DAIKIN

SUSTAINABILITY REPORT 2026

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Introduction

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Editorial Policy

The Daikin Group Sustainability Report 2026 presents our basic approach to sustainable growth as well as information on the results of our annual activities and future plans. The report is based on an environmental (E), social (S), and governance (G) framework, and it also draws inspiration from international disclosure standards such as the European Sustainability Reporting Standards (ESRS). Relevant quantitative data is compiled in the Data section.

We post previous reports dating as far back as three years on our corporate website.

Sustainability Report

Referenced Standards and Guidelines

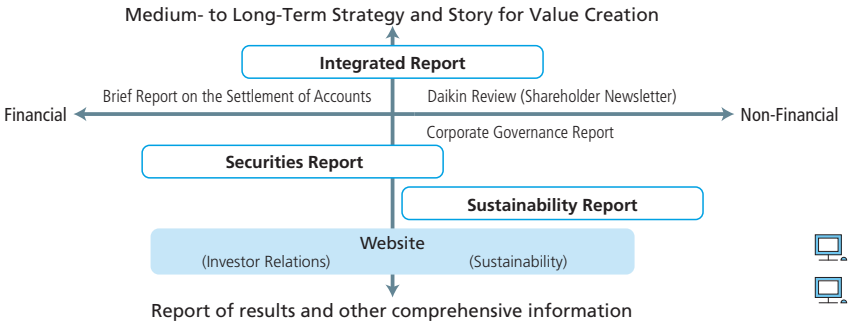
European Sustainability Reporting Standards (ESRS) / GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI) / Task Force on Climate-related Financial Disclosures (TCFD) / Task Force on Nature-related Financial Disclosures (TNFD) / ISO 26000 - Guidance on Social Responsibility / Environmental Reporting Guidelines of the Ministry of the Environment, etc.

Daikin's Information Disclosure

Daikin places importance on appropriate communication with stakeholders and discloses information through various media. The integrated report and sustainability report are considered as a single, integrated medium and are published simultaneously. The integrated report serves as the primary medium for presenting our growth strategies from both financial and non-financial perspectives, while the sustainability report complements it by disclosing detailed non-financial information underpinning sustainable growth.

Furthermore, the securities report is positioned as a statutory disclosure medium in compliance with the Financial Instruments and Exchange Act.

Positioning of Information Disclosure Media



Integrated Report
Securities Report (available in Japanese only)

Daikin Organizations Covered

This report covers Daikin Industries and its 324 consolidated subsidiaries (325 companies in total).

Environment: Covers Daikin Industries and its 77 consolidated subsidiaries (more than 95% of manufacturing bases).

Social and Governance: Covers both topics individually.

In this report, "Daikin" refers to the Daikin Group, and "Daikin Industries" refers to Daikin Industries, Ltd.

Reporting Period

Fiscal 2025 (April 1, 2025 to March 31, 2026)
Contains information on some activities taking place after April 2026.

Third-Party Verification

To ensure reliability of the content of this report, Daikin has undergone a third-party verification by the Japan Audit and Certification Organization for Environment and Quality (JACO) for data on greenhouse gas emissions (GHG), water use, and waste water.

166 Data Third-Party Verification

Cautionary Statement

In reporting on fiscal 2025 CSR activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual results and information reported for previous years. Also, because figures are rounded off, totals and breakdowns may not equal the sum of individual figures.

Forecasts, Expectations, and Plans

This report includes forecasts, expectations, and plans, in addition to past and present facts, about Daikin. Please be aware that these are assumptions and judgments made based on the information available at the time this report was written and thus incorporate a degree of uncertainty.

Consequently, there is a possibility that events occurring in the future may turn out differently from the forecasts, expectations, and plans stated in this report.

Update History

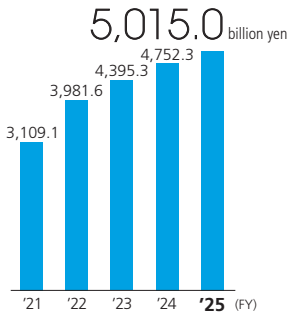
September 2026: Published Sustainability Report 2026 (English Version)

Business Lines and Network

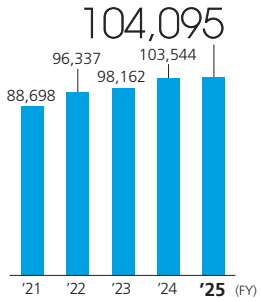
Providing Safe, Reliable, and Comfortable Air Environments

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

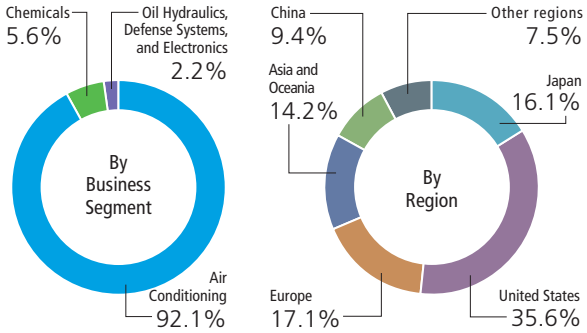
Net Sales (Consolidated)



Number of Employees (Workforce, Consolidated)



Ratio of Sales (Consolidated / Fiscal 2025)



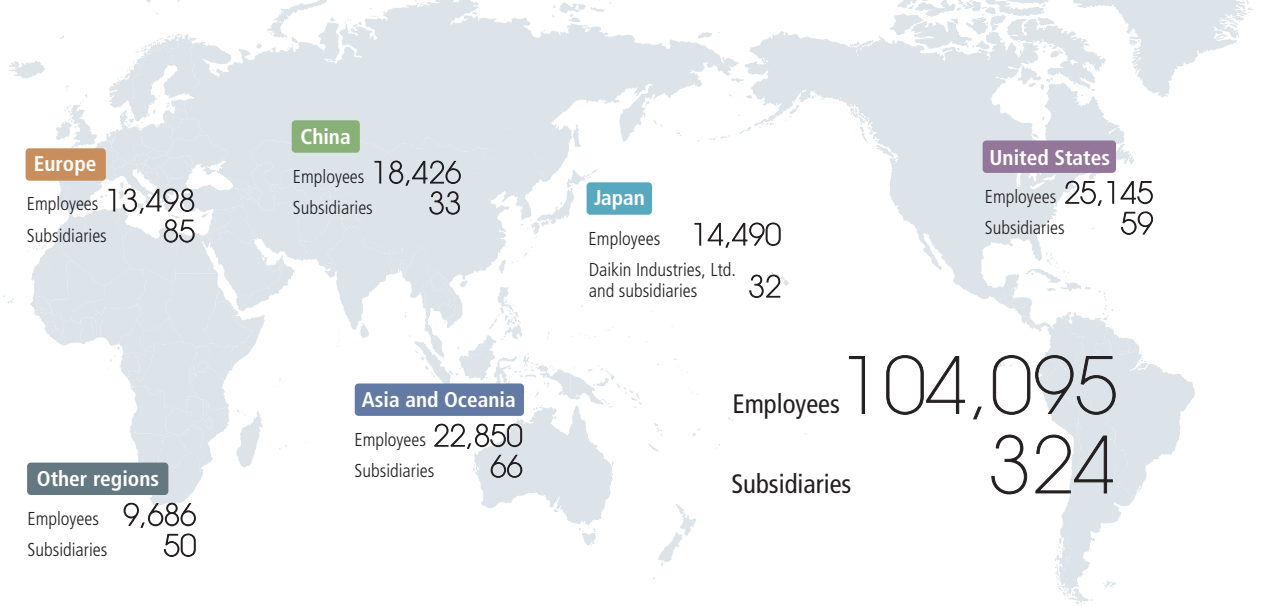
Our Business

Providing Healthy, Comfortable Lifestyles Through Air Conditioning and Fluorochemical Technologies

Air Conditioning Heat Pumps and Cold Chain	Chemicals	Oil Hydraulics, Defense Systems, and Electronics
Achieving both comfort and environmental performance to satisfy all global air conditioning needs	Utilizing the characteristics of fluorochemicals to contribute to a wide range of fields	Contributing to a wide range of industries with our proprietary hydraulic technologies, high-precision processing technology, and IT solutions
Main Business Fields Air conditioners and heat pumps, air filters, air purifiers, refrigeration systems	**Main Business Fields** Semiconductor, automotive, information and telecommunications	**Main Business Fields** Machine tools, in-home medical equipment, IT solutions

Business Sphere (As of March 2026)

Daikin Is Active in Over 170 Countries and Regions



Management

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Daikin's Sustainability

Fundamental Approach to Sustainability

Seeking out Solutions to Social Issues with Daikin Group Philosophy

Daikin, under its Core Values that serve as the guiding principles of its corporate management, established the Daikin Group Philosophy as its basic management philosophy, which is shared by all members of the Group. Since establishing Our Group Philosophy in 2002, the Daikin Group has continued to grow amid significant changes in the operating environment, advancing as an environmentally conscious company with a global business presence. Recognizing the need to identify the underlying strengths of our growth and sources of competitiveness so that we can pass these qualities on to future generations to further develop them, we revamped Our Group Philosophy in 2024 in conjunction with our 100th anniversary.

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

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

Core Values

Absolute Credibility

Enterprising Management

Harmonious Personal Relations

Daikin Group Philosophy

Purpose

Our purpose is to provide comfort and security for all.
At Daikin, we believe in the infinite potential of people.
With our passion and innovative technologies,
we create a sustainable and bright future.

Together, We Brighten the Future

1. Resolve Social Issues and Enhance Corporate Value
2. Create New Value by Anticipating Future Needs
3. Realize a Better Society through Innovative Technologies
4. Take Action to Maintain Society's Trust
   (1) Be Transparent to Society and Build Mutual Development
   (2) Grow with our Business Partners
5. Think Globally and Be Flexible and Vibrant
6. Practice "People-Centered Management (PCM)" and Provide Challenging Opportunities
   (1) Create an Open-minded Atmosphere and Provide Ambitious Challengers with More Opportunities
   (2) Value Empathy for Daikin Group Philosophy and Cherish the Pride and Joy of Being Part of the Daikin Group
   (3) Promote and Respect Diversity Management

Daikin Group Philosophy

Daikin's Sustainability

Role and Responsibility of the Air Conditioning Business

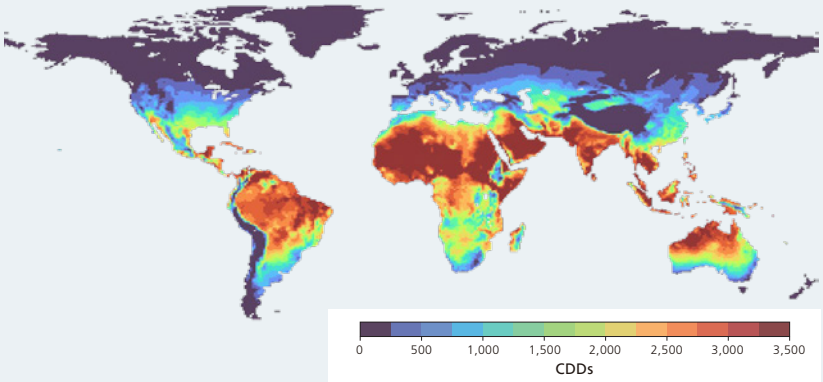
Business Characteristics

Rising temperatures caused by climate change have made space cooling a vital form of infrastructure that supports people's health and living. The widespread use of Daikin's air conditioning, our core business, represents one form of climate change adaptation, which will be required more in the future. On the other hand, increased demand for space cooling also leads to larger GHG emissions through higher electricity consumption. In the air conditioning value chain, emissions during the usage phase account for a particularly large proportion. Air conditioning is essential for adapting to climate change, and at the same time, it is a business area where measures to reduce GHG emissions are required.

Global Space Cooling Demand Forecast amid Rising Temperatures (2°C Scenario)

As climate change progresses, demand for space cooling is changing dramatically. If global temperatures rise by 2°C above pre-industrial levels, the population exposed to extreme heat (more than 3,000 CDDs per year*) is projected to nearly double from 23%, or approximately 1.5 billion people, in 2010 to 41%, or approximately 3.8 billion people, in 2050.

Global Cooling Degree Days (CDDs) Distribution in 2°C Scenario



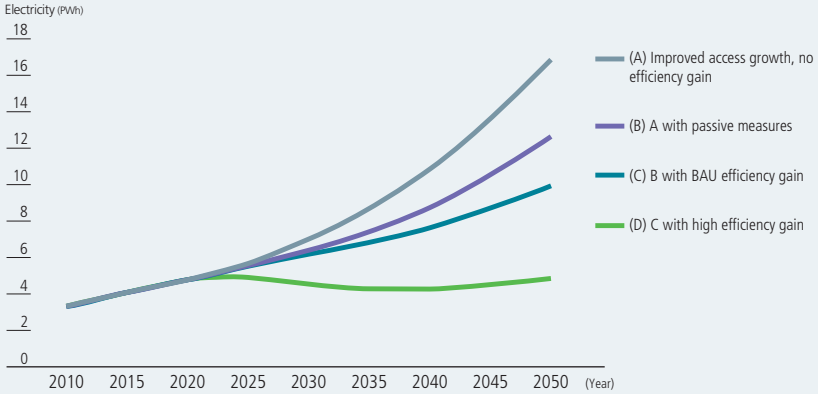
Source: Lizana et al., Nature Sustainability, 2026.

* CDD stands for Cooling Degree Days, an indicator used to show demand for space cooling based on the degree to which the temperature exceeds a specific base temperature.

Projected Global Electricity Use for Air Conditioning

Demand for air conditioners is expected to continue growing due to economic development in emerging countries. To meet demand while controlling increases in GHG emissions, air conditioners must be energy-efficient. Global Cooling Watch 2023, published by United Nations Environment Programme, classifies the energy efficiency of air conditioners into four scenarios and forecasts global electricity use.

Forecast of Electricity Use for Cooling*



* According to *Global Cooling Watch 2023* published by UNEP

Daikin's Sustainability

International Trends and Daikin's Role

Actions as a Global Company Contributing to Resolving Social Challenges Through the Core Business of Air

The ever-changing global community faces numerous challenges, including climate change and demographic shifts. The transition to a decarbonized society is accelerating around the world through such measures as strengthening climate change countermeasures via the Paris Agreement and the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP), implementing the SDGs, and advancing refrigerant regulations through the Kigali Amendment.

On the other hand, rising temperatures and economic growth in emerging countries are driving a surge in demand for air conditioning. In the heating sector, there is a growing shift from combustion heating using fossil fuels to highly efficient heat pump heating. Balancing this expansion of air conditioning demand with the reduction of GHG emissions has become an important issue for the entire world. Daikin operates in over 170 countries and regions worldwide, with its foundation in air conditioning and fluorochemical technologies. We actively participate in international frameworks and engage in public policy and rulemaking, and we are advancing initiatives toward realizing a decarbonized society, including our endorsement of the Global Cooling Pledge.

International Frameworks and Initiatives

Sustainable Development Goals (SDGs)

Common goals to find solutions by 2030 for pressing world problems such as poverty, inequality, and climate change in order to realize a sustainable society

Kigali Amendment to the Montreal Protocol

The Amendment mandates phasing down the production and consumption of HFCs to mitigate their impact on global warming

Paris Agreement to the UN Framework Convention on Climate Change (UNFCCC)

An international framework for advancing measures against climate change. At COP meetings, countries confirm progress in reducing GHG emissions and implementing adaptation measures, and they discuss and decide on international rules and targets. The Paris Agreement explicitly states the goal of keeping global warming below 2°C and striving to limit it to 1.5°C.

World Business Council for Sustainable Development (WBCSD)

An international alliance of companies working together to promote the resolution of environmental and social issues through business, in order to realize a sustainable society

Endorsement of the Global Cooling Pledge

Daikin has endorsed the Global Cooling Pledge announced at the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28). This is an international agreement to accelerate decarbonization in the air conditioning sector. As a global air conditioning manufacturer, we support the efforts of various countries to reduce GHG emissions related to air conditioning.

Global Cooling Pledge announced at COP28

088 Social Markets and Customers Engagement in Public Policy and Rulemaking

Daikin's Sustainability

Social Challenges Daikin Can Help Resolve

Identifying Social Challenges to Help With Based on Social Projections for 2050 and Daikin's Strengths

Daikin backcasts from its predictions for society in 2050 to identify social challenges that it can help resolve, aiming for sustainable growth for both the company and society. Leveraging the strengths that Daikin has amassed over the years, we aim to resolve social challenges through our business.

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

2050 megatrends

Advance of global warming
The Earth's average temperature is projected to rise by approximately 1.5 to 2°C above pre-industrial levels[1]

Economic development in emerging countries
Emerging countries account for 6 of the 7 major economies[2]

Population concentration in cities
With urban populations increasing in emerging countries, approximately 70% of the world's population will live in cities[3]

Increase and concentration of energy demand
Global energy consumption is expected to increase by approximately 50% compared to 2020 levels[4] due to economic growth and population increase in emerging economies

Changes in social structure

Increased incidence of extreme weather
As climate change progresses, the frequency and intensity of extreme weather events such as heat waves and torrential rains will increase[1]

Growing demand for air conditioning
Emerging and developing countries will account for more than 80% of electricity demand for space cooling[5]

Mass consumption of resources
Demand for resources such as copper and aluminum used in air conditioners will be on the rise, with copper demand projected to jump by 30%[6]

Rising demand for electric power for space cooling in buildings
Global electricity demand for space cooling will increase by up to 40% (by 2030)[7]

Cooling gap
The number of people at high risk due to lack of access to essential cooling methods will reach one billion (by 2030)[8]

Atmospheric pollution
Premature deaths due to air pollution are projected to increase to 4.5 million (by 2040)[9]

Increase in waste
The amount of waste generated will continue to increase, reaching approximately 3.4 billion tons[10]

Greater loss of biodiversity
One million species will be at risk of extinction within the next few decades[11]

Water and food shortages
Up to 2.8 billion people will live in areas where they will be exposed to serious water and food risks[12]

Social challenges

- Increase in risk of heat stroke, infectious diseases, and other illnesses
- GHG emissions remain at high levels
- Energy supply and demand issues
- Resource depletion
- Food waste and loss and water shortages becoming more serious

Daikin's strengths

- A global sales network spanning over 170 countries and regions worldwide
- Products and solutions to meet diverse needs, from residential to commercial and industrial
- Environmental core technologies such as inverters, heat pumps, and refrigerant control technologies
- Market-localized production at over 130 production bases worldwide
- A global service network
- Refrigeration technology that can control temperatures from -30°C to +30°C

Areas where Daikin can contribute

- Provision of value with air (adaptation to climate change)
- Mitigation of climate change
- Solutions to energy challenges
- Resource circulation
- Reduction of food loss and waste

[1] IPCC *Sixth Assessment Report (AR6)*
[2] PwC, *The World in 2050*
[3] United Nations, *World Urbanization Prospects 2025*
[4] U.S. Energy Information Administration, *International Energy Outlook 2023*
[5] IEA, *Staying cool without overheating the energy system, 2025*
[6] IEA, *Global Critical Minerals Outlook 2025*
[7] IEA, *Space Cooling, 2023*
[8] SE for ALL, *Chilling Prospects: Tracking Sustainable Cooling for All 2025, 2025*
[9] IEA, *World Energy Outlook Special Report: Energy and Air Pollution, 2016*
[10] World Bank, *What a Waste 2.0*
[11] IPBES, *Global Assessment Report on Biodiversity and Ecosystem Services, 2019*
[12] Institute for Economics & Peace, *Ecological Threat Report 2023*

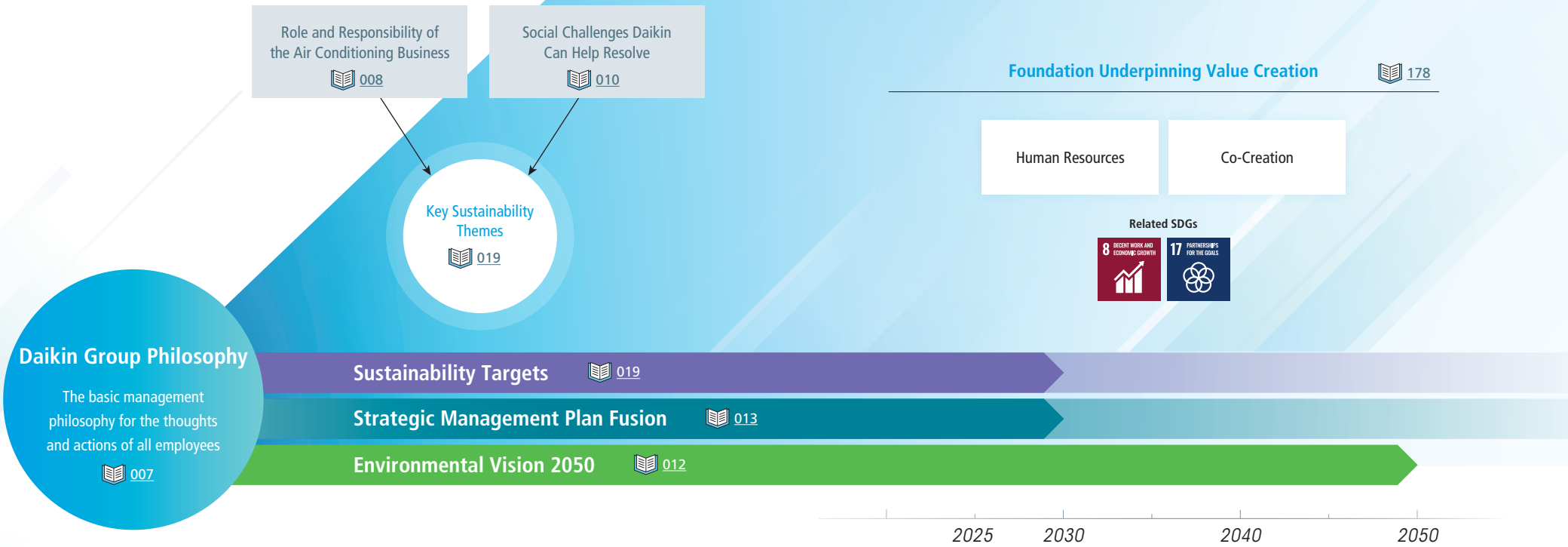
Daikin's Sustainability

Overview of Sustainability

Creating New Value and Contributing to Sustainable Development for Society

Daikin aims to create new value through its business, making people and air environments around the world healthier and more comfortable. By putting the Group's management philosophy into practice and working to resolve various social challenges, Daikin will continue to enhance its corporate value and contribute to the sustainable growth of society.

We have identified our material sustainability challenges and formulated Environmental Vision 2050, focusing particularly on the environment, which is of particular importance to us. In turn, Fusion Strategic Management Plans are used to establish specific targets as well as plan and execute measures for every five-year period.



Daikin's Sustainability

Environmental Vision 2050

Daikin Environmental Vision 2050

Regarding climate change, an area particularly relevant to the characteristics of our business, Daikin aims to achieve net-zero GHG emissions by 2050 under Environmental Vision 2050, which we formulated in 2018.

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, AI, and open innovation efforts, we will meet the world's needs for air solutions by providing safe and healthy air environments while also contributing to solving global environmental problems.

Roadmap for Realizing Environmental Vision 2050

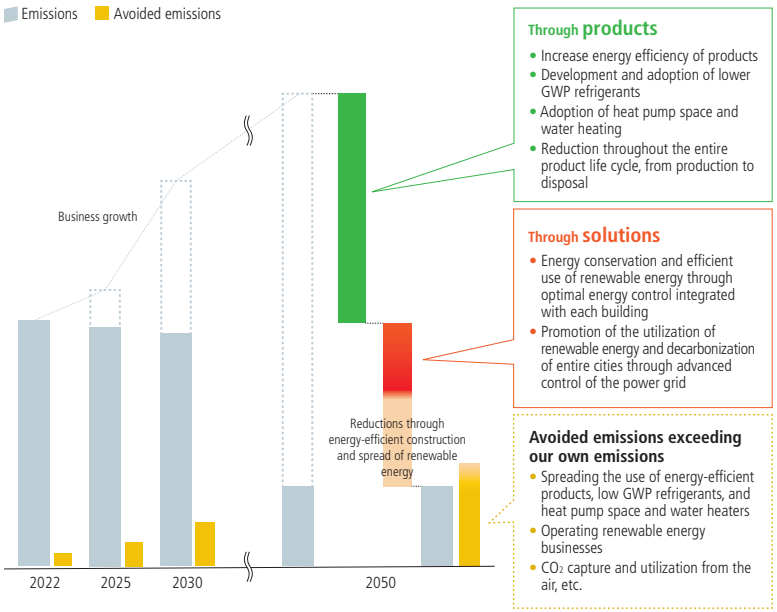
In order to reduce environmental impacts while bringing the added value nature of air to people around the world, Daikin has established a roadmap to net-zero GHG emissions by 2050 after analyzing the future of its business operations.

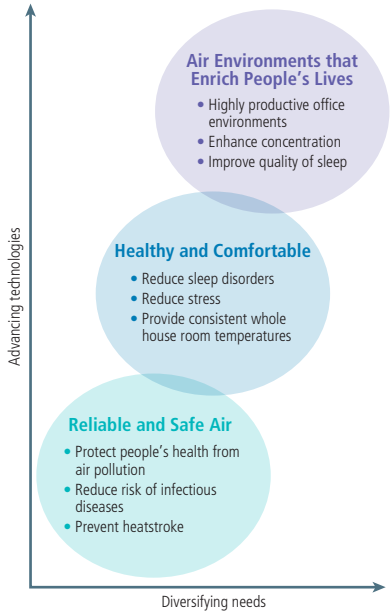
Through products / **Through solutions**

We will accelerate solutions that contribute to spreading energy efficient equipment and reducing GHG emissions and work toward balancing business growth with the reduction of these emissions. In addition to thoroughly reducing emissions, we will strive to contribute avoided emissions that exceed residual emissions.

Through the power of air

We aim to provide reliable, safe, and comfortable value with air to people all over the world, while also pursuing the limitless possibilities of air as a way to further enrich people's lives.





Daikin's Sustainability

Strategic Management Plan Fusion 30 and Sustainability KPIs

Aiming to be a Sustainable Company of Choice Worldwide by Creating New Value Through Environment and Air

In the Fusion 30 Strategic Management Plan that began in fiscal 2026, we position sustainability at the heart of our business strategy in order to achieve both the resolution of social challenges and the enhancement of corporate value. Having set sustainability KPIs for fiscal 2030 that address key business themes, Daikin will work to provide sustainable air conditioning infrastructure, reduce GHG emissions throughout the entire life cycle of its products, expand its solutions business, and maximize the value of its human resources. Through our business activities, we will create new value for the environment and air and contribute to the realization of a sustainable society.

See below for the Fusion 30 Strategic Management Plan.

Integrated Report

Strategic Management Plan Fusion 30

Fusion 30 Key Themes	
Enhancing Management Foundation —Creating Environmental Value	
Achieving Growth in High-Profit Domains —Transformation into a Solutions Provider	
Enhancing Key Domains to Achieve Further Growth —Building a business foundation in IMEA[1]	
Enhancing Management Foundation —Maximization of Human Capital Value	

Sustainability KPIs for FY2030	
Reduce GHG emissions throughout the life cycle	40% per net sales (vs. FY2022 level)
Sales ratio of the Solutions business	40% (FY2025: 28%)
Access to sustainable air conditioning infrastructure that provides safe, secure, and comfortable air environments	1.0 billion people (Total from FY2019 to FY2030)
Develop global senior management and leadership candidates	Over 2,000 people
Improve the level of PCM Behaviors adoption[2]	75% (FY2025: 61%)

[1] India, Middle East, and Africa region

[2] The implementation level is calculated as the average score of 5-level evaluations in interviews with Daikin Industries employees regarding the 9 items of "PCM Behaviors," a code of conduct based on People-Centered Management.

Priority Sustainability Items

Materiality Identification Process

Review of Materiality in Conjunction with the Fusion 30 Strategic Management Plan's Formulation

When formulating the new Fusion 30 Strategic Management Plan, we took the opportunity to review our key sustainability themes. Daikin identifies the sustainability items to prioritize through Impact-Risk-Opportunity (IRO) analysis, taking into account both the risks and opportunities to its business and its impact on society. For our top priority themes, particularly those with a significant financial impact, we have incorporated them as sustainability indicators into the Fusion 30 Strategic Management Plan.

Materiality Identification Process

Step 1
Identification of Sustainability (ESG) Items

By referring to ISO 26000, the international guideline for social responsibility, the disclosure requirements of SSBJ and CSRD, the Guidance for Collaborative Value Creation, and the status of our new Fusion 30 Strategic Management Plan, we identified sustainability items that Daikin should address in the medium to long term.

Step 2
Analysis and Evaluation of Social Impacts and Business Risks/Opportunities

For each sustainability item identified in Step 1, we quantitatively analyzed and evaluated financial and social impacts, considering the characteristics of the business, the value chain, the likelihood of occurrence, and the degree of impact.

See below for details

015 Management Priority Sustainability Items Social Impacts, Business Risks, and Business Opportunities (IROs)

Step 3
Reflection of Feedback from Internal and External Stakeholders

We incorporated feedback from stakeholders through dialogue with key business units, management, and other internal stakeholders, as well as external stakeholders such as ESG-focused institutional investors and academia.

See below for details

018 Management Priority Sustainability Items Stakeholder Engagement

Step 4
Identification of Materiality through Discussion and Approval by Management

We held discussions on the priority sustainability items with our management team, including executives, from the perspective of our management policies and strategies. Following discussions within the CSR Committee, the findings were reported to and approved by the Board of Directors. We identified five top priority themes and 14 priority themes.

See below for management structure

021 Management Priority Sustainability Items Key Sustainability Themes and Management Structure

Step 5
Incorporation into Strategic Management Plan

The five top priority themes identified were reflected in the Fusion 30 Strategic Management Plan. We will now integrate these into our business strategy, set KPIs and targets for each, and aim to enhance corporate value as a result.

See below for details

019 Management Priority Sustainability Items Key Sustainability Themes and Management Structure

Priority Sustainability Items

Social Impacts, Business Risks, and Business Opportunities (IROs)

Step 1 Step 2 Step 3 Step 4 Step 5

Evaluating Financial and Social Impacts Based on IROs

In reviewing our sustainability initiatives to prioritize, we quantitatively assessed the likelihood of each occurring and its potential financial, social, and environmental impacts from an impact, risk, and opportunity (IRO) perspective. This analysis is conducted with reference to the double materiality principle required by the European Sustainability Reporting Standards (ESRS).

Note: This analysis does not constitute disclosure under ESRS or a representation of compliance with ESRS.

Likelihood in value chain

Upstream Daikin Downstream

Likelihood within time horizon

Short term (up to 3 years) Medium term (3 to 5 years) Long term (5 years and longer)

IRO analysis and evaluation results

Sustainability items	● Business opportunities / ▲ Business risks ○ Positive social impacts / △ Negative social impacts	Financial impacts High ⟷ Low	Social impacts Low ⟷ High	Likelihood		Materiality assessment	ESRS
				Value chain	Time horizon		
Environment							
Reduce GHG emissions throughout the life cycle	● Growing demand for low-carbon products, in which Daikin has a competitive advantage, drives increased demand as climate change mitigation needs intensify △ Acceleration of climate change due to increased energy consumption during product use and increased GHG emissions associated with refrigerant leaks					✓ Top priority	E1
Building a refrigerant eco-cycle	● Creation of a recovery, recycling, and reclamation business by promoting resource circulation ○ Contribution to resource circulation and emissions reduction through proper refrigerant management, triggered by the Kigali Amendment					Key	E5
Promotion of resource circularity	● Growing demand for circular products and services ▲ Soaring resource prices and supply constraints △ Expansion of resource extraction leads to resource depletion and impacts on ecosystems					Key	E5
Management and reduction of chemical substances	▲ Sales restrictions due to stricter regulations and deterioration of profits due to reputational risk △ Adverse impacts on ecosystems due to air, water, and soil pollution					Key	E2
Water resource conservation	▲ Operational shutdown at production bases with high water stress △ Water resource depletion in areas with high water stress					Key	E3
Protecting biodiversity	△ Loss of ecosystems and progression of global warming resulting from raw materials procurement and business activities					Key	E4

Sustainability items	● Business opportunities / ▲ Business risks ○ Positive social impacts / △ Negative social impacts	Financial impacts High ←→ Low	Social impacts Low ←→ High	Likelihood		Materiality assessment	ESRS
				Value chain	Time horizon		
Social							
Providing safe, reliable and comfortable air environments	● Higher demand for air conditioners due to rising temperatures ○ Contribution to the reduction of health problems, such as increasingly severe heatstroke and sleep disorders, and to improved productivity					✓ Top priority	E1
Providing new customer value through solutions	● Expansion of solutions business to address challenges throughout the customer's product life cycle, including energy management, in response to growing demand for energy conservation ○ Provision of solutions to increasingly diverse and complex challenges of customers, including comfortable environments, energy saving, labor saving, and CO_2 reduction					✓ Top priority	E1
Improving product safety and quality	● Reduced recall risk and enhanced brand value ▲ Increased warranty risk due to decline in quality					Key	S4
Building a foundation to support each individual's challenges and growth	● Maximization of human resource value to improve productivity and added value ○ Contribution to employment and talent development in each region through human resources development					✓ Top priority	S1
Strengthening of human resources linked to business strategy	● Expansion of business opportunities through improved development of leadership					✓ Top priority	S1
Creation of innovation	● Establishment of competitive advantages through the creation of new businesses ○ Creation of new value through innovation in air-related and environmental technologies					Key	–
Engagement in public policy and rulemaking	● Establishment of competitive advantages through initiatives to reduce environmental impacts ○ Reduction of environmental impacts through the promotion of appropriate environmental policies					Key	G1
Respect for human rights	▲ Transaction suspensions, procurement delays, and damage to the company's image △ Growing risk of human rights infringements in the supply chain					Key	S1, S2
Occupational health and safety	▲ Frequent occupational accidents and risk of operational shutdowns △ Occupational accidents within Daikin					Key	S1
Contributions to local communities	○ Job creation in the regions where Daikin operates					Key	S3

Sustainability items	● Business opportunities / ▲ Business risks ○ Positive social impacts / △ Negative social impacts	Financial impacts High ←→ Low	Social impacts Low ←→ High	Likelihood		Materiality assessment	ESRS
				Value chain	Time horizon		
Governance							
Corporate governance	● Strengthening of the oversight function through improved management infrastructure and enhancement of corporate value through early decision-making					Key	G1
Risk management (information security and geopolitical risk)	● Strengthening of resilience and sustainable corporate development ▲ Deterioration of performance due to declining competitive advantages and damage to corporate image △ Interruption or suspension of business operations, leaks of confidential information or personal data, and increased procurement costs due to escalating supply chain risks					Key	–
Compliance	▲ Damage to Daikin's image and deterioration of performance due to violations of laws or corporate scandals					Key	G1

Priority Sustainability Items

Stakeholder Engagement

Step 1 Step 2 Step 3 Step 4 Step 5

Stakeholder Feedback on Materiality

Based on the evaluation results from Step 2, we sought confirmation from institutional investors and external experts regarding the methodology and process used to identify materiality, as well as the validity of the order of priority. We incorporated the feedback received into the materiality identification process.

