number of procurement sources and standardizing components so that they can be used in a wider range of products.

In addition, we have determined our key suppliers by rating those handling the parts and materials that are compatible with Daikin’s core technologies based on three criteria: difficulty in replacing a supplier, significance of transaction value, and importance of the items being purchased. Suppliers that surpass certain standards are regarded as “global suppliers,” with whom we engage in business at an international level.

Promoting Digital Transformation for Innovation

We have defined key themes from the perspectives of business innovation and process innovation and are working to expand the range of applications for digital platforms to create added value and improve business processes using digital technology. We will also accelerate digitalization across the Group by continuing to develop digital human resources.

Strengths

Daikin has the largest global market share in the air-conditioning business and a large stock of air conditioners and other equipment in operation around the world. By using this data, we can expand sales and reduce costs even further by providing new value and improving performance based on past malfunctions of equipment. In addition, our many points of contact with customers made possible by our strong global sales and service network allows us to respond to a wide range of needs in each region and location to resolve issues.

As of the end of fiscal 2023, 1,500 digital human resources had taken part in training and literacy development programs conducted by Daikin Information and Communications Technology (DICT) College, a corporate university established in 2017.

Issues to Address

As the world transitions from the selling of goods to the selling of services, we must provide solutions that meet diversifying needs, such as reducing energy use while maintaining comfort and creating new forms of value from air. To do so, we must connect with customers on a digital level and analyze the data we obtain to provide new value.

Moreover, as more and more equipment become commoditized, competitors are cutting their prices through mass procurement and centralized production. To remain competitive, it has become essential to shorten development lead times and further streamline the supply chain using digital technology.

Approach Going Forward

We have established two key digitalization themes: business innovation to create new businesses and grow existing businesses using rapidly evolving digital technologies, and process innovation to improve the efficiency and sophistication of business operations by fundamentally reviewing conventional business processes. We will promote digitalization not only through the efforts of Daikin employees but also by collaborating with external employees, other companies, and universities.

Business Innovation: Creating New Businesses and Expanding Existing Ones

Daikin will expand the Solutions Business to meet the needs of individual customers by promoting connectivity of equipment and acquiring and using equipment data. We have already developed a platform for acquiring and using data from air-conditioning equipment and peripherals and begun deploying it globally. We are also developing a customer information platform to provide value throughout the air-conditioning life cycle by acquiring operational

information from equipment centrally and building up information on customers to improve equipment replacement and maintenance services. Furthermore, we are working with external organizations to obtain data on people and buildings to provide services that meet diversifying needs and expand our business in the process.

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

To strengthen business management, we are developing an accounting system that enables us to settle our accounts earlier and manage earnings based on specific solutions as well as a human resources database that allows us to develop and optimally allocate human resources across our global operations in a timelier manner. In addition, to meet the specific needs of each customer, we are developing business processes that increase product variations without increasing parts inventory or development workload and link supply chain data to respond flexibly to sudden changes in demand. Moreover, to promote the development of new materials,

we are developing materials informatics (MI) technology, which creates a database of information on the composition, structure, and properties of materials and predicts the properties of materials using various calculation methods and models.

Furthermore, we streamlined all indirect operations using robotic process automation (RPA) and AI, achieving a 30% reduction in operational workload in 2023, compared with 2019. Going forward, we will actively use generative AI to reduce operational workload by 40% or more by 2025.

Selected for DX Stocks 2024

Daikin Industries, Ltd has been selected for the Digital Transformation (DX) Stocks 2024 by the Ministry of Economy, Trade, and Industry, the Tokyo Stock Exchange (TSE), and the Information-technology Promotion Agency, Japan, an incorporated administrative agency. Companies listed on the TSE are selected based on their track record in developing DX initiatives that increase corporate value. This is the third time that the Company has been recognized by this program, following its selections in 2020 and 2023. It achieved recognition for the following points.

In Japan, Daikin has been selling *DK-CONNECT*, a cloud-based air-conditioning management service, since fiscal 2021 to meet customers' operational, maintenance, and replacement needs for commercial air conditioners. This service, which we also began selling in North America, Europe, Asia, and other overseas markets in March 2024, contributes to lower energy use and reductions in administrative workload for facility managers.

Daikin is also working to develop wide-area energy management services to provide comfort and energy stability across all regions while reducing CO₂ emissions and energy costs by centrally managing air-conditioning equipment for multiple buildings and facilities.

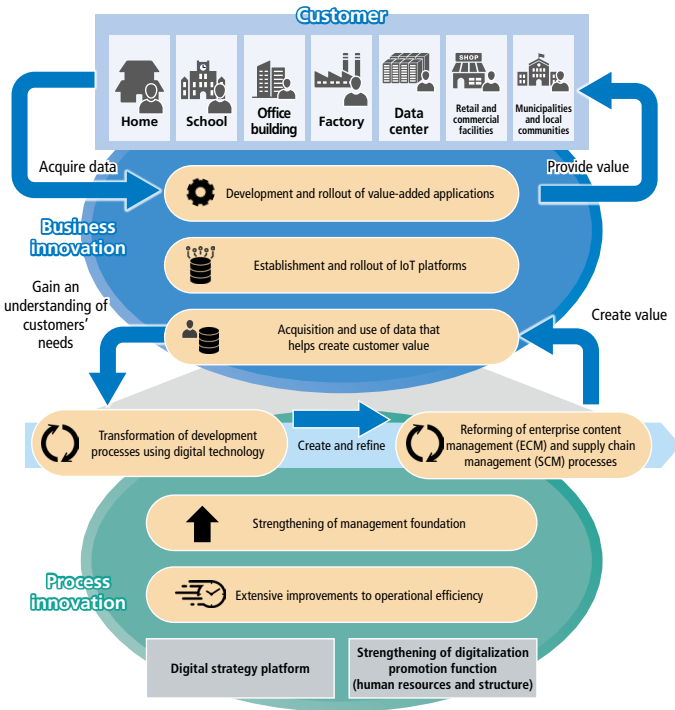
Through the involvement of DICT graduates in such key themes, we will execute our digital human resource development plan and business strategies by linking them together.



Promoting Digital Transformation for Innovation

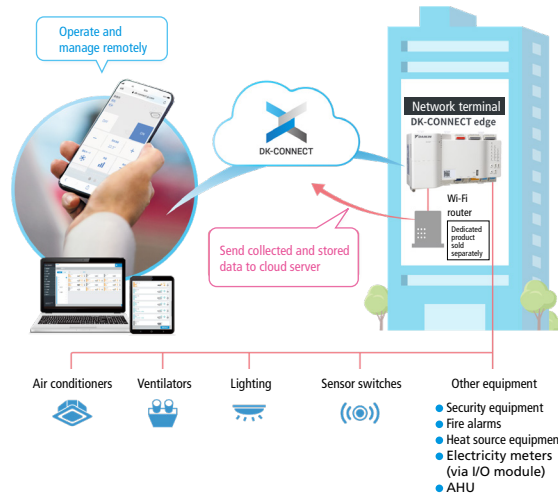
Overview of Digital Themes

The use of digital technology has become essential in all areas of our corporate activities. Accordingly, we have determined and are promoting key themes that need to be addressed with digital technology based on management issues. We promote a system in which digital-related organizations work together, and whenever there is a major change in the business environment, we reinforce this system through a Groupwide effort.



Examples of Business Innovation Themes (DK-CONNECT)

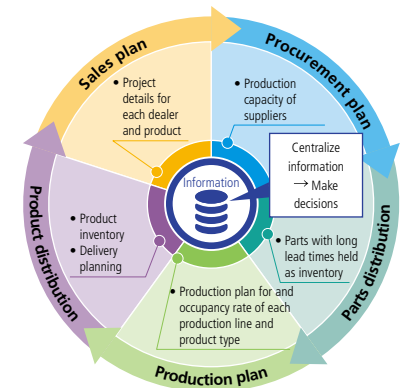
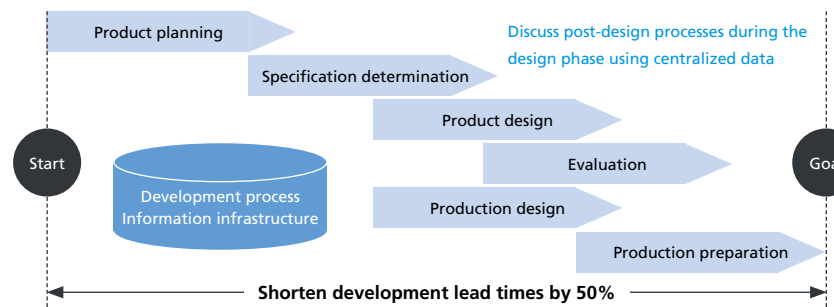
DK-CONNECT is a solution that enables integrated management of air-conditioner functions, such as remote monitoring and control, by connecting control and operational data to the cloud. This service helps users reduce energy use by linking air conditioners to lighting, ventilation, and other equipment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



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

Examples of Process Innovation Themes (Development and Supply Chain Process Reforms)

By connecting and centrally managing data required for development and production throughout the supply chain, we will develop a system that allows us to shorten development lead times, adjust production plans flexibly, and respond flexibly to sudden changes in demand.



Creating Market Value and Enhancing Advocacy Activities

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

Strengths

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

Issues to Address

At COP28, a new target was agreed upon to reduce global GHG emissions by 60% by 2035 relative to the 2019 level. In addition, the Global Cooling Pledge initiative is committed to further expanding the use of highly efficient air conditioners to increase the global average efficiency rating of new air conditioners sold by 50% by 2030. The initiative also requests cooperation on measures to reduce total emissions in accordance with the Circular Economy and Resource Efficiency Principles (CEREP) through improvements in operational energy efficiency by maintaining appropriate temperatures, even while raising temperature settings.

Approach Going Forward

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

Underpinning Efforts to Achieve Carbon Neutrality

Expand the Use of Inverters Worldwide

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

We have also pursued efforts to develop a framework for assessing the energy-saving performance of inverter units. To properly evaluate the performance of inverter units, the Japanese air-conditioning industry has taken the lead, and Daikin has joined in proposing the use of a performance index called Annual

Performance Factor (APF), which has been incorporated into ISO standards since 2013.

The use of residential air conditioners has become widespread in China and India, where APF has been adopted as an evaluation standard. In addition, APF is gradually being introduced in developing countries. In Latin America, the Middle East, and other regions, Daikin is working collectively with local governments and industry associations to support the development of evaluation standards, including the establishment of new indicators and standards and energy labeling systems.

COP28 Initiatives

At COP28, held in 2023, one of the conference's main themes was the decarbonization of cooling systems. At its booth in the Japan Pavilion, Daikin set up an exhibit to explain how high-efficiency inverter air conditioners reduce CO₂ emissions and widely promote them to policymakers as an immediate solution to enhancing energy efficiency and reducing electricity use. More than 1,000 people, including 600 government officials from approximately 50 countries, visited Daikin's booth during the conference. In addition, one of Daikin's senior executive officers participated in a panel discussion organized by the Japanese government to discuss energy savings in air conditioners and refrigerant recovery, reclamation and destruction management with major countries and international organizations. Joined by representatives from the International Energy Agency, the Asian Development Bank, the United States Department of Energy, the United Arab Emirates Ministry of Industry & Advanced Technology, the Ministry of Natural Resources and Environment of Vietnam, and the Climate and Clean Air Coalition to Reduce Short-Lived Climate Pollutants, we discussed policy cooperation to widen the use of inverter units and measures to ensure proper fluorocarbon management.



Improving Human Resource Capabilities through Advanced Diversity Management

Message from the General Manager of the Human Resources Division



People-Centered Management: Creating an Environment Where Employees Continue to Grow by Ensuring Opportunities to Take on Challenges

Masaki Saji

Senior Executive Officer
General Manager of Human Resources Division

As it marks the 100th anniversary of its founding, the Company has redefined its Group Philosophy, which underlies its management approach to achieving further business growth and development.

The redefined Group Philosophy emphasizes our corporate stance on continuing to contribute to society and provide new value in view of the future while continuing to evolve the strengths and the sources of competitiveness that must be passed down when the times change.

Daikin Industries' growth to date has been underpinned by People-Centered Management, which encompasses the belief that each individual possesses infinite potential, and the cumulative growth of all employees is the foundation of a company's growth. We have held firm to the notion that people are the source of a company's competitiveness and that only they can inspire change.

Our redefined Group Philosophy declares that this belief is a strength that must continue to be embraced and honed even amid our drastically changing business environment. Accordingly, we will remain devoted to creating an environment where employees continue to grow as individuals by practicing People-Centered Management and ensuring opportunities to take on challenges.

With a belief in the inherent goodness of people, we will continue to truly engage with people—the source of our competitiveness—and accelerate the growth of each individual by enabling them to take on challenges.

Moreover, to further promote and implement People-Centered Management, we formulated PCM* Behaviors, a set of action guidelines that each Group employee is expected to follow.

Since our founding, our Core Values, Group Philosophy, and People-Centered Management have embodied our beliefs and values, through which we have continued to grow by refining our unique strengths and corporate culture and enhancing our corporate value. Meanwhile, as the scale of our business expands, the number of Group employees increases, and the workforce becomes more diverse, it is becoming more difficult to communicate our vision of People-Centered Management through tacit knowledge alone. Therefore, we must pass this concept on to future generations by putting it into words and instilling awareness. As we mark the 100th anniversary of our founding and take a new step toward realizing further growth, we hope that by simply and directly conveying the attitude and behavior expected of each employee, we will stay true to our Group Philosophy, a source of competitiveness, improve our corporate culture, and achieve the sustainable growth of each individual and the Company as a whole.

In the fiscal year ending March 31, 2025, we will promote awareness and understanding of our redefined Group Philosophy and newly formulated PCM Behaviors to employees worldwide through various means. At the same time, we will remain committed to refining our unique strengths and corporate culture that have been cultivated over many years and ensure that they are specifically linked to the enhancement of our corporate value.

Going forward, we will review our qualitative and quantitative disclosure items that demonstrate our value and strengths as a corporate group in order to enhance the disclosure of human resource information.

* People-Centered Management

People-Centered Management

People-Centered Management can be regarded as the tacit knowledge, or indeed the corporate culture, that has been nurtured through our years in business since our founding. It is deeply ingrained in all of our ideals, including our Core Values, Group Philosophy, and Annual Group Policy.

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

PCM Behaviors: Action Guidelines Based on People-Centered Management

Innovation & Growth: Take Bold Action and Seek Growth
People who strive to grow, challenge established norms,
and lead innovation

Trust & Teamwork: Build Genuine Trustworthy Relationships and Teamwork

People who share the Daikin Group's dreams
and value dialogue and teamwork

Winning & Achievement: Strive for Results
People who aspire to achieve great results with passion, strong will,
perseverance, and action

Improving Human Resource Capabilities through Advanced Diversity Management

Advancing Diversity Management

Daikin's approach to diversity stems from a steadfast commitment to People-Centered Management. We believe that people are what drive a company's competitiveness. We also believe that the creation of new products and services through the efforts of a diverse team of employees who respect their mutual differences as well as the various ideas, ways of thinking, and values of one another are what will make us stronger as an organization.

Our workforce consists of over 98,000 employees, of whom more than 80% are based overseas. What has helped sustain our growth as a global company to date is none other than the people in our

organization, who are full of passion and vitality. As our business continues to grow rapidly through partnerships, collaborations, and M&As that span the globe, we are seeing a diversification of not only the people in our organization but also our values. We have a unique diversity management system in place that unites our diverse group of employees, who differ in culture, ethnicity, generation, lifestyle, and other aspects, and leverages the individuality and strengths of each member to drive innovation and enhance the Group's comprehensive capabilities and competitiveness.

Medium-Term Targets	Quantitative Index	Fiscal 2023 Achievements	Explanation of Index
Maintain and increase the development of global leaders	Number of persons participating in executive management and leadership development programs	Held in regions around the world including North America and Asia. There were 54 participants in the Group's next-generation executive and leadership development programs.	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.
Increase percentage of female managers	Number of female managers	108 employees (8.4%) (Daikin Industries, Ltd. only)	We measured the number of female managers and percentage of overseas bases where local nationals are president as indicators for measuring employee diversity.
Maintain and increase percentage of overseas bases where local nationals are president	Percentage of overseas bases where local nationals are president	46% (overseas bases)	

Maximizing the Talents of Women

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

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

Action Plan to Promote Women's Advancement

- Plan Period
Fiscal 2021 to fiscal 2025
(Five years between April 1, 2021, to March 31, 2026)
- Quantitative Targets
 - At least one female director from internal appointment by the end of fiscal 2025
 - Minimum of 120 female managers by the end of fiscal 2025
 - At least 90% consumption rate of childcare leave among both genders, and ensure male employees continue to take an average of 10 days or more

 [Sustainability Report 2024: Promote Women's Advancement](#)

Developing a Global Human Resource Database to Realize Optimal Development and Assignment That Draws Out the Infinite Potential of Each Employee

Our human resource database, DAIKIN People, was launched in October 2023 as a foundation for drawing out the infinite potential of people, a strength and source of competitiveness of the Group. In addition to basic information about Group employees based in Japan, such as age, position, and career history, this database allows employees and their supervisors to input information, such as strengths and expertise, thoughts and hopes for work and career, policies related to development, and records of conversations with supervisors. This system of storing and updating employee information is utilized as a tool for individual employees to further demonstrate their abilities, allowing us to develop and deploy human resources in a timelier manner.

While establishing a foundation for the database in Japan, we will expand it globally so that we can track and search for information on all our employees across the Group.

Increasing the Percentage of Female Employees

As of March 31, 2024, women accounted for 19% (1,658 people) of the workforce at Daikin.

Daikin continues to focus on hiring more women for engineering, technical, and clerical positions and among new graduates who have a strong desire to work for the Company over the long term. As a result, we have maintained the percentage of women among new graduate hires at approximately 30%. We also continue to actively recruit outstanding talent for our mid-career hires, including women for management positions.

Through these initiatives, as of April 1, 2024, women accounted for 8.4% (108 people) of our management positions, an increase of approximately five-fold from 2011, when our efforts to promote the advancement of women went into full swing. Moreover, women accounted for around 20% of management positions at our major overseas business sites.

Please refer to the website below for information on the number of regular hires, the ratio of female hires (Daikin Industries, Ltd. only), the number and ratio of female managers, and the wage gap between men and women.

 [Sustainability Report 2024: Data > ESG Data > Human Resources](#)



Improving Human Resource Capabilities through Advanced Diversity Management

Promoting Our Human Resource Development Policy

Our redefined Group Philosophy states that the cumulative growth of all Group members serves as the foundation for the Group's development. Based on this belief and the concept that people grow through their work experience, we are expanding our human resource development programs centered on on-the-job training (OJT).^{*} Taking into consideration the Group's strategies and business direction as well as the changing times, we are developing a variety of employee training and development programs, including in-house courses to foster human resources for the development of AI technology and practical training at our overseas bases to develop young employees into globally minded individuals.

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

^{*} Employees learn and acquire the general knowledge, technical know-how, skills, and commitment required of their positions while performing their jobs.

-  Sustainability Report 2024: Main Training Programs
-  Sustainability Report 2024: Training in Each Region and Base

Developing the Next Generation of Executives and Leaders Worldwide

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

We are implementing Groupwide programs to develop management executives and leaders who will steer the growth and development of our business across the globe. These programs are grouped into three tiers for executives; division managers and general managers; and section managers and leaders and tailored specifically to their roles. At the same time, the Group implements development programs for executives and leaders in the various regions in which it operates.

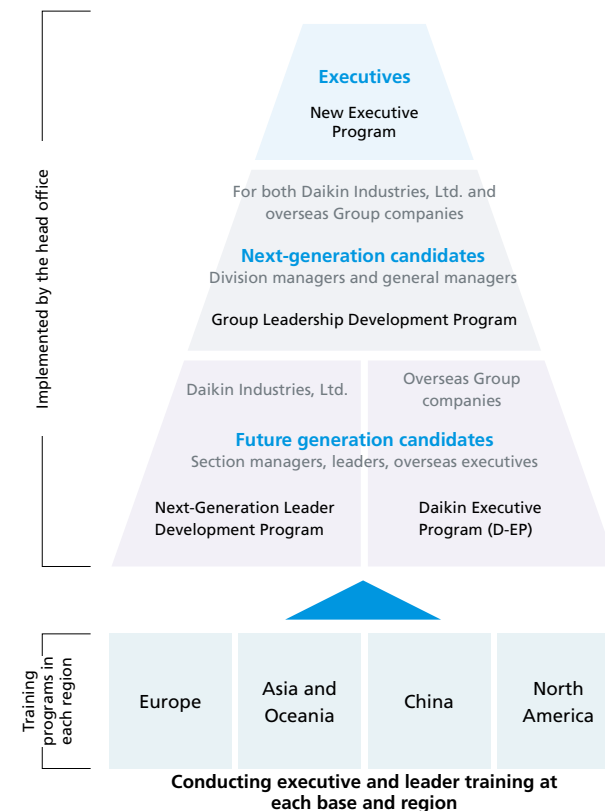
Appointing Local Nationals to Management Positions Overseas

In continuing to rapidly expand our business, we have actively delegated more authority to our overseas bases to gain a better understanding of local cultures and develop business in accordance with the needs of local communities. Accordingly, we appoint local nationals to management positions and promote the globalization of management at our overseas bases. As of March 31, 2024, the percentage of overseas bases where local nationals served as president and as director was 46% and 50%, respectively.