Examples of Opinions Received

- Daikin should position climate change response as a top priority of its corporate posture, with the goal of providing safe, reliable, and comfortable air environments. The ability to both "mitigate" and "adapt" to climate change is a unique feature of air conditioning manufacturers (opinion from an academic).
- The methodology for identifying materiality is based on quantitative assessments using indicators such as severity and financial impact, making it convincing (opinion from an institutional investor).

Regular Two-Way Communication

Daikin gathers the opinions of stakeholders, reports these to company officers, and reflects them in our management, all with a focus on stakeholder engagement. Daikin's main stakeholders include customers, shareholders and investors, business partners, employees, and local communities. Daikin is also involved with national and local governments, as well as industry associations. But no single group of stakeholders has priority over another; they are all important to Daikin.

Stakeholder Engagement Efforts

Stakeholders	Main dialogue methods and opportunities	Main dialogue representatives at Daikin
Customers 069 Social Markets and Customers Providing New Customer Value Through Solutions	• Daily sales activities and dialogue during repair visits • Contact Centers and Showrooms • "Thank You" sales events and product explanations at distributors • Website and social media	Sales divisions Service divisions General affairs divisions
Shareholders and investors Investor Relations	• Shareholders' meetings, briefings for investors, and response to individual requests for information • Integrated Report, business reports and information for investors, Sustainability Report • Website	General affairs divisions Investor and stakeholder relations divisions
Procurement business partners 116 Social Supply Chain Management	• Daily procurement activities and quality audits • Supplier briefings and Supplier Quality Conferences	Procurement divisions
Employees 090 Social Daikin Employees	• Interviews based on daily dialogue and employee self assessments • Labor-management council meetings with the labor union and labor union council meetings • Group Management Meeting and managers' meetings	All divisions Human Resources Division Corporate Planning Department
National and international organizations 088 Social Markets and Customers Engagement in Public Policy and Rulemaking	• Dialogue with government representatives in each country • Dialogue with UN representatives	Public relations divisions
Universities and academia 077 Social Markets and Customers Creation of Innovation	• Air Conditioner Forums (Konwakai) • Joint research and joint development	Public relations divisions Research divisions
Other businesses, industries 077 Social Markets and Customers Creation of Innovation	• Joint research and joint development • Participation in industry activities	Research divisions Sustainability divisions
NPOs, NGOs 088 Social Markets and Customers Engagement in Public Policy and Rulemaking	• Dialogue with NPOs and NGOs	Sustainability divisions
Communities 123 Social Affected Communities	• Informing local communities of emergency disaster drills • Factory tours and involvement with local groups and events • Providing environmental education	Group companies Daikin bases Sustainability divisions

Priority Sustainability Items

Key Sustainability Themes and Management Structure

Step 1 Step 2 Step 3 Step 4 Step 5

Identifying Top Priority Themes and Incorporating Them into Our Strategic Management Plan

Following discussions within the CSR Committee and approval by the Board of Directors, Daikin has identified five top priority themes and 14 key themes that it will focus on in its sustainability initiatives. Of the sustainability themes to prioritize, we incorporated the five top priority themes into the Fusion 30 Strategic Management Plan and established sustainability KPIs and quantitative targets. For each of the 14 key themes, too, we have set KPIs and quantitative or qualitative targets (see following pages). We will work to achieve each of these targets as we aim to be a sustainable company of choice worldwide by creating new value through the environment and air.

Relationship Between the Five Top Priority Sustainability Themes and Fusion 30 as well as Targets (Fiscal 2026 Onwards)

Top priority themes (Environment / Social / Governance)	Activity details	Development directions targeted under the Fusion 30 Strategic Management Plan	FY2030 metrics and targets	Related pages
Providing safe, reliable and comfortable air environments	Going forward, provide value with air for healthier and more comfortable living by promoting the spread of sustainable air conditioning infrastructure, primarily in India, the Middle East, and Africa (IMEA), where middle-class consumption is expected to grow	Expand our business in growth areas such as the IMEA region, where our technology can add value	Access to sustainable air conditioning infrastructure that provides safe, secure, and comfortable air environments **1.0** billion people (Total from FY2019 to FY2030)	066
Reducing GHG emissions throughout the life cycle	View contributions to decarbonization as a business opportunity, and promote the reduction of GHG emissions throughout the entire life cycle of our products, from procurement to disposal	In addition to expanding sales of energy-efficient equipment, develop solutions that contribute to customers' CO_2 reduction, aiming to achieve both business growth and GHG emissions reduction	Reduce GHG emissions throughout the life cycle **40**% reduction per unit of net sales (vs FY2022)	028
Providing new customer value through solutions	Leverage strengths in air conditioning technology, data, and collaboration with other industries to provide optimal solutions tailored to customer needs for each application and create new customer value	Accelerate the growth of our solutions business, which helps resolve challenges throughout the customer's entire life cycle	Sales ratio of the solutions business: **40**% (FY2025: 28%)	069
Building a foundation to support each individual's challenges and growth	Leverage the diverse individual strengths and unique qualities of each employee to enhance the organization's capabilities, and by increasing their motivation and sense of fulfillment, aim to improve the overall strength and competitiveness of the Group	Under the principle of "people-centered management," strengthen human resources to accelerate business transformation and forge a path to the future	PCM Behaviors degree of implementation: **75**% (FY2025: 61%)	090
Strengthening of human resources linked to business strategy	Develop HR strategies aligned with our management strategy, and strengthen our organizational human resources capabilities by securing, developing, and deploying talent to lead business transformations that will drive future growth and development	Globally, accelerate the identification, deployment, and development of diverse leaders suited to our businesses and regions to promote the localization of management	Develop global senior management and leadership candidates Over **2,000** people (FY2025: 600 people)	091

Key Sustainability Themes and KPIs

The key sustainability themes we intend to prioritize are listed in the table below. We have set targets to achieve by fiscal 2030.

Targets for the 14 Key Sustainability Themes (fiscal 2026 onward)

Key themes Environment Social Governance	Activity details	FY2030 metrics and targets	Related pages
Respect for human rights	• Advance initiatives in line with the implementation of human rights due diligence and for the establishment and operation of remedy mechanisms (for our own employees and business partners)	• Thorough dissemination of human rights policy; 100% implementation rate of education and training • Completion of the CSR survey: 100% of all locations	113
Building a refrigerant eco-cycle	• Promote the establishment of a refrigerant eco-cycle (recovery, recycling, reclamation, and destruction) globally, based on the regulatory situation and infrastructure for recovery, recycling, and reclamation in each country and region	• Increase the amount of refrigerant recovered, recycled, and reclaimed from the market	050
Occupational health and safety	• Provide safe work environments and aim for zero accidents	• Zero accidents at all business locations	106
Engagement in public policy and rulemaking	• Implement initiatives in collaboration with industry, governments, and international organizations to reduce environmental impacts on society as a whole	• Participate in the formulation of international environmental standards, such as those for evaluating air conditioning performance	088
Creation of innovation	• Develop and disseminate differentiated products and create core technologies associated with them • Implement collaborations to accelerate development and open up market opportunities	• Global R&D investment: 550 billion yen (cumulative total over three years starting from fiscal 2026)	077
Management and reduction of chemical substances	• Work to minimize PFAS[1] emissions from factories • Recover, reuse, recycle, and destroy fluorochemical products manufactured in-house	• Maintain current level of PRTR[2] substances and volatile organic compounds (VOC) emissions	060
Risk management (Information security and geopolitical risks)	• Strengthen appropriate and smooth risk management capabilities for risks surrounding the company	• Identify critical operational risks and implement effective countermeasures	131
Compliance	• Disseminate and thoroughly implement the Group Compliance Conduct Guidelines at each Group company	• Thoroughly disseminate the Group Compliance Conduct Guidelines	133
Promotion of resource circularity	• Consider utilizing recycled materials (metals and resins) • Reduce the amount of resources used	• Expand the adoption rate of recycled materials such as metals (aluminum, copper, iron, rare earths, etc.) and resins • Reduce the use of rare earths	053

[1] Perfluoroalkyl and polyfluoroalkyl substances
[2] Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement

Key themes Environment Social Governance	Activity details	FY2030 metrics and targets	Related pages
Corporate governance	• Degree of independence from the company, diversity, and transparency of the Board of Directors	• Percentage of external directors and Audit & Supervisory Board members: over 50% (Daikin Industries, Ltd. only) • Percentage of female directors and Audit & Supervisory Board members: over 30% (Daikin Industries, Ltd. only)	128
Contributions to local communities	• Pursue activities focused on protecting the environment, supporting education, and living in harmony with communities	• Each production base conducts skills training and hosts factory tours for local residents	123
Improving product safety and quality	• Company-wide Total Quality Management (TQM) as well as global product safety and quality improvement	• Completion rate for quality e-learning: 100% (Daikin Industries, Ltd. only)	074
Secure access to water resources	• Reduce water intake at production bases with high water risks	• Reduce water intake per unit of production by 5% compared to the standard value* in areas with high water risk * Average value from fiscal 2023 to fiscal 2025 or for fiscal 2025 (depending on location)	058
Protecting biodiversity	• Implement forest restoration activities around the world in collaboration with NGOs • Promote greening activities at factories and in surrounding areas	• Carry out greening and biodiversity conservation activities at each production base and in the surrounding areas	062

Sustainability Management Structure

Daikin has categorized key themes into top priority themes and key themes toward achieving sustainable development in its businesses and in society as it strives to resolve society's challenges through its business activities. We consider sustainability as one of the top priorities of management, and we have established a CSR Committee, chaired by the officer in charge of CSR, to guide our activities and manage their progress. The CSR Committee, with the CSR & Global Environment Center and relevant corporate departments jointly serving as its secretariat, comprehensively and cross-functionally promotes sustainability activities across the entire Group. The committee is composed of officers in charge of priority themes such as the environment (climate change response) and human resources (human capital), while the COO also participates. The committee meets regularly throughout the year.

The committee discusses, from a medium- to long-term perspective, the direction and vision of the Group, the progress of key themes, and the challenges in promoting them, taking into account social trends and the actions of other companies. The decisions made by the committee are reported to the Board of Directors after consultation with the CEO.

In fiscal 2025, the CSR Committee met on three occasions. During these meetings, the committee discussed the challenges the Group should address from the perspective of resolving social challenges, in light of the discussions regarding Fusion 30, our next strategic management plan. We also decided on the sustainability themes that we should prioritize and the KPIs to measure progress.

The committee reported and discussed our response to growing international demand for sustainability information disclosure regulations, our efforts to improve the disclosure of information regarding human capital, and the progress of measures toward achieving carbon neutrality.

In line with Fusion 30, which kicked off in fiscal 2026, we integrated the CSR & Global Environment Center and the Tokyo Office's Public Relations Department to form the Corporate Sustainability Office in July 2026 in order to implement a highly consistent sustainability management structure throughout the company. In conjunction with this, the CSR Committee was renamed the Sustainability Committee. We will advance sustainability themes such as "Challenge to Achieve Carbon Neutrality" and "Initiatives for a Circular Economy." We will establish a value creation cycle through information disclosure and stakeholder engagement, and we will contribute to resolving social challenges through our business by communicating a consistent message both internally and externally.

Activity Results

Highlights of Our Activities Between Fiscal 2021–2025

Results of Fusion 25 Strategic Management Plan

Under the Fusion 25 Strategic Management Plan, which ended in fiscal 2025, Daikin worked to create new value, aiming to find solutions to social challenges through its businesses and to achieve sustainable growth. From fiscal 2021 to fiscal 2025 under Fusion 25, we organized our key sustainability themes into "Value Provision Themes" and "Foundational Themes" and set metrics and targets for our activities. The main progress and achievements during this period are discussed below.

Value Provision Themes

Daikin set "challenge to achieve carbon neutrality" as one of its key strategy themes under Fusion 25, and toward this end, we worked to reduce GHG emissions throughout the entire life cycle of our products, from development and production to use and disposal. Using fiscal 2019 as the base year, we set a target of reducing net GHG emissions by more than 30% by fiscal 2025 compared to a business as usual (BAU) scenario without countermeasures. Through the widespread adoption of environmentally conscious products and advancements in energy-saving technologies, we achieved an actual reduction of 34% in fiscal 2025. In the area of monozukuri (development and production), our aim is net-zero GHG emissions at all plants, excluding chemical plants, by fiscal 2030, and as of March 2026, three of our factories had already achieved this target. In terms of offices, we achieved net-zero GHG emissions across 70 major office locations in Japan.

In the Fusion 25 latter-half three-year plan, we added "circular economy" as a key strategy theme and accelerated our efforts to build a refrigerant eco-cycle that recovers, reclaims, and reuses refrigerants.

As a company that supplies both air conditioning solutions and refrigerants, we endeavored to reduce environmental impacts while promoting the widespread adoption of air conditioning infrastructure as a means to contribute to people's health and support economic development.

As part of the strategy to enhance our management foundation under Fusion 25, we promoted the creation of an organization where diverse talent can thrive under the goal of "Improving HR capabilities through advanced diversity management." In fiscal 2024, we formulated PCM Behaviors, a set of behavioral guidelines for each and every employee of the Daikin Group, at the same time that we revised the Group Philosophy. We also strengthened our talent base, the source of our global competitiveness, by enhancing executive development and HR development in key domains.

Foundational Themes

In response to growing social demand for supply chain management and human rights, we formulated the Daikin Group Human Rights Policy in 2022 and stepped up our efforts to respect human rights. We promoted responsible procurement throughout the entire supply chain and advanced the establishment of a sustainable procurement system through CSR questionnaires and corrective support for our business partners.

To strengthen corporate governance, we increased the independence and diversity of our Board of Directors, raised the ratio of external directors, and promoted the appointment of female directors. Additionally, we strengthened our global risk management system and enhanced our legal and compliance functions in key regions, thereby developing a management foundation that can respond to changes in the operating environment.

Quantitative Targets and Results for Net Sales and ESG-Related Metrics Under Fusion 25

	FY2020 results	FY2024 achievements	FY2025 target	FY2025 results
Net sales	2.49 trillion yen	4.75 trillion yen	4.55 trillion yen	5.02 trillion yen
Reduction rate of net GHG emissions* (Compared to BAU with 2019 as base year)	7 %	27 %	Over 30 %	34 %

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

Fiscal 2025 Targets and Results

See the next page for our sustainability targets through fiscal 2025 and results.

The targets for fiscal 2026 and beyond have been newly set based on the results of the review of our key sustainability themes and the Fusion 30 Strategic Management Plan.

019 Management Daikin's Sustainability Key Sustainability Themes and Management Structure

Activity Results

Sustainability Targets and Results (FY2025)

We set targets for fiscal 2025 for each of the "value provision" themes and the "foundational" themes and worked on them as a Group. As a result, we achieved nearly all of these targets.

Sustainability Targets and Results (FY2025)

Target achieved / Target not achieved

		Key Themes		Medium-Term Targets	Quantitative Indicator	FY2025 Results	Explanation of Index
Value Provision Themes	E	Environmental	Leading Climate Change Solution	• Reduce net GHG emissions throughout the entire life cycle by **30**% or more in fiscal 2025 compared to BAU, with 2019 as the base year	• Net GHG emissions from our own business operations	• **34% 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	• **690,000 tons-CO_2** (47% reduction compared to fiscal 2019)	• We measured how much we reduced GHG emissions generated from product manufacturing and other processes
			Circular Economy Readiness	• Recovery, recycle, and reclamation of refrigerants from the market through the establishment of a refrigerant eco-cycle	• Amount of refrigerant recovery and reclamation from market	• **3.68 million tons-CO_2**	• 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	• 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	• **50% reduction**	• Measure how much PRTR substances and VOC emissions were reduced compared to the base value (average from fiscal 2013 to fiscal 2015)
			Protecting Biodiversity	• Carrying out forest conservation activities in various parts of the world where critical forests are being lost at a rapid pace	• Number of communities receiving support	• **7 locations** around the world including World Natural Heritage sites	• Number of locations receiving support where we worked with international NGOs and others to implement conservation activities
	S	Value with Air		• Net sales of IAQ/Ventilation business **380** billion yen in fiscal 2025	• Net sales of IAQ/Ventilation business	• **439.8 billion yen**	• We used net sales to measure the extent to which we provide a safe, reliable, healthy and comfortable air environment
		Customer Satisfaction		• Net sales of Solutions business* **1,280.0** billion yen in fiscal 2025	• Net sales of Solutions business*	• **1,400.7 billion yen**	• We used net sales to measure the extent to which we provide solutions tailored to needs
				• Establish service network covering all regions worldwide	• Customer satisfaction with after-sales services	• Japan.....**1.15** China.....**1.04** India.....**1.28** France.....**1.03**	• We measured customer satisfaction (setting the base year as 1.00)

* Total of commercial, residential, and refrigeration solutions

		Key Themes		Medium-Term Targets	Quantitative Indicator	FY2025 Results	Explanation of Index
Value Provision Themes	S	Human Resources		• Maintain and increase the development of leaders globally	• Number of persons participating in executive management and leadership development programs	• Held in regions around the world including North America and Asia There were 37 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 5.5 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	• 132 employees (9.3%) (Daikin Industries, Ltd. only)	• 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
				• Maintain and increase percentage of overseas bases where local nationals are president	• Percentage of overseas bases where local nationals are president	• 41% (overseas bases)	
				• Frequency rate of lost work time accidents: 0	• Frequency rate of lost work time accidents	• 1.02	• We measured whether manufacturing bases are operating safely
		Co-Creation		• Research and development expenses 390 billion yen from fiscal 2023 to fiscal 2025	• Research and development expenses	• 408.9 billion yen from fiscal 2023 to fiscal 2025	• 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	• 189 industry–government–academia and 12 industry–industry cases (Daikin Industries, Ltd. only)	
Value Provision Themes	S	Respect for Human Rights		• Thoroughness of respect for human rights and implementation of human rights due diligence	• Self-assessment implementation rate	• 99%	• We measured how thorough we were in respect for human rights through the implementation rate of self-assessments
		Supply Chain Management		• Increase Class A CSR procurement achievement rate among all suppliers	• Class A CSR procurement achievement rate	• 84%	• Ratio of suppliers who satisfied Daikin's Class A in-house standards to total procurement value
		Stakeholder Engagement		• Engage in dialogue with stakeholders and reflect this dialogue into management	• Number of forums held, number of outside participants	• Held 4 times around the world with a total of 66 people, including university professors and specialists from 18 countries taking part	• Number of dialogue sessions with experts around the world related to our core business of air conditioning
		Communities		• Contribution to environmental conservation, education support, and cooperation with the local community	• Expenditure for social contribution activities	• 1.6 billion yen	• Monetary amount, through donations, goods, and other ways, that we provided to communities
	G	Corporate Governance	Corporate Governance	• 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	• 5 external directors, 2 female directors,* 2 foreign national directors among the 10 directors (Daikin Industries, Ltd. only)	• We measured the diversity of the make-up 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)	• Appointment of female officers from inside the company
			Risk Management	• 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 and regional meetings 2 times and 2 times, respectively	• Number of meetings as a way to ensure thorough implementation of policies globally
			Compliance	• Strengthen and upgrade global legal and compliance systems	• Self-assessment implementation rate	• 99%	• Implementation rate of self-assessment as a way to foster compliance awareness among each and every employee

Note: Self-assessment refers to a self-check system for verifying the status of compliance with the Group Conduct Guidelines.
* As of July 1, 2026

Environment

026 Environmental Management
- 026 Basic Environmental Policy and Management Structure

028 Climate Change
- 028 Challenge to Achieve Carbon Neutrality
- 031 Power Consumption Reductions during Product Use
- 036 Promoting the Use of Heat Pump Space and Water Heaters
- 038 Reducing the Environmental Impacts of Refrigerants
- 042 Initiatives in Manufacturing (Development and Production) and Offices
- 044 Initiatives for a Decarbonized Society
- 045 Information Disclosure Based on the TCFD Framework

048 Resource Use and Circular Economy
- 048 Initiatives for a Circular Economy
- 050 Building a Refrigerant Eco-Cycle
- 053 Promotion of Resource Circularity
- 056 Reducing Emissions

057 In Harmony with Nature
- 057 Daikin's Approach to Natural Capital
- 058 Water Resource Conservation
- 060 Management and Reduction of Chemical Substances
- 062 Protecting Biodiversity

Environmental Management

Basic Environmental Policy and Management Structure

Basic Policy

Basic Environmental Policy of the Daikin Group

Daikin promotes environmental management throughout the Group based on the Basic Environmental Policy of the Daikin Group.

Environmental Policy of the Daikin Group in Japan

Basic Environmental Policy of the Daikin Group

Lead the Way to an Environmentally Conscious Society

As we continue developing our business operations in various fields, it is our mission to proactively develop initiatives to respond to environmental issues. Incorporating environmental initiatives throughout our management must be a priority for us.

In all aspects of our business operations, including product development, manufacturing and sales, we need to formulate initiatives that sustain and improve the environment. Meanwhile, we need to promote the development of new products and the innovation of technologies that will lead to a more environmentally healthy world.

Under the precept "environmental response is an important management resource," we must integrate environmental initiatives into our corporate management since they can lead to business expansion, improved business performance, and further enhancement of our credibility with outside parties. We intend to continue being a leading company in the practice of "environmental management," thus contributing to a healthier global environment as a good citizen of the earth.

Action Guidelines

1. Ensure that all members of the Group deepen our understanding of environmental issues and take responsibility for the impact our actions have on society in general.
2. Establish, promote, and continuously improve an Environmental Management System to actively and effectively implement Environmental Management as a Group.
3. Develop and implement environmental initiatives in all aspects of our business operations, including product development, production, sales, distribution, services, and recycling. In particular, be a leader in society by developing products, technologies, and business opportunities that contribute to sustaining and improving our environment.
4. Implement environmental initiatives that are globally consistent as well as promote initiatives that respond to the particular circumstances of each country and region. Furthermore, actively promote cooperation and alliances with related companies, external organizations, and institutions.
5. Disclose environmentally related information in a truthful and fair manner. Listen to the views of people both inside and outside the company to continuously improve our environmental preservation efforts.

Environmental Management Structure

Daikin promotes environmental management globally following the Basic Environmental Policy of the Daikin Group. We manage environmental issues in each of the five regions including Japan, Europe, the Americas, China, and Asia/Oceania through regional environmental meetings and product environmental meetings.

Regional environmental meetings are held in each region of Europe, the United States, China, and Asia/Oceania, annually and attended by environmental managers from each base. In addition, we hold Global Environmental Meetings as needed. The president, the officer responsible for the environment, and senior environmental managers from each location participate in these meetings to share the Group's policies and medium- to long-term targets, deepen discussions on how to achieve those targets, and strengthen initiatives at each location.

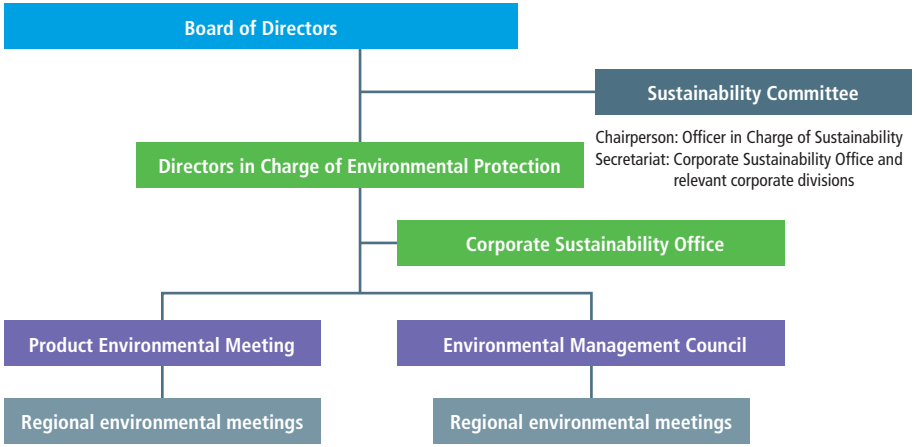
With regard to reducing products' environmental impacts, product environmental meetings are also held every year, with promotional managers of each region attending. Policies and the development and promotion of environmentally conscious products are discussed, such as products that utilize refrigerants with lower global warming potential and energy efficient inverter technology.

Important themes are then deliberated on by the Sustainability Committee, and reported to the Board of Directors after being proposed to the CEO.

026 Environment Environmental Management Basic Environmental Policy and Management Structure

Environmental Policy of the Daikin Group in Japan

Structure Driving Environmental Management



Environmental Management System

Daikin has built and operates an environmental management system (EMS) in accordance with ISO 14001. The creation of environmental management systems is under way at companies that are new to the Daikin Group as we work toward obtaining ISO 14001 at all bases. The relevant data also undergoes third-party verification to ensure its reliability.

At each Daikin production base and office, systems are in place to minimize environmental damage in the unlikely event that an accident or fire should occur. Also, we seek closer interactions with nearby residents' associations and maintain an emergency contact system coordinated with local communities.

Daikin Bases Certified for ISO 14001

166 Data Third-Party Verification

See below for the number of serious environmental law violations and the percentage of employees working for ISO 14001 certified organizations

155 Data ESG Data Environment Environmental Management

Environmental Audits

In compliance with ISO 14001, Daikin undergoes inspections by certification bodies and implements internal audits annually. Internal audits focus on verifying compliance with standards and legal requirements, and corrective actions are taken if non-conformities are found. Furthermore, Daikin's domestic Group companies continue to provide regular training and on-the-job instruction to improve the skills of internal auditors and ensure strict adherence to audit standards.

See below for findings from our environmental audits

155 Data ESG Data Environment Environmental Management

Green Heart Factories and Offices

In 2005, Daikin established Green Heart Factory, its own unique system to evaluate and certify the environmental and social performance of production bases. Every two years, we evaluate efforts to reduce CO_2 emissions, other emissions, and water usage, as well as factories' achievement of the SDGs targets for addressing social challenges, certifying them according to the four levels of platinum, gold, silver, and bronze.

Additionally, Daikin Industries began the Green Heart Office initiative in 2011 to promote environmental activities at non-production bases. This initiative evaluates and ranks initiatives from perspectives such as systems and management, energy and resource conservation, the SDGs, and awareness and education.

042 Environment Climate Change Initiatives in Manufacturing (Development and Production) and Offices

Climate Change

Challenge to Achieve Carbon Neutrality

Basic Policy

The reduction of GHG emissions represents one of Daikin's most important sustainability themes. We strive to reduce these emissions throughout the entire value chain, from raw materials procurement to disposal of end-of-life products.

Daikin's GHG Emissions

Daikin's GHG emissions throughout the value chain are calculated based on the international guidelines of the GHG Protocol.* The energy consumption of air conditioners in operation and refrigerants has a large impact on GHG emissions. Daikin establishes and implements initiatives based on these calculation results with set targets and plans.

* An international guideline on the calculation and reporting of GHG emissions. The standard for businesses divides emissions into three scopes (Scope 1, 2, and 3), with Scope 3 divided into 15 categories.

Greenhouse Gas Protocol

Overview of Daikin's GHG Emissions (Scope 1, 2, 3) (FY2025)

Total **290.25** million tons-CO_2

: Combustion of gas, etc. : Power consumption : Impact of refrigerant

Scope 3 — Procurement of raw materials & parts 1.6%
- Emissions in parts and materials procurement, logistics, etc.

1.6%
Procurement and logistics, etc.
4.63 million tons-CO_2

Scope 1 Scope 2 — Development & production 0.2%
- Emissions in the manufacturing and development process (CO_2, HFCs, PFCs)

Scope 1: 0.1%
Fuel combustion
0.23 million tons-CO_2

Scope 2: 0.1%
Use of electricity, heat, and steam
0.36 million tons-CO_2

Scope 1: 0.04%
Fluorocarbons (HFCs, PFCs, etc.)
0.11 million tons-CO_2

Scope 3 — Usage 84.3%
- Emissions from using Daikin products in the market

11.3%
Use of combustion-type space and water heaters
32.87 million tons-CO_2
Important measures: Switching to heat pumps

69.3%
Power consumption during air conditioner use
201.22 million tons-CO_2
Important measures: Switching to inverter products

3.6%
Refrigerant leakage during air conditioner use
10.51 million tons-CO_2
Important measures: Converting to low-GWP* refrigerants

Scope 3 — Disposal 13.4%
- Emissions/impacts during disposal of Daikin products

0.04%
Transportation and disassembly of the product itself
0.13 million tons-CO_2

13.3%
Refrigerant released into the atmosphere
38.64 million tons-CO_2
Important measures: Establish an eco-cycle of refrigerants

Note: In addition, any CO_2 (0.5%) resulting from capital investment, transportation, and distribution is also calculated based on the GHG Protocol.
* Global Warming Potential

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Targets and Measures for Carbon Neutrality

Initiative Overview

Daikin aims to achieve net-zero GHG emissions throughout its value chain in 2050. We are working on reducing emissions in line with the 1.5°C scenario, which aims to limit the global average temperature increase due to climate change to 1.5°C above pre-industrial levels. To achieve this, we will focus on reducing emissions from development, production, and office operations, which are under our direct control, while also reducing power consumption during product use and minimizing the environmental impact of refrigerants. By creating and spreading products and services with low environmental impact, we contribute to increasing avoided emissions in society. To reduce net emissions, we are executing various measures to reduce emissions and increase avoided emissions by incorporating them into our Fusion strategic management plan.

Under the Fusion 30 Strategic Management Plan, which began in fiscal 2026, we aim to achieve both business growth and reduction of GHG emissions by expanding sales of energy-saving equipment and strengthening our solutions business, which helps our customers lower their own emissions. Accordingly, we have revised our company-wide targets for fiscal 2030. These revised company-wide targets are consistent with the fiscal 2030 targets set in the Fusion 25 Strategic Management Plan (see next page). They are also based on the premise of achieving these initial targets.

012 Management Daikin's Sustainability Environmental Vision 2050

Company-Wide Targets for FY2030

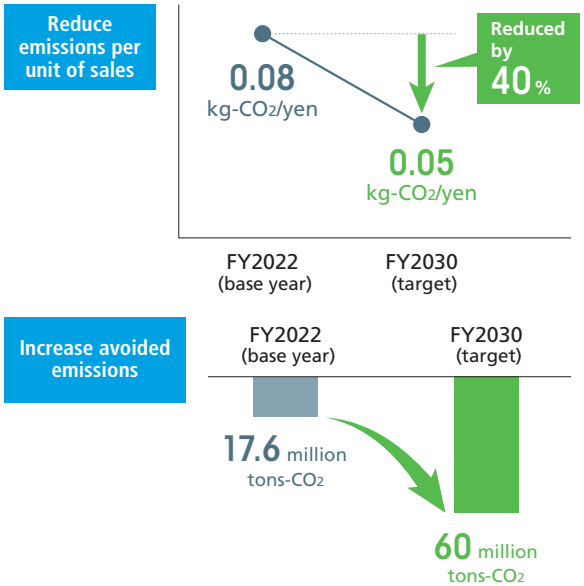
Under Fusion 30, we have set the following targets and aim to achieve net-zero GHG emissions across our entire value chain by 2050.

Company-wide targets for GHG emissions by FY2030[1]

Entire life cycle

Scope 1 Scope 2 Scope 3

- Reduce emissions per unit of sales by 40% compared to FY2022 levels
- Increase avoided emissions[2] to 60 million tons-CO_2



Monozukuri/Offices

Scope 1 Scope 2

- Achieve net-zero emissions in machinery factories and offices, excluding chemicals plants

[1] This target is based on certain assumptions, including carbon pricing and green electricity, in addition to reducing electricity emission factors in countries around the world. If these assumptions fluctuate far beyond expectations, the timing of achievement and whether the targets are met may be affected.
[2] Based on IEC 63372, the calculation covers products with lower emissions.

Avoided Emissions

Daikin calculates its avoided emissions as the amount it contributes to reducing GHG emissions across society through the promotion of its low-environmental-impact products and services. The calculation is performed using emissions from conventional products as the baseline to determine the amount of possible reduction in emissions when using Daikin's products and services.

Daikin has participated in discussions on the establishment of rules governing avoided emissions conducted by the World Business Council for Sustainable Development (WBCSD), the International Electrotechnical Commission (IEC), and the GX League promoted by the Ministry of Economy, Trade and Industry. In January 2026, the IEC standard (IEC 63372), which sets out international rules for calculating avoided emissions, was published. Under Fusion 30, we set targets for fiscal 2030 while also referencing these rules.

See below for data on contributions to GHG emissions reductions and examples of approaches to calculating avoided emissions

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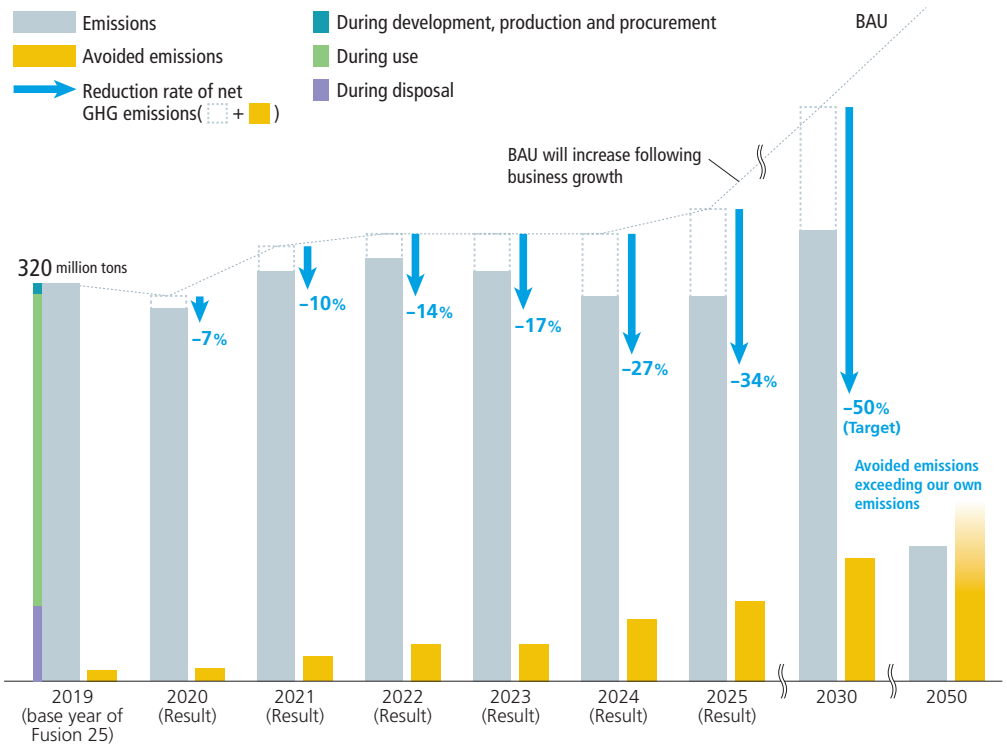
Fiscal 2025 Results

Daikin set "Challenge to Achieve Carbon Neutrality" as one of its growth strategy themes in the Fusion 25 Strategic Management Plan. Daikin implemented a number of measures to reduce its net GHG emissions[1] by at least 30% in fiscal 2025 and by at least 50% in fiscal 2030, with 2019 as the base year, assuming BAU.[2] Through reductions in emissions associated with monozukuri (development and production) and offices, reduced power consumption during product use, and reduced emissions from the environmental impact from refrigerants, the reduction rate in fiscal 2025 reached 34%, achieving the target set for fiscal 2025.

[1] Defined as the total after subtracting avoided emissions from our total GHG emissions.
[2] Business As Usual: BAU refers to emissions in case of normal business growth without the implementation of countermeasures.

012 Management Daikin's Sustainability Environmental Vision 2050

Reduction Targets and Results for Net GHG Emissions Throughout the Life Cycle



Measures Aimed at Reducing Net Emissions

- **Initiatives in Manufacturing (Development and Production) and Offices** 042

Emissions reduction	Reducing energy-induced and HFC/PFC-induced emissions during development and production

- **Power Consumption Reductions during Product Use** 031

Emissions reduction	Promoting inverter products, improving the energy efficiency of equipment through the development of elemental technologies, expanding adoption of energy-efficient systems
Increased avoided emissions	Replacing non-inverter equipment from other companies to inverter units

- **Promoting the Use of Heat Pump Space and Water Heaters** 036

Emissions reduction	Replacing combustion space and water heaters, increasing efficiency
Increased avoided emissions	Expanding sales of heat pump space and water heaters (replacing equipment from other companies)

- **Reducing the Environmental Impacts of Refrigerants** 038

Emissions reduction	Promoting R-32 refrigerants, developing next generation refrigerants, selecting low GWP refrigerants and equipment development
Increased avoided emissions	Replacing R-410A on competing brand equipment with R-32, promoting eco-cycle of refrigerants (refrigerant recovery, recycle, and reclamation)

- **Initiatives for a Decarbonized Society** 044

CO_2 recovery and utilization (DAC, CCU), power initiatives such as energy creation and demand control, atmospheric water generator, etc.

- **Initiatives for a Circular Economy** 048

Recovery, recycle, and reclamation of refrigerants; utilization of recycled materials, etc.

Climate Change

Power Consumption Reductions during Product Use

Basic Policy

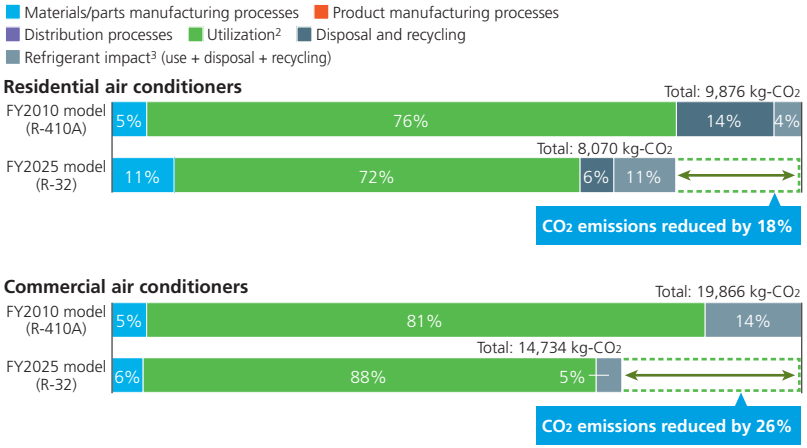
Daikin makes it its mission to reduce energy consumption in order to provide people with safe and comfortable air and contribute to reducing global warming. To this end, we conduct quantitative environmental assessments for each product life cycle in order to develop products and services that use minimal electricity and to combine these in order to optimize the overall energy consumption of buildings.

Life Cycle Assessment

We assess the global warming impact of air conditioners using the life cycle assessment (LCA) method, which allows us to determine the environmental impact at each stage of a product's life cycle.

In the life cycle of an air conditioner, the majority of GHG emissions occur from electricity consumption during the product use stage, while refrigerants also have a substantial environmental impact. In addition to incorporating inverter technology to reduce power consumption, we have been promoting the use of R-32. As a result, in fiscal 2025, we reduced CO_2 emissions from residential air conditioners by 18% and from commercial air conditioners by 26% compared to life cycle CO_2 emissions of fiscal 2010.

Example of LCA: Comparison of CO_2 Emissions over Product Life Cycle[1]



[1] Based on Daikin standards for 4.0-kW class residential air conditioners and 14-kW class commercial air conditioners.
[2] Seasonal power consumption is calculated in accordance with the standard of the Japanese Industrial Standards (JIS) for residential air conditioners and the Japan Refrigeration and Air Conditioning Industries Association for commercial air conditioners.
[3] Refrigerant impact is calculated by obtaining the global warming potential per unit of weight, while factoring in the average leakage rate during the product use, disposal, and recycling stages.

Improving Annual Performance Factor (APF) and Integrated Part Load Value (IPLV)

In the life cycle of an air conditioner, the majority of the CO_2 that is emitted occurs during product use. Daikin has set strict criteria for energy efficiency in the product use stage in order to improve the energy efficiency of products. Daikin is working to increase annual performance factor (APF)[1] and integrated part load value (IPLV),[2] which are used as indicators of energy efficiency. In fiscal 2025, our top-of-the-line model had an APF of 7.3 for residential air conditioners and 8.1 for commercial air conditioners.

Note: Energy efficiency metrics and terminology vary by region. For example, SEER and SCOP are commonly used in Europe.
[1] The APF represents heating and cooling capacity per kWh over one year of use of an air conditioner under specific conditions. The higher the APF, the better the air conditioner's energy efficiency.
[2] The IPLV is an energy efficiency indicator obtained by calculating the weighted average of cooling coefficient of performance (COP) at four different capacities of machine operation. It corresponds to the APF of a packaged air conditioner. The higher the value, the better the actual energy efficiency of a product.

Promoting the Use of Inverter Products

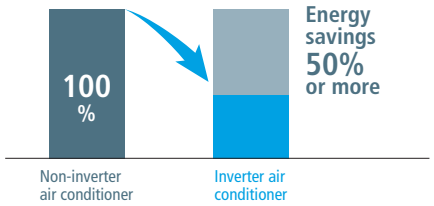
To reduce global warming worldwide, it is crucial to spread the use of highly energy efficient products to all countries. Inverter technology is widely used in Japan, Europe, Oceania, and other regions because it offers significant energy savings. Because inverter technology can be deployed immediately and saves energy, Daikin is promoting its widespread adoption worldwide.

Explanation of Terms

Inverter Technology

Inverters are frequency conversion devices that control electrical voltage, current, and frequency. Inverters precisely control the compressor motor, the heart of an air conditioner. Furthermore, in addition to having modified conventional motors and heat exchangers, inverter air conditioners reduce by 50% or more energy usage than non-inverter models while maintaining comfort.*

Comparison of Energy Consumption (Example)



* Calculated based on Daikin's demonstration testing

Spreading the Use of Inverter Products Worldwide

To promote the spread of inverter products in homes, Daikin has been supplying high efficiency and low cost inverter products through a partnership with China's large air conditioner manufacturer since 2008. In fiscal 2014, we developed an inverter air conditioner at a relatively low price especially for the Asian cooling-only air conditioner market. In fiscal 2024, we established an alliance with a U.S. manufacturer of air conditioning compressors. We will meet the diverse needs of our customers in the United States by providing highly efficient inverter compressors for residential air conditioning systems.

We have also worked to develop a mechanism for evaluating the energy efficiency performance of inverter products. To ensure this performance is measured properly, we worked alongside Japan's air conditioning industry to propose the adoption of seasonal energy efficiency ratio SEER/SCOP as an indicator. This approach has been used in ISO standards since 2013. In emerging countries, the use of SEER is starting to spread. Daikin is also working with governments and industry groups in Asia, Latin America, the Middle East, Africa, and other areas to introduce indicators and standards as well as create energy labeling systems as part of our support for creating evaluation standards.

Daikin also participates in the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change, promoting the energy-efficient performance of its inverter technology to the international community. At COP28 in 2023, we showcased inverter technology at the Japan Pavilion. At COP30 in 2025, company representatives also spoke at events organized by the United Nations and government agencies.

Inverter Products as Percentage of the Residential Air Conditioner Market*

Market	2024	2025	2026
Japan	100.0%	100.0%	100.0%
EU	100.0%	100.0%	100.0%
Australia	100.0%	100.0%	100.0%
China	98.5%	99.6%	99.8%
India	85.0%	90.0%	95.0%
Brazil	68.0%	87.4%	97.0%
Saudi Arabia	28.0%	38.0%	55.0%

Source: *BSRIA Market Intelligence 2026*
Note: The percentage in this report refers to the number of units sold in a given year

Feature of Fiscal 2023: Environment—Promoting the Spread of Energy Saving Technology

088 Social Markets and Customers Engagement in Public Policy and Rulemaking

Environmentally Conscious Product Design

Commercialize Only Products that Meet Assessment Criteria

In the air conditioning divisions, besides factors like performance and usability, Daikin stresses environmental performance in product development, and incorporates product in the planning and design stages for new products. Product assessment consists of 13 assessment items that we strictly adhere to in developing products.

We also assess the global warming impact of air conditioners using the life cycle assessment (LCA) method, which allows us to determine the environmental impact at each stage of a product's life cycle. Products only make it to market after we have assessed them against their predecessor products to confirm they exert less environmental impact.

Product Assessment Items

1. Weight reduction of products
2. Use of recycled materials and parts
3. Packaging
4. Reduction in environmental impact during the manufacturing process
5. Energy and resource conservation in use
6. Product life extension
7. Ease of delivery/collecting/transporting
8. Raise possibility of reuse of resources
9. Ease of disassembly and separation of materials by hand
10. Ease of shredding/classifying for recycling
11. Environmental conservation capabilities
12. Disclosure of information
13. LCA

See below for the complete text on product assessment items

Product Assessment Items

In the chemicals divisions, when developing new products, we not only consider product performance and ease of use, but also incorporate the LCA concept in designing products with consideration for lower environmental impacts from raw materials procurement to use, disposal, and recycling. We are also working alongside our business partners to promote the creation of a system for supplying high-quality and environmentally conscious products.

Environmentally Conscious Products and Services

Daikin contributes to solving global environmental and energy problems through the spread of its environmentally conscious products and services while providing a healthy and comfortable air environment, as well as contributing to achieving a carbon neutral society.

Environmentally Conscious Product Sales Unit Ratio

In order to mitigate the global warming impact of its air conditioners, Daikin defines its environmentally conscious products* as Super Green Products and Green Products, developing and spreading the use of these products.

In fiscal 2025, environmentally conscious products accounted for 99.7% of residential air conditioner units sold.

* A generic term that refers to Super Green Products and Green Products.
Air conditioners that meet all of the following conditions are considered Super Green Products, and air conditioners that meet at least one of the following conditions are considered Green Products.
- Consume at least 30% less electricity than conventional products, e.g., air conditioners equipped with inverters
- Use refrigerants with at least two-thirds less global warming potential than conventional refrigerants, e.g., air conditioners using R-32, a refrigerant with low global warming potential

See below for data on the environmentally conscious products sales unit ratio (residential air conditioners)

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Air Conditioning Products and Services for Japan

Urusara X Energy Efficient Residential Air Conditioners

The Urusara X energy efficient residential air conditioner, released in 2020, optimizes not only temperature but also humidity to achieve improved comfort and energy efficiency throughout the year. The humidifying function, which does not require feed water, and the dehumidifying function, which efficiently controls humidity even after the set room temperature is reached, reduce excessive heating and cooling loads and lower energy consumption during use. The new model, released in November 2025, features further improved energy saving performance, both reducing power consumption and maintaining a comfortable indoor environment, even in extremely hot conditions.

Commercial Air Conditioners
SkyAir series FIVE STAR ZEAS

FIVE STAR ZEAs is the energy efficient flagship model of the SkyAir series of commercial air conditioners, which use R-32, a refrigerant with low global warming potential. The latest model, released in April 2026, can reduce power consumption by up to 58%* compared to inverter models from 15 years ago.

Furthermore, it contributes to the stable operation of air conditioners because of its design considerations for dew condensation around the indoor unit, abnormal stops due to poor drainage, and reductions in cooling capacity, which are common in extremely hot environments.

* Estimated by Daikin: Comparison between Daikin's inverter product (SZYC112BA, launched in 2011) and the new model (SSRC112D)

Topics

Won Two Energy Conservation Center, Japan Chairman's Awards at the Fiscal 2025 Energy Conservation Grand Prize

We received two Energy Conservation Center, Japan Chairman's Awards in the product and business model category at the Fiscal 2025 Energy Conservation Grand Prize, hosted by the Japan Energy Conservation Center, Japan.

Energy Saving Heat Recycle System for Ventilation

Our Heat Recycle System is a new ventilation system that recovers the heat emitted from a room during ventilation using a refrigerant and reuses it using heat pump technology. As the importance of ventilation has increased in the wake of the COVID-19 pandemic, there is a growing need to balance ventilation with energy savings. The system reduces the air conditioning load by reusing the heat from the exhausted indoor air during ventilation to regulate the temperature of the outside air brought into the room. In demonstration testing conducted at actual stores, the annual energy consumption was reduced by approximately 64%* compared to conventional air conditioning and ventilation systems.

Heat Recycle System

* Conditions for demonstration testing and calculation in Hokkaido: Comparison of actual operating data from 1 year of operation with the "Heat Recycle System" + air conditioner and estimated values with the conventionally installed "Outdoor air processing hot air furnace + Air conditioner" (comparison based on energy consumption for gas supply air) Comparison between "4 ventilator fans + 1 outdoor air processing warm air heater + 5 x 5 HP air conditioners" and "2 x Heat Recycle System (SHRM150A) + 5 x 4 HP air conditioners"

Hexagon GX Air Cooled Modular Chiller

Efforts to reduce CO_2 emissions and improve energy efficiency in large buildings and factories are speeding up. The Hexagon GX achieves industry-leading IPLVc[1] energy efficiency by employing a new type of compressor and micro channel heat exchanger. In addition, by reducing the power required to transfer chilled and hot water, as well as the standby power consumption, the Hexagon GX reduces power consumption during operation by approximately 12%[2] compared to conventional models.[3]

Hexagon GX

[1] Integrated Part Load Value for cooling.
[2] Calculation conditions: Cooling at 7°C, heating at 45°C, 5.5 kW pump. The calculation assumes a 100% load of 1,800 kW and operation of a 60 HP model controlled by a modular controller.
[3] Compared to Hexagon Force, which received the Energy Conservation Center, Japan, Chairman's Award in fiscal 2018.

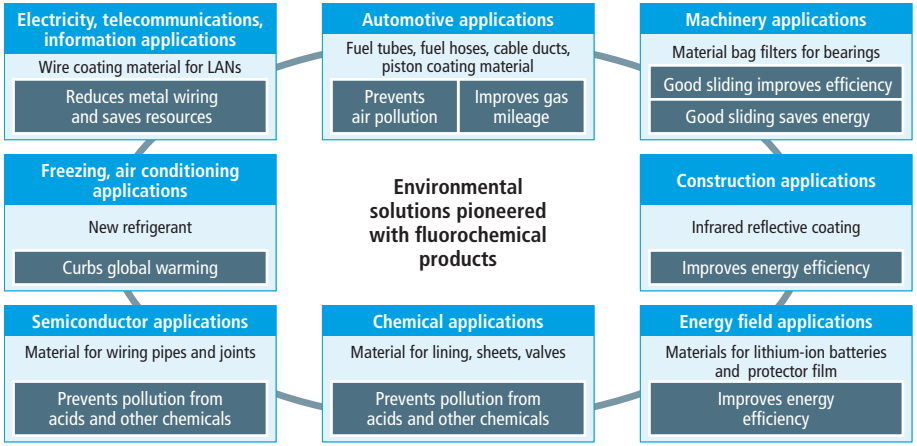
Fluorochemical Products

Fluorine Materials Help to Mitigate Environmental Impacts in a Range of Areas

Daikin's fluorine materials are one of the most high-performance materials, offering not only high stability, such as excellent heat and chemical resistance, but also unique properties such as lubricity and electrical characteristics. These characteristics help to extend the product's lifespan, saving energy and reducing resource consumption. Daikin engages in product development that capitalizes on the characteristics of fluorine in a variety of fields, thereby contributing to the reduction of environmental impact and environmental conservation.

Daikin's Solutions

Environmental Solutions Pioneered with Fluorochemical Products



Helping Improve the Performance of Lithium-Ion Batteries

Lithium-ion batteries are attracting considerable attention as an energy storage system for the stable utilization of renewable energy. Daikin supplies gasket and binder materials that utilize the characteristics of fluorine for use in lithium-ion batteries, helping to increase their capacity. These support the expansion of renewable energy adoption and contribute to achieving carbon neutrality.

Hydraulic Equipment

Oil Hydraulic Equipment EcoRich Energy-Efficient Hydraulic Unit

Hydraulic units are incorporated into factory production lines. EcoRich was developed in 1999 and was the world's first product to combine hydraulics technology and air conditioner motor inverter technology. Later, in 2016, the product underwent a model change. Among its many features were a 30% decrease in energy consumption over the previous model. In fiscal 2025, we released a pipe-mounted model that allows the sensor used to determine the deterioration state of hydraulic oil to be used independently. This model can also be retrofitted to existing hydraulic units. By monitoring the deterioration state of hydraulic oil and determining maintenance timing in advance, we can prevent equipment malfunctions and contribute to improving the productivity of hydraulic units.

Energy-Efficient Hydraulic Super Unit

Super Unit automatically controls the rotation speed of the pump according to operating conditions to achieve energy savings during pressure holding mode and standby. These units are used in a wide range of industrial machinery, where they contribute greatly to energy saving and CO_2 reduction in factories.

Oil Cooling Units

In machine tools, Daikin's Oil Cooling Unit enables detailed temperature control of the lubricating and cooling oil, which has a major effect on the precision of the work. In fiscal 2025, we completed the full rollout of our new series, which utilizes R-32, a refrigerant with low global warming potential, to achieve a 10% reduction in power consumption and an 18% reduction in life cycle CO_2 emissions compared to conventional models. In addition, we are expanding the product lineup to include more environmentally conscious products. We are steadily releasing products such as water-cooled oil cooling units that can cope with hot working environments and Rakufil, which maintains the energy efficiency of products and reduces the labor required for filter maintenance.

Hydraulic Equipment

Climate change

Promoting the Use of Heat Pump Space and Water Heaters

Basic Policy

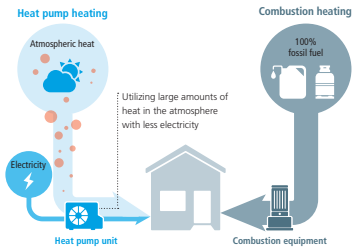
In recent years, growing environmental awareness has led to the spread of highly energy-efficient space and water heaters. In Europe in particular, which has a relatively cold climate, space and water heaters account for approximately 80% of household energy consumption, thus there is an ongoing shift from conventional combustion-heat source equipment to heat pump heating that emits less CO_2. Daikin is engaged in the development and promotion of water heaters and space heaters using highly energy-efficient heat pump technology while striving to increase comfort and reduce CO_2 emissions.

Explanation of Terms

Heat Pump Technology

Heat pump space and water heating is a technology that cools the air and heats water by extracting the heat stored in the air, water, or the ground. Compared to space and water heating by directly burning fossil fuels such as gas, oil, and coal, heat pump systems greatly reduce CO_2 emissions.

Heat Pump Heating and Combustion Heating Mechanisms



Heat Pump (available in Japanese only)

Initiatives to Promote the Spread of Heat Pumps

Bringing More CO_2-Reducing Heat Pump Space and Water Heaters to the European Market

Policies on the use of renewable energy have been promoted in Europe since the late 1990s. In January 2009, the heat pump was recognized in the EU as technology that captures renewable energy, and heat pump heaters are being recommended as part of this target. In Europe, which uses a particularly large amount of heating, decarbonization efforts are accelerating with the European Green Deal of 2019 and other initiatives. As the EU works to achieve carbon neutrality by 2050, the market for heat pump space and water heaters is expected to expand as an alternative heating method to gas boilers.

Daikin released Daikin Altherma, a heat pump space and water heater, in Europe in 2006. Our goal is to supply and spread products suited to the climate and needs of each country, at affordable prices to many consumers, including installation work.

Moreover, as a leader in the European market, we are working with local governments and vocational schools to develop human resources for service operations such as installation and maintenance. In March 2025, we completed construction on our new EMEA Development Center (EDC) in Ghent, Belgium, aimed at strengthening research and development of heat pump heating. We will continue to promote further market adoption and contribute to decarbonization in Europe.

Product Lineup of Heat Pump Space and Water Heaters in Europe

Time	Details
2006	Launch of Daikin Altherma heat pump space and water heater in the European market
2014	Sales of hybrid products combining heat pumps and boilers for extremely cold regions
2018	First in the industry to release models using R-32, a refrigerant with low global warming impact
2020	Released Daikin Altherma 3H HT, an R-32 high temperature discharge type that can replace oil-fired boilers in existing building markets
2025	Launched Daikin Altherma 4H, which uses R-290

Daikin Altherma heat pump space and water heater for the European market

Cooperating with Promotional Activities for Heat Pump Space and Water Heaters Adoption in the North American Market

In North America, mainstream air conditioners is the ducted type, which has ducts that run through the ceiling or other spaces and distribute air throughout the building from an indoor unit. In recent years, the share of heat pump heating systems has increased in the housing market, alongside the traditionally mainstream gas heating systems, and now accounts for approximately half of all units shipped. The spread of heat pumps is being promoted, particularly in environmentally progressive states on the West Coast and in the Northeast, and Daikin is actively involved in these efforts.

The Daikin FIT Heat Pump, a residential heat pump for the unitary market sold in North America

Supported the Introduction of California's Heat Pump Adoption Target

The state of California in the United States has set a target to deploy six million heat pump units statewide by 2030. In response, Daikin announced in October 2023 that it would significantly increase its supply of inverter-type heat pumps to one million units. In May 2024, Daikin also announced five commitments outlining specific actions. Going forward, Daikin will work closer with California to achieve its target.

Daikin Announces Five Commitments to Accelerate California's Goal of Deploying Six Million Heat Pumps by 2030

Promoting the Adoption of Heat Pump Water Heaters in Australia

The Australian government has established a legal* target to reduce GHG emissions to 43% below 2005 levels by 2030 and to achieve net-zero emissions by 2050. In Australia, households account for approximately 27% of total electricity consumption, with water heating estimated to account for 20 to 30% of that figure.

Daikin developed a new heat pump water heater using CO_2 refrigerant for the Australian market, which it launched in November 2025.

The Australian government is also encouraging the adoption of heat pump water heaters through subsidy programs and other measures. For this reason, their widespread adoption is expected in the future.

* Climate Change Act 2022

Promoting Residential Water Heaters and Floor Heaters in Japan

In Japan, water heaters account for about 30% of all residential electricity consumption. Thus there is a need to switch over to systems with minimal environmental impact to control global warming.

Daikin's heat pump technology is incorporated into ECOCUTE heat pump water heaters and Hot Eco-Floor heat pump hot-water floor heaters. We have continued to update models to improve energy savings, such as by incorporating the ability to communicate with a home energy management system (HEMS), and to promote the use of renewable energy. On the other hand, we have commercialized heat pump units for replacement use that can be partially upgraded.

In fiscal 2024, we launched a new EcoCute model in September 2024 that improves the annual performance factor (APF) by up to 0.2 points compared to the previous model through improvements made to the insulation of the hot water storage tank.

In fiscal 2025, we launched the Hot Eco Floor floor heating system in October 2025, featuring a floor temperature save mode that reduces primary energy consumption by approximately 20% during heating compared to floor heating alone.

Spreading Heat Pumps in Japan's Commercial Market

In Japan, we are marketing space and water heaters for the commercial market as well using highly energy efficient heat pump technology. For example, we began selling a new model of the commercial heat pump water heating system (MEGA-Q) for large-scale facilities such as hotels and welfare facilities.

Additionally, we commercialized and launched JIZAI HEAT, an industrial high-temperature water-output heat pump chiller that we developed as a carbon neutral measure for our own production plants. JIZAI HEAT is a circulating heating heat pump that supplies high-temperature water up to 80°C to factory production processes. It can be used for processes such as drying, heating, and concentrated distillation. By replacing combustion-type steam boilers and hot water heaters with this product, CO_2 emissions and fuel costs can be significantly reduced. After introducing the system to the coating line at the Sakai Plant's Rinkai Factory, we reduced annual CO_2 emissions by approximately 86%.*

In addition to our own Rinkai Factory, we also installed three JIZAI HEAT units on the cleaning line at our Shiga Plant in fiscal 2024, and following test operations, we made the plant completely boiler-free in fiscal 2025. Functionally, in fiscal 2024, we added an option to JIZAI HEAT that increases the maximum output temperature to 90°C. We are now promoting the replacement of boilers with heat pump chillers capable of high-temperature output.

* Estimated annual CO_2 emissions and running costs based on measured data from November 2022 to March 31, 2023.

JIZAI HEAT installed at the Rinkai Factory

Climate change

Reducing the Environmental Impacts of Refrigerants

Basic Policy

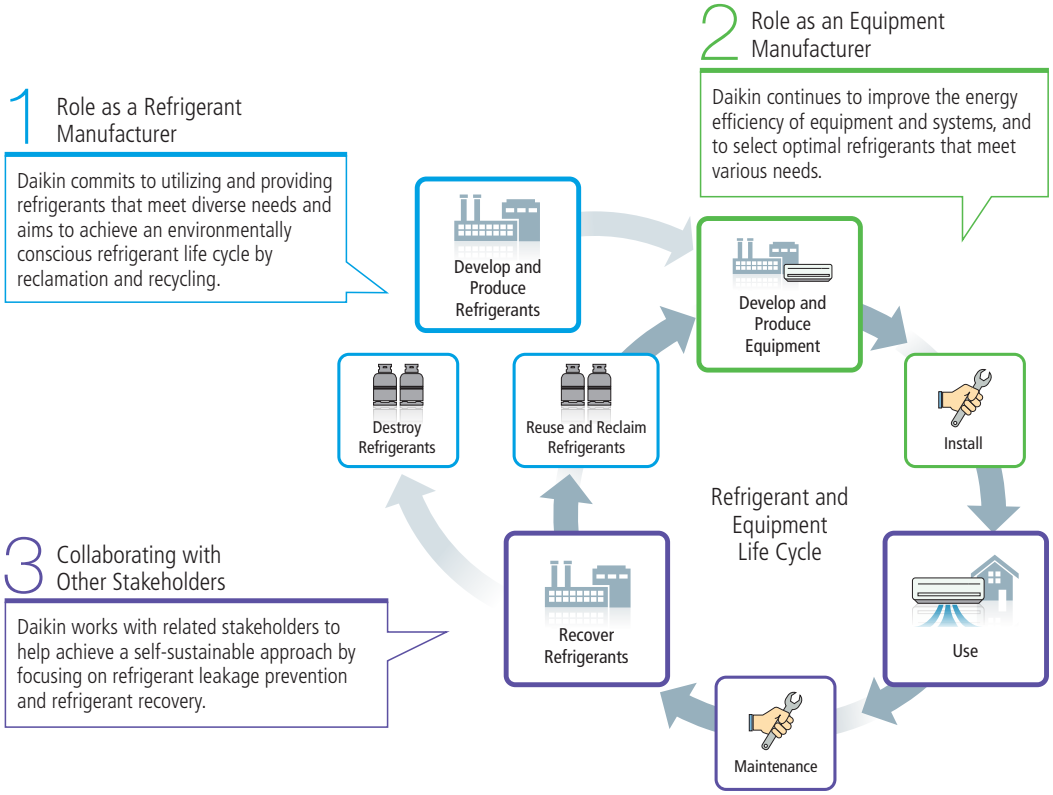
The fluorocarbons used as refrigerants in air conditioners have a global warming impact that is several hundred to several thousand times greater than that of CO_2.

Daikin is the only comprehensive air conditioner manufacturer developing both refrigerants and air conditioners and engaging in the recovery, recycle, reclamation, and destruction of refrigerants. In addition to disseminating refrigerants worldwide with a lower global warming impact, we strictly manage refrigerants, from inspections and leak prevention and detection to recovery, recycle, reclamation, and destruction, so that we can mitigate environmental impacts throughout the entire life cycle.

At all our worldwide manufacturing bases, we recover, reclaim, or destroy refrigerants charged in air conditioners during testing and other processes prior to product shipment.

We ensure thorough recovery of refrigerants by making sure that service engineers recover the refrigerant before conducting any service work at the time of air conditioner repair and replacement, as well as strive to improve our technique in air conditioner installation to prevent refrigerant leakage during product use.

Daikin's Actions and Goals Regarding Refrigerants



Please see below for our efforts with stakeholders to recover, recycle, reclaim, and destroy refrigerants.

050 Environment Resource Use and Circular Economy Building a Refrigerant Eco-Cycle

Approach to Refrigerant Selection

Selecting Refrigerants Using a Holistic Perspective

The refrigerant conveys the heat between the indoor unit and the outdoor unit of air conditioners. Although HFC, the most widely used refrigerant in developed countries, has zero ozone depletion potential, it affects global warming if released into the atmosphere.

Daikin is accelerating the practical use of air conditioners that use refrigerants with as little impact as possible on global warming. In the selection of refrigerants, we focus not only on their direct effect on global warming but also on their effects throughout the life cycle, including energy efficiency during air conditioner use. We make decisions based on all contributing factors; besides the environmental impact of the refrigerant itself, we conduct life cycle assessments of products that look at safety factors such as flammability and toxicity, the cost and availability of the refrigerant, and the expense of producing air conditioners that use the refrigerant.

Daikin's View: Evaluation Index of Refrigerant Selection (common for all applications)

Daikin's Policy on the Environmental Impact of the Refrigerant

Selecting the Appropriate Refrigerant for Each Application

Different characteristics are required for refrigerants, depending on how and why they are used in, for example, residential or commercial air conditioners, space and water heaters, or refrigeration equipment. That is why we have spent years conducting research that will enable the selection of optimal refrigerants. We have been conducting research on all types of refrigerants, such as natural refrigerants and HFC and HFO refrigerants, and have considered their applications in equipment.

Using the knowledge we have accumulated, we are providing information worldwide at events such as international conferences, academic conferences, and exhibitions, as well as through research paper presentations, on the global warming impact of refrigerants and measures against it.

Daikin's Direction for Mainstream Refrigerants

Residential	Commercial, Industrial	
Residential Air Conditioners and Heat Pumps	**VRF Systems**	**Refrigeration Systems**
R-32	R-32	R-32, R-407H, HFOs, HFO blends, CO_2, R-290
Residential Hot Water Supply Systems	**Commercial Air Conditioners and Heat Pumps**	**Chillers and Heat Pumps**
R-32, CO_2	R-32	R-32, R-1234ze(E), R-1233zd(E), Other HFOs, HFO blends

Shifting to Refrigerants with Lower Environmental Impacts

Switching to Alternative Refrigerants that Do Not Deplete the Ozone Layer

In the 1980s, HCFCs used to be the most commonly used refrigerant, but experts suspected it was depleting the ozone layer, so under the Montreal Protocol adopted in 1987, developed nations agreed to phase out its production in developed countries by 2020. Daikin has for years worked to mitigate ozone layer destruction by developing alternative refrigerants. In 1991, we began the first mass-production of HFC in Japan, a refrigerant with zero ozone depletion potential. We developed and began selling air conditioners that use HFC as the refrigerant in 1995.

Response to the Kigali Amendment

In 2016, at the 28th Meeting of the Parties to the Montreal Protocol, members voted to phase down the CO_2 equivalent total of HFCs, which have a high global warming potential (GWP). This decision is called the Kigali Amendment, named after the city of Kigali where the conference was held. The Amendment came into effect on January 1, 2019.

A major point of the Kigali Amendment is that it is not meant to phase out HCFCs based on their ozone depletion potential (ODP) but rather to phase down the production and consumption of HFCs based on their GWP value. The amount of HFC will not be restricted but rather reduced in terms of total GWP of CO_2 equivalent (weight of HFC in Kg x GWP value). By using lower GWP HFCs, it is possible to maintain or increase the amount of HFC used while reducing the overall global warming impact. In enacting the Kigali Amendment, developed countries are implementing reductions based on the common phasedown schedule starting in 2019. Developing countries are divided into two groups, with the first group scheduled to start the regulations in 2024 and the second group in 2028.

Upon the introduction of new refrigerants, the Amendment requires an increase in efficiency of air conditioners in addition to a phasing down of HFCs in terms of total GWP.

Daikin is pursuing the following measures in response to the Kigali Amendment.

1. Daikin welcomes the Kigali Agreement for an HFC phase down in CO_2 equivalent under the Montreal Protocol.

2. The main tenet of Daikin's policy is "diversity of refrigerants." And there is no ideal "one-size-fits-all" refrigerant solution for all applications. In the selection of refrigerants, we need to evaluate global warming impacts comprehensively and throughout the product life cycle, such as not only the ODP and GWP value but also safety, energy efficiency, cost-effectiveness, environmental impact, recyclability, and recoverability.

3. Daikin has identified R-32 as a very beneficial refrigerant for single and multi-split air conditioners, packaged air conditioners, and heat pumps. Daikin believes that the transition to R-32 will help to meet both the HFC phase down schedule and the HCFC phase out schedule. Daikin is now in the process of researching suitable refrigerants for other applications.

4. To mitigate future global climate change, it is important to take a "Sooner the Better" approach. Early implementation is a key to further reducing future impact. As soon as the most balanced and feasible solution for an application is found, Daikin will commercialize and disseminate the technology to contribute to the efforts to mitigate global climate change.

5. Also, while taking a "Sooner the Better" approach, as a refrigerant manufacturer, Daikin will continue to seek the "optimal refrigerant" for every type of application for further mitigation of global climate change.

Actively Adopting and Promoting the Spread of Refrigerants with Lower Global Warming Potential

Promoting the Use of R-32, a Refrigerant with Lower Global Warming Potential

In November 2012, Daikin became the first company in the world to launch residential air conditioners using R-32 (HFC) for the Japanese market; R-32 has just one-third the global warming potential of conventional R-410A (HFC) refrigerant. Since then, we have been expanding these R-32 air conditioners into the residential and commercial markets of other countries.

To encourage the adoption of R-32 globally and to help mitigate global warming, Daikin began offering patents related to the manufacture and sales of air conditioners that use R-32 free of charge to companies worldwide.

In addition, Daikin provides technical support in emerging countries by cooperating with governments and international organizations. We provide information and technical support on the impact and countermeasures in relation to refrigerants and global warming. For example, in India, Thailand, and Malaysia, we held seminars for government officials and local industry groups to promote understanding of R-32, and training for local air-conditioning installation and service technicians on the appropriate handling of R-32. In Mexico, Brazil, and Nigeria, Daikin was commissioned by the Japan International Cooperation Agency (JICA) to implement projects to spread the use of air conditioners using R-32 refrigerant.