Going forward, we will accelerate the development of management candidates with a focus on local nationals and continue to place the right people in the right positions by appointing outstanding talent to management positions, regardless of nationality.

-  Sustainability Report 2024: Training in Each Region and Base

Overview of the Next-Generation Executive Development Program



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

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

Approximately 440 new employees who completed their two-year DICT training program in fiscal 2023 were assigned to their respective divisions, where they are now engaging in various research to develop

new business and streamline business processes using digital technology.

Each year, Daikin presents the President's Award to recognize initiatives that generate significant results, outstanding innovation, and innovative new product development. Of the approximately 50 projects that received this award in the past year, more than a quarter (26%), or 13 projects, involved DICT graduates, demonstrating the concrete results of the training program.

^{*} Digital human resources are innovators in digital technology and AI with the ability to put their specialized knowledge into action and inspire others around them to do the same.

-  Sustainability Report 2024: Training in Each Region and Base

Indicators and Targets

	Target	Fiscal 2023 Results
Development of management executives and business leaders	Executive and leadership development programs Approximately 50 participants each year	54 participants
Appointment of local nationals to management positions overseas	Increase the percentage of overseas bases where local nationals serve as president	46%

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

Formulation of Human Rights Policy

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

In 2022, Daikin formulated the Daikin Group Human Rights Policy based on the principles and guidelines set out in the United Nations Guiding Principles on Business and Human Rights, the Universal

Declaration of Human Rights, the International Labor Organization Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. In addition to our commitment to respect for human rights and compliance with international norms related to human rights and the laws and regulations applicable in each country and region where we operate, this policy includes human rights due diligence, remedy mechanism, employee training, and dialogue with stakeholders as a system and mechanism to realize our commitment. Furthermore, respect for human rights is included in the Group Conduct Guidelines, which specify the actions

each individual officer and employee of the Group should take, and we strive to ensure that respect is adhered to. We have established a section on respecting human rights in Daikin's Supply Chain CSR Guidelines for our business partners, and we ask them to ensure thorough compliance with it.

Furthermore, Daikin endorses and participates in the United Nations Global Compact, which supports companies in abiding by universal principles on human rights and labor.

Human Rights Due Diligence

Daikin identifies and assesses human rights risks throughout its value chain within its operational risk management structure. We have increased the number of questions on respect for human rights in the self-assessment surveys conducted every year to check compliance with the Group Conduct Guidelines. We will monitor issues such as human rights violations more carefully and assess human rights risks based on their severity and likelihood as part of risk assessments that determine

the risks facing the Company and each division.

In fiscal 2023, human rights risks related to foreign national employees were revealed based on the results of the self-inspection and risk assessment for fiscal 2022 along with dialogue held with an NGO (the Global Alliance for Sustainable Supply Chains). Therefore, we worked to promote understanding toward reducing these risks. We confirmed the status of foreign technical interns at domestic manufacturing bases. Also,

we invited an NGO to hold a seminar for people in charge of foreign technical intern trainees on topics such as the foreign technical intern training system and human rights issues surrounding foreign technical intern trainees. Moreover, we also invited an attorney to provide training to employees in relevant departments regarding the prevention of discrimination and harassment due to differences in values between foreign national and Japanese employees.

Respecting Human Rights in the Supply Chain

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

Beginning in fiscal 2018, we conducted CSR questionnaires, which include items regarding respect for human rights, with suppliers in Japan. From fiscal 2019, we conducted these same questionnaires with suppliers outside of Japan as well. In this manner, we are working to increase the level of CSR awareness among our suppliers.

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

Human Rights Education

At Daikin, we regularly conduct human rights training for each level of employee to raise awareness of human rights among officers and employees. Additionally, through annual self-assessments to confirm how well the Group Conduct Guidelines are understood, including in terms of respect for human rights, employees assess themselves and thus contribute to their improved understanding of the guidelines.

At Daikin, training is held every year for all officers, new employees, including those at affiliates, and newly appointed managers. For example, during officer training, we invite experts to conduct annual human rights training for directors, executive officers, and full-time directors. In addition to learning about human rights issues surrounding Daikin and regulatory trends related to human rights in Japan and overseas, participants check assessments of our efforts. We also conduct

harassment training as part of training for new managers and raise awareness of how to handle information received from subordinates.

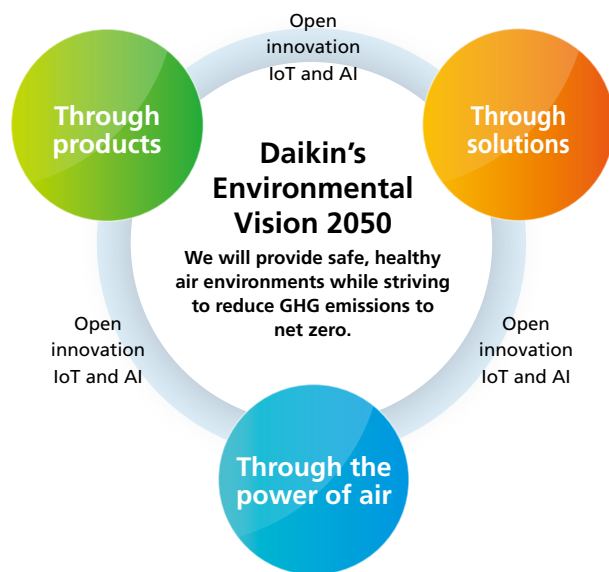
In fiscal 2023, we held seminars for departments that host foreign technical intern trainees and provided training on the prevention of discrimination and harassment due to differences in values between foreign national and Japanese employees.

Environmental Vision 2050

Toward Net-Zero Greenhouse Gas Emissions

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

Environmental Vision 2050



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

Medium- to Long-Term Environmental Strategy

Setting Targets Aimed at Realizing Environmental Vision 2050

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

Through products

Through solutions

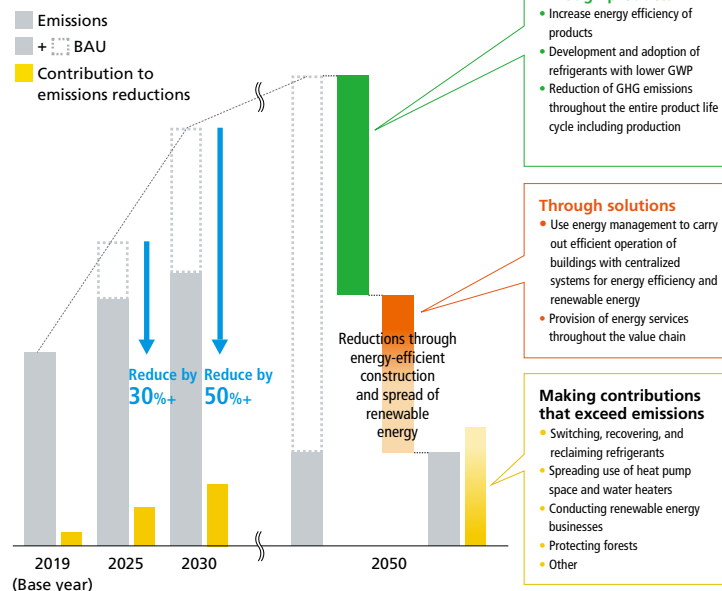
Through the power of air

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

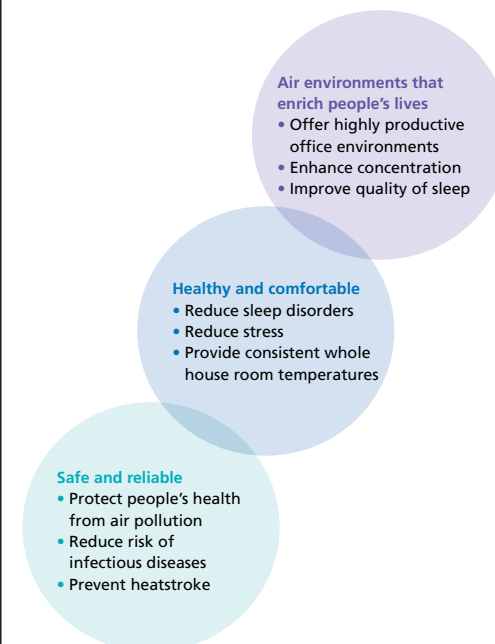
* Defined as the total after subtracting our contribution to GHG emissions reduction from our total GHG emissions

With 2019 as the base year, reduce net GHG emissions by **30% or more in 2025** and by **50% or more in 2030** compared with emissions without measures (BAU)
Fiscal 2022 results: **14% reduction**

Target for Reducing GHG Emissions to Net Zero



Advancing technologies



Diversifying needs

Executing Measures within Business Plans

The three themes of the growth strategy for achieving our environmental vision have been incorporated into the key themes of the FUSION 25 strategic management plan. We 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	<p>Challenge to achieve carbon neutrality</p> <ul style="list-style-type: none"> • Power consumption reductions during product use • Heat Pump Space and Water Heating business • Refrigerant initiatives supporting the Air Conditioning Business • Working to achieve net-zero GHG emissions by 2030 at all plants with the exception of chemical plants • Embrace new businesses aimed at a carbon-neutral society • Initiatives toward a circular economy
Through solutions	<p>Promotion of Solutions Business connected with customers</p> <ul style="list-style-type: none"> • Establishment of an owner-direct sales network, enhancements to sales proposals capabilities, expansion of service options by application and market, and improvements in business promotion functions • Tackling the challenge of creating solution models balancing energy efficiency, performance, and comfort • In addition to growth of existing businesses, greater business expansion in Asia where market growth is anticipated
Through the power of air	<p>Creating value with air</p> <ul style="list-style-type: none"> • Establishment of a large-scale IAQ/Ventilation business • Creation of IAQ/AE that enriches people's lives • Pursuit of new value with air

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

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

Information Disclosure Based on the TCFD Framework

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

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

Governance

Governance around Climate-Related Risks and Opportunities

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

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

as well as monitors results and progress of initiatives, in addition to making proposals to the CEO, followed by reporting to the Board of Directors.

Strategy

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

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

Demand for air-conditioning is expected to more than 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 GWP. Excessively strict regulations could pose a risk for Daikin. On the other hand, appropriate regulations can serve as an opportunity to

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

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

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

Information Disclosure Based on the TCFD Framework

Details of Scenario Analysis

Scenarios Referenced

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

4°C Scenario with Current Policies Unchanged

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

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

1.5°C Scenario with Stricter Regulations from Decarbonization Policy

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

Under the 4-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°C and 1.5°C scenarios according to International Energy Agency forecasts based on our CO₂ emissions (Scope 1 and Scope 2) reduction target for 2030 by region.

4°C scenario: ¥1.1 billion in carbon taxes

1.5°C scenario: ¥14.8 billion in carbon taxes

Note: The 4°C scenario assumes the introduction of carbon taxes in the European Union (EU) and China. These taxes would amount to US\$28/ton-CO₂ in China and US\$120/ton-CO₂ in the EU (according to the IEA's *World Energy Outlook 2023 and Stated Policies Scenario, Net Zero Emissions by 2050—A Roadmap for the Global Energy Sector*).

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.

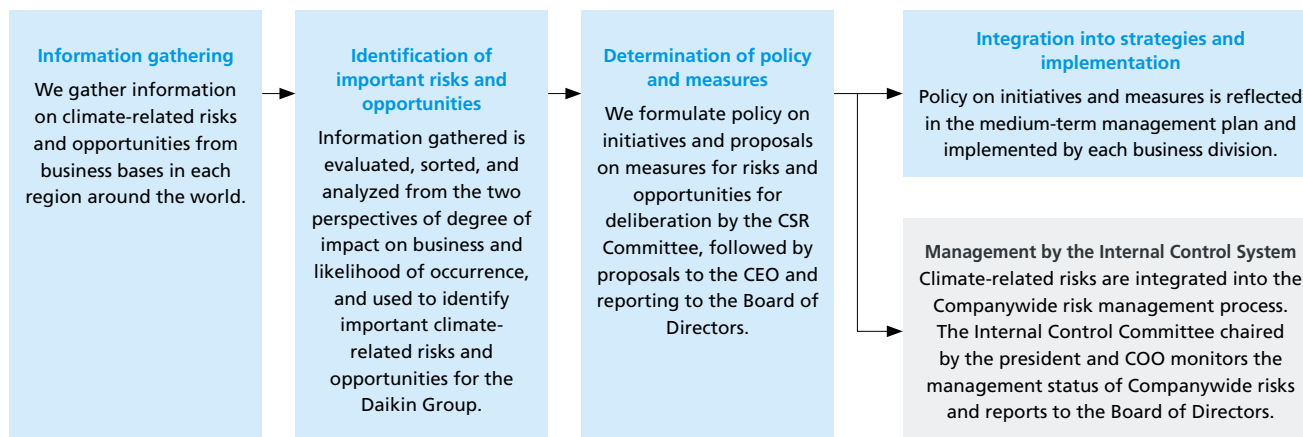
Product environmental meetings identify transition-based climate-related risks and opportunities at the time that the FUSION strategic management plan is formulated. After material risks and opportunities are identified by the CSR Committee, we examine initiatives and response measures. The initiatives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

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

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

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

Evaluation and Management Process of Climate-Related Risks and Opportunities



Metrics and Targets

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

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

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

Protecting Biodiversity

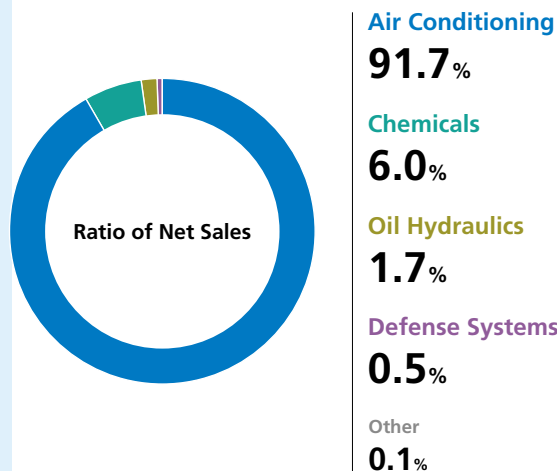
Daikin is committed to minimizing the negative impacts of its business activities on biodiversity, while at the same time working to maintain the balance and restore vibrant nature and ecosystems around the world. Furthermore, in light of social trends, Daikin has begun to better understand how its business activities depend on and impact nature in order to disclose information in accordance with the guidelines of the Task Force on Nature-related Financial Disclosures (TNFD).

In September 2010, Daikin established its Basic Policy on Protecting Biodiversity. In Daikin's business activities, GHG emissions have a particularly large impact on biodiversity. We consider it most important to minimize our impact on biodiversity by reducing GHG emissions through efforts to address climate change throughout our business activities, including product development, production, transportation, sales, after-sales service, and supply chain.

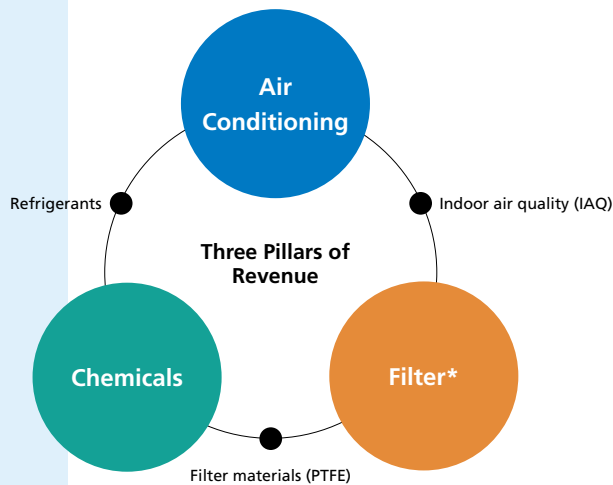


Overview of Core Businesses

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



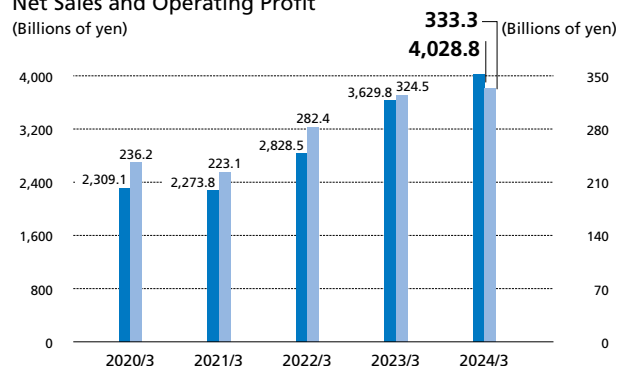
Creating Synergies by Leveraging the Connection between the Air Conditioning, Chemicals, and Filter Businesses



* Filter includes the Air Conditioning Business

Air Conditioning

Net Sales and Operating Profit (Billions of yen)



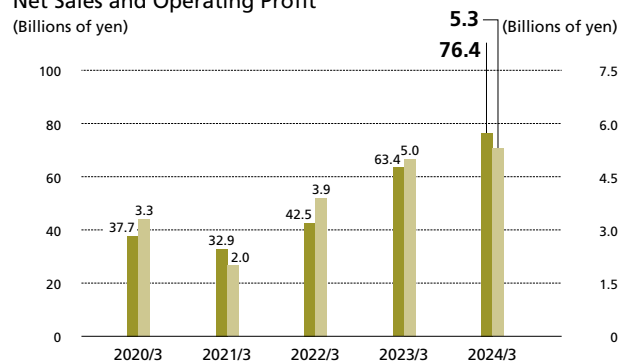
■ Net sales (left) ■ Operating profit (right)

Major Products

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

Oil Hydraulics

Net Sales and Operating Profit (Billions of yen)



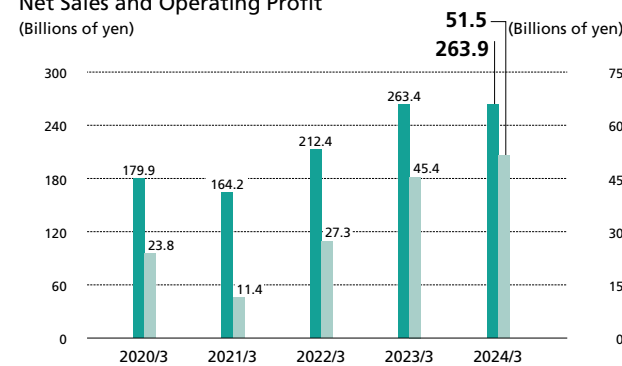
■ Net sales (left) ■ Operating profit (right)

Major Products

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

Chemicals

Net Sales and Operating Profit (Billions of yen)



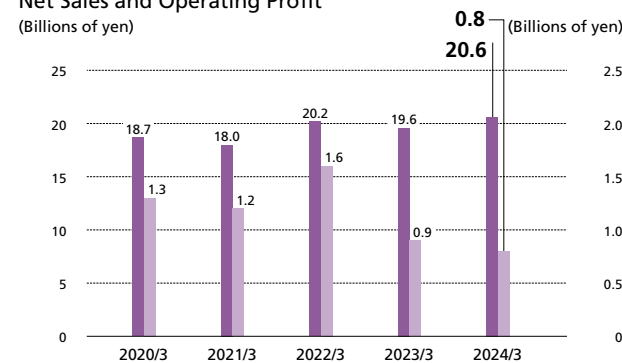
■ Net sales (left) ■ Operating profit (right)

Major Products

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

Defense Systems

Net Sales and Operating Profit (Billions of yen)



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

Major Products

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

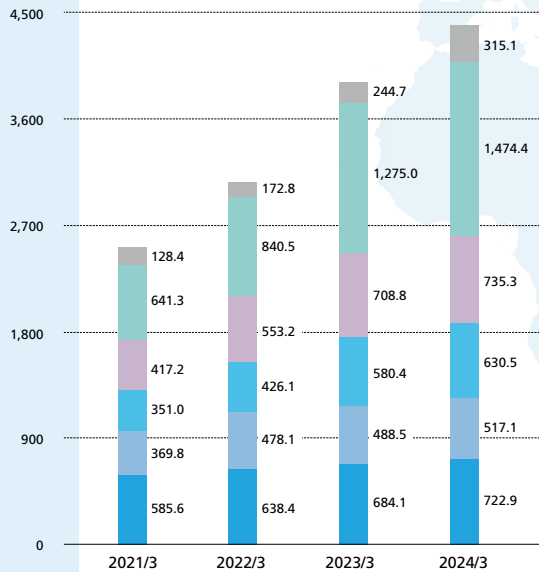
Overview of Core Businesses

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

Employees: **98,162**

Consolidated Subsidiaries: **349**

Sales by Region
(Billions of yen)



■ Japan
 ■ China
 ■ Asia and Oceania
 ■ Europe
 ■ United States
 ■ Other Regions

Japan

- ¥722.9 billion
- 13,568 Employees
- 32 Consolidated Subsidiaries
- 7 Global R&D Centers

United States

- ¥1,474.4 billion
- 22,412 Employees
- 72 Consolidated Subsidiaries
- 11 Global R&D Centers

China

- ¥517.1 billion
- 19,645 Employees
- 32 Consolidated Subsidiaries
- 10 Global R&D Centers

Europe

- ¥735.3 billion
- 13,293 Employees
- 90 Consolidated Subsidiaries
- 17 Global R&D Centers

Asia and Oceania

- ¥630.5 billion
- 21,187 Employees
- 62 Consolidated Subsidiaries
- 8 Global R&D Centers

Other Regions
(Latin America, Middle East, and Africa)

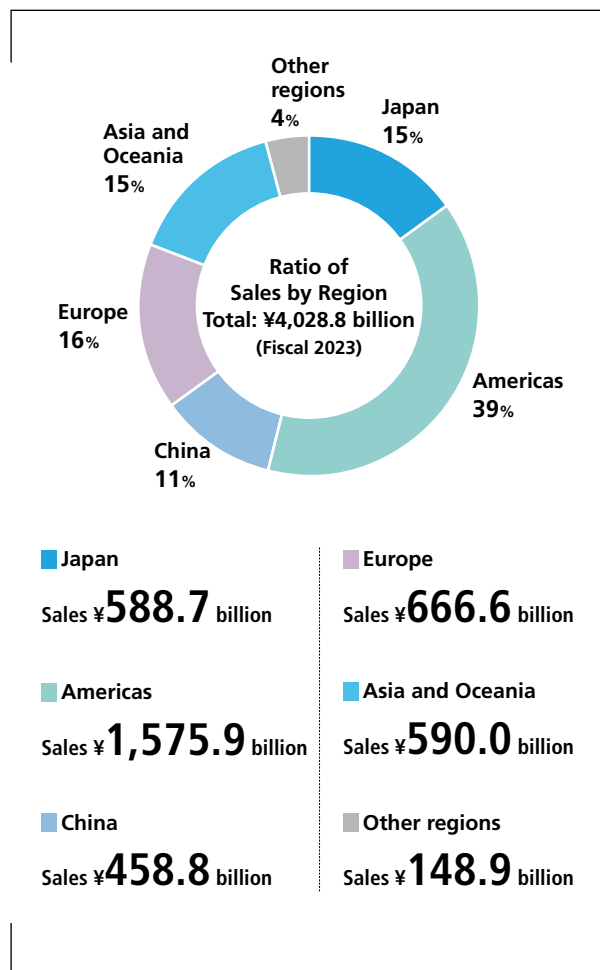
- ¥315.1 billion
- 8,057 Employees
- 62 Consolidated Subsidiaries

■ Sales
■ Employees
■ Consolidated Subsidiaries
■ Global R&D Centers
 (Total for Air Conditioning, Chemicals, and Filter businesses)

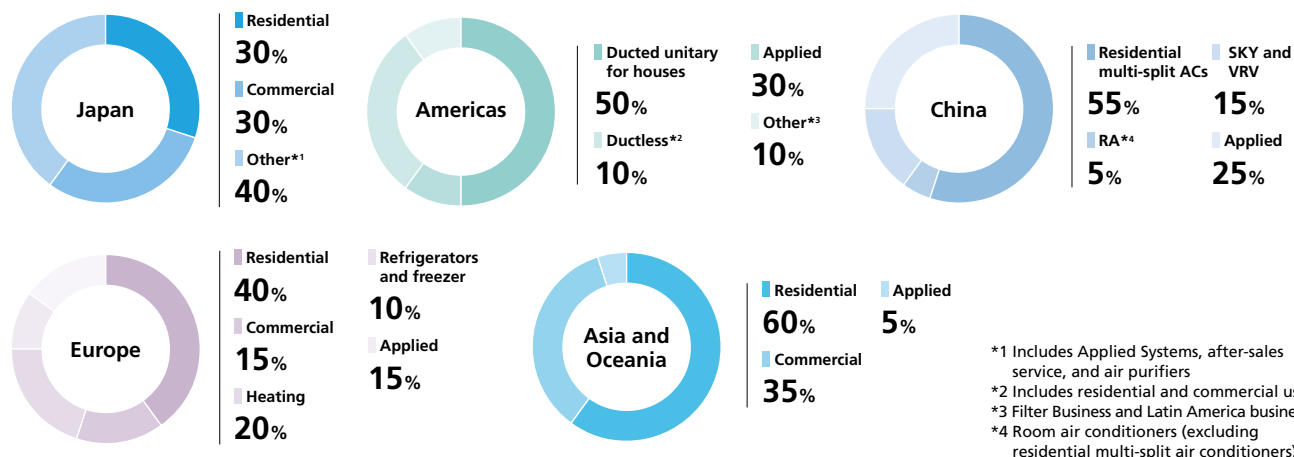
Review of Operations

Air-Conditioning

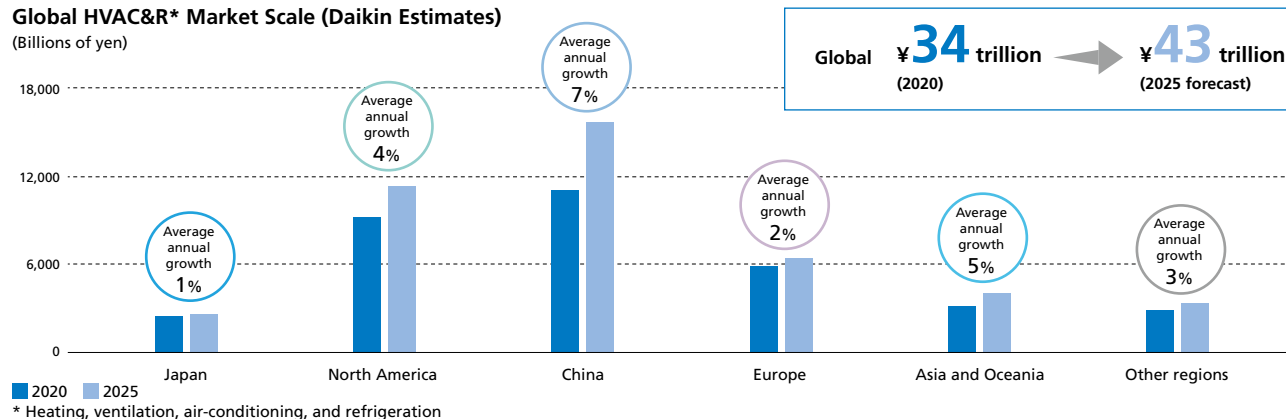
From the familiar living spaces of residences and offices to the large spaces of factories and airports, our Air Conditioning Business utilizes a wealth of air-conditioning solutions to provide customers with comfortable spaces. Solutions extend even to the unique spaces of hospitals and kitchens, as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



Ratio of Products Sold by Region



Global HVAC&R* Market Scale (Daikin Estimates)
(Billions of yen)



Japan

Business History

In 1951, Daikin launched Japan's first packaged air conditioner. Since then, we have pressed forward and diversified to provide air-conditioning systems for factories, ships, vehicles, buildings, and residential housing. Daikin has expanded its market share with a fine-tuned sales network and the pursuit of a broad lineup of high-value-added products that offer energy efficiency and comfort.

▶ Market Environment

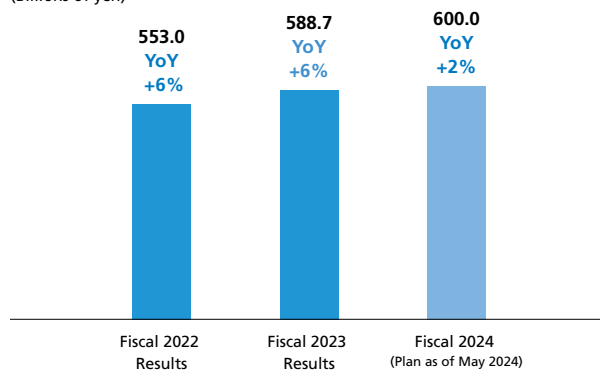
The air-conditioning market in Japan is mature and anchored by replacement demand. In fiscal 2023, demand for residential-use products declined from the previous fiscal year due to deteriorating consumer sentiment for consumer durables and in reaction to strong demand in the past few years, which served to offset higher demand resulting from the effects of the intense summer heat wave. Similarly, demand for commercial-use products decreased, due to delays in the recovery of demand for store and office use, a major market, while demand for building, facility, and factory use, recovered.

▶ Daikin's Competitive Advantages

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

Air Conditioning Business Sales (Japan)

(Billions of yen)



▶ Review of Fiscal 2023

In the residential-use market, Daikin increased its share by strengthening solution proposals centered on *Urusara X* and achieving brisk sales of this product in cold regions in line with rising electricity rates and the growing need for energy conservation. In the commercial-use market, we maintained our high share by strengthening solution proposals based on high-value-added products, such as *FIVE STAR ZEAS*, a commercial-use air conditioner that offers exceptional energy efficiency and ease-of-installation, and *machi Multi*, a commercial-use multi-split air conditioner that meets specific operational needs.



Stylish Flow, a commercial-use air conditioner that features exceptional energy efficiency and design

▶ Strategies for Fiscal 2024

In the residential-use market, Daikin will focus on enhancing its spec-in activities for household equipment systems to capture growing demand arising from the introduction of energy-efficiency regulations for new housing. We will also strengthen sales activities and aim to further increase our market share in cold regions, where demand is expected to remain firm. In the commercial-use market, Daikin will expand sales and market shares of *FIVE STAR ZEAS* and other high-value-added products featuring exceptional energy efficiency against the backdrop of soaring electricity costs. Moreover, we will begin developing VRV systems using R32 refrigerants in advance of stricter refrigerant regulations in line with revisions to the Fluorocarbon Emission Control Act.

FUSION 25 Strategies

We will accelerate growth by building new sales models that utilize digital technologies to capture changes in market conditions. We aim to establish a large-scale IAQ/Ventilation business, which will launch new total heat exchanger products suitable for renewal and ret-rofitting and heighten the appeal of our unique ventilation function and streamer technology. In addition, we will create environmental and social value and develop new growth strategies by capitalizing on the opportunities presented by the changes in our industry and social structure spurred by the movement toward carbon neutrality. Through these and other efforts, we will strive to achieve the leading share in all regions and markets. With a view to realizing carbon neutrality, we will work to expand sales of ECOUTE heat pump water heaters, for which we anticipate market growth, and develop a refrigerant ecosystem that uses our refrigerant recovery and reclamation routes. Moreover, we will look to expand our Solutions Business by strengthening our ability to propose solutions that are specific to each application and market and rolling out a line of solutions that cater to diverse customer needs.

Americas

Business History

Given the well-entrenched culture of ducted air-conditioning, market entry proved difficult and withdrawal from the market was unavoidable. We subsequently revisited the idea of establishing a U.S. presence during our push to establish our business globally, and in the 2000s, with the acquisition of O.Y.L. Industries Bhd and Goodman Global Group, Inc.,* added ducted air-conditioning products to our lineup, marking the start of full-fledged operations in the United States.

* Renamed Daikin Comfort Technologies North America (DNA), Inc. in April 2022

▶ Market Environment

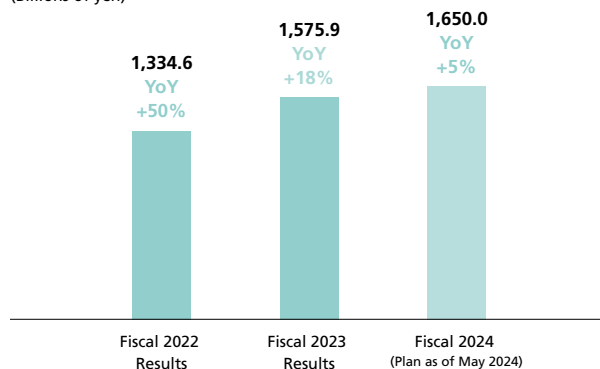
The air-conditioning market in the United States has reached maturity and is based mainly on replacement demand. In fiscal 2023, demand in the residential-use market slowed due to prolonged inflation and rising mortgage rates.

▶ Daikin's Competitive Advantages

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

Air Conditioning Business Sales (Americas)

(Billions of yen)



▶ Review of Fiscal 2023

Sales Ducted Unitary for Houses Business decreased from the previous fiscal year due to the impact of restraints on inventory distribution. Fit premium environmental products saw a significant increase in sales through the expansion of our dealer network. Daikin's sales and market share of ductless air conditioners grew, reflecting efforts to capture firm demand for VRV systems and strengthen the sales network. Sales of RA/SKY decreased from the effects of sluggish demand in the residential-use market. Applied Systems saw sales increase in the manufacturing industry, where the market remained robust, and for data centers, which similarly saw favorable demand. The Solutions Business also increased sales on the back of recently acquired instrumentation and engineering companies.



Fit inverter-equipped ducted unitary for houses, a premium environmental product

▶ Strategies for Fiscal 2024

In Ducted Unitary for Houses Business, Daikin aims to further expand sales of Fit premium environmental products by widening their presence across multiple brands and developing and providing training to dealers in the handling of inverter-equipped products. In addition, we will introduce new R32 refrigerants in advance of stricter refrigerant regulations. In the Ductless Business, Daikin will strengthen sales activities for RA/SKY to meet growing demand for online purchases. In VRV systems, we will expand sales to schools, offices, and housing complexes, where demand is expected to grow. In Applied Systems, Daikin will strengthen supply capabilities and increase sales to the manufacturing sector and data centers. In the Solutions Business, we will look to expand business scale by strengthening our network and lineup of services.

FUSION 25 Strategies

In the first two years of FUSION 25, we drastically improved our business results by increasing our sales and market share of ducted unitary for houses. In the remaining three years of the medium-term management plan, we will capture an overwhelming share of the market in the residential-use business and aim to rise to the top of the air-conditioning market in North America by taking further steps in our Applied Solutions Business. With the increasing level of environmental awareness, we will look to capitalize on this as an opportunity to create new demand through our premium environmental business and our unique sales model. In the residential-use market, we will expand business in high-volume markets by strengthening DNA's sales network and increase sales of inverter-equipped premium environmental products. In the light commercial market, we will bolster our sales and service networks in tandem with the Applied Systems Business while continuing to boost sales of VRVs and rooftop systems. In the applied systems market, we will direct our attention to data centers, where demand is expected to grow. In addition, we will harness the strengths of our new factory in Mexico to enhance the equipment business.

China

Business History

Daikin entered the Chinese market in the mid-1990s when there were already numerous Japanese air conditioner manufacturers with a presence there. Daikin, the latecomer, differentiated itself by focusing on establishing an image as a high-end brand and on building up its own dealer network. Moreover, in an effort to create a new type of air-conditioning culture, we introduced new lines of ceiling-embedded indoor units and residential multi-split air conditioners.

▶ Market Environment

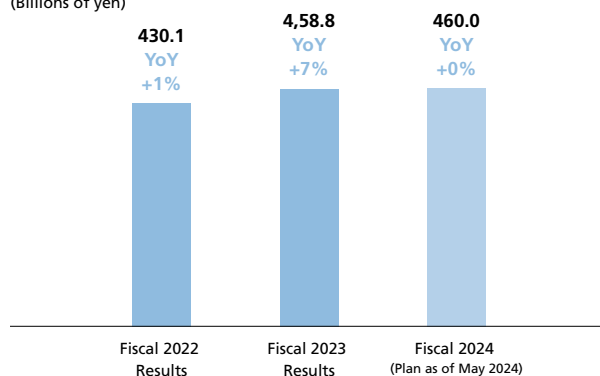
In fiscal 2023, the residential- and commercial-use markets experienced slowdowns in demand, particularly for new properties, due to delayed recovery of the real estate market. Nevertheless, demand for upgrades and remodeling increased in the residential-use market, while demand for energy-saving solutions increased in the commercial-use market in line with the promotion of carbon neutrality policies.

▶ Daikin's Competitive Advantages

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

Air Conditioning Business Sales (China)

(Billions of yen)



▶ Review of Fiscal 2023

In the residential-use market, Daikin promoted its proprietary sales activities through direct sales to customers at PROSHOP stores and online sales formats, such as live broadcasts in showrooms, online advertising, and social media. We increased sales by responding to customer needs with the *Daikin Care Central Air System*, a product combining air-conditioning, ventilation, heat pump floor heating, and solution services such as energy conservation and air-quality proposals. In the commercial-use market, Daikin enhanced solution proposals for government properties, factories, and green buildings (buildings designed to enhance environmental performance), which have seen high demand through the promotion of carbon neutrality policies. In Applied Systems, we invested resources in growth sectors, such as infrastructure and semiconductors, and strengthened our maintenance business.

▶ Strategies for Fiscal 2024

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



Daikin New Life Station: A virtual showroom that enables direct proposals to customers and live commerce

FUSION 25 Strategies

Against the backdrop of advancements in carbon neutrality initiatives, we will deploy our Solutions Business to address the specific needs of each market and customer group from an energy conservation perspective. We will expand our business through a business model that combines our offline activities based around the *Daikin New Life Station* and online activities based around online advertising and social media. Furthermore, we will aggressively invest in reinforcing our production capabilities with a view to achieving sustainable growth. As the only global air-conditioning brand in the country, we will continue to create new markets and grow our business in China by shifting to a new business model that will spur our long-term growth.

Review of Operations

Europe, the Middle East, and Africa

Business History

Our presence in Europe started with the establishment of a production and sales base in Belgium in the early 1970s. We succeeded in bolstering sales in Italy, Spain, France, and other nations in Europe, and the scale of our business grew rapidly. From the 2000s, we also expanded into the Heating and the Refrigerator and Freezer businesses.

▶ Market Environment

In the residential-use market, demand declined as the number of housing starts decreased due to high interest rates and inflation and the economic slowdown had a significant impact on consumer sentiment. In the commercial-use market, pent-up demand due to the COVID-19 pandemic ran its course, but demand from hotels and restaurants remained firm as economic activity picked up. In the Heating Business, demand for the replacement of gas and oil boilers was stagnant due to the extended ban on the installation of combustion heaters in major European countries as well as the decline in gas prices and changes or reductions in government subsidy programs.

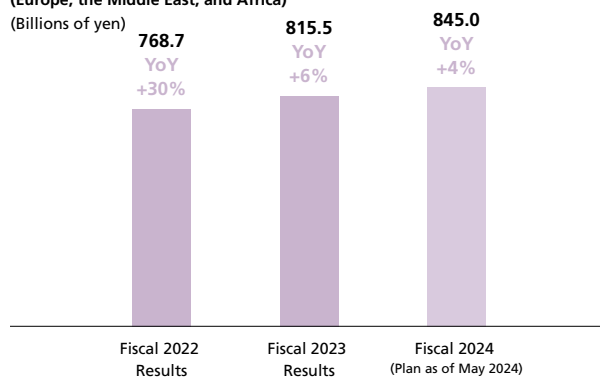
▶ Daikin's Competitive Advantages

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

Air Conditioning Business Sales

(Europe, the Middle East, and Africa)

(Billions of yen)



▶ Review of Fiscal 2023

In residential-use, sales decreased due to a decline in consumer sentiment and its resulting impact on demand, despite sales growth in Spain and other countries from the effects of the intense summer heat wave. In commercial-use, we focused our sales activities on high-demand markets, such as hotels, restaurants, and warehouses. In the heating business, sales of heat pump space and water heaters fell due to the demand for replacement of gas and oil boilers decreasing beyond our expectations. Applied Systems saw an increase in sales of medium-size and large chillers for data centers. In the Refrigerator and Freezer Business, sales were severely affected by the delayed recovery in demand from food retail chains.



EMURA, Daikin's flagship room air conditioner that has won multiple design awards

▶ Strategies for Fiscal 2024

In residential-use, Daikin will strengthen its sales capabilities by developing and providing training to dealers while focusing on expanding sales for heating applications. In commercial-use, we will expand our lineup of VRV systems using R32 refrigerant and enhance our spec-in activities from the point of view of energy conservation and environmental friendliness. Although demand for heat pump space and water heaters will likely remain sluggish, we will strive to increase our share of this market by reinforcing our sales and service structure. Daikin will also introduce its new R290 model, which will be manufactured at its new plant in Poland. In Applied Systems, we will seek to expand sales in thriving markets, such as data centers and pharmaceuticals. In the Refrigerator and Freezer Business, we will strengthen our proposals for environmentally conscious products, such as refrigerating and freezing showcases that use CO₂ as a refrigerant.