Cumulative Total of R-32 Air Conditioners Sold by Daikin (As of March 2026)

Over **66** million air conditioners sold worldwide

(Approx. 22.8 million in Japan and 43.2 million overseas)

As a result, Daikin has sold more than 66 million R-32 residential air conditioners worldwide. It is estimated that, including the products of other companies, the worldwide R-32 air conditioner market exceeds 480 million units, whose avoided CO_2 emissions is estimated at 750 million tons (calculated by Daikin as of March 2026).

088 Social Markets and Customers Engagement in Public Policy and Rulemaking

Refrigeration Products Using Refrigerants with Lower Environmental Impacts

In the refrigeration divisions, Daikin supplies specialized equipment that can control temperature according to highly detailed requirements, such as for marine containers, production lines at food factories, cold storage warehouses, and display cases for retail stores. Given the wide variety of refrigeration products, it is necessary to identify the optimal refrigerant for each refrigeration product based on the intended application and working temperature range.

Daikin began selling a freezing display case that uses R-290 with single-digit global warming potential in 2019. Following the adoption of CO_2 with a global warming potential of 1 in the Conveni-Pack, an integrated system that performs refrigeration, air conditioning, and heating all in a single unit, in 2020, we have been promoting the use of natural refrigerants mainly in Europe.

In fiscal 2025, in Japan, we promoted R-290 for shop display cases. We launched the ZEAS refrigeration system, which uses R-32, a refrigerant with low global warming potential, for warehouses and food processing plants.

Initiatives During Production and Installation

Leakage Prevention and Reclamation During Refrigerant Manufacturing

The chemical division's refrigerant production process generates refrigerant products along with by-products. All of our refrigerant production bases feature equipment for the recovery and destruction of these by-products, and we destroy the recovered by-products in a responsible manner.

We also take the fluorspar generated during the destruction process and reuse it as raw material for the production of refrigerant and fluorochemical products from the perspective of effectively utilizing resources. We have fluorspar recycling equipment at the Yodogawa Plant and the Kashima Plant to reduce environmental impacts and promote our resource recycling initiatives.

Prevention of Refrigerant Leaks During Air Conditioner Manufacturing

We strive to reduce refrigerant leaks in the air conditioner production process at our bases around the world. Qualified workers thoroughly inspect for refrigerant leaks three times based on the work instruction manual. We also provide pertinent training to workers every year.

In fiscal 2024, we completed the installation of a mechanism to recover refrigerant remaining inside the charging equipment during the refrigerant charging process on our residential air conditioner production lines in Japan. In addition, we are working to improve the piping couplers (joints) that connect the charging equipment to the products, and at the Sakai Plant, we are focusing on refrigerant recovery during cylinder replacement for refrigerant charging equipment.

Technical Development to Control Leaks

To connect the copper piping of the outdoor unit and indoor unit, flaring is generally used to expand the copper piping into a trumpet shape. However, flaring requires advanced construction techniques. Daikin developed a mechanical joint that does not require flaring because refrigerant may leak without it. This joint is used in Daikin products in some markets, helping to stabilize the quality of installation work.

We are also developing technology for leak detection. We provide a service in Japan that remotely monitors the operating status of air conditioning equipment and, in the unlikely event of a leak, detects the leak quickly and notifies the administrator by email. We also implement leak prevention measures for our own research and development equipment, such as refrigeration units.

Climate change

Initiatives in Manufacturing (Development and Production) and Offices

Basic Policy

The proportion of GHG emitted from development and production processes and offices is small. Since we can control these emissions, we have set a target for zero emissions. In development and production processes, we will bring forward our targets from fiscal 2050 to achieve net-zero GHG emissions by fiscal 2030 at all plants except chemical plants, and at our offices of all global bases also by fiscal 2030.

Initiatives in Development and Production Processes

Initiatives for Net-Zero GHG Emissions

Based on the following approach, Daikin aims to achieve net-zero GHG emissions by fiscal 2030 at all of its plants except chemical plants. We will implement thorough energy-saving measures, reduce HFCs/PFCs and energy-induced emissions, and develop new energy-saving technologies. Also, we will promote energy creation and the greater introduction of renewable energy.

As of June 2025, the Rinkai Factory at the Sakai Plant, Daikin Airconditioning (Shanghai), and Daikin Rexxam Electronics have achieved net-zero GHG emissions. The Rinkai Factory at the Sakai Plant is positioned as a global mother factory for carbon neutrality, and its knowledge is being rolled out at other manufacturing facilities.

Initiatives to Reduce GHG Emissions at Plants

- Reduce HFC/PFC emissions in development and production processes
- Reduce energy-induced CO_2 emissions in development and production processes
- Develop new technologies for the conversion of combustion-type manufacturing facilities to industrial heat pump type or hydrogen-fueled systems
- Expand the introduction of energy creation and renewable energy

Feature of Fiscal 2024: Environment—Working Toward Carbon Neutrality in Manufacturing

Reducing GHG Emissions

Daikin emits three kinds of GHG during development and production processes: CO_2 from energy use, fluorocarbons, and non-energy CO_2 from limestone.

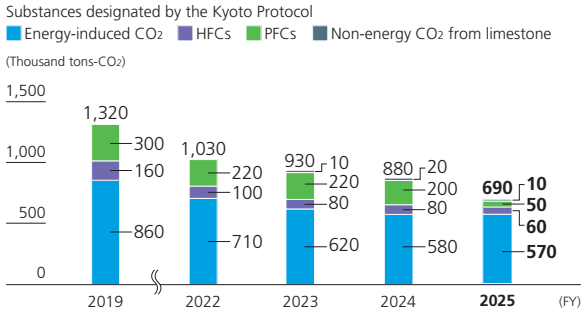
Against our target of reducing GHG emissions from development and production processes to 1.1 million tons-CO_2 by fiscal 2025 (a 17% reduction compared to fiscal 2019), the actual figure for fiscal 2025 was 0.69 million tons-CO_2 (a 47% reduction). With regard to fluorocarbons, we focused on reducing the atmospheric emissions of PFCs used as solvents in the chemicals divisions. In addition, to reduce CO_2 emissions from energy use, we expanded the use of renewable energy.

169 Data Third-Party Verification Method of Calculating GHG Emissions Data

See below for GHG emissions-related data

151 Data ESG Data Environment Reducing Environmental Impacts of Business Activities

GHG Emissions (During Development and Production)



Note: In accordance with the revision of the Act on Promotion of Global Warming Countermeasures in April 2023, we have added non-energy CO_2 emissions from limestone from fiscal 2023.

Reducing Energy-Induced CO_2

We are using IoT to visualize and reduce energy consumption, introduce high-efficiency equipment, install solar panels, and purchase green electricity at our bases around the world. Also, we have continued to take a systematic approach to reduce energy-induced CO_2 emissions by improving energy efficiency during development and production processes.

As a result, in fiscal 2025, energy-induced CO_2 emissions totaled 0.57 million tons-CO_2. We have made significant progress in installing solar panels and purchasing green electricity at our plants in China and the Asia and Oceania region. Moreover, the chemicals division's plants have achieved results in strengthening their PFC recovery efforts.

Promoting Energy-Saving Measures Through Technological Development

As one of the energy-saving measures at our production bases, we are also focusing on the development of energy-saving technologies. We are developing new technologies, including those that encourage the switch to electrified products, such as to heat pumps from LP gas and electric heaters.

For example, JIZAI HEAT, an industrial high temperature water-output heat pump chiller, can significantly reduce CO_2 emissions and fuel costs by replacing conventional combustion-type steam boilers and hot water heaters with its electric format. We are now operating JIZAI HEAT units at the Sakai Plant's Rinkai Factory and looking to roll out this solution to other factories as well.

Using Renewable Energy

Daikin worked to expand the use of renewable energy such as solar, wind, and hydro power with the target of increasing the rate of global renewable energy usage to 10% out of all energy consumption at Daikin's manufacturing bases in 2025. As a result, the rate increased to 45% in fiscal 2025.

We are expanding the installation of solar panels globally, including in China and Asia, resulting in total annual power generation of 61,428 MWh from renewable sources in fiscal 2025, which is equivalent to a reduction of approximately 33,000 tons-CO_2 emissions (Daikin estimate).

Daikin Compounding Italy introduced solar power generation system at its factory

Initiatives in Offices

Daikin aims to achieve net-zero GHG emissions at all of its bases around the world by fiscal 2030. We are committed to adopting green energy, switching to LED lighting, and implementing advanced temperature control for our air conditioning systems.

In fiscal 2025, we achieved net-zero GHG emissions across 70 major office locations in Japan.

Green Building Certification

At its own bases worldwide, Daikin has been busy working toward achieving Net Zero Energy Building (ZEB) status or green building certification, with facilities whose design, construction, and operation are in harmony with the environment and society.

We will leverage the insights gained through these initiatives at our own facilities to support our clients in achieving ZEB status or green building certification.

See below for Daikin's activities related to ZEB and green building certification

070 Social Markets and Customers Providing New Customer Value Through Solutions Creating the Optimal Environment Throughout the Entire Life Cycle

Initiatives in Logistics Processes

We have set a goal to reduce CO_2 emissions in logistics processes (transportation, packaging, and warehousing). In fiscal 2025, the reduction in these emissions totaled 242 tons-CO_2 compared to our target of 240 tons-CO_2. We are now proceeding with an expanded modal shift in transport methods from trucks to freight trains and ferries. In fiscal 2025, our modal shift rate stood at 25%.

In fiscal 2025, we launched a new rail transport route from the Kanto region to the Tohoku region. We also reduced the distance imported goods travel within Japan by modifying our logistics processes, such as shipping containers directly to customers and utilizing regional ports.

In addition, Daikin Industries was recognized as a FY2025 Eco-Ship Mark Excellent Business Operator in collaboration with its business partners. This recognition was given for our initiative to use ferries to transport air conditioning products from Shiga to Kyushu.

Climate change

Initiatives for a Decarbonized Society

Basic Policy

Realizing a carbon-neutral society requires a multifaceted approach. Daikin will explore and commercialize technologies for decarbonization, such as renewable energy, direct recovery of CO_2 from the atmosphere, and the development of recycling-oriented systems.

Examples of Initiatives

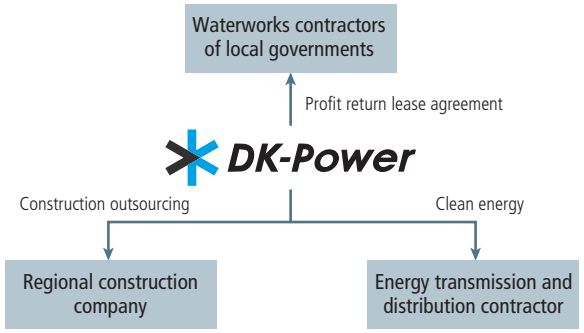
Creating Energy with Micro-Hydroelectric Power Generation

Daikin proposes to local governments the adoption of micro-hydroelectric power generation systems for vertical pipes using its air conditioning and hydraulic machinery technologies. The system uses water flow from rivers, water supply and sewerage systems, and other sources to generate energy without emitting CO_2 during the power generation process. It is small and low-cost, and it can be installed in large numbers even near urban areas. DK-Power, a Group company that operates the business, installs the system at water facilities owned by local governments, manages and operates it, and sells the electricity generated.

As of March 31, 2026, these systems have been installed at a total of 63 locations nationwide in Japan, generating 61,000 MWh of electricity and reducing CO_2 emissions by 25,800 tons-CO_2. This is approximately equivalent to the annual power consumption of our single plant in Japan.

DK-Power, Ltd. (available in Japanese only)

Business Model Using Micro-Hydroelectric Power Generation System



Proposal for Making Water Supply Facilities Carbon Neutral

In fiscal 2025, DK-Power began offering proposals to its local government clients to make their entire water supply infrastructure carbon neutral.

We support local governments in their efforts to achieve carbon neutrality by offering packaged solutions that include micro-hydroelectric power generation systems, photovoltaics (PV), energy storage facilities, and the purchase of non-fossil fuel certificates. Through this decarbonization solution for water supply systems, we supplied 6,000 MWh of power in fiscal 2025.

Carbon Recycling Without Hydrogen

Daikin Industries and Doshisha University have discovered that metal carbide[1] can be synthesized from CO_2 by molten salt electrolysis.[2] This holds promise as a carbon recycling method that can convert CO_2 into valuable products through the reaction of metal carbides with water, without the use of hydrogen.

Through joint research, Daikin Industries and Doshisha University demonstrated that metal carbide can be synthesized with electrolysis by adding CO_2 to molten salt made up of specific metal chlorides and metal oxides. Since the results were announced in November 2023, we have been conducting research aimed at practical implementation. In the future, we aim to contribute to the reduction of CO_2 emitted into the atmosphere by utilizing this technology in plants with large CO_2 emissions.

[1] A compound consisting of metal and carbon. Some react with water, with calcium carbide producing acetylene and aluminum carbide producing methane.
[2] An electrolysis method where a solid of ionic crystals of salts and oxides is heated to a high temperature and melted into a liquid (molten salt).

Climate change

Information Disclosure Based on the TCFD Framework

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

* The 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

Daikin's mainstay product of air conditioners is characterized by a large amount of CO_2 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 Sustainability Committee. The Sustainability Committee was established by the Board of Directors to spearhead the company's corporate governance. The executive officer in charge of sustainability 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

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

Demand for air conditioning is expected to roughly triple from current levels by 2050. As demand increases, there is a possibility that each country will tighten its energy regulations on air conditioners and regulations to address refrigerants with a high global warming potential. Excessively strict regulations could pose a risk for Daikin. On the other hand, appropriate regulations can serve as an opportunity to expand our business as they push for the spread of products and services with greater environmental performance, which is our strength.

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

We established Environmental Vision 2050 for the final three-year plan of the Fusion 20 Strategic Management 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 are laid out in the Fusion 30 Strategic Management Plan.

Details of scenario analysis
Scenarios referenced

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

4°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 -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 by 2.4-fold. (Worldwide power generation will increase 1.4-fold compared to the 1.9-fold increase in air conditioner demand.)

1.5°C scenario with stricter regulations from decarbonization policy

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

Under the 4°C and 1.5°C 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 with reference to the following.

Calculations made assuming tax amount under the 4°C and 1.5°C scenarios according to IEA forecasts based on our CO_2 emissions (Scope 1 and Scope 2) reduction target for 2030 by region.

4°C scenario: 1.1 billion yen in carbon taxes
1.5°C scenario: 10.8 billion yen in carbon taxes

Note: The 4°C scenario assumes the introduction of carbon taxes in the EU and China. These taxes would amount to 39 US dollars/ton-CO_2 in China and 140 US dollars/ton-CO_2 in the EU (according to the IEA *World Energy Outlook 2024* and *Stated Policies Scenario, Net Zero Emissions by 2050 —A Roadmap for the Global Energy Sector*). The 1.5°C scenario assumes the introduction of carbon taxes in every country around the world. These taxes would amount to 140 US dollars/ton-CO_2 in developed countries (with net zero targets) and 90 US dollars/ton-CO_2 in emerging and developing countries (with net zero targets) (according to the IEA).

Climate-Related Risks and Opportunities and Potential Impact

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 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 the shortage of 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 global warming potential, 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 on growing demand for heat pump heaters, which is our strength.	High	Large

Evaluation and Management Process of Climate-Related Risks and Opportunities

Information gathering
We gather information on climate-related risks and opportunities from business bases in each region around the world.

→

Identification of important risks and opportunities
Information gathered is evaluated, sorted, and analyzed from the two perspectives of degree of impact on business and likelihood of occurrence, and used to identify important climate-related risks and opportunities for Daikin Group.

→

Determination of policies and measures
We formulate policies on initiatives and measures regarding risks and opportunities. These undergo deliberation by the Sustainability Committee, with proposals then given to the CEO and reported to the Board of Directors.

→

Integration into strategies and implementation
Policy on initiatives and measures is reflected in the Strategic Management Plan Fusion and implemented by each business division.

Management through the internal control system
Climate-related risks are integrated into the company-wide risk management process. The Internal Control Committee chaired by the President and COO monitors the management status of company-wide risks and reports to the Board of Directors.

Risk Management

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 extreme weather and chronic temperature increases. We have categorized the various external environmental changes accompanying climate change as "transition risks and opportunities" and "physical risks"; assessed their financial impacts as large, medium, and small; and identified important risks and opportunities.

We regularly gather information from each business base and business unit about the risks and opportunities related to climate change. In turn, we assess their importance in relevant meeting bodies such as the Corporate Ethics and Risk Management Committee and the Sustainability Committee. Important risks and opportunities identified by each meeting body are reflected in the approach and countermeasures included in the Fusion Strategic Management Plan. These are then rolled out and implemented as concrete measures by each business unit. Regarding climate-related risks, we promote and manage risk measures across the Group through the above-mentioned meeting bodies. The results are then reported to the Internal Control Committee, chaired by the President and COO, which checks and verifies whether overall internal control, including risk management, is functioning properly. The results are also reported to the Board of Directors.

Metrics and Targets

We incorporate the GHG emissions reduction target based on Environmental Vision 2050 into the Fusion 30 Strategic Management Plan, as well as managing the progress of our environmental activities by setting metrics and targets related to climate change.

1. Reduce emissions per unit of sales by 40% compared to FY2022 levels[1] (Scope 1, 2, and 3)
2. Increase avoided emissions[2] to 60 million tons-CO_2

[1] The target-setting approach has been changed since Fusion 25.
[2] Calculated based on IEC 63372.

012 Management Daikin's Sustainability Environmental Vision 2050

028 Environment Climate Change Challenge to Achieve Carbon Neutrality

See below for indicators and results at manufacturing bases

151 Data ESG Data Environment Reducing Environmental Impacts of Business Activities

Resource Use and Circular Economy

Initiatives for a Circular Economy

Basic Policy

Amid growing concerns about resource depletion and waste problems, the world faces the challenge of moving away from mass production and mass consumption. This necessitates transitioning to a circular economy that creates economic value on the premise that products and raw materials are not simply disposed of as waste.

As a manufacturer of air conditioners, Daikin makes use of a large number of resources such as copper and aluminum. In addition, the refrigerant used for air conditioning is made from calcium fluoride, which is a rare mineral. We believe that working toward a circular economy is not only our responsibility, but also a business opportunity to make a leap forward. Daikin strives to reduce and recycle resources and improve the recyclability of its products. In this context, we place the highest priority on building a system for the recovery, recycle, and reclamation of refrigerants, which are indispensable for our main products of air conditioners.

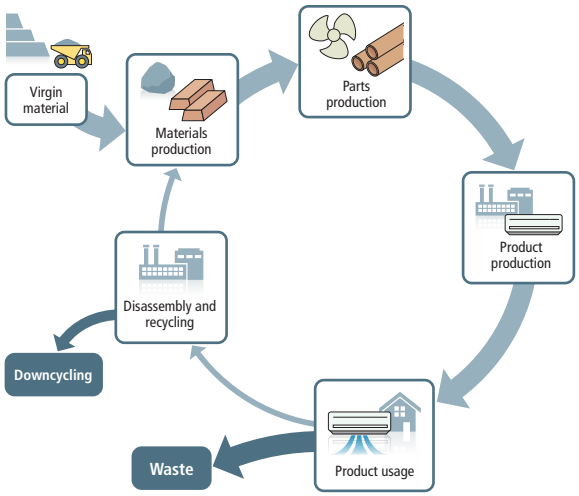
What Daikin Aspires To

Daikin will always carry out all of its business activities in consideration of circularity throughout the value chain, from the procurement of raw materials to the design and production of products, usage by customers, and final disposal.

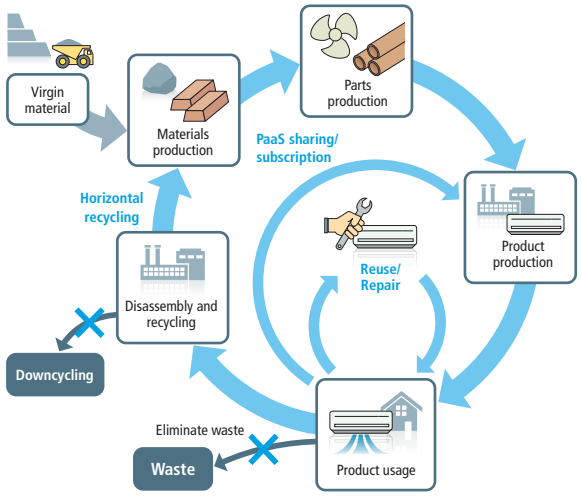
In supplying products and services, we will accelerate development and design based on the premise of resource conservation and circulation. We will promote the use of recycled materials, design products that are easy to recycle, and use subscription- and sharing-based services. Building out a collection network for products that have reached the end of their life is also indispensable for resource circulation. We aim to build a collection system not only for Daikin but also for the entire society together with the industry. In addition to reducing waste, we will also work to improve our technology from downcycling[1] to horizontal recycling[2] so that resources can be used effectively for as long as possible.

[1] Recycling in which used products and their components are transformed into products with a lesser value than their original product.
[2] Recycling in which used products and their components are transformed into resources, which are then used to produce the same product with the same value.

Conventional Flow



Circular Economy Flow



Stakeholder Engagement

Daikin aims to measure and manage a company's circularity performance, and to accurately assess and disclose environmental impacts, mitigation of business risks, and creation of new value. To build a framework for such, Daikin is participating in the formulation of the Global Circularity Protocol for Business (GCP), led by the World Business Council for Sustainable Development (WBCSD) and the United Nations Environment Programme (UNEP).

In fiscal 2025, we participated in the Technical Working Group for the release of Global Circularity Protocol for Business (GCP) Version 1.0 and provided our opinions.

See below for GCP Version 1.0:

A global framework to measure, manage and communicate business circularity

179 Data Participation in Initiatives

Case Study of Information Disclosure Using the GCP

Daikin is involved in the development of the GCP and is a member of the Front Runner Coalition, an organization that promotes the social implementation and widespread adoption of the GCP. To improve the reliability of disclosures and help spread the GCP, we will proactively disclose information based on the GCP framework, which consists of Frame, Prepare, Measure, Manage, and Communicate.

Definition of GCP Use Case (Frame)

Daikin's primary objective, among the three outlined in the GCP, is external stakeholder communication and reporting. We believe that the other two objectives, internal steering and resource risk mitigation, can also be improved by applying the GCP to our own company. This is because proper information disclosure requires the establishment of an internal decision-making system and responses that take resource risks into consideration.

Scope of GCP Application (Prepare)

Daikin has set the scope of GCP application to the broadest levels: organization level and entire supply chain. Furthermore, we define our top priority as "Building a Refrigerant Eco-Cycle" for a circular economy within our business activities. This is because the application of the GCP contributes to reducing the global warming impact of refrigerants, complying with various regulations, and reducing the use of calcium fluoride, an important mineral. Since Daikin manufactures both refrigerants and air conditioners, we are directly involved in a wide range of resource flows, from raw materials procurement to product manufacturing, use, and recovery. Therefore, in the classification of resource flows in the GCP, Scopes A and B cover a wide range of areas within the value chain.

We carried out prioritization as part of the company-wide materiality analysis and assessment process.

014 Management Priority Sustainability Items Materiality Identification Process

Scope classification of resource flows in the GCP

	Resource flows with direct impacts		Resource flows with indirect impacts
Scope	Scope A	Scope B	Scope C
Explanation	Extracted directly from the environment Waste disposed of directly in the environment	Resource inflows from other organizations Resource outflows to other organizations	Indirect supply chains outside of Scopes A and B

Measuring Circular Economy Initiatives (Measure)

Recovery and recycling from the market are particularly important for building a refrigerant eco-cycle. Based on this understanding, Daikin adopted the amount of refrigerant recovered and reclaimed from the market (in CO_2 equivalent) as its measurement indicator. This indicator falls under two of the four areas (Close the Loop, Narrow and Slow the Loop, Value the Loop, and Impact of the Loop) outlined by the GCP: namely, Close the Loop and Impact of the Loop.

023 Management Activity Results Sustainability Targets and Results (FY2025)

Management and Implementation of Circular Economy Initiatives (Manage)

Daikin will improve refrigerant recovery and reclamation rates by building a highly effective refrigerant eco-cycle. This initiative will lead to the provision of sustainable and stable air conditioning services.

050 Environment Resource Use and Circular Economy Building a Refrigerant Eco-Cycle

Communication of GCP Usage (Communicate)

Daikin will proactively implement proper information disclosure using the GCP. Furthermore, as a participant in initiatives to promote the widespread adoption of the GCP, Daikin will contribute to the advancement of the circular economy by widely disseminating disclosure proposals to companies throughout the industry.

Resource Use and Circular Economy

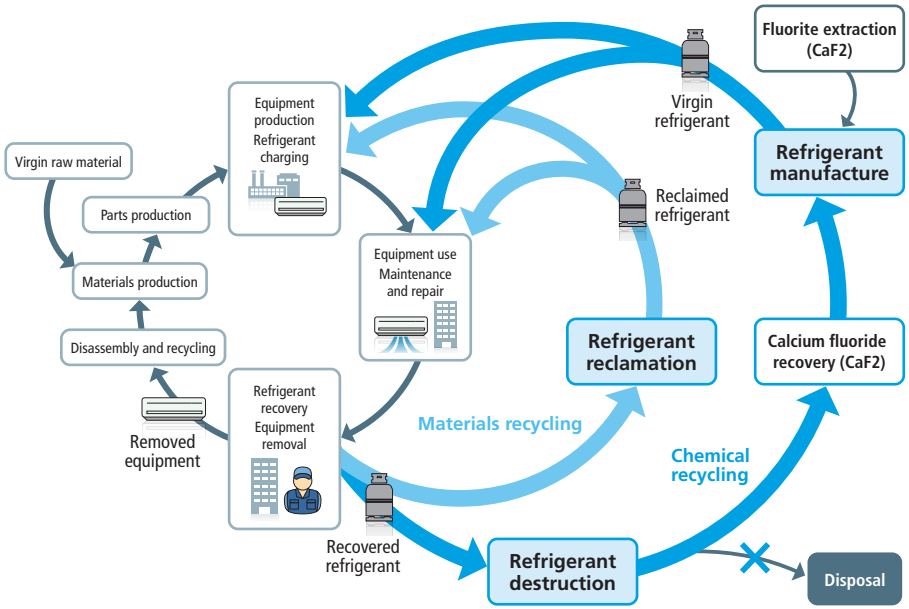
Building a Refrigerant Eco-Cycle

Basic Policy

Life Cycle Refrigerant Management (LRM) is garnering attention around the world for its importance in terms of reducing GHG emissions, recycling resources, and ensuring a stable supply of refrigerants. LRM refers to the responsible management of refrigerants used in air conditioners and refrigerating machines throughout their life cycle, from manufacture, charging, operation, maintenance, and recovery and reuse of refrigerants at the end of life, to destruction.

As a manufacturer of both equipment and refrigerants, Daikin believes it has a social responsibility to implement and spread LRM. Toward this end, we are promoting the establishment of a refrigerant eco-cycle (recovery, reclamation, and destruction) that forms a focal point of LRM.

Refrigerant Eco-Cycle



Establishing a Refrigerant Eco-Cycle in Japan

In Japan, a framework for refrigerant recovery is already in place. Within this framework, we aim to prevent leakage during air conditioner use, improve the national refrigerant recovery rate, increase the amount of reclaimed refrigerant, and efficiently implement LRM utilizing data.

Managing Refrigerant Leaks in Air Conditioners

Since April 2015, Japan has strict, mandatory guidelines on managing refrigerant leakages in place for users and managers of commercial air conditioners under the Act on Rational Use and Proper Management of Fluorocarbons. In response, in October 2015, we began offering the free cloud-based service Daikin Fluorocarbon Check Tool (Dfct) that can inspect and manage commercial air conditioners compliant with the Act. Daikin Industries, Ltd. has operated and managed all equipment in-house using Dfct since fiscal 2018.

We have also developed technology to remotely detect refrigerant leaks and incorporated a remote leak detection function into the Assinet Service, which supports the management of commercial air conditioning equipment, and the AIRNET Service System, which monitors the operating status. These can be linked to Dfct, and in the unlikely event that a refrigerant leak is detected, the administrator is notified by email. This remote leak detection function has been recognized as a statutory simple inspection method since fiscal 2022.

In fiscal 2025, we made it possible to offer the refrigerant leak detection function of the Assisnet Service on major older VRV models released since 2015. Also, by digitizing inspection sheets, we have made it easier for customers to manage their fluorocarbons.

See below for information on the calculated leakage amount under the Act on Rational Use and Proper Management of Fluorocarbons

150_Data_ESG Data_Environment_Mitigating Environmental Impacts in the Value Chain

Proper Treatment of Recovered Refrigerants at the Yodogawa Plant

At Daikin's Yodogawa Plant, recovered refrigerants are destroyed and the calcium fluoride recovered through this process is chemically recycled as a valuable fluorine resource to make refrigerants and raw materials for fluorochemical products.

In December 2023, we established a new fluorocarbon reclamation facility at the Yodogawa Plant and obtained a license as a Class 1 Fluorocarbon Reclamation Business Operator. This has enabled material recycling into reclaimed refrigerants, which has a lower environmental impact than chemical recycling and contributes to improving Japan's reclaimed refrigerant supply capacity. While the primary focus is on the reclamation of recovered refrigerants, we have established an efficient system that allows us to handle everything from reclamation to destruction at the same location if reclamation is difficult.

Fluorocarbon reclamation equipment

Recovered calcium fluoride

Building and Strengthening a Refrigerant Recovery, Recycling, Reclamation, and Destruction Network

The Daikin Group in Japan recovers refrigerants that are no longer needed when equipment is repaired or removed in partnership with its own service departments, sales companies, and installation partners. The Daikin Contact Center in Japan accepts requests from dealers and others to pick up recovered refrigerants 24 hours a day, 365 days a year.

We have built a nationwide network for the proper treatment of recovered refrigerants that begins with our Yodogawa Plant and Kashima Plant, which are licensed under the Act on Rational Use and Proper Management of Fluorocarbons, and extends to refrigerant recycling contractors, refrigerant destruction and treatment contractors, and businesses licensed under the Act. Using this network, we treat the end-of-life refrigerants at the treatment facility closest to the recovery site.

Daikin established a system for service engineers to reclaim and reuse recovered refrigerants at all 61 service stations across Japan. Since the Kigali Amendment took effect in 2019, we began working to establish a nationwide system for refrigerant recovery and reclamation, and in January 2025, we launched this service as an industry first. Today, we are reclaiming recovered refrigerants that previously had to be destroyed. In fiscal 2025, we worked to improve the reclamation request rate and avoided 3,013 tons-CO_2 emissions annually (fiscal 2025 results). We are committed to making recovery and reclamation activities even more efficient.

See below for the amount of fluorocarbons recovered, amount destroyed in fluorocarbon recovery and destruction at time of repair and at time of disposal

150 Data ESG Data Environment Mitigating Environmental Impacts in the Value Chain

Training Technicians for Refrigerant Recovery and Charging and Reliable Installation

Daikin provides training to its employees and business partners that covers the specialist knowledge and techniques required for refrigerant recovery and charging.

In Japan, we continue to hold training sessions and seminars to develop qualified personnel in relation to the Act on Rational Use and Proper Management of Fluorocarbons. At the same time, we enhanced the curriculum of our training programs for technicians by creating videos that explain standard installation and key points of brazing work. We have also developed and are utilizing a VRV training simulator that does not require a physical training machine. The curriculum and tools of these programs are shared with our global bases around the world in an effort to train technicians who perform air conditioning-related installation work.

Examples of Training Related to Refrigerant Recovery and Installation (in Japan)

Name of training	Target	Number of participants in FY2025
Refrigerant Recovery Technician preparatory workshop	All employees in Japan handling refrigerants	2,145
First and Second Grade Refrigerant Fluorocarbons Handling Technician preparatory workshop	All employees in Japan handling refrigerants	5,072

Technical Development Facilitating the Detection and Identification of Refrigerant Leaks

Daikin is conducting R&D for improving the accuracy of leak detection in order to minimize the amount of refrigerant leakages. In November 2023, we jointly developed the world's first laser technology for the remote detection of R-32 refrigerant leaks in collaboration with Tokyo Gas Engineering Solutions Corporation and RIKEN National Research and Development Agency. Subsequently, in October 2025, we announced and exhibited an actual machine for the practical application and social implementation stage of this technology, accelerating our efforts toward business development.

Global Initiatives

Building a Refrigerant Recovery, Reclamation, and Destruction Scheme in Europe

In Europe, demand for reclaimed refrigerants is increasing from the perspective of a circular economy and stable refrigerant supply. Daikin is leveraging the advantages of operating both refrigerant and air conditioning businesses locally to strengthen its closed-loop recycling scheme, which involves recovering refrigerants from used air conditioners in the market, reclaiming them, and then reusing them.

Regarding the use of reclaimed refrigerants, Daikin Europe runs the L∞p by Daikin reclaimed refrigerant utilization program throughout Europe, which involves selling VRVs and chillers charged with reclaimed refrigerants.

As for the recovery and reclamation of refrigerants from the market, Daikin launched a new scheme in Italy in fiscal 2025. Refrigerants separated and recovered from the market according to their type are purchased for a fee from equipment installation companies and then recycled at Daikin Refrigerants Frankfurt in Germany. We plan to roll out this scheme to other EU countries in the future.

Daikin Refrigerants Frankfurt, a subsidiary of Daikin Chemical Europe which engages in the refrigerant business, owns a refrigerant reclamation and destruction plant. The company is one of the few companies in Europe that can complete the reclamation and destruction of recovered refrigerants seamlessly within the same facility.

The company's distinguishing feature is its ability to not only reclaim refrigerants that have been recovered separately by type, but also to separate and reclaim refrigerants that have been recovered mixed with multiple types, which would normally be destroyed. We are also working to improve separation technology, and in 2023 we put into practical use a processing method using MOF technology,* which has made it possible to separate and reclaim certain refrigerants that were previously difficult to separate and had to be destroyed, thereby increasing the reclamation rate. By establishing a reclamation system capable of handling recovered refrigerants with various properties, we are contributing to reducing environmental impacts and promoting resource circulation.

* A technology that allows for the selective adsorption and separation of specific refrigerant molecules by structurally designing the size of the micropores in a porous material composed of metal and organic ligands. It was developed by Distinguished Professor Susumu Kitagawa of Kyoto University Institute for Advanced Study, who was awarded the Nobel Prize in Chemistry in 2025, and his colleagues. MOF is an acronym for metal-organic frameworks.

See below for information about our initiatives to reduce the environmental impacts of refrigerants

038 Environment Climate Change Reducing the Environmental Impacts of Refrigerants

Supporting the Recovery, Reclamation, and Destruction of Refrigerants in Other Regions

Most emerging countries do not have laws requiring the recovery of refrigerants when equipment is removed, and they lack the systems and infrastructure for the recovery, reclamation, and destruction of refrigerants. As a result, in emerging countries, Daikin cooperates with the Japanese government, national governments, international organizations, and other stakeholders to create refrigerant recovery, reclamation, and destruction schemes.