FUSION 25 Strategies

In light of increasingly strict environmental regulations and soaring energy prices, we will expand our business by providing highly energy-efficient and differentiated products and solutions to all markets, including air-conditioning, heating, refrigeration, and ventilation. In particular, to capture the growing demand for heat pump heating, we aim to increase sales and market share by strengthening our sales and service networks and enhancing our supply capabilities by operating a new plant in Poland and ramping up the production capacity of our existing plants. Moreover, by developing low-GWP products and strengthening our ability to recover refrigerants, we will stand at the forefront of tomorrow's environmentally conscious society and industry.

Review of Operations

Heat Pump Space and Water Heating Business in Europe

► Market Environment

Against the backdrop of the European Green Deal announced in 2019, which aims to realize net-zero GHG emissions by 2050, it is expected that decarbonization will be achieved through the conversion from combustion heaters, which generate energy from fossil fuels, to heat pump space and water heaters. In fiscal 2023, demand for replacement of gas and oil boilers with heat pump space and water heaters stagnated in certain countries due to falling gas prices in Europe and changes or reductions in government subsidy programs in major markets, such as Italy, Germany, and France.

► Daikin's Competitive Advantages

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

► Review of Fiscal 2023

The business environment continued to be a headwind for replacement demand for heat pump space and water heaters, as governments in major markets, such as Italy, Germany, and France, reduced or changed their subsidy programs, gas prices fell in Europe, and regulations on combustion heater installations were postponed in Germany. Daikin worked to strengthen its sales network and after-sales service infrastructure, provided support for government subsidy applications, and enhanced its product lineup, but sales decreased from the previous fiscal year due to stagnant demand for replacement of gas and oil boilers in certain countries.

► Strategies for Fiscal 2024

In this challenging business environment where demand will likely remain stagnant, Daikin will strive to expand sales and market share of high-value-added products by strengthening its sales capabilities and focus on enhancing its business foundation with an eye on market growth over the medium to long term. With respect to sales capabilities, we will strengthen our sales network by expanding the handling of heating systems at existing air conditioner dealers. We will also take measures to reduce installation costs, which have hindered the spread of heat pump space and water heaters. In addition, we will strengthen our after-sales service system through the acquisition of heating service companies and the integration of Daikin's existing sales and service capabilities. Daikin will also commence sales of residential heat pump hot water heaters using R290 refrigerant. These R290 products will be manufactured at our new plant in Poland, with operations slated to begin in October 2024, and we will count on them when expanding our sales of heat pump space and water heaters in the future.

► Developing a Market Foundation to Promote the Wider Use of Heat Pump Space and Water Heaters

In Europe, the shortage of installers and the high cost of installation have become pressing issues in promoting the wider use of heat pump space and water heaters. Daikin is working to develop a foundation to promote the spread of heat pump space and water heaters in Europe in anticipation of increasing demand over the medium to long term. We have been providing training to dealers that have only handled air conditioners until now and developing certified dealers that can provide installation and after-sales services for heat pump space and water heaters. In addition to cooperating with technical high schools and other organizations to develop engineers, Daikin is working to increase the number of installers throughout Europe, such as through a joint effort in the United Kingdom to offer a national certification in handling heat pump space and water heaters. We have established a system to ensure the safe handling of natural refrigerants, which are being actively promoted in Europe. In addition to conducting safety training using actual equipment, we have created and deployed service manuals and educational videos on the safe handling of natural refrigerants. Daikin is playing an active role in the creation of unified European guidelines for the safe handling of R290 refrigerants and is working to promote the wider use of heat pump space and water heaters throughout the industry.



Training on installation and maintenance of heat pump space and water heaters

Asia and Oceania

Business History

Daikin began product exports and knock-down production from the 1960s, and from the 1990s, it strengthened its sales network in countries around the region and advanced the introduction of energy-conserving and cooling-only models tailored to regional needs. From 2010 onward, air-conditioning demand soared in line with economic development, and Daikin reinforced its production capabilities with the establishment of plants in Thailand, India, Malaysia, and Vietnam.

▶ Market Environment

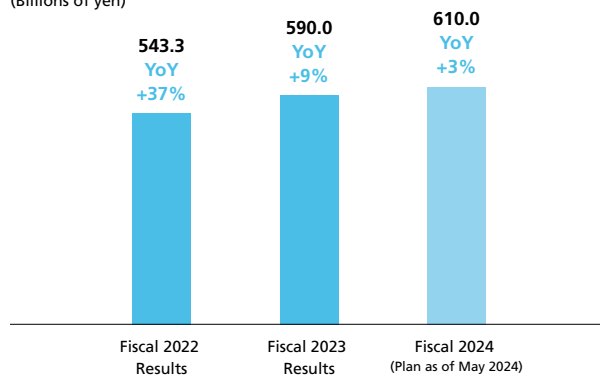
Asia is a growth market where air conditioners are becoming widely used. In fiscal 2023, demand declined throughout Asia and Oceania due to sluggish consumption resulting from high inflation.

▶ Daikin's Competitive Advantages

- Inverter products that cater to market needs and contribute to a better environment
- Cost competitiveness through the operation of local production sites in four countries
- Development and training of dealers in various countries

Air Conditioning Business Sales (Asia and Oceania)

(Billions of yen)



▶ Review of Fiscal 2023

Amid the challenging business environment in which demand remained sluggish due to high inflation, sales for the region overall increased from the previous fiscal year owing to factors, such as the development and support of dealers and continuously strong sales in India. In residential-use, sales increased in India by virtue of the sales network and supply capabilities we have cultivated to date. Sales also improved in Indonesia and Thailand through our efforts to strengthen sales promotion activities at dealers. In commercial-use, we increased sales by steadily turning demand into orders through our development and support of dealers, despite continuing delays and cancellations of construction starts for projects. In Applied Systems, sales increased due to our efforts to capture growing demand from factories and data centers.



Dealer in Thailand

▶ Strategies for Fiscal 2024

In residential-use, Daikin will focus on accelerating the expansion of its sales network throughout India as well as e-commerce sales. In the ASEAN region and Oceania, we will develop new products and conduct sales activities that address the needs of the younger generation. In Indonesia, we plan to commence local production for residential-use products in December 2024. In commercial-use, Daikin will look to increase sales by reinforcing its technical and solution capabilities through the development and support of dealers and expand its line of product and service solutions offering high added value, such as energy-saving, IAQ, and maintenance. In Applied Systems, we will expand sales by directing our attention to the after-sales service business, including maintenance.



Training for dealer operators in Indonesia

FUSION 25 Strategies

In Asia, where the market will likely continue to grow, we will further enhance the cost competitiveness of our products and supply capabilities to strengthen our business foundation, while devoting our efforts to developing our sales network and enhancing our product lineups in a bid to expand our business even further. In India, we have built a new plant and are strengthening our R&D functions to establish a business foundation that will serve as a major hub for our development and production activities. We will expand our market share by tapping into the rapidly growing demand that will accompany the increasing middle class and the development of power grids. Moreover, we will refine our advocacy activities to promote the use of inverter units and low-GWP refrigerants in markets, against the backdrop of the global movement toward decarbonization. We will help realize a greener environment while continuing to expand our business.

Establishment of a Major Hub in India

▶ Market Environment

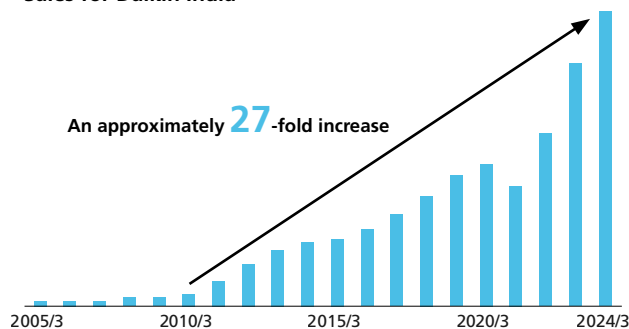
India's market for air conditioners is the fastest growing in the world and is projected to quadruple in size by 2030 from 2020 levels.* In fiscal 2023, air-conditioning demand remained strong due to the Indian government's efforts to underpin economic growth through aggressive infrastructure investments and stable domestic demand, such as private consumption.

* Based on IEA estimates

▶ Daikin's Competitive Advantages

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

Sales for Daikin India



Sales in India increased approximately 27-fold over the period from fiscal 2009, when local production and full-scale business development commenced, to fiscal 2023.

▶ Review of Fiscal 2023

Daikin focused on developing and providing training to dealers in regional cities, where the market continues to expand. In August 2023, we began operation of our new plant in Sri City, in southern India. Despite the effects of the cool summer in the first half of the year, we saw a significant improvement in sales by capturing the robust demand that continued throughout the year on the strength of the sales network we have cultivated to date and the supply capabilities that have been enhanced through the operation of our new plant.

▶ Strategies for Fiscal 2024

Daikin will expand sales by accelerating the development of sales networks for Tier 2 to Tier 4 regional cities, where the market will likely continue to grow. Looking ahead to the full-scale expansion of our business into the African market, we will continue to strengthen our function as a global hub for production and development to not only expand sales to India but also increase exports. Also, we will commence commercial-use production and establish a production system that meets growing demand at our new Sri City plant. While providing training to existing RA/SKY dealers, we will develop dealers that can handle VRV systems. We will also strengthen our R&D functions through upgrades to the facilities of our R&D centers as well as the enhancement of our recruitment of local engineers.

FUSION 25 Strategies

In response to the rapid growth in demand, Daikin will strengthen its sales and service networks, expand its R&D functions, and promote the development of engineers and other human resources. In addition, we will enhance production capacity and promote local procurement of parts through our new Sri City plant. In preparation for further expansion of the Indian market, we are also considering a new plant in the western part of the country. Moreover, Daikin will strengthen its business foundation not only for the domestic market in India, but also as a base for exports to the Middle East and Africa. Viewing India as the world's next growth frontier after China, we will position it as the basis for our global strategy and rapidly expand business by establishing an integrated system that encompasses everything from parts procurement to production activities in the country.

▶ Strengthening R&D to Enable Local Employees to Realize Their Full Potential

In India, Daikin established an R&D center at its Neemrana plant in 2016 to enable products to be developed in a timely and flexible manner in accordance with the various changes in the market. Since then, we have expanded our product lineup through the lead of local engineers in developing products that meet the specific needs of customers in each region. We are investing resources to further strengthen our R&D centers against the backdrop of the expanding air-conditioning market in India. Through the expansion of our R&D centers, we have not only been developing new products and promoting assessments of purchased parts, but also begun accepting development contracts from other sites. We aim to establish a prominent R&D system in India by drawing on the potential of engineers in the country to develop products and by creating a network that enables us to absorb technologies that are lacking from other regions. We are considering the development of products to be manufactured in the Middle East, Africa, and Brazil, where R&D functions currently do not exist. In addition to developing equipment, Daikin will promote instrumentation engineering, operational data analysis, and application development by working together with solution hubs in Southeast Asia. Through cooperation with India and various other locations, we will strengthen our R&D system on a global basis.

Filter Business

Overview of Business Activities

The filter business contributes to the creation of comfortable air with high-performance filters for air purifiers and dust collection filters. The main products of this business are air purification filters for clean rooms and dust collection and sound suppression systems for exhaust gas at factories. There is a growing need to improve the air around people, such as by reducing air pollution and improving air environments in homes, offices, and factories. By combining the technologies of this business with those of the Air-Conditioning and Chemicals businesses, we help control air pollution and ensure proper hygiene management in the pharmaceutical and food industries.

▶ Market Environment

While demand stagnated in China due to the economic slowdown, demand remained firm in the United States, Asia, and Japan. Demand also remained stable in Europe due to existing beliefs and needs for energy conservation and air quality.

▶ Daikin's Competitive Advantages

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

▶ Review of Fiscal 2023

Sales decreased from the previous fiscal year due to the impact of lower sales in the United States, stemming from our withdrawal from low-profit businesses, which offset higher sales of high-performance filters in each region. In Air Filters, sales of high-performance filters were strong for the hospital, pharmaceutical, and data center markets in the United States. Sales also improved in Japan for the electronics, semiconductor, and pharmaceutical markets. In P&I,* sales remained brisk for special filters used in oil fields.

* Power & Industrial

▶ Strategies for Fiscal 2024

In Air Filters, Daikin will focus on strengthening its sales network in large market areas of the United States. In Asia, Japan, and Europe, we will look to expand sales in high-end markets, such as semiconductors, pharmaceuticals, and data centers. In P&I, we will concentrate resources in strong businesses, such as dust collectors and after-sales services, while drawing on our enhanced product lineup to improve sales.



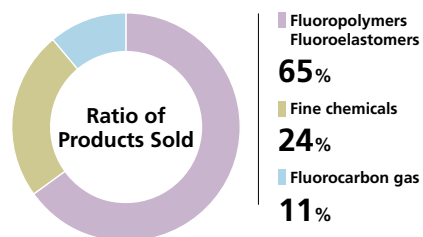
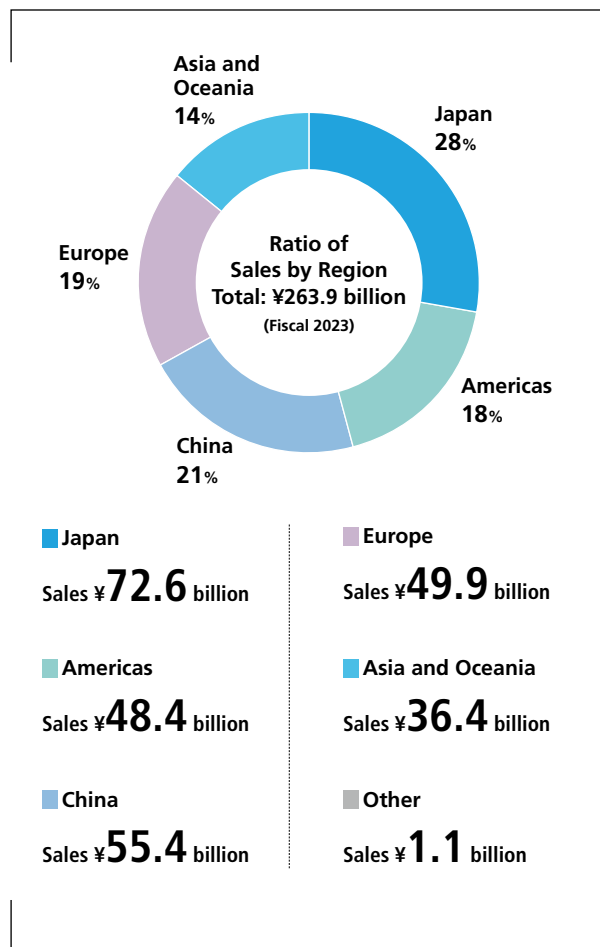
High-performance filters for clean rooms in industries, such as semiconductors and pharmaceuticals

FUSION 25 Strategies

In Air Filters, Daikin aims to enhance profitability by reforming its business structure mainly in North America and Europe. We will also invest resources in strengthening sales in high-end markets, such as semiconductors, pharmaceuticals, and hospitals, to develop our business foundation and improve earnings. In P&I, we will seek to expand business by strengthening our product lineup, application development, and proposal-based sales, while shifting resources to after-sales and maintenance services to enhance profitability. In addition, we will expand the IAQ Business by strengthening cooperation with the Air Conditioning Business. Daikin will continue to deliver value through the air it provides to people's lives and society and contribute to resolving social issues.

Chemicals

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



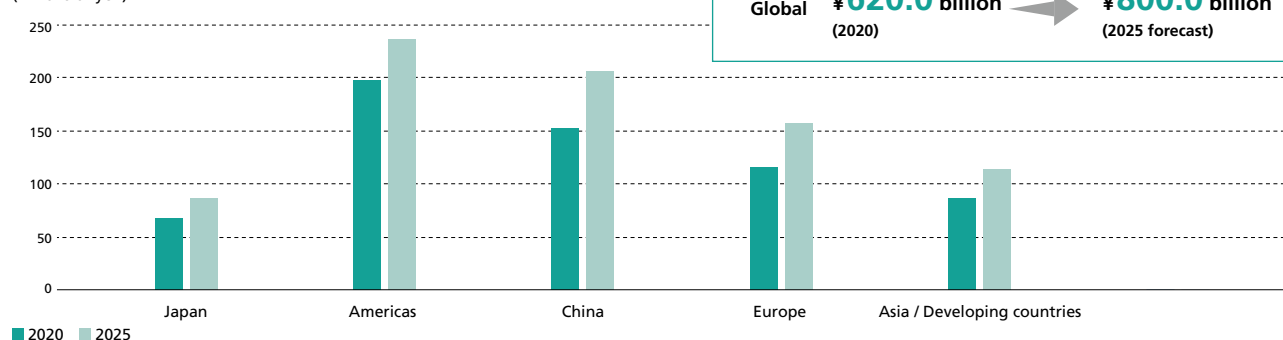
Main Fields and Applications of Fluorine Chemical Products

Semiconductor	Automotive	Information and Communications / Devices
Wafer carriers (PFA) Chemical bottles / tanks (PFA) Piping fittings (PFA/PTFE)	Fuel hoses (Fluoroelastomers) Crankshaft seals (Fluoroelastomers) Fuel injection devices (Fluoroelastomers)	Touch panel anti-smudge coating (OPTOOL) LAN cables (FEP) Printed circuit boards (OPTOACE)
Environment / Energy	Home and Living	
Lithium-ion batteries (Fluoropolymers) Solar cells (ETFE film) Wind power generation (ZEFFLE)	Frying pans (Fluoropolymer coating) Rice cookers (Fluoropolymer coating) Food packaging materials (Oil-resistant agent for paper)	Home roofs / exterior walls (ZEFFLE) Air conditioners (Fluorocarbon gas) Apparel (Water and oil repellents)

■ Fluoropolymers / Fluoroelastomers ■ Fine chemicals ■ Fluorocarbon gas

Global Fluorochemicals Market (Daikin Estimates)

(Billions of yen)



Chemicals

Business History

In 1933, Daikin became the first company in Japan to engage in the business of fluorochemicals, and the Chemicals Business has evolved into one of the pillars of its operations ever since. Today, our activities range from R&D to application development, and we offer a lineup of 1,800 fluorine compounds that include fluorocarbon gas, fluoropolymers, and fluoroelastomers. In recent years, we have been strengthening our ability to make proposals to key markets, such as semiconductors, automobiles, and telecommunications. By enhancing our lineups of high-performance and environmentally conscious materials, we aim to become a leading company in high-performance materials, an indispensable source of growth for high-tech industries.

▶ Market Environment

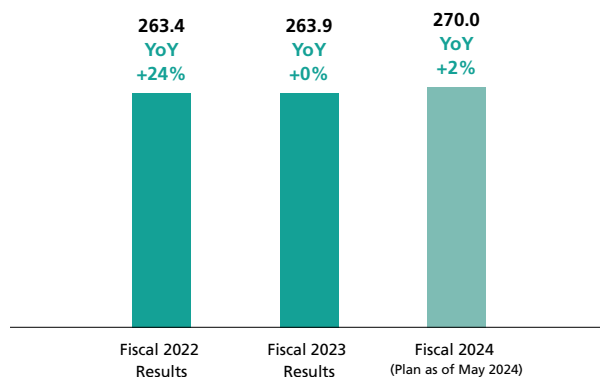
Demand slowed across a wide range of sectors, including semiconductor manufacturing processes, automobiles, and fine chemicals, and these markets continue to see delays in recovery. In the semiconductor sector, demand remained firm for certain kinds of manufacturing equipment.

▶ Daikin's Competitive Advantages

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

Chemicals Business Sales

(Billions of yen)



▶ Review of Fiscal 2023

Despite the impact of adjustments in the distribution and inventory of materials and components for semiconductor manufacturing processes, automobiles, and fine chemicals, sales were on a par with the previous fiscal year owing to sales growth of high-performance materials, strategic selling price measures, and the effects of foreign currency exchange rates. Sales of fluorocarbon gas rose due to firm demand. Sales of fluoropolymers also grew on the back of increased supply capabilities for materials used in semiconductor manufacturing equipment. Fluoroelastomers saw a decline in sales in the automotive sector. Sales of fine chemicals also decreased due to diminishing demand for surface anti-fouling coating agents, water and oil repellent agents, and etching agents for semiconductor manufacturing processes.



Supplying a wide range of products to the semiconductor market, including fluoropolymers and high-purity etching agents used in manufacturing equipment and high-purity etching agents

▶ Strategies for Fiscal 2024

In the semiconductor sector, we will capture the recovery in demand for manufacturing processes, enhance our spec-in activities, and aim to expand sales of materials used in semiconductor manufacturing equipment, for which demand remains robust. In the automotive sector, we will enhance sales of cathode binders used in lithium-ion batteries and sealing materials in response to rising demand for EVs. In textile and food product markets, we will look to improve sales on the strength of hydrocarbon-based water repellent agents and oil resistant agents.