In fiscal 2020, we established our own recovery and reclamation system in Singapore.

In Vietnam, we have been working with Marubeni Corporation, M Zetto Co., Ltd., and GenbaNEXT Technologies Private Limited since fiscal 2021 to establish a refrigerant recovery scheme as part of the Ministry of the Environment's subsidy program for the Joint Crediting Mechanism. In Malaysia, we have partnered with Iwatani Malaysia Sdn. Bhd. and began refrigerant recovery and reclamation efforts in August 2024. These projects were selected for funding as advanced model projects by the Ministry of the Environment for fiscal 2025, accelerating efforts in both countries.

In addition to these projects, we are also building refrigerant recovery schemes in other countries, including Thailand, Indonesia, and India.

See below for our cooperation with environmental policy planning

088 Social Markets and Customers Engagement in Public Policy and Rulemaking

Resource Use and Circular Economy

Promotion of Resource Circularity

Basic Policy

Daikin strives to design products and create services with the value people demand and can be used over a long period of time. We maximize the use of resources at all stages of the product life cycle, from design to repair and final disposal.

Initiatives During Design

Daikin takes into account the effective use of resources and the reduction of environmental impacts beginning with the product design stage. We are working to improve resource efficiency by making products smaller and lighter, using materials with a lower environmental impact, and adopting designs that are easy to disassemble and recycle. While ensuring energy efficiency performance, we are working to increase the use of recycled materials and reduce resource consumption.

Making Smaller and Lighter Products

Making products smaller and lighter is effective for reducing the amount of resources used. When making air conditioners, for each product we set weight reduction targets for both the entire product and its components.

However, if making it smaller and lighter means compromised energy efficiency, then the product's environmental performance throughout the entire life cycle has not yet been improved. When Daikin develops products, our weight reduction targets for each product are established on the condition that the annual performance factor (APF) does not decrease.

Switching to Materials with Relatively Smaller Environmental Impact

The main materials used in air conditioners are metals such as iron, copper, and aluminum. Of these, copper faces the issue of overmining, which leads to lower ore grade, while its demand is expected to increase as society strives to decarbonize. Daikin is working to reduce the amount of copper it uses through the establishment of replacement technologies.

In addition, the circular use of plastic resources is another major challenge. Daikin is making efforts to use recycled materials and alternative materials in its products as well as to reduce the amount of plastic-derived packaging materials it uses.

Product Design That Enables Easy Sorting and Recycling

We consider a product's recyclability from its design phase. We adopt the use of resins that are easily recyclable and structures that can easily be dismantled, and promote the labeling of materials for sorting and recycling. In addition, Daikin also strives to reduce parts and develop structures with improved recyclability.

Reducing Rare Earth Usage

Daikin is working to reduce the amount of heavy rare earths added for high heat resistance, in parallel with reducing the use of rare earth-based magnets through motor design. In addition, we are exploring magnets that reduce the amount of rare earth elements used, and are also working on recycling rare earth magnets through co-creation with external partners.

Topics

Launching a Collaborative Initiative for the Recycling of Rare-Earth Magnets in Commercial Air Conditioner Compressors

Daikin Industries, in collaboration with Shin-Etsu Chemical Co., Ltd., Hitachi, Ltd., and Tokyo Eco Recycle Co., Ltd., launched a joint initiative in April 2026 to recover and recycle rare-earth magnets from compressors of end-of-life commercial air conditioners. We aim to establish Japan's first circular recycling scheme by leveraging AI image recognition, robot-assisted disassembly, and low-environmental-impact demagnetization technology. With full-scale operations set to begin in 2027, this initiative will help address resource constraints and contribute to reducing environmental impacts.

Topics

Demonstration of Horizontal Recycling Technology for Aluminum Fins Used in Air Conditioning Heat Exchangers

In September 2025, Daikin Industries, in collaboration with Nippon Magnetic Dressing Co., Ltd. and UACJ Corporation, successfully conducted a demonstration test of a horizontal recycling* technology for aluminum fins used in air conditioners.

Conventionally, high-purity aluminum has been used to make the heat exchangers in air conditioners. Because recycled aluminum fins from used heat exchangers contain copper and impurities, they could previously only be downcycled into other applications, such as automotive components. The three companies have been exploring technologies that enable horizontal recycling from aluminum fins back into aluminum fins. In a demonstration test, we succeeded in manufacturing heat exchangers using recycled aluminum fins on a production line by improving the accuracy of aluminum and copper sorting and enhancing the formability of the aluminum material.

It is estimated that manufacturing aluminum fins from recycled materials can reduce CO_2 emissions by 97% compared to manufacturing them from virgin aluminum ingot. The horizontal recycling technology demonstrated by the three companies contributes to a significant reduction in CO_2 emissions throughout the entire life cycle of aluminum fins for heat exchangers.

* Recycling into the same grade

085 Social Markets and Customers Creation of Innovation Collaborative Innovation Led by Industry–Industry Partnerships

See below for information on environmentally conscious product design

033 Environment Climate Change Power Consumption Reductions during Product Use

Main Outcomes Related to Resource Conservation and Recycling in Fiscal 2025

Category	Outcome
Residential air conditioners	• Expanded use of compressor models that use heavy rare earth-free magnets • Expanded the range of parts made from recycled resin for certain models
Commercial air conditioners	• Changed the fan motor coil for the VRV7 model for the North American market from copper to aluminum
Air purifiers	• Reduced product height by 10% through optimal part layout
Others	• Searched for new resin manufacturers to ensure stable procurement of recycled resin • Established a scheme to use recycled aluminum for heat exchanger fin materials

Creating a Circular Economy-Type Business Model

As part of its business development linked to the circular economy, Daikin provides services that enable customers to access the air environment they desire without having to purchase or own air conditioners. We aim to build a business model adapted to the circular economy by providing the intangible value of "air" through solutions that meet individual needs, including installation, energy management, maintenance, and support in the event of a breakdown.

Subscription-Based Air Conditioner Business

Daikin operates a subscription-based business for air conditioners in Japan and Africa. A major feature of this business in terms of resource circulation is that it can directly recover resources used in the equipment. Air conditioners are made from many metals such as copper and aluminum. Furthermore, if an air conditioner breaks down and is left unattended, the refrigerant inside the device will leak into the air, contributing to global warming. In this business, Daikin owns the air conditioner outright, so both the equipment and the refrigerant can be reliably collected after use.

Energy management can also lower air conditioner electricity consumption and GHG emissions, and maintenance can prevent refrigerant leaks.

068 Social Markets and Customers Providing Safe, Reliable and Comfortable Air Environments Toward the Further Spread of Air Conditioning Infrastructure

Initiatives During Use and Repairs

Making products that last longer means that fewer resources are used. Daikin customizes air conditioners in use and provides services, such as retrofit maintenance plans and panel replacement, that enable energy-efficient and comfortable air conditioning with little in the way of installation and cost. In addition, Daikin has established a repair system around the world and is promoting reuse and repair initiatives.

Lifespan Extension and Resource Conservation Through Retrofit Maintenance Plans

This is a maintenance service that improves durability and extends the lifespan of Daikin's multi-split type air conditioners for commercial buildings that have been in use for about eight years by replacing the retrofit compressor with a new energy-saving refrigerant control system. This conserves resources, as it only requires replacing parts instead of updating the main unit itself. In addition, optimally adjusting the refrigerant temperature according to the load makes it possible to reduce power consumption by about 13% compared to updating the main unit itself.

Preventive Maintenance with Overhauls

Daikin also offers preventive maintenance services that involve the overhaul and inspection of air conditioners. By repairing and replacing key components, such as compressors, control boards, and temperature sensors, this service helps to prevent breakdowns due to age-related deterioration and extend the service life of products.

We also developed a diagnostic tool for compressors, a key component, enabling us to perform preventive maintenance based on the objective data obtained from the diagnostics.

Establishment of a Repair and Support System

Daikin is strengthening its repair system by establishing service outlets around the world to address customer repair requests and questions and enquiries regarding products.

In Japan, the Daikin Contact Center is open 24 hours a day, every day of the year to take inquiries and receive requests for repairs. Also, we are making repair requests more accessible, as the Contact Center telephone staff follows a support system that promptly asks for necessary information on the phone and provides adequate directions, and we offer other ways of reaching us other than by telephone, such as over the Internet. Additionally, we are focusing on increasing the technical capabilities of service engineers, which includes introducing an engineer certification system.

069 Social Markets and Customers Providing New Customer Value Through Solutions

Initiatives During Transport

Reducing Packaging Materials

Daikin targeted a 600 tons-CO_2 reduction associated with packaging design by fiscal 2025 compared to fiscal 2020. Toward this end, we have been working to reduce the amount of packaging materials used. In fiscal 2025, the final year, we achieved our target for the VRV series of multi-split type air conditioners for commercial buildings by implementing measures integrated with the product design, such as reinforcing the base frame, which resulted in a reduction of 121 tons-CO_2.

Even as products are expected to become larger in the future in pursuit of greater energy efficiency, we will continue to focus on reducing packaging materials.

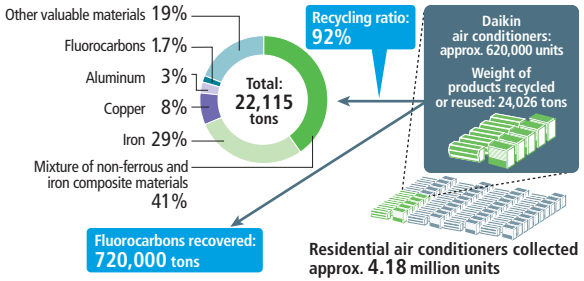
Promoting Recycling

Electric Appliances Recycling

Japan's Home Appliance Recycling Law obligates manufacturers to recycle at least 80% of the material from their own residential air conditioners as well as recover and then reuse or destroy refrigerants.

In fiscal 2025, we recovered about 620,000 units of our residential air conditioners, totaling 24,026 tons. As a result, the recycling rate stood at 92%, with 720,000 t-CO_2 of fluorocarbons recovered.

Recycling of Residential Air Conditioners in FY2024 (Japan)



Home Appliance Recycling Results

Recycling of Fluororesins

Daikin is committed to recycling fluorine materials throughout its entire production process to contribute to the efficient use of resources and the realization of a sustainable society.

As part of these efforts, we are working to develop material recycling technologies for the mechanical recycling of fluorine resin, as well as chemical recycling technologies that convert fluorochemicals back into their raw materials, such as calcium fluoride and monomers.

We are working on material recycling through our subsidiary, Daikin Compounding Italy. Waste and machining scrap generated during the molding and processing of fluorine resin and super-engineering plastics, including those from other manufacturers, are collected and recycled using our own facilities. We then sell the recycled materials as raw materials for packing, seals, tubes, and pipes.

With a target of fiscal 2028, we will construct a technical verification facility for PTFE chemical recycling and proceed to establish a model aimed at future commercialization and business expansion.

Pre-recycled fluorine resin scrap

Resource Use and Circular Economy

Reducing Emissions

Basic Policy

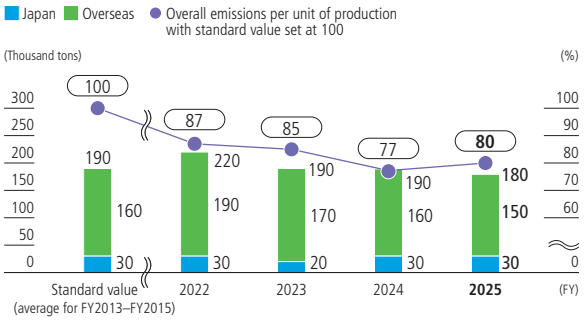
As part of its efforts to move toward a circular economy and society, Daikin is working to reduce waste from production processes and recycle generated waste. We aim to minimize waste and maximize the value of resources.

Waste Reduction in Production Processes

Daikin is working to reduce waste emissions from production processes, including hazardous waste, as well as endeavoring to reuse or recycle waste emissions. For example, in Japan, we are reviewing production processes and equipment kaizen (improvement), as well as improving in packing methods for the transport of parts. As a result, we achieved a 20% reduction in emissions per unit of production compared to the baseline value,* greatly exceeding our target of a 10% reduction by fiscal 2025.

* Average emissions between fiscal 2013 and fiscal 2015.

Emissions / per Unit of Production



Reducing Emissions of Waste Plastics

Daikin is working to reduce plastic emissions and recycle plastic materials. Group companies in Japan set targets for each business, and they focus on thoroughly separating and recycling waste plastics and plastic pallets generated during production. The recycling rate has been steadily improving in each business. In fiscal 2025, the recycling rate for plastics generated from our domestic air conditioning business was 45.2%, an improvement of 1.7 percentage points over the previous fiscal year.

In fiscal 2025, the Daikin Group in Japan generated 6,832 tons of waste plastics.* Going forward, we will continue to work to reduce these emissions and recycle plastics as resources.

* Includes in-house processing and excludes other valuable materials.

See below for Daikin's resource recycling initiatives

053 Environment Resource Use and Circular Economy Promotion of Resource Circularity

In Harmony with Nature

Daikin's Approach to Natural Capital

Basic Policy

Protect and Rejuvenate the Gifts of Nature, Recognizing the Impacts of Our Business Activities

Our society is built on the many blessings of nature. The loss of natural capital such as diversity of flora and fauna, water, soil, and mineral resources affects not only the health of the Earth, but also economic and social stability. The Kunming-Montreal Global Biodiversity Framework (GBF) adopted during the fifteenth meeting of the Conference of the Parties (COP 15) to the Convention on Biological Diversity in 2022 sets an interim goal for 2030 "to halt and reverse biodiversity loss to put nature on a path to recovery." This goal, called "Nature Positive," aims to realize a world in harmony with nature by 2050. To achieve this goal, it is important for companies to understand their dependence on and impact on nature through their business activities, set targets, and disclose their progress.

Daikin is working to minimize the negative impacts of its business activities on climate change, water resources, and biodiversity through its environmental management system. Working with various stakeholders to maintain the balance of precious natural environments and ecosystems around the world and restore their abundance will enable Daikin to contribute to the realization of a world in harmony with nature.

062_Environment_In Harmony with Nature_Protecting Biodiversity

026_Environment_Environmental Management

Dependencies and Impacts on Natural Capital from Our Business Activities

In response to climate change, Daikin is taking action and disclosing information based on the recommendations of the TCFD. With regard to biodiversity, we are working to disclose information in accordance with the guidelines of the Task Force on Nature-related Financial Disclosures (TNFD), identifying nature-related dependencies and impacts of our overall business activities, sorting out risks and opportunities, and promoting comprehensive assessment and management.

In fiscal 2025, we assessed our impacts on nature other than climate change using the Biodiversity Risk Filter developed by the World Wide Fund for Nature (WWF) to evaluate items closely related to the Group's business. Although our dependencies on natural capital were generally low, we found that our dependencies on "water usage" were high and our impacts on "pollution" were also high.

Regarding water usage, an item closely related to the Group's business, we consider the impact of water shortages on plant operations to be a risk. We have identified production bases in areas of high water stress using the water risk map of the World Resources Institute (WRI) called Aqueduct and the World Wide Fund for Nature (WWF)'s Water Risk Filter covering the direct operations of all our businesses. We are working to use natural resources sustainably, including by taking measures to prevent depletion in areas of high water stress.

In terms of pollution, we are working to prevent air and water pollution by striving to reduce emissions and manage and reduce chemical substances at each production base.

056_Environment_Resource Use and Circular Economy_Reducing Emissions

058_Environment_In Harmony with Nature_Water Resource Conservation

060_Environment_In Harmony with Nature_Management and Reduction of Chemical Substances

In Harmony with Nature

Water Resource Conservation

Basic Policy

Recognizing that water is an important resource that is closely related to climate change and biodiversity, Daikin strives to use it in a sustainable manner. We are strengthening controls of water usage at our production bases around the world and reducing water intake by reusing wastewater as much as possible. We are also identifying bases with water risks and working on measures to conserve water resources throughout the entire value chain.

Risks and Opportunities Related to Water Resources

Recognizing that impacts on operations caused by water shortages pose a risk, Daikin assesses water stress levels—more specifically, supply-demand conditions—in regions around the world where we operate manufacturing bases. Furthermore, the chemicals divisions, which use large amounts of water, have located manufacturing bases in major river basins with direct access to water resources.

We also view the reduction in production costs resulting from reduced water usage as an opportunity. Toward this end, we are working to reduce water intake through measures such as promoting reuse and reviewing processes. All water that is used is treated and purified so it can be returned to water intake sources. For water purification, Daikin has set its own voluntary standards that are even stricter than legal requirements, which it always strictly adheres to.

Identifying and Addressing Water Risk Locations

In fiscal 2025, Daikin assessed the extent to which the location of each production base faces the risk of water shortage based on the water stress score provided by WRI's Aqueduct and WWF's Water Risk Filter tools. We identified the four production bases of Daikin Airconditioning India, Daikin Industries (Thailand), Daikin Applied Europe, and Daikin Manufacturing Mexico as being exposed to high water stress and designated these as bases where management and countermeasures should be considered with particular emphasis.

At Daikin Airconditioning India, we have introduced a water recycling system using reverse osmosis (RO) membranes. We are working to reduce water intake by promoting water reuse, such as in the cleaning process before outside panel painting and for cleaning restrooms.

Water usage at our production bases varies greatly depending on the products they manufacture and the processes they use. Therefore, in addition to the four locations above, we have also established a system to continuously check whether other production bases face unique water risks by evaluating them based on the water usage standards and water usage per unit of production set for each business unit.

By fiscal 2030, we aim to reduce water intake per unit of production by 5% compared to the standard value* in these high-water-risk areas.

* Average water intake between fiscal 2023 and fiscal 2025 or for fiscal 2025 (depending on location).

See below for our water intake and discharge amounts at the four production bases exposed to high water stress

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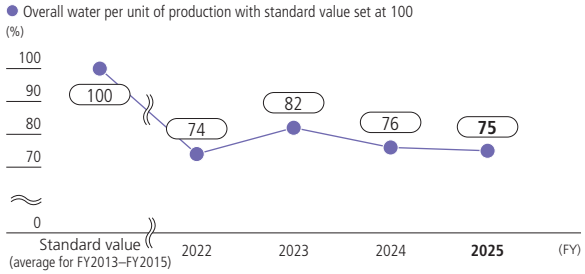
Water Intake Reduction

Reducing Water Intake per Unit of Production

In fiscal 2025, Daikin's production bases worked toward the target of reducing water intake per unit of production by 10% compared to the standard value.* As a result, they achieved a reduction of 25% in water intake per unit of production compared to the standard value in fiscal 2025. This was the result of promoting water recycling, such as reusing water used in cleaning and cooling processes. Currently, to establish and maintain this level, we are continuously monitoring and managing water usage at each base.

* Average water intake between fiscal 2013 and fiscal 2015.

Water Intake per Unit of Production



See below for our water intake and discharge amounts, Chemical Oxygen Demand (COD) emissions

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Initiatives in the Value Chain

To better understand water risks in our value chain, we also conduct the same assessment on our major business partners and have established water conservation items within the Green Procurement Guidelines.

Using WRI's Aqueduct and WWF's Water Risk Filter, we conducted a water stress assessment targeting primary suppliers, identifying 12 companies as located in water-stressed areas. We are supporting these business partners to improve their response capabilities by sharing best practices and providing information, thereby raising the overall level of water resource conservation across every one of our supply chains.

Green Procurement Guidelines

Stakeholder Engagement

Daikin discloses information about our water-related initiatives.

For example, at our plants in Japan, we hold regular meetings with local residents every year to report on our water-related initiatives and hold discussions.

In Harmony with Nature

Management and Reduction of Chemical Substances

Basic Policy

Daikin makes efforts to prevent pollution caused by products and prevent pollution from plant operations. We request that materials suppliers thoroughly prevent prohibited chemical substances from entering our products in accordance with legal regulations. In addition, we manage and reduce emissions of chemical substances handled in the manufacturing process, as well as monitor voluntary standards for hazardous substance emissions in the air and water.

Compliance with Restrictions on Toxic Chemicals

Management of Chemical Substances Contained in Products

Daikin has a list of designated control substances that are restricted under the RoHS Directive,[1] the REACH Regulation,[2] and other laws. These are stated in our Green Procurement Guidelines, and we work to prevent the presence of these chemicals in our products.

[1] The RoHS Directive (Restriction of Hazardous Substances Directive) 2011/65/EU is a regulation in the EU prohibiting the use of certain hazardous substances in electrical and electronic equipment.
[2] The REACH Regulation 1907/2006/EC on chemical substances went into effect in Europe in June 2007. REACH obligates companies manufacturing or importing at least 1 ton of chemical substances a year in the EU to register with EU authorities. REACH covers almost all chemicals on the market in the EU.

See below for information about compliance with regulations on hazardous chemicals.

119 Social Supply Chain Management Responsible Procurement Promoting Green Procurement

Compliance with J-Moss

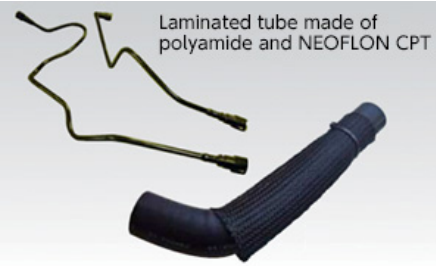
Products that Help Prevent Air Pollution

Fluorine Materials for Automobiles that Suppress VOC Leakage

The automotive industry strictly regulates the transpiration of volatile organic compounds (VOCs), which contribute to air pollution. Daikin supplies fluorine materials that contribute to the prevention of air pollution.

NEOFLON CPT is a material for automobile fuel tubes and hoses that prevents permeation and leakage of VOCs in the hot engine surroundings. It reduces permeation to just one-fifth of Daikin's previous product, NEOFLON ETFE.

Automobile Fuel Hose Made of Fluororesin



Management and Reduction of Chemical Substances During Production

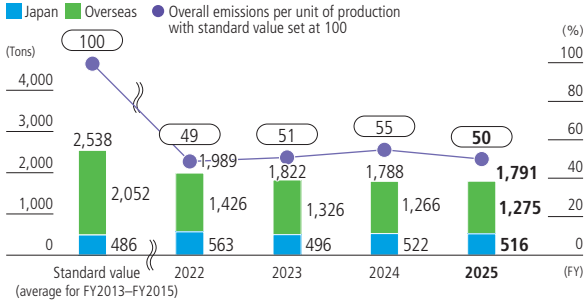
Establishing Reduction Targets for PRTR-Regulated Substances and VOC

Each Daikin business base in Japan and overseas is making efforts to reduce a variety of chemical substances. They are also working continuously to increase the recovery rate and ensure the appropriate treatment of target substances.

We are working toward a target of reducing emissions per unit of production (total of PRTR[1] substances and VOCs) in fiscal 2025 by 10% compared to the baseline.[2] In fiscal 2025, we achieved a 50% reduction against the standard value.

[1] Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement
[2] Average chemical substance emissions between fiscal 2013 and fiscal 2015

Chemical Emissions (total of PRTR Substances and VOCs) / per Unit of Production



See below for our compilation of PRTR substances

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Daikin's Approach to PFOA

Daikin has ceased the manufacture and use of perfluorooctanoic acid (PFOA) as of the end of calendar year 2015. Our Yodogawa Plant (Settsu City, Osaka Prefecture, Japan) has voluntary implemented measures such as pumping and cleaning up of groundwater to date in response to the detection of PFOA in the groundwater around the plant.

Starting in 2023, we began construction of a water-impermeable wall around the perimeter of the Yodogawa Plant to ensure any PFOA is contained on site. As a company that manufactured and used PFOA in the past, we will continue to monitor trends relevant to PFOA and to take action in consultation with the local authorities.

Daikin's Approach to PFOA

Daikin's Approach to PFAS

At its chemical plants, Daikin Industries captures perfluoroalkyl and polyfluoroalkyl substances (PFAS) from wastewater generated during the PFAS manufacturing process. In the United States and Europe, we already recover 99% of polymerization emulsifiers from fluoropolymer manufacturing processes. We are also focusing on developing advanced technologies to destroy PFAS, with a particular emphasis on acquiring technologies that can be implemented in actual wastewater treatment applications, and accelerating technological development through industry–industry and industry–academia collaboration.

We recognize the need for continuous improvement in manufacturing stewardship. Going forward, we will consider new technologies and practices to help ensure the safe manufacture and use of our chemical products.

Daikin's Approach to PFAS

Daikin's Approach to SOx and Nox

We measure and manage emissions of sulfur oxides (SOx) and nitrogen oxides (NOx), which are required to be measured by the laws and regulations applicable to each business base, in accordance with laws and regulations. We are also taking steps to further curtail their emissions.

See below for air pollutant emissions

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Storage and Treatment of PCBs

Daikin abides by national laws in properly managing equipment containing PCBs (polychlorinated biphenyls). Treatment of all waste containing high PCB concentrations was completed. Waste with low PCB concentrations is being disposed of based on a Daikin disposal plan.

Preventing Pollution

Minimizing Environmental Damage in Case of Accident or Disaster

Daikin has systems in place that allow it to minimize environmental damage if there should be an accident or disaster at Daikin manufacturing bases around the world. Our Disaster Prevention Manual details how to deal with emergencies like chemical and oil leaks, spills, and earthquakes. The manual is the basis for regular emergency drills. We hold disaster prevention drills at least twice a year at all domestic manufacturing sites. By conducting drills simulating the leakage of oil or chemical substances, we ensure that measures are taken to prevent actual leakage into the soil or wastewater.

Monitoring of Pollutants

Daikin controls air and water pollution using voluntary standards that are stricter than national emission standards and local government by-laws. We regularly measure our various environmental impacts and work to either prevent or decrease them.

In Harmony with Nature

Protecting Biodiversity

Basic Policy

To achieve nature positivity, Daikin strives to minimize the negative impacts of its business activities on biodiversity, while at the same time working to maintain the balance of precious natural environments and ecosystems around the world and restore their abundance.

Biodiversity and Climate Change

Biodiversity is seriously affected by the loss of habitats and the destruction of ecosystems caused by climate change, which means that climate change countermeasures are essential to realizing a world that is in harmony with nature. Daikin considers climate change to be a top priority and believes that it is most important to minimize impacts on biodiversity by reducing GHG emissions throughout all of its business activities, including product development, production, transportation, sales, and service. Similar to carbon neutrality, it is important that biodiversity conservation be addressed throughout the entire supply chain. Daikin asks its suppliers to consider and address biodiversity in its Green Procurement Guidelines and Supply Chain CSR Promotion Guidelines.

019 Management Priority Sustainability Items Key Sustainability Themes and Management Structure

028 Environment Climate Change Challenge to Achieve Carbon Neutrality

116 Social Supply Chain Management

Basic Policy of Protecting Biodiversity

In September 2010, Daikin established its Basic Policy on Protecting Biodiversity. Based on this policy, we will reduce GHG emissions from our business activities, which have a particularly large impact on biodiversity. We will also promote efforts to protect and restore nature outside of our business operations.

Basic Policy of Protecting Biodiversity

We act for the sake of abundant greenery and fresh air.

Thinking Behind Our Basic Philosophy

Our society is built upon the many blessings that nature gives us. The source of these blessings is biodiversity. The loss of this biodiversity would hurt our water, food, and other aspects of our life.

Daikin's business also has a major effect on biodiversity through our contribution to global warming.

To contribute to a sustainable society, we strive to reduce our contribution to global warming throughout our business activities, and to maintain balance in ecosystems so that we can help bring back the abundance of the natural world.

Main Efforts

1. We are committed to promoting efforts to mitigate global warming from the perspective of biodiversity as well.

- Reduce GHG emissions throughout our entire business activities, including product development and production, transportation, sales, service, and the supply chain.

2. As a member of the community living in the bounty of nature, we work with our employees to promote initiatives to protect and regenerate nature.

- In the countries and regions in which we do business, we work with governments, residents groups, NPOs, and NGOs in efforts including the protection and rejuvenation of nature.
- We create new forests on our premises.
- We support employees in their volunteer work.
- We provide the public with information and education.

(Established September 2010)

Efforts at Bases

Continuing Satoyama Restoration at Shiga Plant

Employees have taken the lead in restoring the region's original satoyama landscape in the Daikin Shiga Forest biotope located on the premises of our Shiga Plant. In addition to continuing to eradicate invasive species, conserve native species, and conduct biological monitoring surveys, the biotope is also used for environmental learning for local elementary school students. In 2024, the biotope was designated a Nationally Certified Sustainably Managed Natural Site, under Japan's OECM framework by Japan's Ministry of the Environment. In 2025, the plant endorsed the Shiga Nature Positive Network,* expanding the scope of its activities.

* A platform established in August 2025 for information sharing among companies, local organizations, universities, and government agencies, centered around Nationally Certified Sustainably Managed Natural Sites within Shiga Prefecture.

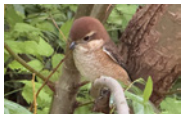
Environmental learning

Ministry of the Environment Nature Coexistence Site logo

Nature Forest at Yodogawa Plant

We are preserving the forest located at our Yodogawa Plant to recreate the satoyama landscape of the Hokusetu region where it is located. Since 2017, plant employees have been continuously working to improve the habitat of the Genji fireflies to help establish breeding and increase the population. Today, a decade after the satoyama landscape was restored, the forest now fosters a rich new ecosystem from the nearby Yodo River. Recently, kingfishers and bull-headed shrikes (often described as small birds of prey with a carnivorous diet) have been observed near the clear stream, while Daurian redstarts have been spotted on their migration from Siberia and northern China.

Kingfisher


Bull-headed shrike

Biodiversity Conservation at the Sakai Plant's Biotope

The Sakai Plant established a biotope in 2012 with the aim of creating a home for living organisms. Since then, employees and their families have participated in the greening of the area around the biotope. As a result, the biotope at the Kanaoka Factory, which is surrounded by residential areas, is home to many aquatic organisms, including Oryzias and Pseudorasbora parva, and other fish, and is also visited by birds such as spot-billed ducks and wagtails to rest their wings.

In fiscal 2024, the Kanaoka Factory formulated an action plan for biodiversity conservation through 2030. We have also begun the Kanaoka Minami Daikin Forestation project in collaboration with a nearby elementary school.

Forestation work with local elementary school students

Daikin Ales Aoya Training Center Works to Protect and Rejuvenate Natural Forests on Coastal Dunes and Beaches

Daikin Ales Aoya Global Training Center in Tottori Prefecture, Japan is located on a coastal dune known for its "whistling sand." The area is home to a typical coastal vegetation ecosystem: starting from the beach and gradually giving way to taller trees. However, this coastal vegetation has been rapidly disappearing across Japan. Daikin Industries not only protects this rare coastal dune environment, but also brings back the nature that had been lost so that this dune ecosystem can once again return to its natural state. First, we survey the local vegetation, then formulate and implement a vegetation and planting plan. After implementation, we receive advice from experts in the monitoring and fostering of the vegetation.

These activities were recognized with Excellent Stage 3 certification, which is the second highest level on the 5-step evaluation of the SEGES social/environmental contribution greenery evaluation system run by the Organization for Landscape and Urban Green Infrastructure.

Daikin Ales Aoya (overview)

Mark of certification for the SEGES (Social and Environmental Green Evaluation System)

Rejuvenating Community Forests in Osaka Prefecture

Daikin is also rejuvenating forests around its business sites. Using the adopt-a-forest program,* Daikin has been involved in Satoyama restoration in Izuhara in Ibaraki City since fiscal 2016.

In fiscal 2025, a total of 55 people, including employees and their families, took part in an event in Izuhara to remove bamboo and plant broadleaf trees to increase the population.

* A program where Osaka Prefecture works with companies and forest owners to encourage their involvement in forest upkeep work.

Initiatives at Overseas Bases

At its bases around the world, Daikin takes part in a number of nature conservation activities in forests, along rivers, and in coastal areas at its business locations and in the local communities.

Daikin Applied Europe
Greening activities in the community

Daikin Industries (Thailand)
Tree planting in the community

Initiatives Through Corporate Citizenship Programs

"Forests for the Air" Project Helps Preserve Irreplaceable Resources—The World's Valuable Forests

Forests, which nurture biodiversity, produce oxygen through photosynthesis and also have cooling and air-purification effects. Forests are the earth's air conditioner. They help to mitigate climate change by absorbing and fixing CO_2 in place over the long term, and play an essential role in maintaining a stable atmospheric environment.

Daikin believes that protecting and nurturing vibrant forests is an important initiative that supports the foundation of Earth's environment. Since 2014, we have been implementing the "Forests for the Air" project to conserve our planet's valuable forests. Over the 10-year period to the end of 2023, the project has conserved 11 million hectares of forests and contributed to the reduction of more than 7 million tons of CO_2 emissions. On Daikin's 100th anniversary in 2024, we extended the project for another 10 years. We have strengthened our support in Hokkaido's Shiretoko, Indonesia, India, China, and the Amazon River Basin, while adding Okinawa Prefecture's Iriomote Island and Ethiopia to the project scope.

This project aims not only to plant trees but also to establish a forest conservation system led by local residents. Taking advantage of global partnerships with international NGOs and other organizations, we will provide localized community support, such as supporting agriculture as an alternative source of income to deforestation as well as environmental education.

Regions Covered by the "Forests for the Air" Project

"Forests for the Air" Project

Efforts in Japan

Areas receiving support in Japan include the Shiretoko Peninsula in Hokkaido and Iriomote Island in Okinawa Prefecture. The project's support of Shiretoko began in 2011. Daikin, the Shiretoko Nature Foundation, Shari Town, and Rausu Town are working to restore forests based on a collaborative agreement. In addition to donations, we send employee volunteers twice a year, with 21 participants in fiscal 2025, bringing the total number to 266.

Furthermore, on Iriomote Island in Okinawa Prefecture, where support began in 2024, we began dispatching employee volunteers in fiscal 2025 under a tripartite agreement with Taketomi Town and the Iriomote Foundation. Fifteen people participated in beach cleanups and invasive species removal, providing them with an opportunity to take ownership of environmental issues.

Shiretoko volunteers

Iriomote Island volunteers

Initiatives in the Amazon Basin

The Amazon, the world's largest tropical rainforest, plays an important role in regulating temperatures globally. It also has one of the most diverse habitats on Earth. However, the Amazon's forests are losing ground to land clearing and slash-and-burn agriculture driven by poverty, as well as the effects of wildfires. Daikin is working with Conservation International (CI), an international NGO, to conserve forests and support local communities in Tomé-Açu, Para, Brazil and the Madidi National Park area of Bolivia, both within the Amazon River Basin.

The indigenous people who live there are the most affected by deforestation. Their means of livelihood, culture, and spiritual life are heavily dependent on the forest. In Bolivia, we introduced agroforestry, encourage the processing and sale of agricultural products, and promote ecotourism in the Tacana community living in the area served. Furthermore, we support women in developing their skills and aim for sustainable forest management led by local residents.