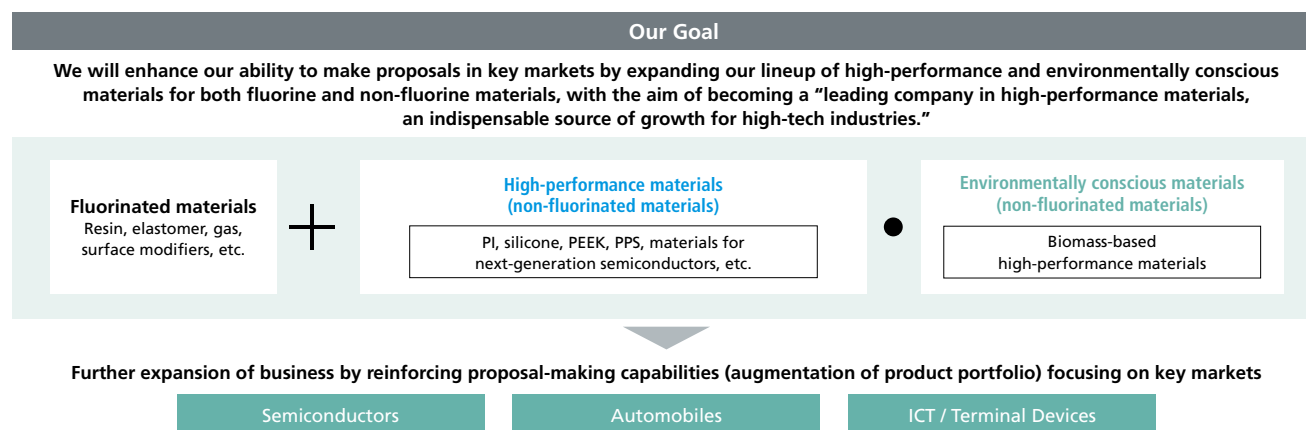
Introduction of new hydrocarbon-based water repellent agents for textiles

FUSION 25 Strategies

We are seeing the accelerated movement toward decarbonization across the globe and the increasing need for environmentally conscious materials that offer even higher levels of performance. Viewing these changes as an opportunity, we will seek to capitalize on them to expand our business by enhancing our development of environmentally conscious products and refrigerant recovery and recycling systems. We will also seek full-scale entry into the high-performance materials business by forming alliances and partnerships and conducting M&As. In the key markets of semiconductors, automobiles, and telecommunications, we will funnel our efforts and resources into application development and enhance sales of high-performance products by leveraging the supply capabilities that we have honed through our business in the United States and China.

Chemicals: Challenge to Become a Leading Company in High-Performance and Environmentally Conscious Materials

In the Chemicals Business, where the market is undergoing remarkable change due to the increasing adoption of EVs, the miniaturization and advancement of electronics products, and other factors, there is a growing need for materials that offer even greater levels of functionality and environmental performance. By making a full-scale entry into the high-performance and environmentally conscious materials business, going beyond the scope of fluoro-chemicals, Daikin aims to become a leading company in high-performance materials, an indispensable source of growth for high-tech industries. We will not only draw on the technologies and customer base we have cultivated to date, but we will form alliances, partnerships, and M&As with companies that supply these materials. We will also work to develop our own line of high-performance materials and compounds and environmentally conscious materials.



Efforts to Comply with Environmental Regulations

▶ Daikin's Approach to PFAS

PFAS (Per- and polyfluoroalkyl substances) are a general term for many different types of organic fluorine compounds and have properties such as heat resistance, weather resistance, chemical resistance, water and oil repellency, lubricity, and electrical insulation. Fluorine compounds including PFAS support cutting-edge industries such as semiconductors, automobiles, telecommunications, medical, energy, and air conditioning/heatpumps/refrigeration.

PFAS have different properties, applications, and environmental characteristics, and their properties vary greatly. The PFAS manufactured by Daikin or used in its manufacture of products have been approved by regulatory authorities such as the U.S. Environmental Protection Agency (EPA), the U.S. Food and Drug Administration (FDA), the European Chemicals Agency (ECHA), and Japan's Ministry of Economy, Trade, and Industry (METI), and we comply with all applicable laws and regulations. Daikin's manufacturing sites around the world will continue to work closely with regulatory authorities to comply with regulations and strive to reduce any environmental impact.

In addition, Daikin closely monitors legal and regulatory trends regarding PFAS. We are committed to engage with stakeholders,

including regulatory authorities, as a responsible manufacturer to achieve a sustainable society and system that address both environmental/societal challenges and business development, balancing environmental considerations with the importance and diversity of PFAS in cutting-edge industries.

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

Daikin's PFAS initiatives

▶ Daikin's Approach to PFOA

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

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

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

Daikin's approach to PFOA

Discontinuation of manufacturing and use of PFOA at Daikin

Oil Hydraulics

Daikin's unique hydraulic technologies tense contribute to the development of various industries by offering outstanding energy conservation performance and unleashing the potential of power control.

► Overview of Business Activities

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

► Market Environment

Demand for hydraulic equipment for industrial machinery declined worldwide, particularly in the area of machine tools, due to inflation, rising interest rates, and economic stagnation in various countries. Hydraulic equipment for construction machinery and vehicles also saw decreased demand, reflecting housing market trends in Japan and the United States.

► Daikin's Competitive Advantages

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

► Review of Fiscal 2023

Despite a decrease in sales of machine tools in the domestic market, sales of hydraulic equipment for industrial machinery increased year on year, partly due to higher sales in the European and U.S. markets by Duplomatic MS Spa, of Italy, which was acquired in the previous fiscal year. Hydraulic equipment for construction machinery and vehicles saw a decline in sales from the previous fiscal year due to lower sales in the domestic and U.S. markets.

► Strategies for Fiscal 2024

In hydraulic equipment for industrial machinery, we will respond to increasing environmental concerns in Europe by creating synergies with Duplomatic MS to enhance our contribution to addressing environmental issues and expand business. In our U.S. business, we will work to increase sales of hybrid products by raising production capacity and taking advantage of our reinforced business foundation. In hydraulic equipment for construction machinery and vehicles, we aim to expand our global market share by developing applications and additional components that differentiate our products and enhance their added value.



Oilcon, an oil cooling system that enhances the precision of machine tools by controlling temperatures with high precision and that achieves energy efficiency through the use of hydraulic and inverter technologies

FUSION 25 Strategies

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

Defense Systems

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

► Overview of Business Activities

In the Defense Systems Business, Daikin contributes to the safety and security of people's lives by continuing to expand the scope of manufacturing using high-precision processing technology that has been refined through its R&D and manufacture of defense-related products. In the medical and healthcare fields, which require the highest levels of reliability, performance, functionality, and quality, we provide home-use oxygen therapy equipment and hypoxic training systems.

► Market Environment

In Japan and China, demand for oxygen concentrators continued to decline with the containment of COVID-19. Meanwhile, replacement demand for oxygen cylinders with portable-type oxygen concentrators grew, and demand for digitalization in China also increased. The fitness market saw signs of recovery from the drop in demand brought about by the COVID-19 pandemic.

► Daikin's Competitive Advantages

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

► Review of Fiscal 2023

Our share of the market for oxygen concentrators increased in Japan through the release of new products, despite a downturn in the market following the high level of demand in the previous fiscal year as a result of the COVID-19 pandemic.

► Strategies for Fiscal 2024

Despite continuously sluggish demand stemming from the containment of COVID-19, we aim to expand our market share of oxygen concentrators through the addition of communications functions that address customer needs and the development of portable-type oxygen concentrators. In the hypoxia generator business, we will expand sales to fitness club operators and professional sports organizations and athletes.



Daikin's oxygen concentrator was awarded the Good Design Award

FUSION 25 Strategies

In home-use oxygen therapy equipment, we will introduce differentiated products, especially in Japan and China, to expand our market share. In response to growing interest in preventive medicine, we will fully expand business in the healthcare sector. By making use of our oxygen control technology cultivated through the development and production of home-use oxygen therapy equipment, we will expand sales of hypoxia training equipment and tap into new markets in addition to fitness clubs by promoting the health value provided by low-oxygen settings. Moreover, we aim to develop new services that promote health in daily life by utilizing the vital data acquired from this equipment.



Hypoxic training room at point 0 marunouchi, a membership-based coworking space

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

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

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

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

A Supervisory Function That Ensures Sound and Transparent Management

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

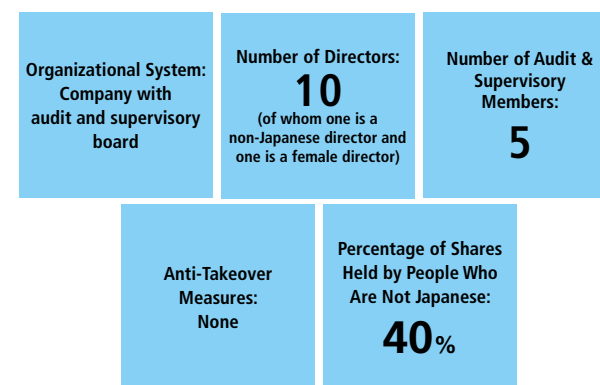
An Officer Personnel and Compensation System Tailored to Medium- to Long-Term Increases in Corporate Value

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



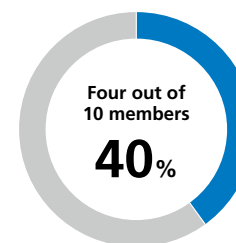
Corporate Governance Report

Daikin's Governance at a Glance

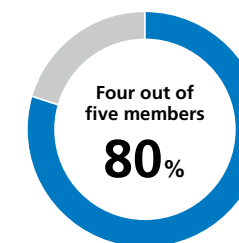


Composition of the Board of Directors and Other Committees

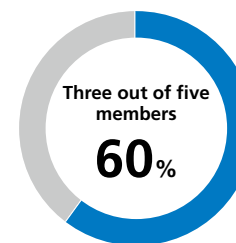
Ratio of Independent, External Directors



Directors



Members of the HRM Advisory
Committee and the
Compensation Advisory
Committee



Audit & Supervisory Board Members

Basic Philosophy

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

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

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

Key Points

1. Daikin Industries, Ltd.'s Unique Integrated Management Framework

Under its unique integrated management framework, Daikin Industries, Ltd. seeks to increase the speed of management's decision-making and actions, while its directors work together in

assuming responsibility for management and business execution in response to the increasingly complex and wide-ranging issues and challenges faced by management and the Group as a whole.

2. Executive Officer System and Board Composition

Daikin Industries, Ltd. has implemented an executive officer system aimed at increasing efficiency through independent assessments and decision-making conducted in each of its businesses, regions of operation, and functions. Under this system, executive officers engage in prompt and strategic decision-making and sound management. The number of directors maintained is well suited to carrying out appropriate discussions and decision-making on all issues. The Company appoints a minimum of four external directors at all times. Currently, the Board of Directors consists of 10 members, including four external directors (including one female director) and one non-Japanese director.

3. Management System

The Group Steering Meeting is the highest deliberative body in the Company's management system. Its function is to accelerate the pace at which Daikin Industries, Ltd. decides future strategies and solves issues related to important management policies and strategies. Meanwhile, the Group Management Meeting aims to establish a general consensus on all corporate actions and policies taken, which is accomplished by Groupwide sharing of all

major Group management policies and basic strategies, and by more effectively supporting Group companies in solving their problems. The Group Auditors Meeting strengthens auditing and control functions throughout the Group, including those at overseas subsidiaries. In this way, the Group Auditors Meeting ensures these functions are working effectively.

4. Enhancement of Group Cohesiveness

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

5. Officer Personnel and Compensation System

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

Audit System

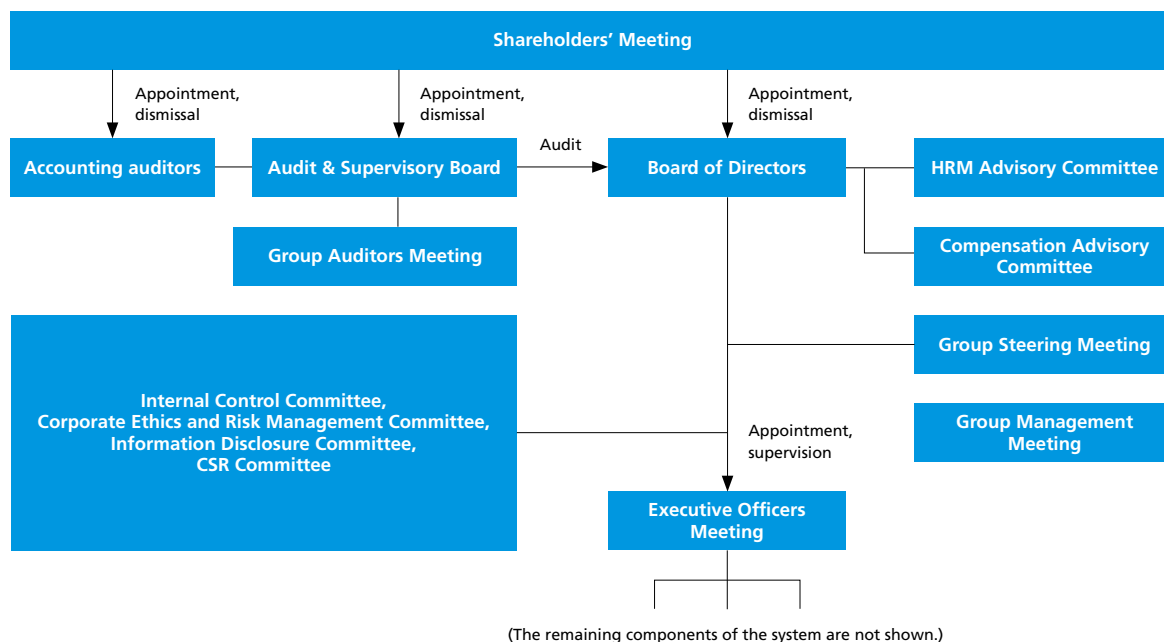
Daikin Industries, Ltd. has adopted a company with audit and supervisory board organizational system and accordingly established an Audit & Supervisory Board. As of July 1, 2024, Daikin Industries, Ltd. had five Audit & Supervisory Board members, three of whom were external Audit & Supervisory Board members. One of the principal nomination criteria for external Audit & Supervisory Board members, which are the same as those for external directors, is being independent of the

Company in terms of not having a conflict of interest with Daikin Industries, Ltd. Audit & Supervisory Board members attend meetings of the Board of Directors, as well as other important meetings, receive reports, and express frank and diverse opinions.

To ensure effective audits, the Audit & Supervisory Board receives reports on important issues related to management and business performance as necessary, monitors relevant units, confirms and approves documents, and has regular discussions

with representative directors, executive officers, and the Company's auditing firm. The Audit & Supervisory Board Member Office has been established to assist with the duties of Audit & Supervisory Board members and ensure that they are performed effectively. In turn, Audit & Supervisory Board members direct the activities of the Audit & Supervisory Board Member Office personnel and provide them with valued advice on job rotations, performance evaluations, and other relevant matters.

Corporate Governance System (As of July 1, 2024)



An Organizational Structure That Supports Speedy Management Implementation

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

The Board of Directors is the Groupwide decision-making body for items stipulated in laws, regulations, and articles of incorporation. It also provides sound, appropriate supervision and guidance in the execution of business operations. In fiscal 2023, meetings of the Board of Directors were convened 16 times, with external directors attending, on average, 97% of the meetings and external Audit & Supervisory Board members attending, on average, 95% of the meetings. The highest body for deliberating the Group’s management system is the Group Steering Meeting, which strives to constantly speed up the pace at which Daikin decides on its future direction and solves issues related to important management policy and strategies. In fiscal 2023, the Group Steering Meeting was convened twice to discuss core themes from the FUSION 25 strategic management plan, including the refrigerant business and the space and water heating business. The Executive Officers Meeting, established following the introduction of the Executive Officer System, promotes speedy implementation and thorough deliberation of important management tasks related to operational execution.

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

Policy for the Appointment of Directors

The Company strives to realize effective and appropriate management using an integrated management system. Through this system, directors efficiently make strategic decisions and conduct sound and appropriate supervision and guidance—thereby collectively sharing responsibility for all facets of management—while assuming responsibility for business execution through prompt action. Accordingly, Daikin Industries, Ltd. believes that this integrated management system is effective in accelerating decision-making and business execution. Directors make decisions, execute operations, and provide supervision and guidance in an integrated manner, independently making decisions and taking responsibility for the outcomes thereof.

The Company appoints multiple external officers who monitor the execution of operations from an independent perspective and offer appropriate supervision and advice during decision-making. Through this process, external directors take responsibility for supporting the Company’s integrated management system from the standpoint of transparency and soundness. Daikin Industries, Ltd.

prioritizes diversity when appointing directors in terms of their nationality, gender, and experience, with a particular emphasis on business expansion, globalization, and diversity management. Furthermore, the Company seeks in director candidates the expertise and competencies required for carrying out effective corporate management, namely, leadership skills that bring out the potential of employees and lead an organization to enhance its business execution capabilities; the ability to act swiftly using foresight and insight gained from frontline operations where trends first emerge and can be understood; the determination and decisiveness to create solutions to unresolved issues; and the capacity to put into practice Daikin’s Group Philosophy and Core Values and pass them down to future employees.

Directors are appointed based on the above criteria, while independent directors are required to have assumed such a role at a listed company, among other experience.

The Board of Directors deliberates and decides on the appointment and dismissal of directors, the CEO, executive officers, and other senior management based on the results of deliberations and discussions by the HRM Advisory Committee and conducts thorough deliberations on the succession of senior management, such as potential candidates and corporate manager training plans. The Board of Directors also deliberates and decides on the compensation of senior management based on the results of deliberations and discussions by the Compensation Advisory Committee. To further enhance corporate value, we will strengthen governance of the Board of Directors, which comprises corporate managers with extensive experience and expertise, with a view to expanding our global business, accomplishing the key strategies set forth in FUSION 25, and reinforcing our ability to respond to the changing times with a focus on the future.

Corporate Governance

Skill Sets of Directors

All of the Board's 10 directors, based on their extensive experience and expertise as corporate managers, have achieved significant results in their respective fields. The Group believes that the skills and attributes possessed by each director are necessary for further improving its corporate value.

The six internal directors are responsible for monitoring the execution of operations and possess the skills to promote the further growth of our global businesses, expand environmental

strategies and the Solutions Business, and take the lead in strengthening our foundation for growth in the era of sustainability.

The four independent external directors are appointed to aid in decision-making and management supervision from an independent and objective standpoint. Based on experience at their respective companies and knowledge in their respective areas of expertise, the incumbent Board members possess the skills necessary to ensure the achievement of our key strategies.

Furthermore, for such business functions as sales, production, finance and accounting, legal affairs, and digital transformation, executive officers are appointed to execute business operations in earnest. At the same time, they attend Board of Directors' meetings in accordance with Board meeting agendas, in order to ensure effective decision-making and supervision by the Board of Directors.

Name	Experience and Knowledge of Each Director and Their Expected Roles
Masanori Togawa	As representative director, president and CEO, Masanori Togawa was instrumental in the execution of the strategic management plan and the Group's ongoing growth. Going forward, in his new role as representative director, chairman of the Board and CEO, he is expected to continue to work toward the completion of FUSION 25 while exercising strong leadership in passing on the Group's unique strengths, evolving the Group's business by anticipating the changing times, and flexibly and swiftly implementing measures toward the Group's further growth and development.
Naofumi Takenaka	Naofumi Takenaka has experience in various business operations, including production, product development, sales, supply chain management, and public relations. Going forward, in his new role as representative director, president and COO, he is expected to work toward the completion of FUSION 25 and further expand the Group's business by ensuring that management policies remain the basis for the Group's business activities and reinforcing business execution capabilities even in a rapidly changing business environment.
Takashi Matsuzaki	Takashi Matsuzaki has been engaged in the Air Conditioning Business for many years and has significantly contributed to the expansion of this business, particularly in terms of R&D and product development. He is currently mainly in charge of solutions technologies. He is expected to develop leading-edge technology beyond the scope of air-conditioning equipment and contribute to the creation of new businesses.
Koichi Takahashi	Koichi Takahashi has been involved in accounting and finance for many years and has significantly contributed to the expansion of the Group's business operations, particularly in terms of financial strategy and capital policy. He is currently engaged in activities to streamline operations through the use of IT and is expected to strengthen the Group's management foundation toward further growth.
Keiko Mori	Keiko Mori has been involved in human resource development and the promotion of women's empowerment for many years and has significantly contributed to the expansion of the Group's business operations, particularly in terms of human capital formation. She is currently in charge of training the next generation of leaders and overseas executives and is expected to strengthen the Group's management foundation toward further growth.