Supporting the capacity building of a Tacana women's weaving group

Initiatives in Java, Indonesia

Since 2008, Daikin has been restoring the forest in Gunung Gede Pangrango National Park on the island of Java in Indonesia. This area is plagued by illegal logging and land conversion for agricultural use. Yet, it is considered a critical area sometimes referred to as the "last forest." We have worked in cooperation with the government, local residents, and NGOs to restore 355 hectares of forest locally. In addition to afforestation, we are establishing a community-led conservation system through support that leads to improved living standards, such as the introduction of agroforestry and the development of water supplies and micro-hydroelectric power generation facilities. In 2024, we expanded the area of support to an additional 500 hectares in the surrounding area. In October 2025, we held a tree-planting ceremony at the site. We are now strengthening our local partnerships, including with the participation of employees from Daikin Airconditioning Indonesia, to promote greater forest stewardship.

Commemorative ceremony held locally

Social

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- 069 Providing New Customer Value Through Solutions
- 074 Improving Product Safety and Quality
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123 Affected Communities
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Markets and Customers

Providing Safe, Reliable and Comfortable Air Environments

Basic Policy

Daikin places the highest priority on providing safe, reliable, and comfortable air environments with air among its key sustainability themes. As a company that places air at the heart of its business, Daikin has set in its Environmental Vision 2050 a goal of contributing to the resolution of social challenges with products and solutions that harness the power of air.

Daikin capitalizes on its technologies for controlling temperature, humidity, air purification, and air flow refined as a dedicated manufacturer of air conditioners to deliver safe, reliable, and more comfortable air environments to people around the world.

Initiative Background

As global warming progresses, the frequency and intensity of heat waves are increasing, raising health risks such as heatstroke and cardiovascular disease. On the other hand, soaring energy prices are limiting the use of space heating, causing health risks associated with cold weather to become more serious. These effects are pronounced among the elderly, low-income groups, and densely populated urban areas.

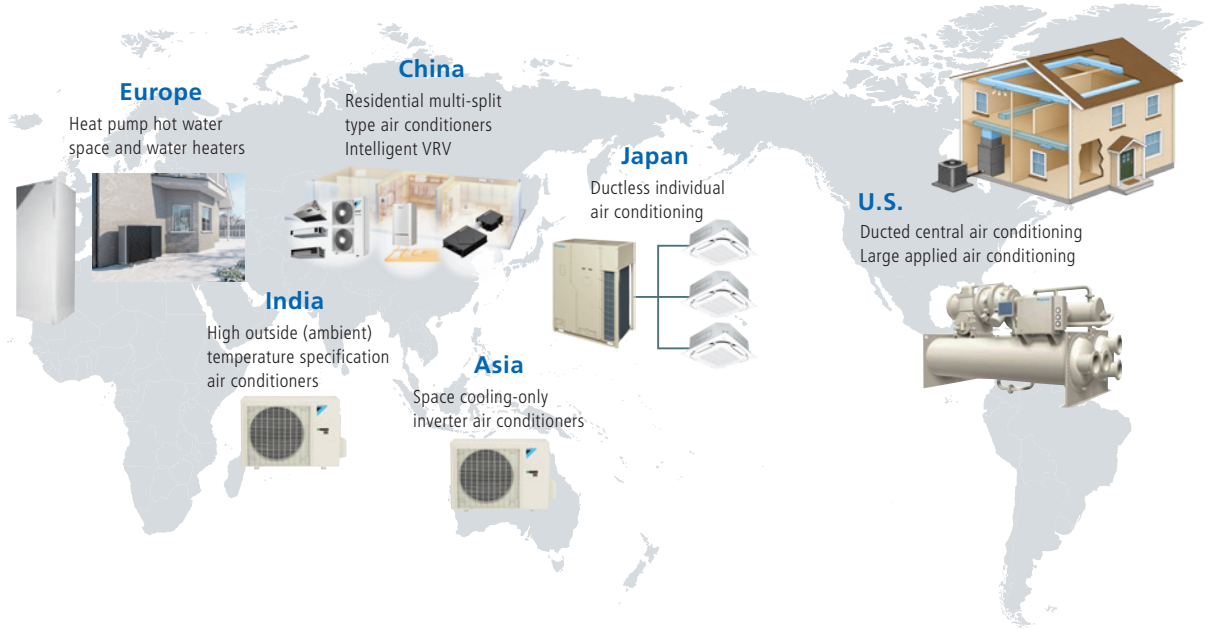
In this context, organizations such as the International Energy Agency (IEA) and the United Nations Environment Programme (UNEP) point out that many people around the world require space heating and cooling but cannot access the right indoor temperature due to economic, social, and infrastructure constraints. In particular, the number of people who lack access to space cooling is estimated to be in the billions. Air conditioning is evolving its role from providing comfort to becoming an infrastructure that protects lives.

Initiatives to Spread Sustainable Air Conditioning

The specs and requirements of air conditioners vary greatly depending on the country and region, due to climate, housing styles, customer preferences, and energy efficiency regulations. Daikin has established a development, sales, and service system tailored to regional needs, with over 130 production bases worldwide. We offer a wide range of products, from residential air conditioners to large-scale equipment for commercial facilities and industrial use, providing products and services that meet market needs. We are promoting the spread of air conditioning infrastructure in over 170 countries and regions worldwide, contributing to improved adaptability to climate change.

Daikin places importance on providing sustainable air conditioning infrastructure that reduces environmental impacts, in addition to promoting the widespread use of air conditioning. By improving the energy efficiency of our products, adopting refrigerants with lower global warming potential, and utilizing heat pump technology, we are pursuing adaptation to climate change from two perspectives: reducing CO_2 emissions and contributing to people's health and lives. As an indicator demonstrating the balance between providing safe, reliable, and comfortable air environments and reducing environmental impacts, we have set a target of providing sustainable air conditioning infrastructure to a cumulative total of one billion people worldwide from 2019 to 2030.

Differences in Air Conditioning Systems by Country/Region



Development of Products and Technologies Based on Regional Needs

Stepping Up Worldwide Marketing Research

Product development tailored to the specific usage environment of each region is essential for the wider adoption of air conditioning infrastructure Daikin conducts surveys on the latest trends in each of its development bases worldwide. We also focus on understanding regional characteristics including climate. For example, we have set up field equipment to collect data on cold climates at the Daikin Asahikawa Lab. In addition, we are also working with local venture companies and start-ups through the Open Innovation Lab in Silicon Valley and Shenzhen to explore new businesses and technologies. We also collaborate with a number of universities in Japan.

In March 2025, we completed construction on our new R&D center in Ghent, Belgium aimed at strengthening research and development of heat pump heating. In April 2025, we opened our third R&D center in the growing market of India, in Neemrana. In Japan, we are expanding our R&D centers, including enhancing the technical research functions at the Tokyo branch of TIC.

R&D center in India

Product Development Based on a Global Base Model

Daikin utilizes its own base model developed in-house in product development.

A base model is a development methodology for quickly and reliably providing products that meet the needs of customers around the world. The basic performance of air conditioners, such as cooling and heating, and common components are standardized using the base model. On top of this, we design products by combining elements such as energy efficiency, airflow, quietness, design, and price, which are important in each region. By supplying products suited to the usage environment and market characteristics of each region, we maximize ease of use in each locality. Providing value at the equipment level forms the foundation of our solutions business, which includes operation and services after the sale.

Understanding and Reflecting Customer Needs

In addition to marketing research at its development bases, Daikin also focuses on gathering information from its customers. Believing in the importance of deepening direct communication with customers, we have opened interactive showrooms, called Daikin Solution Plaza, in various locations around the world. While showing them actual products and systems, our product developers and engineers engage in dialogue with customers about their challenges and needs, and incorporate these findings into product development.

Daikin Solutions Plaza Fuha

Expanding the Spread of Air Conditioners in the IMEA Region

Demand for space cooling is surging in the India-Middle East-Africa (IMEA) region due to rapid economic growth and population increase. Daikin has established a local production and development system to develop products that meet diverse customer needs in the region.

For example, India has been hit by severe heat waves in recent years, requiring outdoor units that can withstand high temperatures of nearly 50°C. In areas with unstable power supply, fluctuations in voltage and frequency when power is restored after a power failure can cause air conditioner malfunctions. Moreover, there are many unpaved roads, which increase the risk of product damage during transportation.

Based on its global base model, Daikin has developed an air conditioner for the Indian market that incorporates customer feedback and can operate reliably even at an outdoor air temperature of 54°C. The design incorporates features tailored to the usage environment, such as a control board that can withstand voltage fluctuations after a power failure and advanced dehumidification control that balances comfort and durability. The packaging is also designed to withstand rough road conditions during transport.

Our newly established R&D center in India employs approximately 300 engineers. Daikin positions this facility as a core base for developing products for Global South markets, including India. We will leverage our technologies and expertise cultivated in India to expand throughout the IMEA region, contributing to the widespread adoption of comfortable air environments in growing markets.

Test of outdoor unit in high temperature environment

Toward the Further Spread of Air Conditioning Infrastructure

The spread of air conditioning represents one way to adapt to climate change, and at the same time, it is vital for maintaining health and improving productivity. However, there are some areas, especially in Africa and Southeast Asia, where space cooling has yet to spread fully. To address these challenges, Daikin is also focusing on creating and utilizing new business models. We offer a service that provides access to desirable air environments without having to purchase or own an air conditioner.

AaaS, a One-Step Service for Air Conditioner Adoption and Operation Management

Daikin has been providing a new PaaS* air conditioning service called Air as a Service (AaaS) together with Mitsui & Co., Ltd. since 2016. AaaS is a monthly subscription-based service that eliminates the need to purchase air conditioners. Under this service, Daikin provides everything from air conditioner selection and installation to operation and maintenance as a one-stop service, resulting in optimized energy management. For our customers, this allows for lower initial air conditioning installation costs and continuous reduction in electricity consumption, operational management costs, and personnel burden.

The combined total of AaaS contracts is expected to reach nearly 100 by the end of fiscal year 2025. Driven by labor shortages and decarbonization, AaaS applications are expanding, and in addition to the traditional focus on healthcare and welfare-related facilities, it is increasingly being adopted by companies and factories.

* PaaS: An acronym for Product as a Service. A type of service provided over the Internet.

Subscription-Based Air Conditioning Business in Tanzania

Daikin has begun rolling out subscription-based high efficiency air conditioners for small offices and stores as well as homes in Tanzania. By reducing the cost of installation and the burden of electricity bills, we intend to promote the spread of air conditioners in Africa. The project is operated by Baridi Baridi Inc., a joint venture with WASSHA Co., Ltd., an electricity service provider that uses IoT technology in regions of Africa without electricity. Since the launch of sales in October 2021, the company has expanded its business, and as of March 31, 2026, approximately 5,400 units have been sold and installed.

Installing an outdoor unit at a house

Air conditioner operation using the dedicated app

Baridi Baridi Inc.

New Heat Countermeasures for Outdoor Spaces

Daikin is working on social implementation of cooling in outdoor spaces under the framework of the Ministry of Land, Infrastructure, Transport and Tourism's FY2025 Cool-Down Urban Development Project. In July 2025, in collaboration with Tokyu Corporation, Tokyu Land Corporation, and Tokyu Recreation Co., Ltd., we set up cool spots in the Shibuya area of Tokyo that combine outdoor air conditioning and misting systems. We verified the effect of reducing the Wet Bulb Globe Temperature (WBGT) index and confirmed that it also contributes to promoting visitors' stays and movements around the area.

Furthermore, during the Gion Festival in July 2025, we collaborated with Kyoto University and others to set up cool spots utilizing outdoor air conditioners. We demonstrated that the WBGT can be kept to below 28°C, and also verified the reduction of CO_2 emissions through power supply from hydrogen fuel cell vehicles.

We will continue to promote the widespread adoption of heat countermeasures for outdoor spaces that balance comfort and reduced environmental impact, contributing to the realization of a sustainable urban environment.

Topics

Cool Spot Set Up at Expo 2025 Osaka, Kansai, Japan wins Good Design Award

Daikin's "Ice Cool Spot," a rest area set up at the venue of the Expo 2025 Osaka, Kansai, won the 2025 Good Design Award. The spot was inspired by historical icehouses and employs a cooling system that combines ice thermal storage air conditioning technology with solar power generation. Instead of cooling the entire space, it cooled people directly through cold radiation from the ice, providing a comfortable coolness similar to that of the shade of a tree. Furthermore, the open wooden architecture, designed with ventilation and natural light in mind, was praised for its functionality and design.

Daikin to Create "Ice Cool Spot" at Expo 2025 Osaka, Kansai, Japan

Markets and Customers

Providing New Customer Value Through Solutions

Basic Policy

Under the Daikin Group Philosophy of "Create New Value by Anticipating Future Needs," we leverage our technological prowess cultivated as a dedicated manufacturer of air conditioners to meet the diverse needs of customers through our products and services.

In recent years, the needs of our customers have grown increasingly diverse and more complex due to the emergence of such social challenges as decarbonization, energy conservation, and improved comfort, along with changes in people's values. Customer expectations have grown from addressing issues with individual products to total solutions that include the actual usage environment and operation. Daikin will provide new forms of customer value by not only resolving the challenges of customers but also capturing their potential needs that lie beyond.

Providing Solutions to Address Customer Challenges

Harnessing our strengths in air conditioning technology, data, and collaboration with other industries, Daikin will expand its value proposition from product installation and maintenance to the entire building, and even to the community and town. We provide integrated services from design and installation to operation, maintenance, and energy management, offering solutions tailored to the specific needs of each application. Under Fusion 30, we intend to expand our solutions business as an indicator of delivering new value to customers, aiming to achieve a sales ratio of 40%.

Customer Satisfaction Through Differentiated Products and Services

Product Development Focused on Customer Needs

In order to meet diverse customer needs and create new value that contributes to society, it is important that Daikin first builds up its technological superiority by leading further advanced technologies: inverters, heat pumps, and fluorochemicals. Furthermore, we integrate information and communication technology, sensor technology, advanced materials and processing technology, and air quality improvement technology to enhance our product development capabilities.

We research the latest market trends at our development centers around the world and develop differentiated products focused on customer needs. We aim to improve customer satisfaction by proposing the optimal selection and combination of air conditioning products according to the customer's usage and requirements.

066 Social Markets and Customers Providing Safe, Reliable and Comfortable Air Environments

Providing Customer Value with After-Sales Service

Even after installation, Daikin ensures that customers can continue to use its air conditioners comfortably and with peace of mind. Through maintenance and services, we understand the operating status and usage environment and propose optimum operational improvements tailored to each customer's specific challenges and needs.

Our service system, which quickly and reliably covers everything from troubleshooting and restoration to prevention of recurrences, minimizes the burden placed on customers due to equipment downtime in the event of a problem, ensuring stable operation and maintaining and improving customer comfort.

To support this level of service quality, Daikin also focuses on training its service engineers, providing not only basic training but also continuous education tailored to different levels and job roles.

096 Social Daikin Employees Development of Human Resources Fostering Service Engineers

Building a Worldwide Service Network

Daikin is in the process of establishing a service network covering all regions worldwide.

For Japan, the Daikin Contact Center is open 24 hours a day, every day of the year, for all general inquiries. We have also established a service structure overseas, including service centers around the world, contact centers, and our website and app so that customers can access the service they need based on Daikin's slogan of "speed, accuracy, and good manners."

Assessing the Degree of Service Satisfaction

At Daikin, we conduct a customer survey annually to assess the degree of service satisfaction.

We conduct questionnaires on our after-sales services in Japan. The Customer Satisfaction Index (CSI) for fiscal 2025 was 4.67, achieving our CSI target of 4.40 or higher for the seventh consecutive year at all service stations. We also conduct customer satisfaction surveys regarding after-sales services overseas.

See below for the improvement in customer satisfaction and overall satisfaction

156 Data ESG Data Society Markets and Customers

Creating the Optimal Environment Throughout the Entire Life Cycle

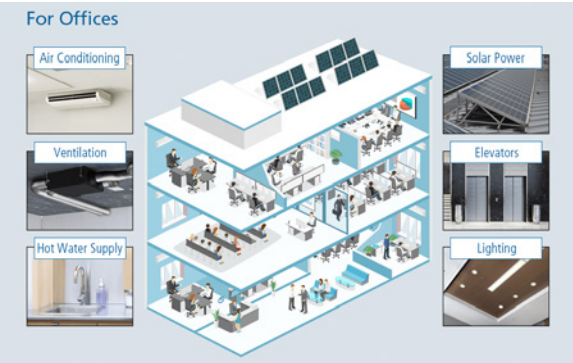
Proposing Net Zero Energy Buildings (ZEBs)

In the design phase, which is crucial for optimizing the life cycle of buildings and equipment, we design not only individual air conditioners, but also the equipment and control systems for entire buildings in an integrated manner, taking into account the building's purpose, size, and operations. In addition to design that includes instrumentation, we provide integrated services from installation to operation, contributing to the creation of spaces that are both comfortable and energy efficient.

A prime example of this is our proposals for Zero Energy Buildings (ZEB). A ZEB is a building that aims to achieve a net-zero balance of annual primary energy consumption by utilizing energy conservation and renewable energy, while offering a comfortable indoor environment. Achieving ZEB status requires not only optimal air conditioning design tailored to the building's purpose and usage, but also energy reduction through high-efficiency equipment and controls and management that ensure efficient energy use according to operational conditions.

Daikin has accumulated knowledge and advanced technology on air conditioners and ventilation systems along with their controls. It is possible to achieve ZEB using our unique system that is versatile and popular for application in existing small- and medium-sized buildings with high energy-saving potential, as well as new buildings. Daikin Industries, Ltd. registered as a ZEB planner[1] in 2017. Since then, we have been working with general contractors in Japan and overseas to promote the spread of ZEB. As a ZEB planner, we measure the load data of existing air conditioners before considering ZEB. Based on the results, we propose the optimal capacity of air conditioners and support the realization of ZEB by renovating facilities and taking other steps.

Proposing Net Zero Energy Buildings (ZEBs)



Daikin is also working to achieve ZEB status in its own buildings. Established in 2015, TIC is focused on achieving ZEB status for newly constructed large-scale buildings by leveraging advanced technologies to significantly reduce energy consumption and utilize them for the development of energy efficient technologies. To date, Daikin has achieved ZEB status at one of its own buildings in Japan, Nearly ZEB[2] status at four locations, and ZEB Ready[2] status at 10 locations.

[1] A business operator that accepts consultations, provides various business support, and discloses information on activities related to ZEB conversion. The registration system is based on application submission to the Sustainable Open Innovation Initiative.
[2] In Japan, buildings that reduce primary energy consumption by 50% or more from the standard, excluding renewable energy, are defined as ZEB Ready. Buildings that reduce primary energy consumption by 50% or more from the standard and further reduce it by 75% or more but less than 100% including renewable energy, are defined as Nearly ZEB.

See below for the ZEB certifications of our own buildings in Japan

157 Data ESG Data Society Markets and Customers

Responding to Growing Global Demand for ZEB and Green Buildings

Daikin is not only working to achieve ZEB in Japan, but also advancing its efforts to meet various standards and certifications for ZEB and green buildings overseas. By providing life cycle solutions that integrate air conditioning, ventilation, and control, tailored to the diverse climate conditions, energy situations, and regulatory requirements of each region, we can help to achieve optimal energy efficient buildings that are suited to local characteristics.

In terms of our own facilities, Daikin Australia's current office is certified by NABERS as five stars. In fiscal 2024, the Suzhou Device Development Center received LEED® Platinum certification and three-star status, the highest level of the Green Building Design Label, a program for evaluating green buildings in China. Furthermore, the head office building of Daikin Air-conditioning (Vietnam), which was conceived and designed by Nikken Sekkei Ltd. and completed in May 2025, received Platinum certification in LEED®, WELL, and LOTUS, which is Vietnam's green building certification system.

Daikin Air-conditioning (Vietnam)'s head office building

Topics

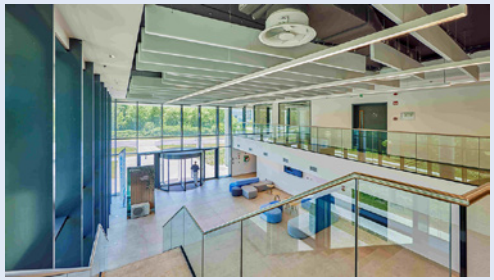
Initiatives to Promote Green Buildings in Europe

In Europe, a similar concept as ZEB is being pursued through environmental building certification systems such as BREEAM® and LEED®, which focus on improving the overall energy efficiency of buildings and introducing high-efficiency air conditioning and control technologies.

To widely disseminate these innovative initiatives to society, Daikin Europe hosts the Green Building Contest, which recognizes outstanding examples in architecture. In fiscal 2025, the contest recognized the ONCE headquarters building in Madrid, Spain, which received the highest rating of "Outstanding," under BREEAM®.

We are also focusing on developing specialized personnel who are well-versed in environmental building certification systems. Through collaboration with certification system operating bodies, we are also working to create a mechanism that appropriately reflects the environmental value of air conditioning technologies, including refrigerant leak detection technology, in building evaluations.

At our own facilities, we achieved a "Very Good" rating under BREEAM® at our office in Lyon, France, in 2025, and an "Excellent" rating at the Daikin Europe Research and Development Center in Ghent, Belgium, in 2026.



Daikin Europe Research and Development Center

Energy Management Using Operating Data

Even if air conditioning equipment is optimized during the design and installation phases, the intended performance and energy savings may not be fully realized during operation due to changes in how the building is used, people's flow lines, and operating hours.

In response to these challenges, Daikin is stepping up its energy management, including post-installation operations, by visualizing and improving operational status utilizing air conditioning and equipment operating data. Beyond simply providing products, we optimize how equipment is used, thereby achieving both reduced energy consumption and improved comfort.

AIRNET Service System Remote Monitoring Service for Commercial Air Conditioners

The AIRNET Service System, a remote monitoring service for commercial air conditioners, delivers both energy savings and comfort by automatically controlling air conditioners remotely. AI is used to predict the heat load for each room based on the air conditioner's operating data and weather information, resulting in efficient operation. In 30 demonstration experiments in Japan and overseas, AIRNET Service System reduced power consumption up to approximately 20%* throughout the year.

In fiscal 2025, we enhanced safety measures for R-32, a mildly flammable low GWP refrigerant. Constant monitoring allows us to detect signs of abnormalities early and prevent refrigerant leaks. In the event that a failure is detected, we promptly contact the customer and perform an automated circuit inspection remotely. Furthermore, automatically linking the circuit test results to the Daikin Fluorocarbon Check Tool (Dfct) makes it possible to manage ledgers on the cloud.

* Verification results for one year (cooling/heating) in an office building (compared to our multi-split type air conditioners for commercial buildings sold after 2015).

Solutions for Meeting the Needs of Different Usage Markets

Up until now, Daikin has proposed energy management and equipment diagnostics solutions, starting with its customers and maintenance sites for its own products. Going forward, we will not only focus on our own products, primarily air conditioning, but also combine the most suitable technologies and methods according to customer needs to provide value that is even more fine-tuned to our customers.

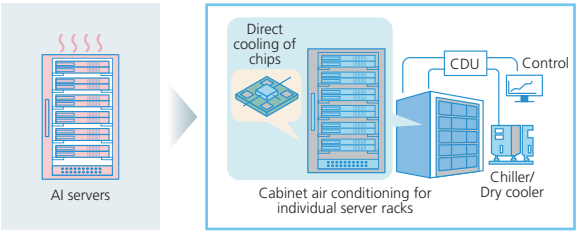
The way energy is used and the operational challenges vary greatly depending on a building's purpose. Therefore, we are expanding our initiatives to meet the specific characteristics and needs of each building type, i.e., data center, office, and factory.

For example, for data centers, the increasing server density and calorific volume resulting from advanced AI processing necessitate the optimization of cooling energy. In North America, in addition to air conditioning for large spaces, we are expanding our product lineup to include cabinet air conditioning for individual server racks and products that use liquid cooling technology to directly cool chips. This results in both stable operation and energy efficiency.

Going forward, we will combine Daikin's unique technologies with our global sales, engineering, and service infrastructure and accelerate deployment of solutions tailored to regional characteristics, thereby helping to resolve a wider range of social challenges.

Integrated Report

Total cooling systems for data centers



Conventional air conditioning that cools entire server rooms lacks the needed capacity

Achieves highly efficient and energy-saving cooling of individual server racks by directly cooling the chips
Visualizes and controls the entire facility in real time

Providing New Value with Air

City-Wide Optimal Energy Management

Daikin is helping to resolve energy issues and contribute to sustainable urban development by providing energy saving solutions for entire communities.

In Europe, since first participating in the Smart Communities Project using heat pump space heating in Greater Manchester, the United Kingdom, in fiscal 2014, we have gone on to be involved with a demonstration project for demand response technology using multi-split air conditioning systems for office buildings in Lisbon, Portugal, along with a smart city demonstration project for renovating detached houses in Genk, Belgium. In Asia, since fiscal 2020, we have been participating in a project for building a district-level centralized cooling system to optimize control for the entire Tengah Town being developed by the government of Singapore.

Tengah Town

Products and Solutions Utilizing the Power of Air

Air is a form of natural capital shared worldwide. As a company that places air at the heart of its business, Daikin will contribute to the resolution of social challenges with products and solutions that harness the power of air.

Daikin capitalizes on its technologies for controlling temperature, humidity, air purification, and airflow refined as a dedicated manufacturer of air conditioners to deliver safe, reliable, healthier and more comfortable air environments to people around the world. We are also committed to exploring and creating new value with air to make people's lives even better.

Air Purification

Daikin has been using its proprietary technologies to pursue even higher quality air purification solutions. In Japan, we have achieved air purification by utilizing its unique streamer discharge technology for air purification. Streamer discharge technology generates high-speed electrons with strong oxidative decomposition capabilities over a wide area, providing sustained action against indoor pollutants such as odors, bacteria, and formaldehyde. Daikin is demonstrating the effectiveness of this technology against viruses, bacteria, and harmful substances, including novel coronaviruses, through collaborative research with universities and public research institutions.

Healthy and Comfortable Air

Amid significant changes in the social environment that include the spread of infectious diseases, climate change, and urbanization, air quality has become a crucial element that supports people's lives and underpins the sustainability of society. Daikin will continue to contribute to resolving social challenges and making people's lives even better through air, closely in tune with diverse settings such as healthcare, education, workplaces, and living spaces.

Because air quality is invisible, dealing with infection risk has so far been limited to symptomatic treatments that rely on human senses and experience. In response to these challenges, Daikin is offering "infection risk diagnosis" as part of its hospital solutions initiative, which visualizes airflow and ventilation conditions for medical facilities. Accurately analyzing airflow and ventilation conditions, and understanding air quality issues and infection risks, provides for an air environment where patients and healthcare workers can feel safe and secure.

Medical facilities need to provide a safe, reliable, and comfortable air environment

Air Environments that Enrich People's Lives

Air quality has a significant impact not only on people's concentration, work efficiency, and the quality of the learning environment, but also on our daily lives and experiences. Daikin meticulously designs, controls, and operates temperature, humidity, airflow, and air quality to match human activity, providing comfortable and energy-efficient air environments in offices, commercial facilities, and educational institutions.

For example, by utilizing technology to control oxygen concentration, we aim to provide air environments that allow people to live healthy and active lives, both physically and mentally. This includes low-oxygen spaces that provide large exercise benefits in a short time and high-oxygen spaces that contribute to improved learning efficiency.

Topics

Improving Indoor Air Environments Using Air Filter Technology

Through the air filter business, which it has expanded overseas since 2007, Daikin has enhanced its technological capabilities in the areas of air purification and dust collection. In recent years, we have been working to improve the air quality in manufacturing sites, through, for example, dust control measures in food factories in Mexico and oil mist removal in machine parts factories in Thailand.

In fiscal 2025, we also worked on improving indoor air quality in educational facilities. Following preliminary investigations that revealed microbial contamination, such as bacteria and mold, in schools and childcare facilities in Slovakia, we installed high-performance air purifiers from American Air Filter Company in classrooms, cafeterias, gymnasiums, and other areas. During a verification period of approximately six months, regular measurements were taken, and the results showed a significant reduction in airborne microorganisms, contributing to a healthier learning and living environment.

Dust collector installed at a food factory in Mexico

AAF's Sustainability Report

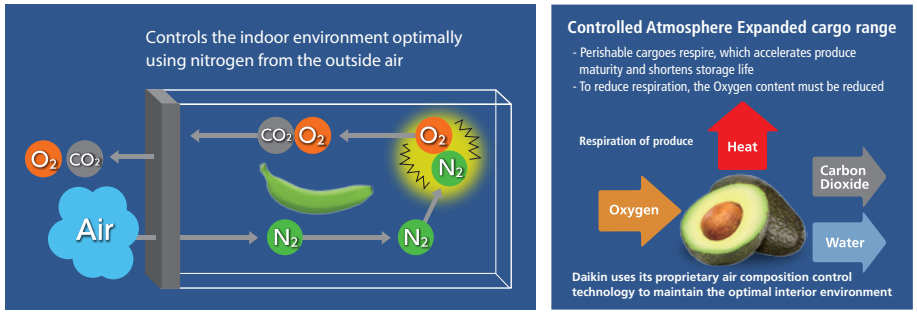
Freezer and Refrigeration Technology Supporting the Distribution of Fresh Food Products

Daikin's air solutions extend beyond providing air environments for buildings and people; we also offer air control technology as a valuable asset in the industrial sector.

One example of this is our refrigeration technology supporting the global food distribution system. Our marine container reefers maintain internal temperatures precisely in 0.1°C increments at sea around the world, where the outside air temperature ranges from minus 30°C to plus 50°C, and the air composition inside the container is also controlled by our Active CA technology, which optimizes the amount of oxygen and carbon dioxide inside the container to suppress the respiration of fresh produce and delay ripening.

Maintaining a high degree of freshness even during long-term transport contributes to the reduction of food loss and the realization of more vibrant diets around the world.

Mechanism of DAIKIN Active CA Technology



DAIKIN Active CA

Markets and Customers

Improving Product Safety and Quality

Basic Policy

As a company that provides value to customers and society through its products, Daikin has designated "Improving Product Safety and Quality" as one of its key sustainability themes.

We recognize that our social responsibility as a company lies in providing safe and high-quality products and services consistently, taking into account the entire product life cycle.

Based on this, considering product safety and quality to be a top priority and putting ourselves in the customer's shoes, we will strive to earn their trust and confidence through the provision of our products and services.

Efforts to Ensure Safety

At Daikin, providing products that customers can use with peace of mind is our top priority. We are committed to ensuring safety at every phase of design, manufacturing, and sales. We conduct risk assessments tailored to the characteristics and applications of each product, and reflect the results in product design, labeling, and instructions. For chemical products, we ensure safety throughout the entire life cycle by providing Safety Data Sheets (SDS) and complying with regulations in each country and region.

See below for our Product Safety Voluntary Action Guidelines

137 Governance Compliance Basic Policy on Product Safety

Global Product Safety Standards

In the air conditioning divisions, we are improving safety design and have formulated our Global Product Safety Standards to ensure products are designed for the utmost safety by having standards common to all Daikin bases worldwide. The goal is to make sure that products can be operated safely and that damage is limited to the absolute minimum in case of a product accident—whether the customer is using the product correctly or incorrectly, and whether the customer can operate the product safely during assumed atypical usage situations.

We adopt common standards globally for safety issues such as fire, electric shock, and explosion, and promote product safety improvements through two aspects of safety design: one that prevents accidents from occurring and one that minimizes the impact of accidents when they do occur.

In the chemicals divisions, we ensure product safety based on the concept of product stewardship, taking into account the characteristics of chemical products. We support efforts to ensure safety across the entire product life cycle through safety assessments during the product development phase, proper management of chemical substances, verification of compliance with chemical substance regulations in various countries, and provision of safety information using SDS.

Clear and Concise Product Use Instructions

The Consumer Product Safety Act obligates companies to design products for safety and provide consumers with information and warnings so that household product accidents can be avoided.

Based on the failsafe philosophy, Daikin's system of checks ensures that customer safety is the top priority in design and that design review (DR)* leads to safe products.

Our website also provides consumers with information including the model number and production year of products already on the market in Japan, we abide by the Ministerial Ordinance of Technical Standards for the Electrical Appliance and Material Safety Law by placing labels on our electrical appliances (which are covered by this law) that state the duration of product use.

* Design review: A system of coordinated activities covering design quality of products under development and the various processes involved in bringing these products to fruition. The products in question are objectively assessed and improvement suggestions are made, and only those products that pass each stage can move onto the next.

Optimizing Information Tools

Daikin strives to provide customers with accurate, easy-to-understand operating instructions so that they can use our products safely.

In Japan, we conduct labeling of the product itself, user manuals, installation manuals, and packaging materials in compliance with industry guidelines, such as the Guidelines for Labeling Household Products for Safe Use, published by the Association for Electric Home Appliances, and the revised Labeling Procedures for Ensuring the Safety of Residential Air Conditioners, published by the Japan Refrigeration and Air Conditioning Industry Association.

When we make product user manuals, we make sure they are readable, easy to understand, and easily searchable. This ensures that customers can use products with peace of mind. We work with our design, quality control, service, and sales departments to improve areas of customer confusion in order to make manuals with which customers can get the answers they need quickly. Furthermore, we have created a video page on the support site and published the WEB Video Manual for users to fix issues on their own when they cannot determine whether the system's operation status is normal or abnormal based on the user's manual alone.

Improving Quality

With a quality management system in place, Daikin ensures that its products are of the highest levels of safety and quality in all processes, from design to manufacturing, sales and after-sales service. Under this system, we accurately identify challenges from real frontline operations, products, and use conditions, and then promote initiatives to improve quality by having our sales, research, and manufacturing teams work together to solve these challenges.

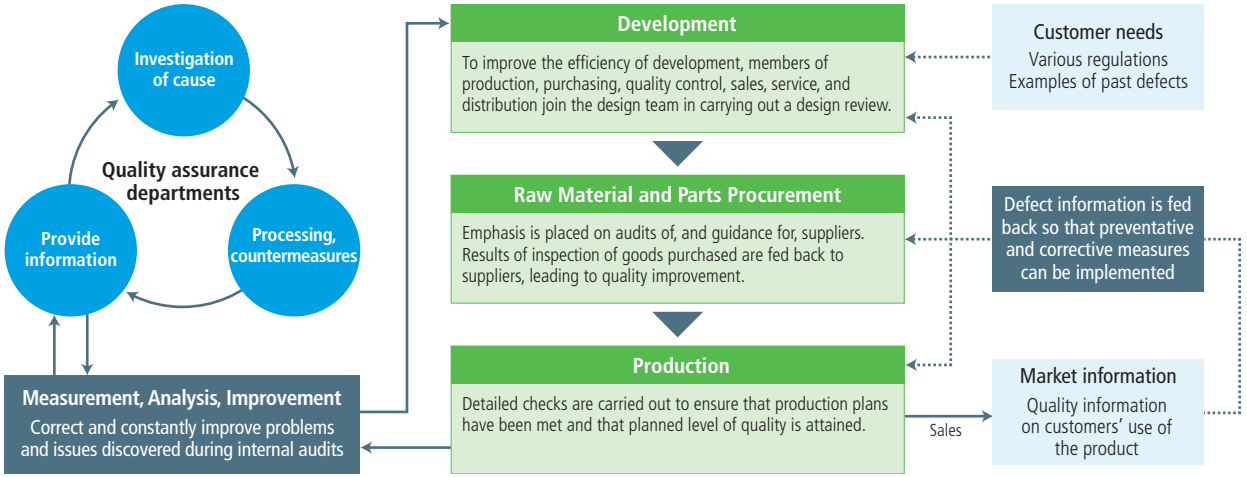
To achieve this, it is essential that each employee raises their awareness of quality in their own work. Daikin Industries is working to improve employee awareness of quality using the employee participation rate in quality training (e-learning) as a key performance indicator (KPI).