Name	Experience and Knowledge of Each Director and Their Expected Roles
Kanwal Jeet Jawa	Kanwal Jeet Jawa has been responsible for the Air Conditioning Business in India for many years and has contributed significantly to the expansion of this business. He is currently in charge of the Air Conditioning Business in India and Africa (excluding certain areas). He is expected to further expand this business by leveraging his vast experience in the Air Conditioning Business and ability to develop business in emerging regions.
Tatsuo Kawada	Leveraging his extensive experience and expertise as a corporate executive at Seiren Co., Ltd., Tatsuo Kawada is expected to advise and supervise the Group's management from a broad and advanced perspective as an independent external director, with a particular focus on business model transformation and innovation creation.
Akiji Makino	Leveraging his extensive experience and expertise as a corporate executive at Iwatani Corporation, Akiji Makino is expected to advise and supervise the Group's management from a broad and advanced perspective as an independent external director, with a particular focus on energy and environmental fields and service businesses.
Shingo Torii	Leveraging his extensive experience and expertise as a corporate executive at Suntory Holdings Limited, Shingo Torii is expected to advise and supervise the Group's management from a broad and advanced perspective as an independent external director, with a particular focus on corporate activities that anticipate customers' needs and relate to the Sustainable Development Goals (SDGs) and ESG.
Yuko Arai	Leveraging her extensive experience and expertise as a corporate executive at the ANA Group, Yuko Arai is expected to advise and supervise the Group's management from a broad and advanced perspective as an independent external director, with a particular focus on customer-centric corporate management and business development and the promotion of women's empowerment.

Skill Sets of Audit & Supervisory Board Members

As a company with an audit and supervisory board organizational system, Daikin Industries, Ltd. ensures effective decision-making and supervision through the involvement of not only directors but also Audit & Supervisory Board members, who have a wealth of management experience and extensive insight in law, financial accounting, and

other specialized fields. Our full-time Audit & Supervisory Board members are highly familiar with our business and management system, while our external Audit & Supervisory Board members have acquired an abundance of management experience at their respective companies and extensive knowledge in their respective areas of

expertise. They each possess the skills necessary to oversee and audit the Group's business activities and provide management advice. By utilizing these skills, we expect our Audit & Supervisory Board members to continuously contribute to the sound and sustainable growth of the Group and the enhancement of its corporate value.

Name	Experience and Knowledge of Each Audit & Supervisory Board Member and Their Expected Roles
Kosei Uematsu	Kosei Uematsu has a wealth of experience as a long-standing member of the Group's management, particularly the global Air Conditioning Business, and extensive insight through his role in monitoring the Group's global operations from a broad perspective. He has served as a full-time Audit & Supervisory Board member at Daikin Industries, Ltd. since 2015. He is expected to continuously contribute to the sound and sustainable growth of the Group by monitoring its entire operations, conducting effective audits, and providing appropriate information and advice to management.
Hisao Tamori	Hisao Tamori has a wealth of experience and knowledge in finance and accounting through his years of involvement in the Company's Finance and Accounting Division. He has served as a full-time Audit & Supervisory Board member at Daikin Industries, Ltd. since 2019. He is expected to continuously contribute to the sound and sustainable growth of the Group by monitoring its entire operations, conducting effective audits, and providing appropriate information and advice to management.
Ryu Yano	Ryu Yano has a wealth of experience and knowledge as a corporate executive at Sumitomo Forestry Co., Ltd., including extensive business experience overseas. Leveraging this experience and knowledge, he is expected to continue to monitor the Group's entire operations, conduct even more effective audits, contribute to overseas business development, particularly through M&As, and provide appropriate information and advice to management from the viewpoint of strengthening governance and auditing functions as a global group. By doing so from a fair and unbiased perspective as an external Audit & Supervisory Board member, we expect that he will continue to contribute to the sound and sustainable growth of the Group.

Name	Experience and Knowledge of Each Audit & Supervisory Board Member and Their Expected Roles
Kaeko Kitamoto	Kaeko Kitamoto has a wealth of experience and highly specialized knowledge in finance and accounting through her years of involvement in corporate auditing practices as a certified public accountant. Leveraging this experience and knowledge, she is expected to continue to monitor the Group's entire operations, conduct effective audits, and provide information and advice to management particularly from the viewpoint of maintaining effective financial accounting systems. By doing so from a fair and unbiased perspective as an external Audit & Supervisory Board member, we expect that she will continue to contribute to the sound and sustainable growth of the Group.
Fumi Takatsuki	Fumi Takatsuki has a wealth of experience and highly specialized knowledge through her years of experience as an attorney in corporate legal affairs in Japan and overseas. Leveraging this experience and knowledge, she is expected to monitor the Group's entire operations, conduct effective audits, and provide information and advice particularly from the viewpoints of legal and other compliance and risk management. By doing so from a fair and unbiased perspective as an external Audit & Supervisory Board member, we expect that she will continue to contribute to the sound and sustainable growth of the Group.

Evaluation of the Effectiveness of the Board of Directors

Daikin Industries, Ltd. evaluates the effectiveness and appropriateness of its Board of Directors and the corporate governance system through interviews with directors and Audit & Supervisory Board members and deliberations by the Board of Directors. The Company has judged that the Board of Directors makes appropriate decisions through open and active discussions and plays an effective role in enhancing corporate value over the medium to long term. The Company will continue to improve Board effectiveness as well as engage in other initiatives,

including discussions on Groupwide strategies and issues and the improvement of reporting on the status of business execution.

The evaluation of effectiveness for fiscal 2023 confirmed that there are no operational issues and, at the same time, expressed views on further improvements to the Board of Directors. We will continue to enhance the effectiveness of the Board of Directors to further strengthen its decision-making and supervisory functions, in addition to improving its operations.

Key Initiatives in Fiscal 2023

- Enhanced discussions on Groupwide strategies and issues, such as the FUSION 25 strategic management plan
- Enhanced discussions on the status of business execution, such as risk and safety measures and sustainability
- Attended factory meetings for executive officers, conducted inspections of production sites, and conducted briefings on business operations in each region

Officer Compensation System

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

To fulfill the expectations of shareholders and all other stakeholders, our officer compensation system is designed to motivate internal directors to continuously improve our business performance over the medium to long term and contribute to the growth of the Group's overall value in accordance with management policies. Compensation of directors, excluding external directors, consists of fixed compensation; performance-linked compensation, reflecting the short-term performance of both the Group and the division of which the director is in charge; and compensatory stock options, reflecting the medium- to long-term performance of both the Group and the division of which the director is in charge. Compensation levels are determined by analyzing and comparing the compensation data of major manufacturers in Japan, using objective data from compensation surveys. These surveys are compiled by a third-party institution specializing in research on the compensation levels of corporate officers active in approximately 300 Japanese companies listed on the Prime Market of the Tokyo Stock Exchange. More specifically, net sales growth rate, operating profit margin, and ROE are used as basic indicators, while the status of the Group's business performance and director compensation levels relative to other companies are assessed and determined commensurate with medium- to long-term improvements in corporate value. In terms of performance-linked compensation, our ratio of compensation based on performance is higher than that of other major manufacturers in Japan, ensuring that sufficient incentive is provided to directors.

Performance-linked compensation for the chairman and CEO and for the president and COO uses a performance-linked coefficient

derived from Groupwide performance-linked indicators. Meanwhile, performance-linked compensation for directors other than the chairman and CEO and the president and COO is determined using a performance-linked coefficient derived from Groupwide performance-linked indicators, adjusted by single-year performance versus quotas for net sales and operating profit for directors' respective divisions, which serve as objectives for the day-to-day business activities of each division, and the progress of each director in implementing priority initiatives over the short, medium, and long terms. In addition, for these priority issues, targets have been established based on the responsibilities of each individual in accordance with the 11 key strategy themes laid out in the FUSION 25 Latter-Half Three-Year Plan.

The amount of compensatory stock options paid to directors, excluding external directors, is determined each fiscal year by dividing a sum determined by the status and results of each individual's efforts to address short-, medium-, and long-term priority issues in the previous fiscal year based on each director's respective position, by the recent average closing price of shares. These options are exercisable from three to 12 years after the date they were granted.

The Compensation Advisory Committee, which is chaired by an external director and comprises mainly external directors, deliberates on the policy of director compensation, the appropriateness of the system and levels of director compensation, and individual compensation amounts with a view to fully ensuring objectivity and transparency in decision-making processes, while taking into account the wider context of executive compensation. To enhance the effectiveness of its functionality as an advisory body while ensuring the independence of its decisions, the Compensation Advisory

Committee not only gathers information and utilizes advice from compensation advisors of external specialist organizations but also assesses and deliberates on the status of the Group's performance relative to other companies and the appropriateness of compensation from a variety of perspectives. Furthermore, the Compensation Advisory Committee confirms and deliberates the contents of proposals on the amount of compensation for each individual director from an objective standpoint and submits its opinions to the chairman of the Board. Representative Director, Chairman of the Board and CEO Masanori Togawa shall determine the amount of compensation for each individual director on the basis of the opinions submitted to the chairman of the committee upon receiving approval from the Board of Directors for their reappointment. Should his decision contradict the opinions submitted to the chairman of the committee, the reasons thereof will be reviewed by the Compensation Advisory Committee. The reason for delegating this authority to Masanori Togawa is that he is the most suited to overseeing the Company's management and its overall performance and to accurately assessing the performance of the relevant divisions of each director as well as the directors themselves based on sufficient information. The Compensation Advisory Committee comprises five members, four of whom are external directors and one of whom is an internal director, and is chaired by an external director.

Total Compensation for Directors and Audit & Supervisory Board Members (Fiscal 2023)

Position	Total compensation (Millions of yen)	Total of different types of compensation (Millions of yen)			Number of persons paid
		Fixed compensation	Compensatory stock options	Performance-linked compensation	
Directors (excluding external directors)	1,361	503	298	558	7
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	75	75	—	—	2
External executive officers	127	127	—	—	7

Compensation for Certified Public Accountants (Fiscal 2023)

Compensation for audit certification duties	¥272 million
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Messages from External Directors

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

Tatsuo Kawada

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



Significant Concurrent Posts

Chairman and CEO of Seiren Co., Ltd.
External Director of Hokuriku Electric Power Company

Attendance at Meetings of the Board of Directors

Attended 15 out of 16 meetings held in fiscal 2023

At the Company's Board of Directors' meetings, I make recommendations on points to consider regarding risk management and the importance of the relationship between management and the front lines of operations.

The frontline centered approach has also become ingrained in management thinking. At the Board meetings, specific examples of activities of the Corporate Ethics and Risk Management Committee and the status of each business are discussed, and decisions are made based on information from the front lines, which I believe ensures the rationality, transparency, and objectivity of management decision-making.

The Company's current performance is the result of its efforts to date, and I believe that the essence of management lies in considering both backcasting and forecasting approaches based on past performance. Forward-looking strategies, such as 18-month budgets and the FUSION 25 strategic management plan, are constantly formulated and incorporated into daily action plans. Therefore, I believe that management has been able to achieve a sound combination of short-term and medium- to long-term growth strategies.

At the Board meetings, I offer my views not only regarding M&As but also on the importance of partnerships and alliances that allow maximum benefits with the lowest possible risk.

As an external director, I will make recommendations on these and other matters to ensure that they are fully discussed at the Board meetings and that the expectations of all shareholders and investors are met.

Akiji Makino

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



Significant Concurrent Posts

Chairman and CEO of Iwatani Corporation
Chairman of the Board of Iwatani Industrial Gases Corporation
Representative Director and Chairman of the Board of Central Sekiyu Gas Corporation Limited

Attendance at Meetings of the Board of Directors

Attended 15 out of 16 meetings held in fiscal 2023

At the Company's Board of Directors' meetings, which are also attended by executive officers, we report and discuss the progress of budgets in detail.

As an external director, I always deliberate with caution, particularly when it comes to preparedness for risks such as compliance and crisis management, to ensure that no issues exist.

At the same time, appropriate risk-taking is also essential to the Group's further growth. When deliberating on potential investment projects, I provide input from an operational standpoint while ensuring that the benefits outweigh the risks.

Outside of the Board meetings, the executives in charge provide sufficient explanations of the business environment and initiatives of each global region, creating a sense of cohesion between management and the front lines.

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

Shingo Torii

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



Significant Concurrent Posts

Representative Director and Vice Chairman of the Board of Suntory Holdings Limited
Outside Director of Zojirushi Corporation
Chairperson of the Osaka Chamber of Commerce and Industry

Attendance at Meetings of the Board of Directors

Attended 16 out of 16 meetings held in fiscal 2023

At the Company's Board of Directors' meetings, I believe that deliberations are conducted in a highly orderly manner. A wide range of topics are reported and discussed, and the materials are written in detail. In my opinion, the agenda is highly diverse, incorporating explanations of the overall economic situation as well as reports from younger employees.

Based on my experience with safety and security in the food industry, the importance of strengthening governance and risk management must not be underestimated, and I pay particular attention to these aspects in deliberations at Board meetings.

Because the Board meetings are also attended by executive officers, I will continue to recommend the importance of products and services that contribute to sustainability and their incorporation into the Company's business activities. I will also work to deepen my knowledge of the Daikin Group, including the status of various business development and technological initiatives, and I will do my utmost to ensure its sustainable growth and enhance its corporate value.

Yuko Arai

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



Significant Concurrent Posts

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

Attendance at Meetings of the Board of Directors

Attended 16 out of 16 meetings held in fiscal 2023

In my view, safety management is as important in the manufacturing industry as it is for airlines, so I actively take part in production site inspections and factory meetings for executive officers to provide yearly reports on the execution status of business operations at Daikin's production sites in Japan.

In the evaluation of the effectiveness of the Board of Directors, I emphasized the importance of discussing the status of safety measures not only on the executive side but also at the Board of Directors' meetings. As a result, this matter was included on the agenda at the Board meetings, where the current state of safety, issues to address, and the status of safety measures at Daikin's domestic and overseas operations were reported and discussed. I will deepen my knowledge of the Company's products and businesses by participating in activities such as showroom inspections and utilize this knowledge in deliberations at Board meetings. As an external director, I remain dedicated to improving Daikin's corporate governance by offering advice and supervision from the perspective of providing products and services based on the customers' viewpoint as well as women's empowerment.

Corporate Officers (As of June 27, 2024)



Back row, from left

Hisao Tamori

Audit & Supervisory Board Member
(Standing)

Keiko Mori

Member of the Board
Executive Officer

Koichi Takahashi

Member of the Board
Senior Executive Officer

Fumi Takatsuki

Audit & Supervisory Board Member
(External)

Takashi Matsuzaki

Member of the Board
Senior Executive Officer

Kanwal Jeet Jawa

Member of the Board
Senior Associate Officer

Kosei Uematsu

Audit & Supervisory Board Member
(Standing)

Front row, from left

Ryu Yano

Audit & Supervisory Board Member
(External)

Yuko Arai

Member of the Board
(External)

Akiji Makino

Member of the Board
(External)

Naofumi Takenaka

Representative Director,
President and COO

Masanori Togawa

Representative Director,
Chairman of the Board and CEO

Tatsuo Kawada

Member of the Board
(External)

Shingo Torii

Member of the Board
(External)

Kaeko Kitamoto

Audit & Supervisory Board Member
(External)

Directors

Masanori Togawa

Representative Director,
Chairman of the Board and CEO

Date of Birth: January 11, 1949
Term of Office: 22 years
Number of Company Shares
Owned: 10,300

Tatsuo Kawada

Member of the Board (External)

Date of Birth: January 27, 1940
Term of Office: Eight years
Number of Company shares
owned: 0

Significant Concurrent Posts:

Chairman and CEO of Seiren Co., Ltd.
External Director of
Hokuriku Electric Power Company

Naofumi Takenaka

Representative Director,
President and COO

Date of Birth: January 31, 1964
Appointed: June 27, 2024
Number of Company Shares
Owned: 1,000

Akiji Makino

Member of the Board (External)

Date of Birth: September 14, 1941
Term of Office: Eight years
Number of Company Shares
Owned: 2,000

Significant Concurrent Posts:

Chairman and CEO of
Iwatani Corporation
Chairman of the Board of
Iwatani Industrial Gases Corporation
Representative Director and
Chairman of the Board of
Central Sekiyu Gas Corporation Limited

Takashi Matsuzaki

Member of the Board
Senior Executive Officer

Date of Birth: December 23, 1958
Term of Office: Four years
Number of Company Shares
Owned: 10,700

Shingo Torii

Member of the Board (External)

Date of Birth: January 18, 1953
Term of Office: Four years
Number of Company Shares
Owned: 1,000

Significant Concurrent Posts:

Representative Director and
Vice Chairman of the Board of
Suntory Holdings Limited
Outside Director of
Zojirushi Corporation
Chairperson of the Osaka Chamber of
Commerce and Industry

Koichi Takahashi

Member of the Board
Senior Executive Officer

Date of Birth: May 24, 1956
Appointed: June 27, 2024
Number of Company Shares
Owned: 7,900

Yuko Arai

Member of the Board (External)

Date of Birth: January 27, 1961
Term of Office: Three years
Number of Company Shares
Owned: 500

Significant Concurrent Posts:

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

Keiko Mori

Member of the Board
Executive Officer

Date of Birth: September 9, 1974
Appointed: June 27, 2024
Number of Company Shares
Owned: 600

Kanwal Jeet Jawa

Member of the Board
Senior Associate Officer

Date of Birth: November 10, 1959
Term of Office: Six years
Number of Company Shares
Owned: 0

Significant Concurrent Posts:

Managing Director and CEO of
Daikin Airconditioning India Pvt. Ltd.

Audit & Supervisory Board Members

Ryu Yano

Audit & Supervisory Board Member
(External)

Date of Birth: April 21, 1940
Term of Office: 11 years
Number of Company Shares
Owned: 0

Significant Concurrent Posts:

Chief Advisor of
Sumitomo Forestry Co., Ltd.

Kaeko Kitamoto

Audit & Supervisory Board Member
(External)

Date of Birth: April 15, 1965
Term of Office: One year
Number of Company Shares
Owned: 0

Significant Concurrent Posts:

Public Certified Accountant
Commissioner of the
Electricity and Gas Market
Surveillance Commission
Outside Director of
Harmonic Drive Systems Inc.

Fumi Takatsuki

Audit & Supervisory Board Member
(External)

Date of Birth: June 24, 1975
Appointed: June 27, 2024
Number of Company Shares
Owned: 0

Significant Concurrent Posts:

Partner of Oh-Ebashi LPC & Partners
Outside Director of
Shionogi & Co., Ltd.
Outside Auditor of
Sankyo Seiko Co., Ltd.

Kosei Uematsu

Audit & Supervisory Board Member
(Standing)

Date of Birth: January 21, 1952
Term of Office: Nine years
Number of Company Shares
Owned: 8,000

Hisao Tamori

Audit & Supervisory Board Member
(Standing)

Date of Birth: July 31, 1960
Term of Office: Five years
Number of Company Shares
Owned: 1,000

Executive Officers

Name	Position	Main Responsibilities / Titles
Chairman Emeritus and Chief Global Group Officer	Noriyuki Inoue	–
Senior Executive Officer	Satoshi Funada	In charge of Air Conditioning Business in Japan, After Sales Service
Senior Executive Officer	Yoshikazu Tayama	Department Manager of Budget and Administration Group, Finance and Accounting Division
Senior Executive Officer	Katsuyuki Sawai	In charge of CSR, Global Environment, External Relations, General Manager of Tokyo Office, General Manager of External Relations Department, Tokyo Office, Chairman of CSR Committee
Senior Executive Officer	Tsutomu Morimoto	In charge of the Americas Business Support, Executive Secretarial Department
Senior Executive Officer	Yuji Yoneda	In charge of Air Conditioning Product Development (Including Applied Solutions, Commercial & Industrial Refrigeration), General Manager of Technology and Innovation Center
Senior Executive Officer	Masaki Saji	In charge of Human Resources, General Manager of Human Resources Division
Senior Executive Officer	Toshio Ashida	In charge of Corporate Planning, Electronics Business, Technology and Innovation Strategy Office, Technology and Innovation Center
Senior Executive Officer	Yoshiyuki Hiraga	In charge of Chemicals Business, Chemical Environment and Safety
Senior Executive Officer	Shigeki Morita	In charge of Filter Business, PL & QC (Air Conditioning, Applied Systems, Commercial & Industrial Refrigeration), Promotion of Alliance with Gree, PD Affiliation Alliance Promotion, Concurrent Development Promotion, General Manager of Air Conditioning Manufacturing Division, General Manager of Sakai Plant
Senior Executive Officer	Kota Miyazumi	In charge of Marketing and Corporate Communications, General Manager of Marketing Research Division, Department Manager of Planning Group, Marketing Research Division, Chairman of Information Disclosure Committee
Senior Executive Officer	Makio Takeuchi	In charge of Global Procurement
Senior Executive Officer	Hideki Maruoka	In charge of Oil Hydraulics Business
Senior Executive Officer	Kenkichi Kagawa	In charge of Technology and Innovation Strategy Office, Technology and Innovation Center, Coordination and Collaborative Creation with the University of Tokyo
Senior Executive Officer	Yasushi Yamada	In charge of Safety

Name	Position	Main Responsibilities / Titles
Executive Officer	Hitoshi Jinno	General Manager of Filter Division
Executive Officer	Akira Murai	In charge of Defense Systems Business, Member of Co-creation Projects, Technology and Innovation Center, General Manager of Yodogawa Plant
Executive Officer	Shoji Uehara	In charge of Global Operations Division, Training
Executive Officer	Junichi Omori	General Manager of Global Operations Division
Executive Officer	Katsumi Kawahara	Deputy General Manager, Industry-Government-Academia Collaboration Promotion, Technology and Innovation Center
Executive Officer	Hiroaki Ueda	In charge of DX strategy, General Manager of Corporate Planning Department
Executive Officer	Katsuya Miura	In charge of Refrigeration Business
Executive Officer	Kenji Matsuba	In charge of Refrigerant Strategies, Deputy General Manager, Business Strategies, Air Conditioning Manufacturing Division, Department Manager of Planning Department, Air Conditioning Manufacturing Division
Executive Officer	Tomohiro Mizuguchi	In charge of IT Development, General Affairs, General Manager of General Affairs Department
Executive Officer	Kimikazu Hato	Deputy General Manager, Product R&D (Excluding Applied and Air-side Products), Air Conditioning Manufacturing Division, Senior Manager of Product R&D Promotion, Refrigeration Division, General Manager of Shiga Plant
Executive Officer	Isao Hasegawa	In charge of Production Engineering, Deputy General Manager, Production Engineering, Air Conditioning Manufacturing Division, Department Manager of Production Engineering Department, Air Conditioning Manufacturing Division
Executive Officer	Masaaki Miyatake	In charge of Applied Solutions Business
Executive Officer	Katsunori Ishii	General Manager of Air Conditioning Sales Division
Executive Officer	Nin Sokin	In charge of Corporate Ethics, Compliance, Legal Affairs, Information Security, General Manager of Legal Affairs and Compliance Center, Chairman of Corporate Ethics and Risk Management Committee

Compliance and Risk Management

Taking an Integrated Approach to Compliance and Risk Management

At Daikin, the Internal Control Committee, chaired by the representative director, president and COO, checks and confirms that internal controls, including risk management, are functioning properly throughout the Group. On top of this, the Corporate Ethics and Risk Management Committee promotes operational risk management and ensures thorough compliance.