Product Quality Management Structure

All major manufacturing bases in Daikin have obtained ISO 9001 certification and have quality management systems conforming to this international standard. Company divisions maintain high levels of product quality and ensure proper management of each department, such as development, procurement, and production. We are also working alongside contract manufacturers to improve quality.

In all aspects of the quality management system, we continuously carry out internal audits, assess the operational system, and make ongoing improvements. Furthermore, every year each division sets key quality measures and targets based on the Group's new year policy and then plans and executes a fiscal year plan based on these measures and targets.

Process of Establishing Quality Management Systems in Each Division



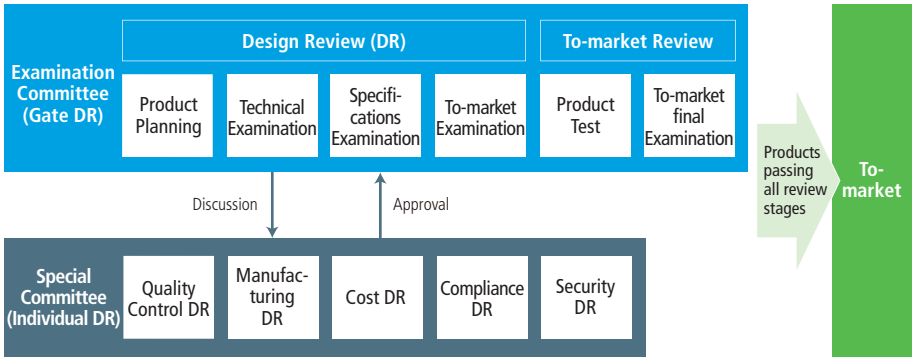
Initiatives by Each Division

Division	Quality program
Air conditioning divisions	With our quality policy of providing high quality products to customers through continuous kaizen activities and establishing Daikin quality that meets customer expectations, the air conditioning divisions strive to take the following initiatives: • Optimize quality standards to achieve customer satisfaction • Implement control tower functions to strengthen internal controls against quality risks • Upgrade quality information collection practices using IoT • Conduct preventive activities aimed at eradicating equipment-related defects and human error • Create a system for autonomous deployment of preventive measures centered on key suppliers
Chemicals divisions	In the chemicals divisions, we are working to further improve quality and ensure stable supply to meet customer satisfaction. In order to eliminate waste due to quality defects, we are strengthening the verification of settings and management of conditions for making quality products in the manufacturing process. These efforts will drive an awareness toward improving overall quality and ensure dependable quality that helps retain customers even when demand is low. • Improve product appeal: Accurately assess customer needs, study the difference in quality compared to competitors' products, and implement quality improvement. • Toward zero failures: In addition to thorough operational management, equipment management, and training, we are also working on early detection of failures using soft sensors. Detecting warning signs and failures and issuing alerts in this manner enables us to prevent defects and stabilize quality by enabling prompt action. • Strengthen quality process: Ongoing implementation of initiatives linking global collaboration, including exchanges of improvements, aimed at both increasing productivity and enhancing quality.

Ensuring Quality and Safety through Design Reviews

The air conditioning divisions have reformed their development process with a stricter, more segmented design review under which the personnel in charge of the development divisions inspect the proposed products for conformity to Daikin standards using the five criteria of an individual design review (DR): product quality, monozukuri (the art of manufacturing), cost effectiveness, compliance, and security.

Development Process Raises Quality (Air Conditioning Divisions)

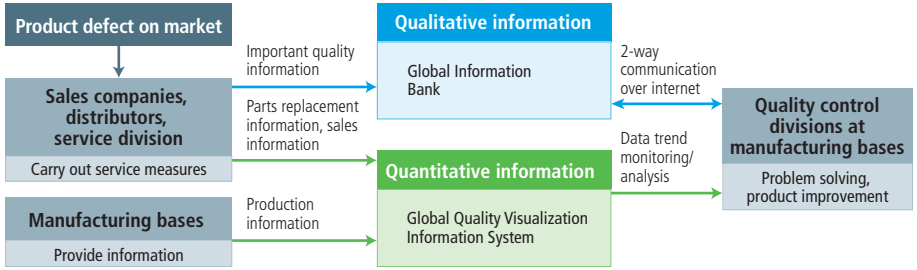


In the chemicals divisions, we have been conducting design reviews (DR) based on a four-level management system consisting of development theme verification, technology establishment, business-viability establishment, and mass-productivity. We inspect designs from multiple aspects, including technical verification, quality, monozukuri, cost, and legal regulations, in addition to safety and environmental compliance. We meet and discuss with departments related to manufacturing, quality assurance, and materials regarding whether a product meets the passing criteria for each gate to proactively identify and address issues in aiming for development without backtracking.

Tracking Customer Information and Product Information

We have two systems for gathering information—on customers and products—from markets around the world. The information is used to solve problems at each base and thus create better products.

System for Sharing Information to Solve Problems (Air Conditioning Divisions)



Establishment of a Rapid Response System in the Event of a Product Accident

Daikin products are designed based on quality standards and design standards that ensure that, even if users misuse machinery or use it beyond recommended limits, there is no danger for the users; and even if there is a product accident, the danger to the user is minimized. In case of a product accident, we have systems in place that allow us to quickly relay the necessary information and handle the problem, and minimize the impact on the product users and the general public.

We strive to prevent major product accidents from occurring. When the cause of a minor product accident is discovered, we examine it to determine whether this could also lead to a major accident. The information we gather is reflected in the development of future products.

Daikin Industries did not have any recalls in fiscal 2025.

Working Closely with Suppliers

See below for our initiatives for raising product quality and ensuring safety together with suppliers

121 Social Supply Chain Management Working Closely with Suppliers

Markets and Customers

Creation of Innovation

Basic Policy

Daikin has identified "Creation of Innovation" as one of its priority themes for sustainability. As social challenges become more sophisticated and complex, and as customer values and needs diversify, we believe that outside-the-box thinking and innovation that creates new value are essential in order to continuously provide new value.

Over the years, Daikin has supported people's lives based on its three core air conditioning technologies: heat pump technology, inverter technology, and refrigerant control technology. Further enhancing these technologies, along with incorporating and integrating diverse cutting-edge technologies and knowledge from around the world, will lead us to the creation of new value that contributes to society. Toward this end, we are working to create value in terms of both monozukuri (manufacturing) and creating experiences, not only through the evolution of our products, but also through the experiences and services provided through them.

Based on this approach, Daikin aims to create innovations that go beyond its traditional business domains by incorporating new ideas and technologies through collaboration with companies in different industries and fields, universities, research institutions, and international organizations, and combining them with its own strengths.

Aiming for Creation of Innovation Globally

Daikin is committed to the creation of innovation globally. By combining our core technologies with myriad external technologies and expertise, we are driving value creation that transcends regional and business boundaries.

Toward this end, our Technology and Innovation Center (TIC), a core base, spearheads our collaboration with universities and research institutions, as well as startup companies with cutting-edge technologies and innovative ideas.

Technology and Innovation Center as the Core Base of Innovation Creation

Daikin established Technology and Innovation Center (TIC) in November 2015 as a core base for the creation of innovation. Starting from TIC, we have established research and development centers at 69 of our bases worldwide. We utilize this network to accurately and quickly understand the needs of each region in terms of products and technological development.

TIC brings together approximately 900 engineers from various fields, integrating in-house technologies and expertise, while also collaborating with companies, universities, and research institutions in possession of unique technologies in different industries and fields. Through these collaborations, TIC draws on people, information, and technology from around the world to drive innovation.

Within the facility, we established the Future Lab, Open Lab, and Fellows Room, accessible by experts from Japan and abroad, providing an environment where engineers and external partners can interact and collaborate.

Additionally, in fiscal 2017, we established Daikin Open Innovation Lab Silicon Valley as a branch office of TIC. This facility promotes the utilization of cutting-edge technologies such as AI and IoT, as well as the acquisition and commercialization of technologies in the field of decarbonization.

Technology and Innovation Center (TIC)

044 Environment Climate Change Initiatives for a Decarbonized Society

Creating Innovation Through Collaboration with Startup Companies

Daikin is promoting collaboration with startup companies as part of its efforts to accelerate the creation of innovation by incorporating cutting-edge technologies and new ideas from sources outside the company. In fiscal 2019, we established the CVC Office within TIC to lead our collaborations with startup companies.

The CVC Office identifies promising technologies and business ideas early on through investments in domestic and international startup companies and venture capital firms, and connects them to Daikin's research and development and commercialization. Since its establishment, Daikin has invested in more than 35 companies (as of January 31, 2026) while also building relationships with partners in various fields.

Through these initiatives, we are integrating our in-house technologies and expertise with the cutting-edge technologies and innovative ideas of startup companies and promoting the creation of new value through open technological collaboration.

Collaborative Innovation Led by Industry–Government–Academia Partnerships

As part of its collaborative innovation led by industry–government–academia partnerships, Daikin aspires to contribute to solutions to global social challenges by focusing on collaboration with universities and research institutes in Japan and abroad.

Collaboration with the University of Tokyo

In 2018, we signed a "University Corporate Relations Agreement" with the University of Tokyo for a 10-year partnership with investment of approximately 10 billion yen. Under this agreement, we are working on three co-creation programs and personnel exchanges.

In addition, the main feature of this agreement is the full-fledged exchange of human resources between the two parties. The University of Tokyo instructors and students, entrepreneurs, and Daikin employees can go freely between the organizations of the agreement parties with the aim of sharing knowledge, conducting joint research, and building career paths. Daikin also collaborates with the University of Tokyo to develop globally minded human resources through global internships at its many bases.

In fiscal 2025, the steering council representing the top management of both organizations met to discuss the social implementation of six technological themes, including a compression-adsorption hybrid heat pump cycle and a home energy system.

Examples of Co-Creation with the University of Tokyo (As of March 31, 2026)

Category		Details
Three co-creation programs		
• Creating a vision for the future that will contribute to business and will be needed in the future as well		
	Vision for the value with air	Promoting the creation of themes and the establishment of rules for the value with air, based on the vision for the value with air
• Creating future technology based on core technology development and new value creation		
	Contract for lectures and joint research	Conducting joint research, including 15 social cooperation programs
	IFI-CEM Collaborative Research Unit[1]	Verifying technologies, systems, and infrastructure required for a circular economy
	Proposal of compression-adsorption heat pump cycle	Continuing demonstrations of transition to natural refrigerants
	Elucidating ice formation mechanisms on solid surfaces	Discovering how the ordered structure of water molecules near the solid surface influences ice formation
	Developing new technology for home energy systems (PACaaS[2])	Developing new technology that significantly improves the stability and response speed of home energy management systems
• Tie-ups with venture businesses with the aim of early social implementation		
	Collaboration with Fairy Devices Inc.[3]	Established a system to promote DX in service operations globally in fiscal 2025
Personnel exchanges		
	Global internships	28 people participated in Daikin's North American and European business base programs

[1] The official name of the unit is "Circular Economy Business Model Collaborative Research Unit for Sustaining Ideal Air."
[2] An acronym for Power & Air Conditioning as a Service.
[3] A start-up company originating from the University of Tokyo.

Collaboration with the University of Osaka

In fiscal 2016, Daikin established the Daikin Collaboration Research Institute at the University of Osaka. This institute is developing new materials, new processes, and processing technologies related to the air conditioner business.

In fiscal 2020, we solicited new ideas for research themes on indoor air quality and air environments from students attending all schools of the University of Osaka, ultimately establishing the shared vision of Leading the Future of People and Space. In turn, we formulated the three main pillars of "infrastructure sharing," "mass customization of environment," and "digital twin city" in pursuing this vision. For themes where we have achieved a certain level of success, we are steadily moving on to the demonstration phase toward commercialization.

In fiscal 2025, as part of our efforts to transform into a solutions provider, we launched a data solutions project to meet customer needs by analyzing customer data, publicly available data, and our own data. We are moving ahead with the project while receiving advice from a professor of Osaka University, and graduates from Daikin Information and Communications Technology College are also involved in data analysis.

Furthermore, with the support of the university's president, we conducted a workshop to generate new research themes involving young medical researchers and members from TIC, business divisions, and Group companies. By utilizing hospitals and medical facilities and integrating data related to air and people, we will accumulate insights and, in the future, expand our solutions to offices, nursing homes, factories, hospitals, and other settings.

We also worked on developing technologies for decomposing PFAS in wastewater, improving the physical properties of plastics through composite technologies, and developing portable testing devices for refrigerant recovery.

Examples of Co-Creation with the University of Osaka (As of March 31, 2026)

Category	Details
Joint Research on Air Conditioning and Chemical Core Technology	
Air Conditioning	We developed elemental technology for upgrading and differentiating manufacturing through a partnership with the Joining and Welding Research Institute, which possesses world-leading technologies.
Chemicals	We created innovative platform technology for new fluorine materials and non-fluorine materials and extensively utilized the cutting-edge analysis equipment and technologies of the University of Osaka. In fiscal 2025, to come up with innovative material solutions, in the air conditioning business, we pursued innovations of the monozukuri process, while in the chemicals business, we built a foundation to promote the development of materials not limited to fluorine and research into alternative technologies.
Verification Phase Research	
Energy Management	We transformed the University of Osaka's new Minoh Campus into a net zero energy building (ZEB). This made the university one of the first to make two buildings ZEB. In fiscal 2023, Osaka Prefecture, the University of Osaka, and Daikin Industries, Ltd. signed a partnership agreement to promote ZEB in Osaka Prefecture. ZEB has been put into practical use at the following locations: the University of Osaka, Shibaura Institute of Technology, and one location of NTT Facilities Inc. There has been an increase in inquiries from universities and major developers aiming to build smart campuses.
Miscellaneous Programs	
Student Researcher Program	We held this training program for students at the School of Information Science and Technology at the University of Osaka (PhD students). Also, we conducted an internship program, which incorporates learning about challenges that may arise when using information technologies and aims to cultivate human resources with practical skills through real life learning using actual data. We are promoting a hands-on internship called "New Business Creation Workshop" in which young and midcareer members of the business division and TIC act as group work facilitators. In fiscal 2025, the program was held as a training camp at Daikin Ales Aoya Global Training Center, where our young employees (TIC and business division members) and students collaborated on workshops and presentations aimed at generating ideas for next-generation businesses.
Leading Researcher Program	The program receives corporate funding from the phase of fundamental research with an anticipation for advanced research results from outstanding young researchers.
AI Human Resources Cultivation Program (Daikin Information and Communications Technology College [DICT])	We achieved the initial target of 1,000 information science engineer attendees within the Group in fiscal 2021 through classroom work at DICT. In fiscal 2025, the number exceeded 2,000. These employees play a key role in expanding the solutions business and accelerating DX. Going forward, we are promoting the in-house development of highly skilled DX talent who can plan their own themes and carry them out with accountability under the guidance of expert instructors from the University of Osaka.
Diversity Research Environment Achievement Initiative Project	We continued to implement a program promoting female participation in innovation, receptions with female graduate students, and a program supporting career advancement during childcare leave. We conducted an online festival to encourage more high school girls to consider studying the sciences.

Collaboration with Kyoto University

Daikin began comprehensive collaboration with Kyoto University in 2013 with the aim of value creation by integrating the humanities and sciences. We are now engaging in interdisciplinary collaboration and exchanges, including creating new themes related to indoor air quality and air environments and cutting-edge technology that will transform our mainstay businesses of air conditioning and chemicals.

Since 2021, we have been promoting joint research in the form of humanities-science integration under the new keyword of "well-being (a society for better living)" proposed by Kyoto University covering the five areas of air and healthcare, cutting-edge technology, smart cities, emerging countries, and venture business. In terms of healthcare-industry collaboration and in emerging countries, we are researching themes that contribute to people's health and the future of the rapidly growing Asia and Africa regions, respectively. In cutting-edge technology, we are promoting collaboration and linkages in the fields of materials, energy, cold chain, and utilization of ventures.

Since 2022, we have been working on the formation of a new industry-academia collaboration ecosystem to promote the social implementation of research seeds.

Researcher Grants

As part of an industry-academia collaboration ecosystem, we launched the Daikin GAP Fund Program in 2022. We are inviting researchers from Kyoto University to submit approaches to social challenges in an effort to support social implementation and entrepreneurship. From the first to fifth rounds, we supported 25 themes through fiscal 2025. This resulted in one implementation in our development, one advancement to joint research, and as academic achievements, three patents, 19 conference presentations, six papers, and one book.

Collaboration with Doshisha University

In March 2020, Doshisha University and Daikin concluded a comprehensive collaboration agreement with the goal of conducting practical R&D on the theme of environmental issues. To reduce GHG emissions through its businesses, Daikin will harness the proprietary technology and knowledge of Doshisha University and develop talent in collaborative innovation through joint research.

Decomposition and Reuse of CO_2

We are conducting research on the technology to reuse CO_2 in chemicals and materials after decomposition via electrolysis utilizing Doshisha University's molten salt electrolysis technology and Daikin's fluorine technology. In 2023, we verified that CO_2 can be reused as acetylene. In fiscal 2025, we confirmed at the laboratory level that the generated compounds could be used for purposes other than acetylene and began collaborative efforts between industry and academia, including companies that will implement the technology.

Further Efficiency of Air Conditioning

We are researching fundamental technologies that achieve both low cost and high efficiency in order to promote the spread of energy-efficient air conditioners. We are also enhancing design guidelines through motor loss analysis, compressor bearing sliding evaluation, elucidation of corrosion mechanisms of heat exchanger materials, and quantitative evaluation of refrigerant unevenness within plate type heat exchangers.

Mini Workshop for Educational Programs

We launched a course called Co-Creation for Next Environment between Doshisha and Daikin at Doshisha University in fiscal 2021. Through joint learning between our young employees and students, we aim to achieve a high educational effect.

In fiscal 2025, we implemented 13 educational programs in which our young employees and students learned alongside one another. We also held an education program for the newly established Management of Technology (MOT) course.

On-Site Practial Training in Belgium

In fiscal 2025, we held on-site practical training in Belgium and the Netherlands, with 10 students and four young technicians taking part. In addition to visiting the European Parliament to deepen their understanding of the European Union's decision-making process, participants attended a lecture on environmental policy and climate change countermeasures at the European Commission.

In Belgium, in addition to visiting local Group companies, participants collaborated with Ghent University and the City of Ghent to investigate the environmental challenges facing the region and potential solutions. In the Netherlands, participants studied problem-solving approaches for achieving a sustainable society at Radboud University.

On-site practical group work in Belgium and the Netherlands

Collaboration with Nara Institute of Science and Technology

In 2012, Daikin Industries, Ltd. and the Nara Institute of Science and Technology (NAIST) established the Future Joint Research Laboratories, through which both are collaborating from the stage of research theme identification.

In fiscal 2025, leveraging the institute's strengths in the field of information, we began evaluation and verification to address the needs of store solutions for the refrigeration business.

Collaboration with Tottori University

Daikin began a comprehensive collaboration with Tottori University in May 2021 with the aim of promoting programs such as arid land scientific research and healthcare research through collaboration between healthcare, industry, and agriculture. The program involves research projects such as the air conditioning solution research at Tottori University's Arid Dome, the only arid land research facility in Japan, and research into stress reduction. In addition, through interaction between researchers and students, we are fostering human resources with expertise in arid land who are capable of creating an air conditioning solutions business.

Collaboration with Tsinghua University

In 2003, the Tsinghua–Daikin R&D Center was established at Tsinghua University in Beijing, one of China's top universities. Since then, Daikin and the university have worked together to jointly conduct technology development. We are conducting joint research in the fields of air quality, energy conservation, and energy, as well as fluorine materials for automobiles and data centers. In fiscal 2023, we established a joint venture with the Research Institute of Tsinghua University in Shenzhen called Daikin Tsingyan Advanced Technologies (Huizhou) Co., Ltd. We mass-produce O-rings used in harsh environments such as semiconductor manufacturing, automobiles, oil mills, and chemical plants.

Collaboration with RIKEN

In 2016, Daikin Industries, Ltd. teamed up with RIKEN, Japan's only comprehensive research institution dedicated to the natural sciences, to launch the RIKEN-DAIKIN Wellness Life Collaboration Program.

Contributions to Infectious Disease Control

In the spring of 2020, under the theme of "comfortable and healthy spaces," we were the only air conditioning manufacturer to participate in the "RIKEN Project on Prediction and Countermeasure for Virus Droplet Infection under the Indoor Environment" using the framework of the Comprehensive Partnership Agreement. We used the Fugaku supercomputer to analyze the airflow of commercial air purifiers and contributed to research on infection control measures and their effectiveness.

Currently, in collaboration with RIKEN, we are promoting the advancement of computational science based on digital engineering. This allows us to improve and streamline our development process, strategically expanding development to cover a wide range of products.

Development of World's First Laser-Based Detector for R-32 Refrigerant Leaks

In fiscal 2023, we jointly developed the world's first laser technology for the remote detection of R-32 refrigerant leaks with RIKEN and Tokyo Gas Engineering Solutions Corporation.

In October 2025, we presented and exhibited a device with this technology at the International Symposium on New Refrigerants and Environmental Technology 2025. We are moving forward with development toward social implementation.

World's First Laser Technology for Remote Detection of R-32 Refrigerant Leaks

Collaboration with the National Institute of Advanced Industrial Science and Technology

Since 2015, we have been working with the National Institute of Advanced Industrial Science and Technology (AIST) in all technological fields in aiming to resolve the technical challenges we embrace at Daikin. Fully harnessing AIST's areas of expertise in social implementation and standardization, we are promoting development of magnetic cooling systems as a next-generation air conditioning technology and research into the health benefits of adding functional substances to air.

In fiscal 2023, Daikin Industries, Ltd. and AIST coauthored a paper that examined the selection of useful substances to be sprayed into the air and mechanism of their effects on human health in order to create healthy air.

Collaborative Innovation Led by Industry–Industry Partnerships

Facing a changing external environment, Daikin is promoting collaborative innovation led by industry-industry partnerships, with a view to addressing not only current business issues, but also future social challenges and new needs. Leveraging our strengths, we are exploring next-generation technologies and new business domains, expanding places where we can take on new challenges around the world.

Examples of Collaboration through Industry–Industry Partnerships (As of March 31, 2026)

Partner	Theme	Start
Daicel Corporation	Creation of safe and reliable air conditioning and ventilation products	2016
Hitachi, Ltd.	Establishment of next-generation production model using IoT	2017
Partner companies under the collaborative platform called CRESNECT	Creation of new value and services across indoor air and air environments	2018
FUJIFILM Corporation	Air conditioner noise reduction	2019
Fairy Devices Inc.	Promotion of DX centered on the frontline of air conditioner service operation	2019
AiCT Consortium	Co-creation for the realization of next-generation energy management through collaboration between EVs and air conditioning	2023
Shizen Connect	Effective utilization of surplus renewable electricity	2024
Nippon Magnetic Dressing Co., Ltd. and UACJ Corporation	Demonstration of horizontal recycling technology for aluminum fins used in heat exchangers for air conditioners	2025
Japan Data Science Consortium Co. Ltd.	Business process optimization and acceleration of the PDCA cycle for product support and improvement	2025
Woven by Toyota, Inc.	Demonstration of next-generation air conditioning and space control for enhancing the value with air and environment (pollen-less and personalized functional spaces)	2025

Partnership with Hitachi, Ltd.

To address the challenges associated with the globalization of our production base network—i.e., maintaining and improving equipment maintenance capabilities—we began constructing and verifying an equipment failure diagnosis system utilizing generative AI in fiscal 2023.

We began demonstration testing at a domestic factory in the first half of fiscal 2025 and at our facilities in India and the United States in the second half.

Topics

Initiatives to Enhance the Value with Air and Environments

Daikin launched a demonstration test in September 2025 at Toyota Woven City to achieve pollen-less spaces and personalized functional spaces.

This initiative combines air purification and air conditioning control technologies with data utilization to explore the potential for creating new value with air and environments. We are exploring ways to control air environments in a way that suits diverse living atmospheres and individual needs, aiming to create more comfortable and healthier air environments and enhance value with air and environments.

At Toyota Woven City, we have begun a demonstration test aimed at the social implementation of pollen-less spaces and personalized, functional spaces.

At Toyota Woven City, we have begun a demonstration test aimed at the social implementation of pollen-less spaces and personalized, functional spaces.

Collaboration Using the Co-Creation Platform CRESNECT

As part of its initiatives using the CRESNECT spatial data co-creation platform, in 2019, Daikin opened a membership-type co-working space called point 0 marunouchi, in Marunouchi, Tokyo, and established point 0 Co., Ltd. to operate the platform. Participating companies are working together to conduct demonstration testing. To further expand these activities, we introduced a new framework in fiscal 2025 that allows universities and government agencies to participate, with six universities and one organization having newly joined, thus expanding co-creation efforts.

Demonstration of Carbon Neutrality and a Circular Economy

At point 0 marunouchi, in addition to operating a carbon offset room in collaboration with TANSEISHA Co., Ltd. and providing spaces that utilize a low-oxygen environment, we are promoting demonstration testing related to a circular economy in cooperation with participating companies, such as Nomura Real Estate Holdings, Inc. Through these initiatives, we have confirmed effectiveness in terms of both CO_2 emissions reduction and cost reductions, and are stepping up collaboration toward implementation.

Carbon Offset Room
Image courtesy of: Tanseisha Co., Ltd. / Photographed by: PIPS

Advanced Well-Being Solutions and Global Rollout

At point 0 marunouchi, we have obtained and renewed WELL certification (Platinum rank v2) and received three innovation item certifications for solutions implemented by Daikin. We are using the facility as a testing ground to advance social implementation. Additionally, leveraging the expertise gained at the facility, we offer a consulting service that provides seamless support to clients considering WELL certification, from diagnosis to acquisition. We have provided this support to multiple companies, and all have achieved the highest rank of Platinum.

Collaboration with Daikin and Fairy Devices Inc.

Daikin is collaborating with Fairy Devices Inc., a startup company originating from the University of Tokyo, to advance digital transformation (DX) in service operations through the creation of connected workers. While the installation, maintenance, and repair of air conditioners require advanced technical skills, the challenge lies in the time required to develop human resources. In response, we are working to maintain service quality and improve the sophistication and efficiency of our operations by integrating technologies such as voice recognition and edge AI with on-site expertise.

At the GENIAC-PRIZE sponsored by the Ministry of Economy, Trade and Industry and NEDO in March 2026, the AI agent we jointly developed with Fairy Devices won first place in formalizing tacit knowledge in the manufacturing industry, and also received the AI Agent Award.

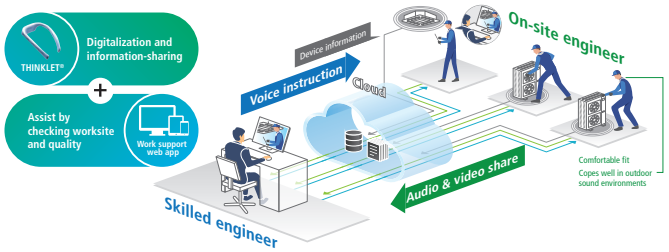
Rollout of Remote Work Support Solutions

The development and utilization of the THINKLET® necklace-type wearable device makes it possible for experts to provide remote support, promoting more efficient technology transfer and faster human resource development. We are using this solution in over 30 countries, which is helping to enhance our service system. We are also working to enhance on-site support with AI powering this device to automatically detect omissions and errors in inspection and repair processes and provide feedback to on-site workers.

Global Rollout for Enhancing On-Site DX

In fiscal 2025, we established a project structure for the global rollout of on-site DX and are promoting the development of functions tailored to the challenges of each region. In addition, we are developing AI that utilizes work data from around the world to improve the productivity and quality of on-site work.

DX of Service Operations using THINKLET®



Feature 2 of fiscal 2024: Promoting Digital Transformation of On-Site Air Conditioning Services Together with Startup Companies

Collaboration with AiCT Consortium

In December 2023, Daikin Industries, Ltd., Nissan Motor Co., Ltd., TIS Inc., and Matsumoto Precision Inc., under the AiCT Consortium, began a commercialization review for the construction of a new energy management system that utilizes renewable energy. This initiative aims to achieve efficient energy utilization by combining a charge and discharge control system for EVs and a demand control system for commercial air conditioning.

All four companies are participating in the AiCT Consortium, which is working to realize a citizen-centered smart city in Aizuwakamatsu City, which promotes local production for local consumption of renewable energy. In the process of strengthening cooperation toward the realization of a recycling-oriented society through the efficient use of energy, we have decided to implement this project. Bringing together the knowledge of the four companies, we will work on both decarbonization and economic revitalization as well as aiming for the creation of innovation from the region.

In fiscal 2024, we confirmed that the combination of air conditioners and EVs will reduce peak power consumption and improve comfort. In fiscal 2025, we conducted a practical review of electricity supply and demand adjustment aimed at local energy production and consumption within the region and clarified the conditions for the systems' application. While the demonstration test was completed in fiscal 2025, we will continue activities to expand our energy management initiatives both within and outside the region.

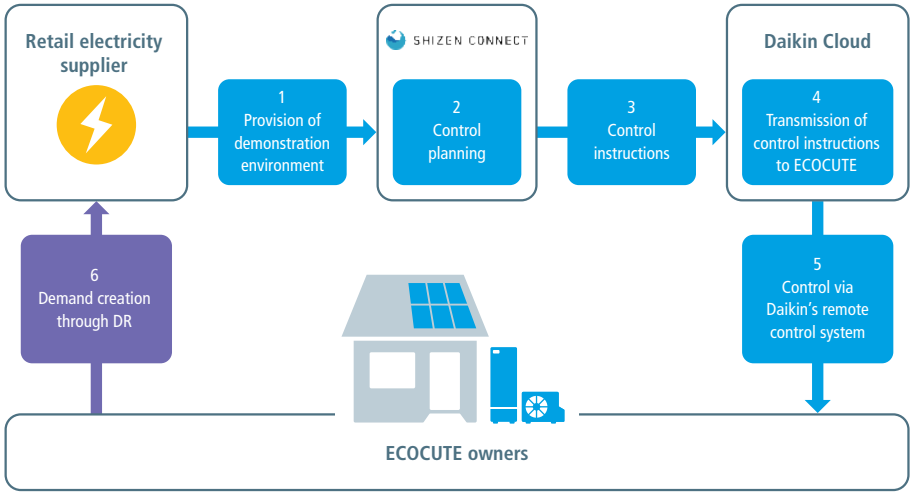
EV and charger/discharger installed at Matsumoto Precision Inc.

Collaboration with Shizen Connect Inc.

Daikin Industries, Ltd. and Shizen Connect Inc. conducted a demonstration test in 2024 on demand response (DR) using a residential ECOCUTE heat pump water heater to make effective use of renewable energy. The test was completed in the same fiscal year. In this demonstration test, we reviewed the effectiveness of utilizing renewable energy and suppressing output control by shifting the water heating time of an ECOCUTE to times when renewable energy generation is high. This demonstration test was conducted with the cooperation of Tohoku Electric Power Co., Inc., Hokuriku Electric Power Co., Hokkaido Electric Power Co., Inc., and Shikoku Research Institute Inc. of the Shikoku Electric Power Group.

Based on the results, we launched a commercial demand-response service in the Hokuriku Electric Power service area in July 2025, followed by expanding the commercial service to the Tohoku Electric Power service area. By linking the Shizen Connect energy management system developed and operated by Shizen Connect with Daikin's ECOCUTE remote control system, the test aims to expand the technical feasibility, economic benefits, and CO_2 reduction effects confirmed during the test phase to commercial services, to contribute to the realization of a decarbonized society.

Demonstration Scheme



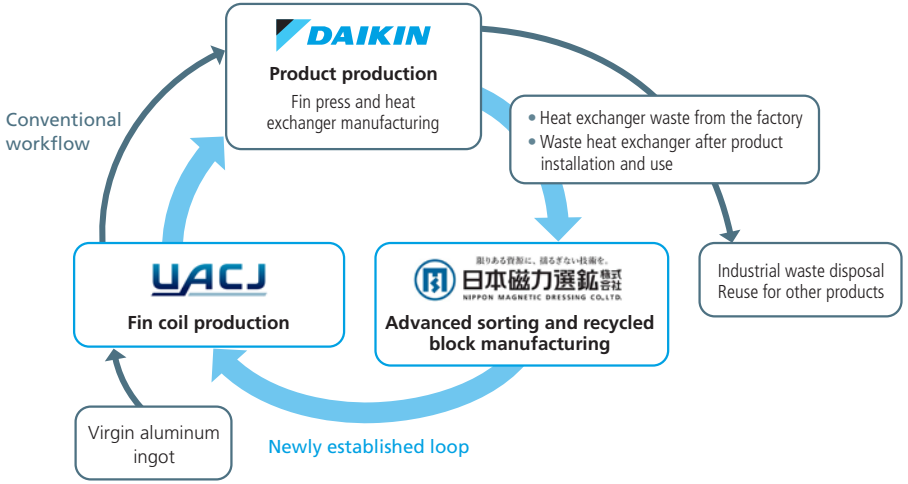
Collaboration with Nippon Magnetic Dressing Co., Ltd. and UACJ Corporation

Through Daikin's collaboration with Nippon Magnetic Dressing Co., Ltd. and UACJ Corporation, the three companies are working to improve manufacturing and recycling processes that contribute to resource circulation and the reduction of environmental impacts. By combining the aluminum and copper separation technology possessed by Nippon Magnetic Dressing with the expertise of UACJ in materials, processing, and manufacturing of sorted aluminum that can be used in heat exchangers, we aim to resolve the challenges in utilizing recycled aluminum.

Under this initiative, we are leveraging the magnetic separation and sorting technology of Nippon Magnetic Dressing and the expertise in material technology and production processes cultivated by UACJ to examine the removal of foreign matter from recycled raw materials and the stabilization of material properties. Through this, we hope to improve the quality and yield of recycled materials and to promote the effective use of resources.

Going forward, we will continue to explore technologies that leverage the strengths of each company in order to balance resource circulation and monozukuri.