In principle, the Corporate Ethics and Risk Management Committee meets twice a year to identify issues that need to be addressed and promote their resolution, and to report on the status of initiatives at overseas Group companies.

Daikin has established its Group Conduct Guidelines that clearly outline the required conduct for individual officers and employees of the Group. In addition, it has appointed a compliance and risk

management leader (CRL) for each division and each of the major Group companies in Japan and overseas to ensure thorough compliance with these guidelines. By regularly checking the status of compliance and risk management, sharing information, and disseminating the guidelines, Daikin is making every effort to foster a “culture free of compliance violations” and to elevate “mechanisms to ensure that there are no compliance violations.”

Utilizing Daikin’s Proprietary Self-Assessment System to Confirm Compliance with the Group Conduct Guidelines

Each year, Daikin conducts a self-evaluation on compliance with the Group Conduct Guidelines using its proprietary self-assessment system. Based on these results, we identify organizational issues and take countermeasures, the details of which are reported to and shared with the Corporate Ethics and Risk Management Committee.

In addition, the self-assessment results are used to determine the divisions and Group companies that are subject to legal audits on the status of compliance activities, which are held each year by the Legal Affairs Department. The Group also conducts compliance surveys.

The self-assessment results are shared with the Internal Auditing Department and the Finance and Accounting Division and used in our various audits.

Identifying Important Risks and Planning and Implementing Countermeasures

In light of the rapid expansion of its business, Daikin has introduced risk management across the Group to accurately and promptly grasp the overall picture of risks from a global perspective and to mitigate them.

In addition to Groupwide risks, each division and major Group company in Japan and overseas conduct risk assessments annually to

determine critical risks. Based on these findings, each Group company puts forward and implements countermeasures for and works diligently to reduce these risks. The status of each company’s risk reduction measures is shared with and reported to the Corporate Ethics and Risk Management Committee.

In fiscal 2023, efforts focused on risks related to key themes such as natural disasters, safety, product quality, information management, the strengthening of overseas crisis management, respect for human rights, and the strengthening of employment of people with disabilities.

Basic Policy on Information Security

Daikin’s Group Conduct Guidelines state that we must manage and use confidential information appropriately. We have also established the Information Security Basic Policy. Daikin stipulates that information leaks from internal information systems, products and services, and plant equipment systems constitute a major Companywide risk. Therefore, information security leaders in each division lead efforts

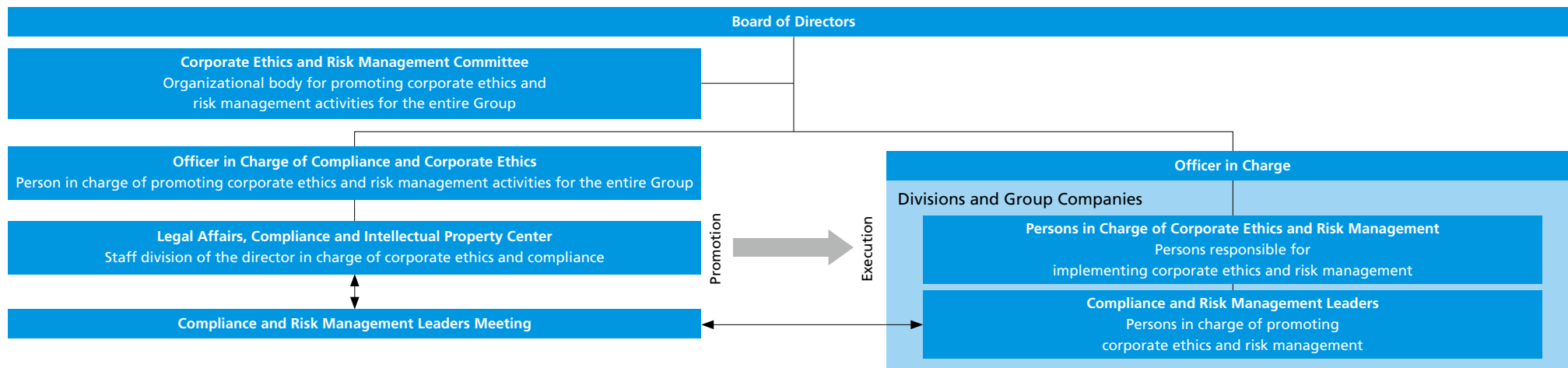
in implementing the Basic Regulations of Information Security and Common Security Guidelines. We also strictly manage confidential information we are holding that is the property of other companies.

In fiscal 2023, it came to light that an employee of a Daikin Industries’ system development contractor (subcontractor) illegally downloaded information on suppliers of the Company and

affiliated companies in Japan. There was no evidence of information leakage from the employee to a third party nor any secondary damage.

Preventing Bribery and Corruption

Corporate Ethics and Risk Management Structure



Preventing Bribery and Corruption

The globalization of the economy has led to a growing need for preventing corruption and a tightening of regulations among businesses not only in Japan but throughout the world.

Our Group Conduct Guidelines stipulate our stance on free competition and fair trading, practicing moderation in entertainment and gift exchanges, and maintaining a firm attitude against anti-social activities, and various measures have been put in place by

the Legal Affairs Department to prevent bribery and corruption under the supervision of the officer in charge of compliance and corporate ethics who oversees compliance.

Each division and major Group company in Japan and overseas conducts self-assessments* to ensure compliance with internal rules and guidelines and formulates and implements counter-measures based on the results.

The status of each company's initiatives is reported to and shared with the Corporate Ethics and Risk Management Committee, and the results are reported to the Internal Control Committee, chaired by the representative director, president and COO. In addition, the status of our risk response measures is reported to the Board of Directors.

* Daikin's proprietary system for employees to check their own behavior based on the Group Conduct Guidelines. These self-checks are conducted each year, and the results are used to identify internal issues and formulate compliance measures.

Sustainability Report 2024: Preventing Bribery and Corruption

Group Management

At Daikin, we strive to enhance corporate value and fulfill corporate social responsibility through actions based on our Group Philosophy. Group companies maintain close communication to share directives and orders as well as guidance, advice, and feedback, while ensuring that business is conducted appropriately throughout the Group.

With the exception of inside information, the details of key decisions made by the Board of Directors and the Executive Officers Meeting are shared promptly within the Group. Decisions on corporate activities are made based on consensus to ensure satisfaction and agreement by all relevant parties and the appropriateness of operations.

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

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

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

Financial Highlights Daikin Industries, Ltd. and Consolidated Subsidiaries / For the Years Ended March 31

Quantitative Targets of FUSION 25 Latter-Half Three-Year Plan (Billions of yen)

	Fiscal 2023 Results	Fiscal 2025 Plan
1 Net sales	4,395.3	4,550.0
2 Operating profit	392.1	500.0
3 Operating profit margin	8.9%	11%
4 ROE	10.7%	12%

Environmental and Social Value 5

Net CO₂ emissions reductions 2025 target (from BAU)
30% or more

Contribute to circular use of resources

Free humankind from heat and cold

Connect directly with customers and address specific needs

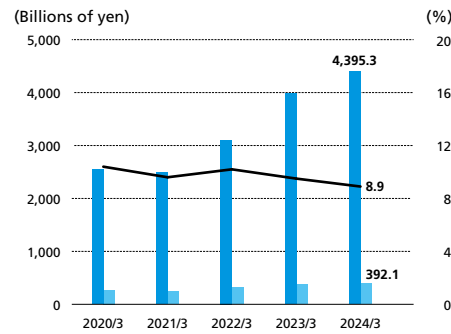
Offer safe, reliable, comfortable IAQ/AE

Contribute to reduction of food loss

Participate in international rule-making

Contribute to the growth of employees and local communities

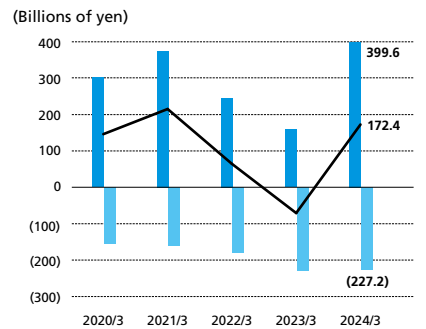
Net Sales / Operating Profit / Operating Profit Margin 1 2 3



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

Despite a challenging business environment in which demand remained stagnant in many regions and businesses, we achieved record results by implementing priority measures, expanding sales in high-growth regions, and increasing sales of products with high added value.

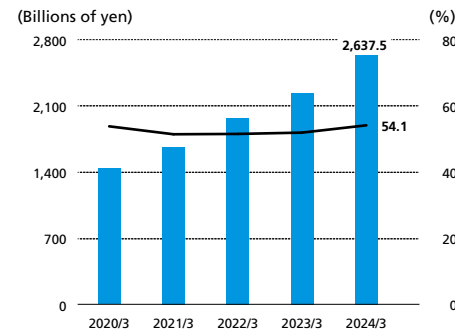
Cash Flow



■ Net cash provided by operating activities ■ Net cash used in investing activities — Free cash flow

In addition to increasing earnings and improving investment efficiency, efforts are being made to generate cash flow from a working capital perspective. This includes thoroughly reducing the balances of accounts receivable and inventory.

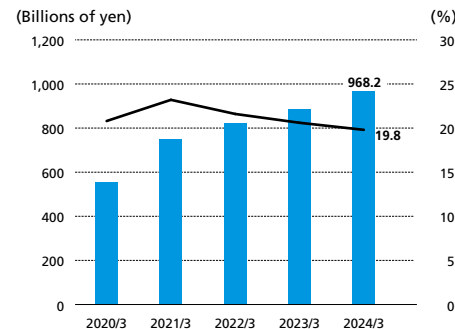
Total Shareholders' Equity / Shareholders' Equity Ratio



■ Total shareholders' equity (left) — Shareholders' equity ratio (right)

In fiscal 2023, Daikin's shareholders' equity ratio came in at 54.1%, exceeding 50% for the seventh consecutive year. The Company is taking positive steps to ensure its financial stability.

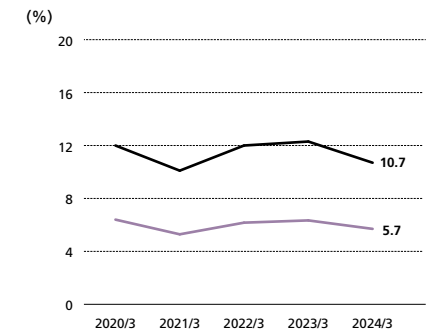
Interest-Bearing Liabilities / Interest-Bearing Liability Ratio



■ Interest-bearing liabilities (left) — Interest-bearing liability ratio (right)

We are working to reduce the balance of interest-bearing liabilities by generating free cash flow and making effective use of Group funds. In fiscal 2023, interest-bearing liabilities increased from the previous year due to an increase in short-term borrowings, but the interest-bearing liability ratio decreased, from 20.6% to 19.8%, over the same period.

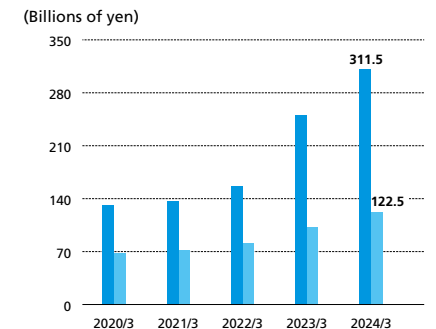
ROE / ROA 4



— ROE — ROA

We intend to aggressively engage in strategic investments, such as R&D, capital expenditures, and acquisitions, for the sustainable growth of our business. Through the steady flow of returns from these investments, we will aim to continue to enhance our business results and our ROE / ROA.

Capital Investments / R&D Expenses

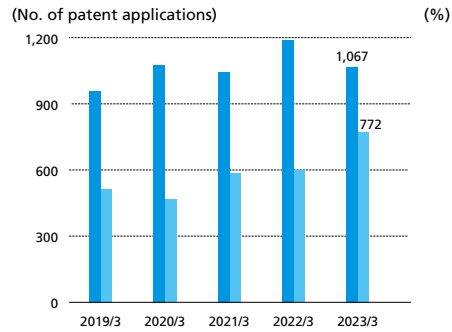


■ Capital investments ■ R&D expenses

From a capital investment perspective, energies are being directed toward upgrading and expanding sales networks and constructing new plants and enhancing existing ones. We are also boosting production capacity, focusing on emerging countries and key markets where there has been remarkable growth. As far as R&D expenses are concerned, Daikin recognizes that strengthening technological competitiveness is the lifeblood of a manufacturer. On this basis, the Company is coordinating with its eight development bases worldwide and the TIC that serves as the Group's development control tower and is accelerating the development of distinctive technologies and products, including those for addressing global environmental problems.

Non-Financial Highlights Daikin Industries, Ltd. and Consolidated Subsidiaries / For the Years Ended March 31

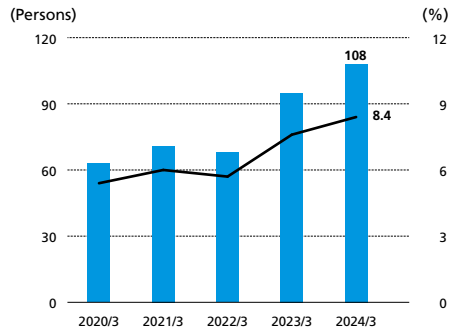
Number of Patent Applications 5



Note: The latest figures are for the fiscal year ended March 31, 2023.

Daikin is working to stimulate employees' motivation to invent, spur the creation of intellectual property, increase the quality and quantity of patents in competitive fields, and increase the number of overseas patents in key technological fields, in particular in emerging countries.

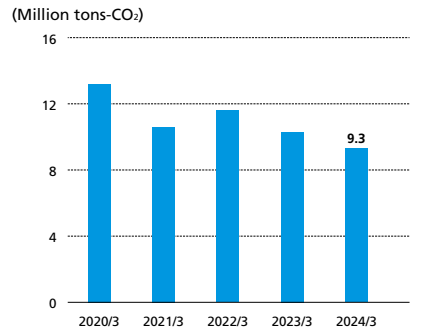
Number and Percentage of Female Managers (Non-Consolidated) 8



■ No. of female managers (left)
— Percentage of female managers (right)

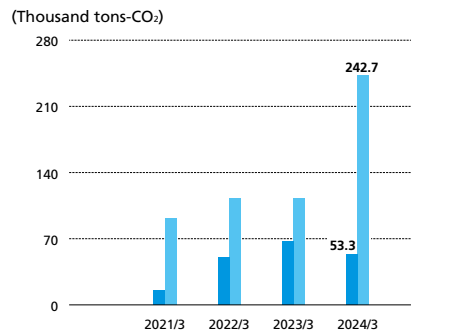
One of the Company's key policies is to promote the empowerment of women. Daikin is implementing various measures to raise awareness of managers and female employees, accelerate the development of female leaders, support early return to work after childcare leave, and support the participation of male employees in childcare.

GHG Emissions (From Development and Production Processes) 6



Aiming to lower GHG emissions from our manufacturing processes (development and production) to 1.1 million tons-CO₂ by fiscal 2025 (a 17% reduction from fiscal 2019 levels), we were able to reduce GHG emissions to 0.93 million tons-CO₂ in fiscal 2023 (a 30% reduction from fiscal 2019 levels).

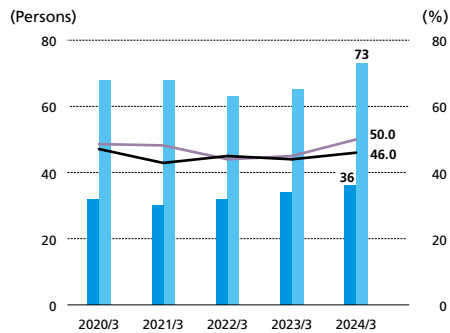
Amount of Contribution to Emission Reduction* 6 7



■ Contribution to GHG emissions reduction through the spread of air conditioners and heat pumps, hot water supply systems, and refrigeration systems with lower emissions
■ Contribution to GHG emissions reduction due to the use of R32 refrigerant in air conditioners and refrigeration systems by other companies as a result of Daikin's offer of free access to patents and technical support, etc.

* Calculated with F-gas recovery rate as 0%

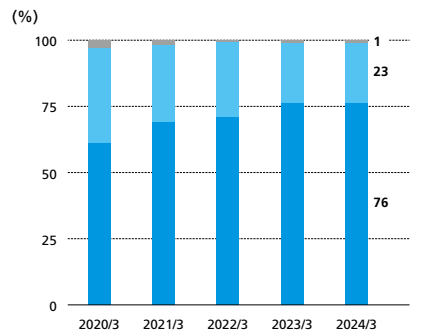
Number and Percentage of Presidents and Executives of Overseas Bases Who Are Local Nationals 8



■ Presidents (left) ■ Executives (left)
— Percentage of presidents (right)
— Percentage of executives (right)

To promote the globalization of our management, we are actively assigning local employees of our overseas bases to management positions.

Environmentally Conscious Products* as a Percentage of Sales Volume (Residential-Use Air Conditioners) 6



■ Super Green Products ■ Green Products ■ Other products
* Environmentally conscious products: A generic term that covers Super Green Products and Green Products
Products that satisfy all of the conditions below qualify as Super Green Products while products that meet at least one of these conditions classify as Green Products:
• Reduction in electricity use by at least 30% compared with conventional products Example: Inverter air conditioners
• Use of refrigerants with less than one-third the GWP of conventional refrigerants Example: Air conditioners using low-GWP R32 refrigerant

Key External Recognition

- Selected for inclusion in the MSCI ESG Leaders Indexes



- Selected for inclusion in the MSCI Japan Empowering Women Index (WIN)



- Selected for inclusion in the MSCI Japan ESG Select Leaders Index



- Achieved a score of A- in CDP Climate Change 2023



- Chosen for inclusion in the FTSE Blossom Japan Index
- Chosen for inclusion in the FTSE Blossom Japan Sector Relative Index



FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Daikin Industries, Ltd. has been independently assessed according to the FTSE Blossom Japan Index criteria and the FTSE Blossom Japan Sector Relative Index, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index Series. The FTSE Blossom Japan Index Series is designed to measure the performance of Japanese companies that demonstrate strong Environmental, Social and Governance (ESG) practices. There are two indexes within the family, the FTSE Blossom Japan Index and FTSE Blossom Japan Sector Relative Index. The indexes are widely used by sustainable investment funds and for creating and evaluating financial products.

FTSE Russell website
<https://www.ftserussell.com/>

- Received the Nikkei Smart Work Grand Prize in the Market Expansion category and five stars in the overall ranking of the 7th NIKKEI Smart Work survey (conducted by Nikkei Inc.) for the seventh consecutive year (deviation value of 70 and above)



Eleven-Year Financial Highlights

Daikin Industries, Ltd. and Consolidated Subsidiaries (For the Years Ended March 31)

(Millions of yen)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Results (for the year):											
Net sales	¥1,787,679	¥1,915,014	¥2,043,691	¥2,043,969	¥2,290,561	¥2,481,109	¥2,550,305	¥2,493,387	¥3,109,106	¥3,981,578	¥4,395,318
Gross profit	568,323	649,902	711,576	730,935	798,829	868,923	884,898	864,136	1,057,338	1,331,476	1,509,674
Selling, general and administrative expenses	411,786	459,314	493,704	500,166	545,089	592,668	619,385	625,513	740,987	954,443	1,117,536
Research and development expenses* ¹	40,177	42,892	46,138	53,870	62,051	65,216	67,968	71,738	81,535	102,208	122,500
Operating profit	156,537	190,588	217,872	230,769	253,740	276,255	265,513	238,623	316,351	377,033	392,138
EBITDA* ²	235,439	268,354	302,075	315,798	348,574	375,570	393,999	372,217	464,413	559,257	607,702
Net profit attributable to owners of the parent	92,787	119,675	136,987	153,939	189,052	189,049	170,731	156,250	217,710	257,755	260,312
Cash Flows (for the year):											
Net cash provided by operating activities	¥ 179,713	¥ 160,423	¥ 226,186	¥ 267,663	¥ 223,740	¥ 250,009	¥ 302,167	¥ 374,691	¥ 245,071	¥ 158,897	¥ 399,568
Net cash used in investing activities	(80,835)	(77,331)	(105,493)	(128,823)	(127,459)	(165,773)	(156,187)	(159,667)	(180,790)	(229,794)	(227,189)
Free cash flow* ³	98,878	83,092	120,693	138,840	96,281	84,236	145,980	215,024	64,281	(70,897)	172,379
Net cash provided by (used in) financing activities	(38,249)	(83,073)	(85,422)	(73,544)	(93,955)	(68,721)	(169,934)	98,942	(48,698)	(113,089)	(129,623)
Financial Position (at year-end):											
Total assets	¥2,011,870	¥2,263,990	¥2,191,105	¥2,356,149	¥2,475,708	¥2,700,891	¥2,667,513	¥3,238,703	¥3,823,038	¥4,303,683	¥4,880,230
Total interest-bearing liabilities	693,944	662,413	608,981	609,430	554,371	585,642	553,807	751,213	824,874	887,684	968,239
Total shareholders' equity	801,854	1,024,725	1,014,409	1,111,636	1,296,553	1,416,075	1,434,968	1,664,729	1,968,727	2,235,031	2,637,536
Per Share Data (yen):											
Net income (basic)	¥ 318.33	¥ 410.19	¥ 469.23	¥ 526.81	¥ 646.53	¥ 646.39	¥ 583.61	¥ 533.97	¥ 743.88	¥ 880.59	¥ 889.22
Shareholders' equity	2,748.08	3,511.34	3,473.54	3,802.10	4,433.62	4,841.15	4,904.46	5,688.57	6,726.45	7,635.27	9,009.19
Free cash flow	339	285	413	475	329	288	499	735	220	(242)	589
Cash dividends	50.00	100.00	120.00	130.00	140.00	160.00	160.00	160.00	200.00	240.00	250.00
Ratios (%):											
Gross profit margin	31.79%	33.94%	34.82%	35.76%	34.87%	35.02%	34.70%	34.66%	34.01%	33.44%	34.35%
Operating profit margin	8.76	9.95	10.66	11.29	11.08	11.13	10.41	9.57	10.17	9.47	8.92
EBITDA margin	13.17	14.01	14.78	15.45	15.22	15.14	15.45	14.93	14.94	14.05	13.83
Return on shareholders' equity (ROE)	13.07	13.10	13.44	14.48	15.70	13.94	11.98	10.08	11.98	12.26	10.68
Shareholders' equity ratio	39.86	45.26	46.30	47.18	52.37	52.43	53.79	51.40	51.50	51.93	54.05

*1 Research and development expenses are included within general and administrative expenses and manufacturing expenses.

*2 Earnings before interest, taxes, depreciation, and amortization (EBITDA) = Operating profit + Depreciation and amortization

*3 Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

Notes:

1. Accompanying a change in accounting policy, effective from April 1, 2014, the consolidated financial statements for the fiscal year ended March 31, 2014 and subsequent years have been revised.

2. Effective from April 1, 2018, the consolidated financial statements for the fiscal year ended March 31, 2018 have been revised in accordance with a change in accounting policy.

3. Effective from April 1, 2022, the consolidated financial statements for the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022 have been revised in accordance with a change in accounting policy.

Sustainability Targets and Results

We 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. In fiscal 2023, we made changes to the medium-term targets and quantitative indicators for the priority theme of the environment following our review of key sustainability issues.

	Key Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2023 Achievements	Explanation of Index
Value Provision Themes E	Response to climate change	An air conditioner consumes a large amount of electricity. As the only manufacturer in the world to make both air conditioners and refrigerants, Daikin recognizes that it has a great responsibility to society in terms of the global environment. With the aim of resolving environmental and energy problems, we will work to reduce GHG emissions throughout the entire life cycle of our products and contribute to a carbon-neutral society.	Reduce net GHG emissions throughout the entire life cycle by 30% or more in fiscal 2025 compared with BAU, with 2019 as the base year	Net GHG emissions from our own business operations	17% reduction	We measured the extent of reduction in net GHG emissions from our own business operations.
			GHG emissions from manufacturing (development and production): 1.1 million tons-CO ₂ in fiscal 2025	GHG emissions from manufacturing	0.93 million tons-CO₂ (30% reduction compared with fiscal 2019)	We measured how much we reduced GHG emissions generated from product manufacturing and other processes.
	Circular economy readiness	Air conditioners are made from a variety of resources, including copper and aluminum. In addition, the fluorocarbons used as refrigerants have an impact on global warming. We will contribute to the transition to a recycling-oriented society by providing products and services based on the premise of resource recycling, and by effectively utilizing limited resources to maximize the value of things. In particular, we place the highest priority on the construction of refrigerant recovery and reclamation systems.	Recovery and reclamation of refrigerants from the market through the establishment of a refrigerant eco-cycle	Amount of refrigerant recovery and reclaiming from market	4.05 million tons-CO₂	Measure the refrigerant recovered from the market or reclaimed by Daikin and reclaimed refrigerant purchased by Daikin (in CO ₂ equivalent)
	Management and reduction of chemical substances	As a company that handles chemicals, we are working to prevent environmental pollution caused by our business activities. In accordance with laws and regulations, we extensively request our material suppliers to prevent prohibited substances from finding their way into our products, and we manage and reduce the emissions of chemical substances we handle in our production processes.	Reduce chemical substances emissions per unit of production, including PRTR* substances and VOCs, by 10% in fiscal 2025, based on the average value from fiscal 2013 to fiscal 2015	Reduction rate of PRTR substances and volatile organic compounds (VOC) emissions	49% reduction	Measure how much PRTR substances and VOC emissions were reduced compared with the base year (average from fiscal 2013 to fiscal 2015)
Protecting biodiversity	Climate change has a significant impact on biodiversity. In addition to working to reduce GHG emissions through its business activities, Daikin supports forest conservation activities to contribute to biodiversity protection outside of its business activities.	Conservation of 11 million hectares of forests in 7 locations around the world	Contributions to reducing CO ₂ emissions through forest conservation	7 million tons-CO₂	Measure the amount of CO ₂ emissions reduced as a result of forest conservation in seven locations around the world working with NGOs and other partners	

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

Sustainability Targets and Results

	Key Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2023 Achievements	Explanation of Index
Value Provision Themes	Value with Air	People's awareness and demand for air quality is increasing worldwide against the backdrop of infectious diseases and the adverse health effects of air pollution. As a company that provides value with air globally, Daikin contributes to people's health and comfortable living by providing a safe and reliable air environment through its business.	Net sales of IAQ/Ventilation Business: ¥ 380 billion in fiscal 2025	Net sales of IAQ/Ventilation Business	¥ 355.8 billion	We used net sales to measure the extent to which we provide a safe, reliable, healthy, and comfortable air environment.
		Customer Satisfaction	It is our social mission as a manufacturer to provide safe, high-quality products and services while responding to diversifying needs. Daikin enhances customer value and provides peace of mind and reliability through its extensive customer focus, experience, track record, and advanced technological capabilities to meet the detailed needs of each market application.	Net sales of Solutions Business:* ¥ 1,280 billion in fiscal 2025	Net sales of Solutions Business*	¥ 1,038.1 billion
	Human Resources		In order for Daikin to grow sustainably and continue to contribute to solutions to social issues, human resources are of utmost importance as the 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.	Establish service network covering all regions worldwide	Customer satisfaction with after-sales services	Japan: 1.15 China: 1.00 India: 1.24 France: 0.97
		Maintain and increase the development of global leaders		Number of persons participating in executive management and leadership development programs	Held in regions around the world including North America and Asia. There were 54 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: 1 in 4 in fiscal 2025		Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions	1 in 6.3 employees	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	108 employees (8.4%) (Daikin Industries, Ltd. only)	We measured the number of female managers and percentage of overseas bases where local nationals are president as indicators for measuring employee diversity.
		Maintain and increase percentage of overseas bases where local nationals are president		Percentage of overseas bases where local nationals are president	46% (overseas bases)	
		Frequency rate of lost work time accidents: 0		Frequency rate of lost work time accidents	1.24	We measured whether manufacturing bases are operating safely.
	Co-creation	In order to create new value in an era of a rapidly changing competitive environment, it is necessary to innovate beyond the reach of 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.	R&D expenditure ¥ 390 billion from 2023 to 2025	R&D expenditure	¥ 122.5 billion	We measured the investment amount for value creation and the number of cases of industry-government-academia and industry-industry collaboration.
			Promotion of industry-government-academia and industry-industry collaboration	Number of cases of industry-government-academia and industry-industry collaboration	165 industry-government-academia and 13 industry-industry cases (Daikin Industries, Ltd. only)	

* Total of commercial, residential, and refrigeration solutions

Sustainability Targets and Results

	Key Themes	Initiatives	Medium-Term Targets	Quantitative Index	Fiscal 2023 Achievements	Explanation of Index
Value Provision Themes	Respect for Human Rights	As various human rights issues such as child labor, forced labor, and divulgence of customer information at suppliers, among others, materialize, companies find now more than ever that they must ensure that their business activities respect human rights. Daikin understands various international norms on human rights and respects fundamental human rights.	Thoroughness of respect for human rights and implementation of human rights due diligence	Self-assessment*1 implementation rate	99%	We measured how thorough we were in respect for human rights through the implementation rate of self-assessments.
	Supply Chain Management	Amid growing concerns, there is momentum to resolve human rights, labor, and environmental issues in the supply chain through dialogue with suppliers. By promoting CSR procurement, Daikin minimizes risk and builds a robust and resilient supply chain.	Increase Class A CSR procurement achievement rate among all suppliers	Class A CSR procurement achievement rate	81%	We measured the ratio of suppliers who satisfied Daikin's Class A in-house standards to total procurement value.
	Stakeholder Engagement	A company's business activities have a direct or indirect impact on stakeholders, the environment, and society. Understanding the concerns and expectations of stakeholders through dialogue and working to create a virtuous cycle of mutual relationships is essential for companies to fulfill their social responsibilities and continue to grow sustainably. Through two-way communication, Daikin will address the demands and expectations of society appropriately.	Engage in dialogue with stakeholders and reflect this dialogue into management	Number of air conditioner forums held; number of outside participants	Held four times around the world with a total of 75 people , including university professors and specialists from 19 countries taking part	We measured the number of dialogue sessions with experts around the world related to our core business of air-conditioning.
	Communities	In order to operate our business smoothly around the world, it is essential to contribute to the development of each region as a member of the community and to build relationships where we grow together with stakeholders. At Daikin, it is important for employees to take action unique to the region and to build relationships of trust with local residents.	Contribution to environmental conservation, education support, and cooperation with the local community	Expenditure for social contribution activities	¥1.8 billion	We calculated the monetary amount, through donations, goods, and other ways, that we provided to communities.
G	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.	Degree of independence from the company, diversity, and transparency of the Board of Directors	Number of directors who are outside the Company, women, and foreign nationals	4 external directors, 2 female directors,*2 and 1 foreign national director among the 10 directors (Daikin Industries, Ltd. only)	We measured the diversity of the composition of directors.
			Appointment of female officers from inside the Company: 1 or more in fiscal 2025	Number of female officers appointed from inside the Company	2 (Daikin Industries, Ltd. only)	We measured the appointment of female officers from inside the Company.
			Strengthen appropriate and smooth risk management capabilities	Number of meetings of the Corporate Ethics and Risk Management Committee and regional legal and compliance committees	Held committee meetings 2 times and 3 times , respectively	We measured the number of meetings as a way to ensure thorough implementation of policies globally.
			Strengthen and upgrade global legal and compliance systems	Self-assessment*1 implementation rate	99%	We measured the implementation rate of self-assessment as a way to foster compliance awareness among each and every employee.
	Risk Management					
	Compliance					

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

*2 As of July 1, 2024



IR team members

Issuance of *Integrated Report 2024*

The integrated report is issued to provide shareholders and investors with information on the initiatives we are taking to enhance corporate value over the medium to long term. By working alongside all our stakeholders, including customers, business partners, employees, and local communities, we will help overcome social and environmental issues while continuing to develop our business and grow as an organization. Daikin's ultimate goal is to help realize a sustainable society, and this report incorporates detailed information on our approach to achieving this goal. This report has been compiled with reference to guidelines such as the International Integrated Reporting Framework of the IFRS Foundation and the Guidance for Collaborative Value Creation of Japan's Ministry of Economy, Trade and Industry.

In 2024, Daikin celebrated the 100th anniversary of its founding. *Integrated Report 2024* describes how Daikin has continued to grow

and expand its operations through its unique business model based on the strengths and technological capabilities it has cultivated since its founding. The report also discusses the Company's strengths and the specific measures it is taking to achieve its vision from both financial and non-financial perspectives.

As the world's leading comprehensive manufacturer of air conditioners, it is our mission to continue to provide solutions to environmental and social issues. Looking ahead to the next 100 years, we will continue to grow and expand our business by drawing on the strengths and advanced environmental technologies we have cultivated through a commitment to our "People-Centered Management" corporate culture.

This report contains information that is of particular importance to enhancing Daikin's corporate value. For more detailed information, please refer to our website.

Communication with Shareholders and Investors

As stated in its Group Philosophy, Daikin will remain a trusted company that acts with consideration for its relationship with society. Accordingly, in addition to complying with laws and regulations and conducting business activities with high ethical standards, we must maintain a high level of management transparency by actively disclosing information to shareholders and investors.

Daikin conducts a wide range of investor relations (IR) activities to keep shareholders and investors informed about its business activities and developments.

Main Investor Relations Activities in Fiscal 2023

Target	Investor Relations Activity	No. of Times Held
Analysts and institutional investors	Individual meetings with institutional investors	Over 500
	(Of which were group meetings)	19
	(Of which were a response to ESG / engagement requests)	18
	Financial results briefings	4
	Sustainability briefings	1
Individual investors	Conferences sponsored by securities firms	5
	Online company briefings	2
Employees	Sustainability briefings (held individually by domestic business sites and divisions)	4 (approximately 2,000 participants)

Company Overview / Investor Information (As of March 31, 2024)

Company name Daikin Industries, Ltd.

Head office Osaka Umeda Twin Towers South,
1-13-1, Umeda, Kita-ku, Osaka,
530-0001, Japan

Tel: 81-6-6147-6864

Tokyo office Tokyo Midtown Yaesu—Yaesu Central Tower,
2-2-1, Yaesu, Chuo-ku, Tokyo,
104-0028, Japan

Tel: 81-3-3520-3000

Fiscal year-end date March 31

Date of founding October 25, 1924

Paid-in capital ¥85,032 million

Number of subsidiaries and affiliated companies Consolidated subsidiaries: 349
Affiliates: 15

Number of employees 98,162 (Consolidated)

Total number of authorized shares 500,000,000

Total number of shares issued 293,113,000

Number of shareholders 74,668

Shareholder register administrator Mitsubishi UFJ Trust and Banking Corporation, 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Ordinary General Meeting of Shareholders June

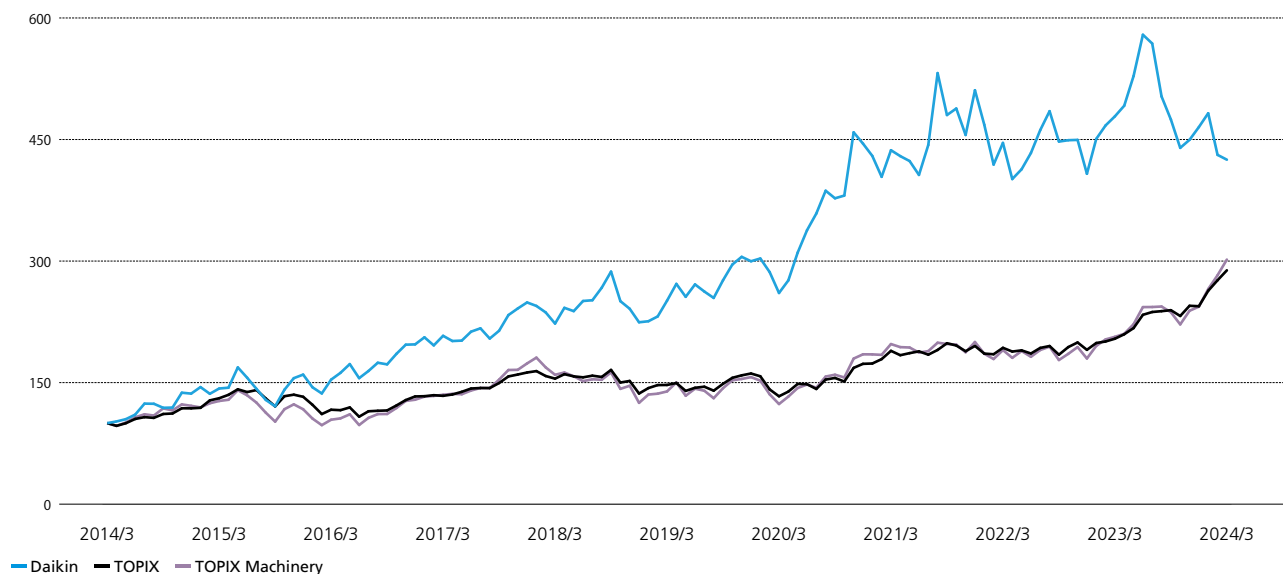
Auditor Deloitte Touche Tohmatsu LLC

Major Shareholders (10 Largest by Shareholding)

Shareholder	No. of Shares Held (Thousand Shares)	Shareholding Ratio* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	53,073	18.13
Custody Bank of Japan, Ltd. (Trust Account)	21,463	7.33
JP Morgan Chase Bank 385632	8,685	2.97
Sumitomo Mitsui Banking Corporation	8,000	2.73
SSBTC CLIENT OMNIBUS ACCOUNT	5,036	1.72
State Street Bank West Client-Treaty 505234	5,003	1.71
The Master Trust Bank of Japan, Ltd. (The Norinchukin Bank Account)	4,649	1.59
Custody Bank of Japan, Ltd. (Trust Account 4)	4,630	1.58
MUFG Bank, Ltd.	4,355	1.49
GIC Private Limited-C	3,859	1.32

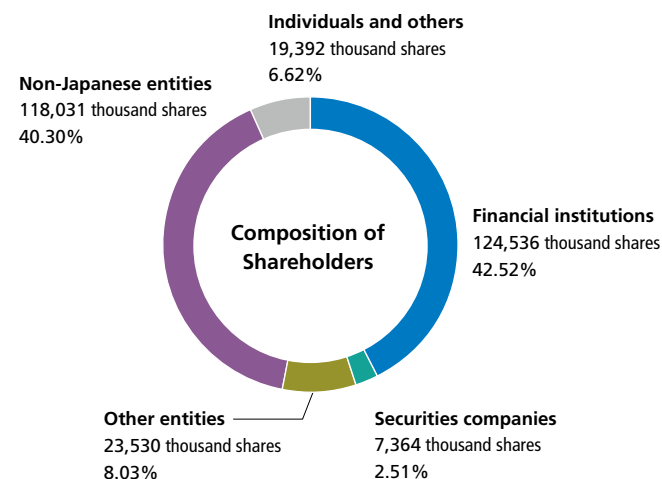
* Based on the total number of shares issued excluding treasury stock

Total Shareholder Return



Notes:

1. TSR (total shareholder return): Total rate of return on investment reflecting capital gains and dividends
2. TSR is calculated based on cumulative dividend amounts and stock price fluctuations for Daikin and based on the stock market index inclusive of dividends for TOPIX (prepared by the Company based on data provided by Bloomberg, etc.).
3. Graph data represents market prices indexed by TSR with closing price data as of March 31, 2014, as a base of 100 (holding period up to March 31, 2024).



Note: Treasury stock of 348,403 shares is included in "Individuals and others." Shares have been rounded down to the nearest thousand shares.



Daikin celebrated its 100th anniversary in 2024.

Daikin Industries, Ltd.
Corporate Communication Department
Corporate IR Group
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