Building a horizontal recycling loop for heat exchangers



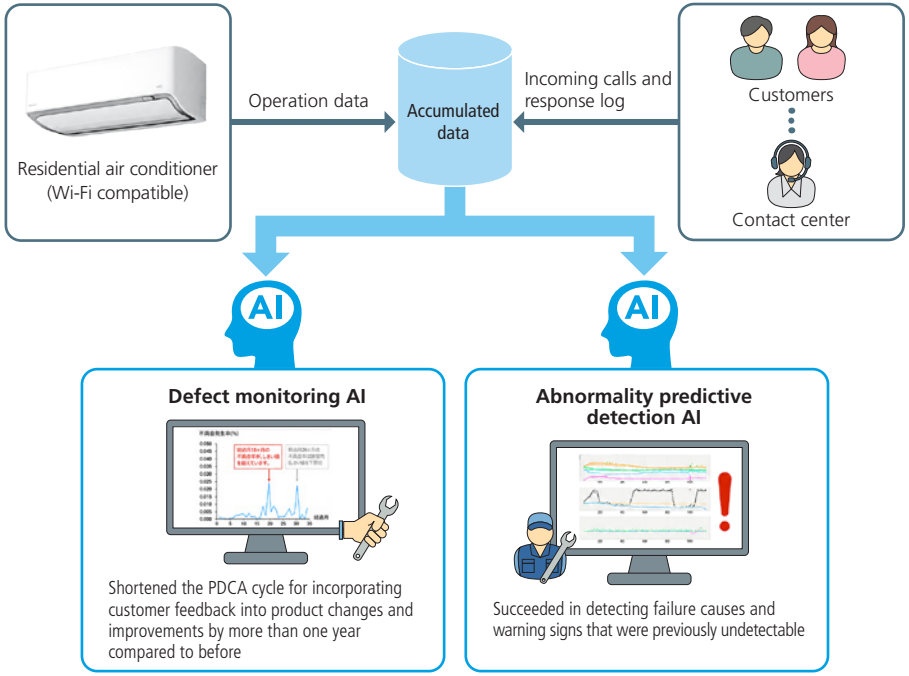
Collaboration with Japan Data Science Consortium Co. Ltd.

Through its collaboration with JDSC, Daikin Industries is developing AI for defect monitoring and predictive detection of operational abnormalities using IoT data obtained from its air conditioners. By leveraging data and AI, we aim to improve product quality, streamline operations, and enhance the customer experience.

In this initiative, we have built a system that uses AI to analyze operation data and defect information of air conditioners sold in the market, enabling us to identify early signs that could lead to product changes and improvements. This has led to enhanced analytical tasks that previously relied on manual labor and resulted in faster PDCA cycles in product changes and improvement. By utilizing operation data to detect signs of abnormalities, we are enabling more efficient maintenance and service provision.

We will continue to use data to improve the quality of our products and services and to enhance our business processes.

Overview of Collaboration between Daikin Industries and JDSC



Markets and Customers

Respect for Intellectual Property Rights

Basic Policy

Acquiring and Utilizing Intellectual Property Rights While Respecting Those of Other Companies as Well

Daikin understands that intellectual property rights constitute a valuable company asset. We thus strive to both protect these rights and use them effectively. Our Group Compliance Conduct Guidelines state that we will respect other companies' intellectual property rights and ensure that our inventions do not infringe on these rights.

Group Compliance Conduct Guidelines

5. Respect and Protection of Intellectual Property Rights

Recognizing that our intellectual property rights are important company assets, we shall strive to protect and maintain them and utilize them effectively. We shall respect and make every effort not to infringe upon the intellectual property rights of other companies.

Group Compliance Conduct Guidelines

Based on the Group Compliance Conduct Guidelines, we formulated more detailed points about intellectual property in our Compliance Action Guidelines, which state that we will acquire patents and avoid infringement by having the person in charge of R&D at Daikin be the person responsible for a patent and having the researcher/developer understand that he/she is the sole developer of the product or invention.

In new product and new technology development, part of the design review process involves verification that these products and technologies do not infringe on existing patents. In collaborations with other companies, we distinguish between open technologies and confidential technologies, and confidential technologies are designated as such and kept out of reach.

Initiatives for Intellectual Properties

System for Protection of Intellectual Property

Intellectual Property Manager in Research Department

To actively support researchers/developers, the intellectual property department assigns an intellectual property manager in each division.

The intellectual property managers stay connected with each other and manage the variety of intellectual property matters that come up daily, which includes filing/acquisition of rights in Japan and abroad, reduction of risk of infringement upon and infringement by other companies, and analysis of intellectual properties. They also educate employees of various ranks and levels on intellectual property and reward Daikin patent awardees. Using this approach, we are strategically implementing intellectual property activities jointly involving researchers/developers and sales representatives.

We will continue working to better manage our intellectual property rights that contribute to our businesses by acquiring and using a greater number of patents and higher quality patents globally.

Strengthening Our System in Line with Globalization

Overseas, we have built and are continuously operating an intellectual property rights system tailored to the unique situation of each region to facilitate the globalization of our business operations.

In North America, we carry out intellectual property activities linked to our business strategy under an intellectual property system led by in-house patent attorneys. In Europe, we station key intellectual property personnel at our development bases and are stepping up our patent application efforts based on local needs.

In China, the intellectual property team of each subsidiary actively applies for patents including utility models while working with external patent offices. Furthermore, we are increasing patent applications and effective design applications in response to counterfeiting in emerging countries such as India, Brazil, and those in Southeast Asia.

For trademarks, we work closely with each of our business bases outside of Japan to acquire and maintain necessary trademark rights and to continuously combat infringing products. In response to the recent increase in counterfeit products on e-commerce sites and fake advertisements on social media, we are stepping up our monitoring and taking action, including requesting the removal of infringing products and fake advertisements.

To strengthen collaboration in these global intellectual property activities, we share our intellectual property strategy with relevant persons at overseas Group companies through global intellectual property meetings within the Daikin Group, and exchange opinions on increasing patent applications at each site. We also hold joint meetings with the Asia and Oceania region and provide training for developers at our global business sites.

As a result of these activities, the number of patent applications filed by Group companies increased from 127 in 2020 to 202 in 2024.

Encouraging Employees to Create Intellectual Property

Two Systems Stimulate Creation of Intellectual Property

Daikin Industries, Ltd. has two systems for stimulating employees' motivation to invent and for spurring the creation of intellectual property. The first is the Compensation System for Employee Inventions, a system in which Daikin pays employees for inventions created on the job that result in patent applications as well as successful uses of the patent. In fiscal 2025, in addition to paying compensation for patent applications, Daikin compensated employees for 742 successful uses of patents.

The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. This includes differentiation technologies that greatly contribute to sales, technologies with high expectations as future contributors to business, and patents that have produced a certain level of patent income. In fiscal 2025, we awarded incentive bonuses to the creators of 107 patents.

These systems aim to revitalize intellectually creative activities, and in order to secure a competitive advantage in terms of greater number of patents and higher quality patents in competitive fields, we are also working to increase patent applications overseas, including in emerging countries, focusing on promising technologies. In fiscal 2025, we applied for 1,049 patents in Japan and 453 patents overseas.

In the air conditioning divisions, we are reviewing our patent strategy globally using the IP landscape* initiated in fiscal 2023 and working to increase the number of patent applications covering key technologies.

In the chemicals divisions, we are developing environmentally conscious materials such as dry process binders that do not require organic solvents during lithium-ion battery manufacturing and non-fluorinated water- and oil-repellent materials. For these technologies, we have strategically filed patent applications utilizing the IP landscape from the early stages of development, building a global patent network.

In both the air conditioning divisions and chemicals divisions, we continue to increase the number of patent applications covering key technologies after reviewing our patent strategy globally using the IP landscape. Going forward, we will continue to conduct preliminary investigations and take immediate actions to address problematic patents to ensure the elimination of patents that impede development and to continue expanding our patent base globally.

* IP landscape analysis: An analysis conducted when determining a company's management and business strategies that incorporates intellectual property into management and business data. This process involves sharing the results (overview of the current situation, future outlook, etc.) with executive management and business managers, who provide feedback on the results, and holding discussions and consultations for planning and consideration.

Scientific Technology Transfer

Worldwide Free Access to Patents for Equipment Using Next-Generation Refrigerant

To encourage the worldwide adoption of R-32, which has a low global warming potential (GWP) compared to conventional refrigerants, in September 2011, Daikin began offering companies in emerging countries 93 patents related to the manufacture and sales of air conditioners that use R-32 free of charge. In September 2015, these patents were offered to companies worldwide, including developed countries.

In July 2019, we announced our non-assertion pledge describing the grant of free access to our pledged patents, all 176 of which have been filed in 2011 and later, for the manufacture and sale of air conditioners using R-32 single-component refrigerant. Free access to the pledged patents without our prior permission or without a contract in writing enabled other companies to make use of these patents more quickly and easily, which represents a step forward in promoting the use of R-32.

In July 2021, we newly added 123 patents to this pledge for use of our patents without prior permission related to the manufacture and sale of air conditioners using single-component refrigerant R-32.

In July 2022, we added another 120 patents, including 30 jointly held with Daikin Europe our European subsidiary.

Today, we have made a total of 419 patents accessible to any party without fee and the need for prior permission or contract.

038 Environment Climate Change Reducing the Environmental Impacts of Refrigerants

Press release: Daikin Offers Worldwide Free Access to Patents for Equipment Using Next-Generation Refrigerant

Press release: Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32

Press release: Daikin Expands Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32 (published July 1, 2021)

Press release: Daikin Expands Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32 (published July 1, 2022)

Topics

Recognized with Multiple International Awards in Innovation and IP

Daikin Industries was selected for Innovation Momentum 2026: The Global Top 100, Clarivate Top 100 Global Innovators 2026, and Asia IP Elite 2025, which are international recognitions in the fields of innovation and intellectual property. This marks the third consecutive year that we have received these three awards simultaneously. This recognition is based on a comprehensive assessment of Daikin's contributions to reducing environmental impacts through patent sharing related to R-32, as well as our efforts to create intellectual property through co-creation with industry, government, academia, and startups. We will continue to contribute to the realization of a sustainable society through the creation and utilization of intellectual properties.

Innovation Momentum awards ceremony

Markets and Customers

Engagement in Public Policy and Rulemaking

Basic Policy

Air conditioning is essential infrastructure not only for comfort but also for protecting human life and health. At the same time, however, it consumes a large amount of electricity, and there is growing demand for greater efficiency and decarbonization in the building and construction sector, which accounts for about 40% of global CO_2 emissions.

Backed by its world-leading technological capabilities and network, Daikin collaborates with industry, governments, and international organizations, contributing to the creation of appropriate rules through constructive dialogue. Daikin's objective is not merely to comply with regulations, but to cultivate a healthy market where technologies and services that address social challenges can be fairly evaluated and widely adopted.

We also focus on supporting emerging countries by helping to develop regulatory frameworks and human resources. As an industry leader working hand-in-hand with society, Daikin will continue to fulfill its responsibility to balance comfortable living for people around the world with a sustainable global environment.

Developing Energy Efficiency Standards to Create Sustainable Markets

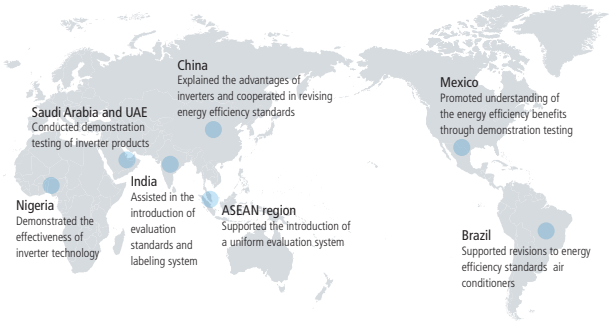
Daikin provides policy recommendations based on scientific data to regulatory authorities in various countries and international organizations.

In India and the ASEAN region, our demonstration testing using inverter products has shown that they can reduce power consumption by approximately 60%. In addition, we encouraged the introduction of a labeling system to appropriately evaluate the superior environmental performance of these products, thereby promoting a market shift from less efficient to highly efficient ones.

This initiative has also had an impact on the review of energy efficiency standards in Brazil. By collaborating with governments, universities, and NGOs and supporting the design of systems tailored to local needs, we contributed to the creation of a fair, competitive environment and sustainable markets.

Furthermore, in 2025, we launched our first project on the African continent, in Nigeria. The development of energy efficiency standards and performance evaluation systems marked the first step toward fostering market recognition of the importance of choosing products based on performance.

Countries and Regions Daikin Worked with in Promoting the Spread of Energy Efficient Air Conditioners



Engagement at International Conferences

Daikin actively promotes collaboration and engagement at international sustainability conferences to realize a decarbonized society.

Policy Engagement and Showcasing Technological Solutions at COP Meetings

Daikin has participated in the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change every year since 2023. Through technology exhibits and seminar presentations at the Japan Pavilion, we continue to showcase air conditioning and refrigeration technologies that contribute to decarbonization and provide specific technical recommendations.

Daikin's Activities and Presentations at COP Meetings

Participation	Details of activities/statements
COP28 in 2023 (Dubai, United Arab Emirates)	We exhibited at the Japan Pavilion for the first time, showcasing energy-saving technologies that contribute to decarbonization across the air conditioning, building, and construction sectors. We also emphasized the importance of highly efficient air conditioning to the international community.
COP29 in 2024 (Baku, Azerbaijan)	We emphasized the importance of technological perspectives and policy collaboration for decarbonizing the building and construction sector. We continue to engage in dialogue with international organizations and government officials.
COP30 in 2025 (Belem, Brazil)	In collaboration with GlobalABC, we exhibited at the Japan Pavilion and initiated our participation in government dialogues. We presented energy-saving solutions that integrate ventilation and air conditioning, leading international discussions and collaboration toward decarbonization in the building and construction sector.

Exhibit at the Japan Pavilion

Participated in ministerial-level dialogue hosted by UNEP

Global Cooling Pledge at COP28

The Global Cooling Pledge, announced at COP28 in 2023, is an international agreement to accelerate the decarbonization of the cooling sector. More than 60 countries, including Japan, have set targets to improve energy efficiency in the cooling sector by 50% by 2030 compared to 2022 levels and reduce GHG emissions.

Daikin continues its dialogue with governments and relevant organizations in various countries, focusing on promoting highly efficient inverter technology to help realize the Global Cooling Pledge. By carefully incorporating cutting-edge technologies into social systems through international rules, we are effectively driving the transition to a decarbonized society.

Driving International Standardization and Social Implementation

Daikin serves as the international secretariat for the international committee on testing and rating of air-conditioners and heat pumps (ISO/TC86/SC6) and continues to engage in dialogue with the International Energy Agency (IEA) and other organizations.

Daikin's strength lies in its ability to take action across the entire process, from developing systems to implementing them in society and driving their widespread adoption. We are collaborating with governments, academia, industry, and civil society to foster an environment where more efficient air conditioning systems are fairly evaluated. Daikin will help build a society that balances environmental value with economic rationality by taking on a comprehensive role, from the formulation of international rules to their implementation in each country and region.

Leadership Driving Industry Transformation

As a member of the Japan Refrigeration and Air Conditioning Industry Association (JRAIA), Daikin is committed to promoting the sound development of the refrigeration and air conditioning industry and addressing social challenges. In June 2024, Daikin assumed the role of chair company, further strengthening our role in steering the entire industry. Through JRAIA's activities, we engage in dialogue with various stakeholders on important issues such as improving energy-saving technologies to reduce the impact on climate change and selecting and managing optimal refrigerants.

On a global scale, Daikin participates in WBCSD initiatives and, as an industry leader, is helping to establish an internationally consistent framework for evaluating contributions to GHG reduction and the circular economy.

048 Environment Resource Use and Circular Economy Initiatives for a Circular Economy

Konwakai Forums for Designing the Future of Air Conditioning

In 1995, Daikin established "Konwakai" forums in Japan to discuss the future of air conditioning with experts in the fields of air conditioning, building, and energy. Since 2007, this dialogue framework has expanded to Europe, the United States, China, Asia and Oceania, Central and South America, and the Middle East and Africa, evolving into a unique network that brings together knowledge from all over the world.

Through continuous dialogue with experts representing each region, we can quickly foresee challenges facing society, such as contributions to carbon neutrality and advancements in environmental technologies. We are using the insights gained here to inform the development of next-generation products and business strategies. Building upon the wealth of dialogue we have cultivated over three decades, we will continue to lead the creation of social value that goes beyond air conditioning. In fiscal 2025, the Konwakai met four times around the world with a total of 66 people, including university professors and specialists, from 18 countries taking part.

Driving Change Through Global Initiatives

As social challenges grow more complex, solving them requires collaboration across borders and sectors. Daikin views international frameworks and initiatives as platforms for social change and has actively engages with governments, international organizations, academia, and corporations. We help realize a sustainable market and society by combining policy engagement with our on-site implementation capabilities.

Topics

Joining GlobalABC for Building Sector Decarbonization

Decarbonizing the building and construction sector, which accounts for approximately 40% of global CO_2 emissions, requires a life cycle approach covering facilities and equipment within buildings. Daikin aims to transform its entire value chain by collaborating with diverse stakeholders across the industry. To accelerate these efforts, we joined the GlobalABC, a UNEP-led international initiative, in February 2026.

Recognizing that energy efficiency, heat pump adoption, circular economy, and refrigerant life cycle management are critical to building design and operations, Daikin is leveraging its air conditioning expertise to help establish a common platform for the sector. We are working to develop highly effective frameworks that reduce environmental impacts across the entire building life cycle-from design to end-of-life disposal. Furthermore, we are committed to fostering a sustainable market where these solutions receive appropriate recognition and support from building standards and financial markets.

See below for our participation in initiatives

179 Data Participation in Initiatives

Daikin Employees

Daikin's Approach to Its People

Basic Policy

Daikin Group Philosophy states, "Practice 'People-Centered Management (PCM)' and Provide Challenging Opportunities." People-centered management is a philosophy that has been used since the company's founding, based on the beliefs that "Each individual possesses infinite potential" and "The cumulative growth of all employees is the foundation for the company's development." Through this, we aim to bring out the motivation and satisfaction of our employees and to elevate the strength of each individual to be the driving force of the organization. Recognizing the inherent goodness of people, Daikin is fully committed to empowering its employees, who are the source of its competitiveness, and enabling them to take bold actions and seek growth through extensive training opportunities. We are also working to promote communication between departments and bases as well as to build a personnel system that will help us accelerate the empowerment of our human resources, including strengthening our global recruitment capabilities, allocating human resources beyond national and regional boundaries, and building a competitive evaluation and pay system.

Daikin Group Philosophy

PCM Behaviors Expected of Daikin Group Employees

In 2024, to mark the 100th anniversary of its founding, Daikin revised its Daikin Group Philosophy and formulated PCM Behaviors, a set of employee action guidelines based on People-Centered Management. PCM Behaviors outlines the attitudes and behaviors expected of each and every employee. We believe that the accrual of these practices is the starting point and foundation for realizing the business transformation outlined in the Fusion 30 Strategic Management Plan.

Having positioned "Building a foundation to support each individual's challenges and growth" as one of its top priority sustainability themes, Daikin has set the practice level of PCM Behaviors as a KPI. The results of the fiscal 2025 survey of all Daikin Industries employees showed an average score of 61% across the nine PCM Behaviors items. Aiming to reach an average of 75% by fiscal 2030, we will work to further spread and entrench these practices.

Integrated Report

Securities Report Semiannual Report (available in Japanese only)

PCM Behaviors

Take Bold Action and Seek Growth
Innovation & Growth

People who strive to grow, challenge established norms, and lead innovation

1. Boldly take on challenging situations with full conviction of your potential
2. Refine and enhance your strengths and expertise until you excel in your field of expertise
3. Learn humbly

Build Genuine Trustworthy Relationships and Teamwork
Trust & Teamwork

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

4. Participate with a sense of ownership by sharing information and opinions through deep and extensive discussions ("*Flat and Fast management*")
5. Fulfill your roles and responsibilities, and work together towards achieving goals
6. Respect each person, unleash your infinite potential, and embrace healthy competition

Strive for Results
Winning & Achievement

People who aspire to achieve great results with passion, strong will, perseverance, and action

7. Envision your goal and take creative action without being bound by past successes
8. Leverage Daikin's strengths, and pursue uniqueness and differentiation
9. Set ambitious goals and achieve them with passion and perseverance by continuously taking action

PCM Behaviors

Feature 1 of Fiscal 2024: Feature 1 Strengthening the Capabilities of Our People for a Brighter Future

Daikin Employees

Development of Human Resources

Basic Policy

As the growth of our operations accelerates globally and we respond to the diverse needs of our customers and society, Daikin believes it is necessary to accelerate the development of leaders who can drive transformation. We will encourage the discovery, placement, and development of diverse leaders to shoulder each business and region, and advance the localization of management, thereby leading to business transformation and success. Our goal is to produce more than 2,000 global senior management and leadership candidates by fiscal 2030, and toward this end, we are promoting human resource development.

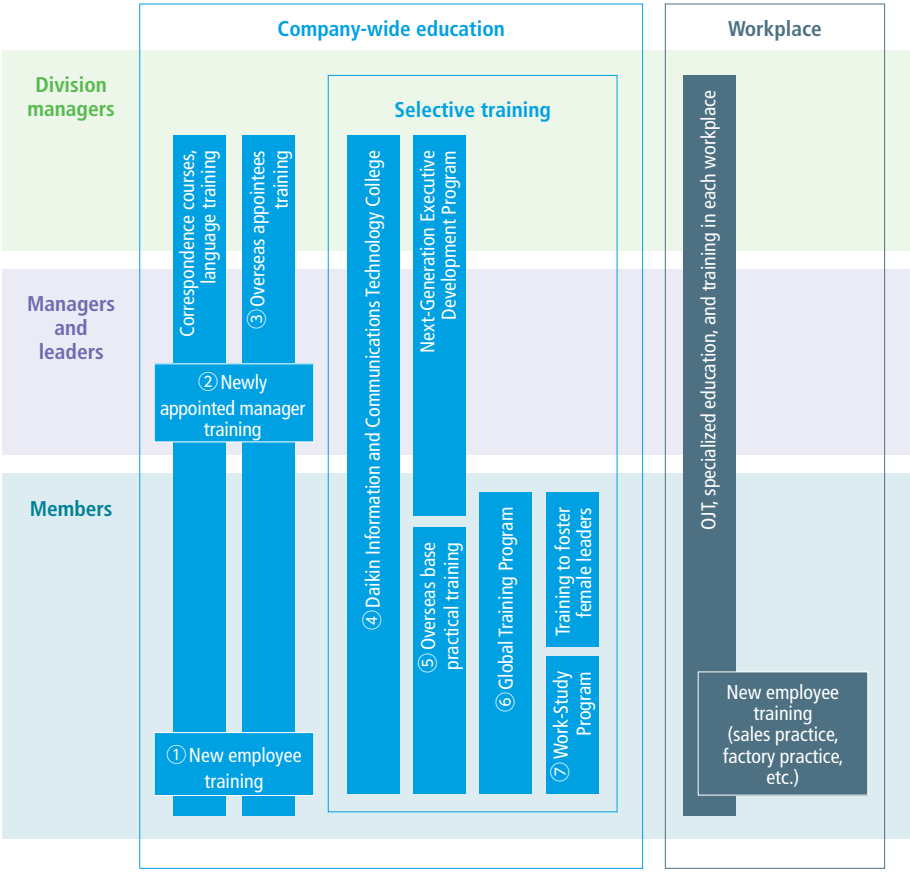
Education Measures

Raising up Personnel to Implement the DaikinGroup Philosophy

In order to foster as many global business leaders as possible who will support the growth and development of the Group, Daikin will strengthen measures to develop managerial executives and next-generation leaders in each region and base.

For example, taking into account our strategy, business direction, and changing times, we are actively investing in human resources by developing diverse training programs that select participants according to specific domains. These include the Daikin Leadership Development Program, which cultivates management executives who can play an active role on the front lines of business globally; overseas base practical training, which develops young employees into global talent; and Daikin Information and Communications Technology College, which trains personnel to take on roles in AI technology development.

Education System



For details about our training programs, see the next page.

Main Training Programs

Program name	Targets (period)	Purpose/Details	FY2025 results
1) New employee training	New graduate hires (One and a half months following the welcome ceremony) Mid-career hires also participate in new employee training	• To comprehensively learn about fundamentals and etiquette of working adults, Daikin's business operations, and practical work skills and mindset, including understanding of the organization and acquisition of business skills. • To deepen understanding of what is an ideal employee and people-centered management, and connect the "determination" and "goals" for personal growth in corporate life as their role changes from student to working professional. • During the training program, a 5-night, 6-day intensive training retreat for new recruits is held at Daikin Ales Aoya Global Training Center in Tottori Prefecture. This gathering includes new graduates, mid-career hires, senior employees from various departments, and management executives, all coming together to understand Daikin's valued perspective on "people" and to learn as many important aspects as possible regarding what they should value in their work and private lives.	New employees: 441 A total of 528 employees attended the new employee training camp including 87 mid-career hires
2) Newly appointed manager training	Newly appointed manager Includes mid-career hires for manager positions (Total of three days)	• To acquire knowledge of internal systems as a manager, including the Daikin Group Philosophy, human resources system, accounting, and compliance. • Management and leadership training.	First half: 37 employees (held in July 2025) Second half: 20 employees (held in December 2025)
3) Overseas appointees training	Overseas appointees (Two days and other voluntary training is available for language skill and management, etc.)	• To deepen understanding of the Daikin Group Philosophy and people-centered management, as a mission for the penetration of the corporate philosophy at overseas workplaces. • To clarify roles and expectations at the assigned location and learn the knowledge and insights required for local management such as human resources, labor, finance, and compliance.	71
4) Daikin Information and Communications Technology College	Managers and current employees (Up to one year) New employees (Two years)	• Fostering of digital talent to respond to periods of major change in industrial and social structures. • Broad training from basic knowledge such as mathematics to programming, machine learning, and AI applications.	223
5) Overseas base practical training	Young employees in Japan (One to two years)	• To cultivate talent from a young age who will be responsible for the future development of the Group globally through challenges in environments different from Japan. • Participants take on practical work projects as they cooperate with local dealers, suppliers, business partners, and universities, striving to think outside the box, take on new challenges, and improve their abilities to communicate within foreign cultures.	33
6) Global Training Program	Young employees overseas (Six months to one year)	• To develop local young talent responsible for global bases. Through training and other gatherings held in Japan, participants deepen their understanding of the mother site's technology, quality, and production techniques, learn how to proceed with their work, and contribute to the development of each base in the future.	9
7) Work-Study Programs in Japan	Young employees with two or more years of practical work experience (Two years or four years)	• Daikin sends young employees to universities in Japan in order to improve their technological skills, widen their perspective, and build human resource networks.	8

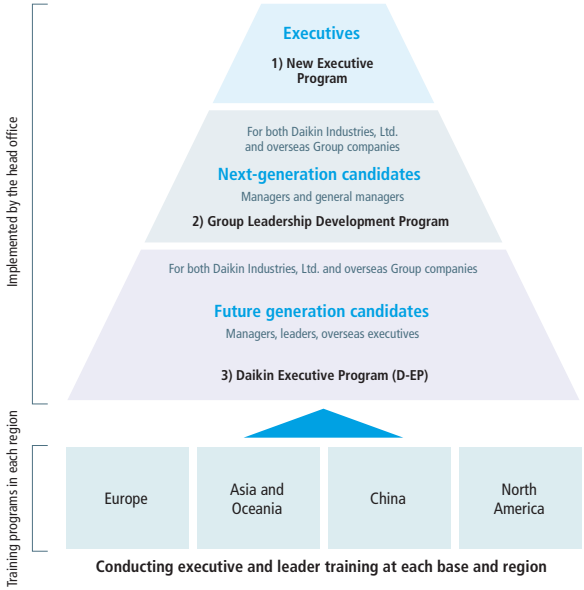
Training Next-Generation Executives and Leaders

Training by the Entire Group

The entire Group is training executives and business leaders who will shoulder the responsibility of future growth and development.

Target trainees are divided into three groups: executives, next-generation candidates (division managers/ general managers), and future generation candidates (managers/ leaders/ overseas executives), and provided with a specialized training program.

Overview of the Next-Generation Executive Development Program



Feature of Fiscal 2023: Human Resources—Accelerating the Development of Globally-Minded Employees

Next-Generation Leaders Candidate Development Program

Program name	Targets	Purpose/Details	FY2025 results
1) New Executives Program	New executives	Broaden horizons, expand perspectives, and transform awareness and behavior as an officer.	37
2) Group Leadership Development Program	Division managers and general managers [From Daikin Industries, Ltd. and overseas Group companies]	Foster management executive talent supporting the Group's growth and development.	
3) Daikin Executive Program (D-EP)	Managers and leaders [From Daikin Industries, Ltd.] Executives and managers at overseas bases [From overseas Group companies]	Discovery and early development of personnel who can take on executive roles. To learn about Daikin's unique management and refine one's own leadership skills.	

Executive and Leadership Development Strategies in Key Regions and Bases

Program, targets and main purpose	FY2025 results
Europe: PanEMEA Management Development Journey Targets: General managers from Daikin Europe and executive personnel from European Group companies. Main purpose: To develop executive candidates who will lead the future EMEA region beyond business boundaries.	19
Asia and Oceania Region: Regional Daikin Executive Program (R-DEP) 12-day in-person training in Japan and Malaysia, along with online coaching (from May to December). Targets: General managers of Group companies in the Asia-Oceania region. Main purpose: To cultivate leaders who will drive business across countries in the Asia-Oceania region. To understand and practice management philosophy, values, culture, and Daikin-style management. To strengthen human networks within the Asia-Oceania region.	17
North America: Unlimited Potential Program Discussions among participants and talks from executives and prominent figures both inside and outside the company (four days of training held three times a year). Targets: Executives in the Americas Main purpose: To deepen the understanding of Daikin's approach to people and facilitate continuous growth for oneself, colleagues, and subordinates. To build a network across the Americas and foster a sense of unity as the Americas Group.	45

Fostering Human Resources in the AI Field

Daikin Information and Communications Technology College

In 2017, Daikin Information and Communications Technology College was established as an institute to foster human resources in the digital fields* to meet the rapidly changing structures of industry and society. The college invites professors from universities such as the University of Osaka and leading-edge research institutes to give a wide range of courses in everything from basics such as math to programming, machine learning, and applied AI. We accelerated the development of managers, existing employees, and new recruits, aiming to train 2,000 people by fiscal 2025.

By the end of fiscal 2025, approximately 570 new employees who have completed the two-year training were assigned to their respective divisions and began undertaking jobs on the themes of creating new businesses and streamlining business processes using digital technology at the core.

* We aim to train innovators in digital technology and AI who are capable of putting their specialized knowledge into action as well as inspiring others around them to do the same.

Activity Details

Activity	Purpose	Details	FY2025 results
Fostering Digital Human Resources Among Newly Hired Employees	Fosters specialist human resources in digital solutions unique to Daikin who understand technology in air conditioning and chemicals, etc.	[First year] AI knowledge (using AI technologies from Osaka University), real data analysis using AI, IoT knowledge, business division knowledge and business model, etc. [Second year] Project-based learning (PBL using frontline data)	New hires in 2024: 80 New hires in 2025: 80
AI Technology Development		• Practical Data Analysis • Expert Data Analysis	21
System Development	Fosters human resources who can externally outsource systems development and development of systems needed for introducing AI to existing systems	• System development training (implementation, test method, system quality, test automation, operation method, etc.)	10
AI Utilization for Theme Promoters	Fostering managers and leaders that play the role in data utilization strategy	• AI literacy and AI business knowledge training • Training on PBL-themed proposal writing	32

Topics

DAIKIN IT Citizen Leader Certification

Daikin is focusing on developing personnel who can utilize digital technology from a front-line perspective.

The DAIKIN IT Citizen Leader (DICL) certification program, which we launched in fiscal 2025, promotes the proactive utilization of IT by employees in all departments, not just IT, to work on operational reforms and value creation. In addition to results, employees are evaluated from a multifaceted perspective that includes the demonstration of leadership within the department and achievements in self-improvement, with those who meet certain standards receiving DICL certification.

A total of 12 employees were certified in fiscal 2025. Based on challenges rooted in frontline operations, these individuals are producing practical results such as improving the efficiency and sophistication of operations. These activities are also contributing to the development of an organizational culture where each employee takes the lead in driving change.

First round certification ceremony

Human Resources Development of Manufacturing

Focus on Excellent Skilled Engineers Conveying Techniques to Overseas Bases and the Training of Advanced Skilled Engineers

Daikin fosters human resources capable of passing on the skills that are the foundation of our monozukuri. Brazing, general lathing, sheet metal working, metal painting, arc welding, die making, finishing, milling, machine maintenance, and chemical plant operational strategic skills are the foundation of monozukuri. Even if production becomes automated, these skills must be passed down as competencies that can be carried out manually. This is because passing down these skills will foster a sense of passion and pride in skilled engineers' own work and encourage them to take initiative in quality improvement, which leads to continuous quality improvement.

Daikin has established a company-wide Skill Succession Committee that takes the lead in fostering excellent skilled engineers or advanced skilled engineers, both of whom possess advanced skills and knowledge and leadership abilities. Daikin has set a goal of having 1 in 4 employees working in production worldwide be an excellent skilled engineer or an advanced skilled engineer. In fiscal 2025, this rate was 1 in 5.5 employees (1 in 2.7 at Daikin in Japan, and 1 in 6.7 at overseas bases). As our business expands globally, we are stepping up our worldwide training.

Furthermore, among the excellent skilled engineers or advanced skilled engineers, ones who demonstrate notable skills or leadership capabilities are designated as "Takumi" or "Expert" depending on their skill level, while potential candidates are designated as "Trainer" to foster future Takumi and Experts both in Japan and overseas. By the end of fiscal 2025, there were 57 Takumi and Experts.

Amid these efforts, one of our experts, who has spearheaded the transmission of Daikin skills, received the Excellent Skilled Engineer (Contemporary Master Craftsman)* award in fiscal 2025, marking the first time that a member of our company has received this honor. This expert has been involved in training maintenance technicians and instructors at the Group's factories in more than 10 locations across 9 countries worldwide, training more than 40 mechanical maintenance trainers to date. These contributions to global succession planning were highly praised.

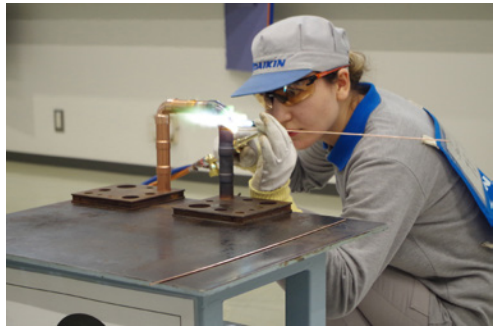
* The Excellent Skilled Engineer (Contemporary Master Craftsman) award, sponsored by the Ministry of Health, Labour and Welfare, recognizes outstanding skilled workers who possess the highest level of skills in Japan and serve as role models for other skilled workers, with the aim of improving the status and skill level of skilled workers and passing on excellent skills.

System for Training Excellent Skilled Engineers

Skills Competitions Boost Level of Production Workers

Once every two years, the Global Skills Competition for Daikin's worldwide manufacturing bases is held with the aim of boosting the skill level of employees based on fundamental processes and practical theories in manufacturing and promoting universal quality. Participants in the competition battle to be the best in the world through written tests and simulators aimed at promptly responding to worksite accidents, and predictive modulation tasks involving actual machines.

In years when there are no skills competitions held, we hold skills training sessions for future leaders, with Takumi, Experts, and Trainers as the instructors.



Skills Competitions

Experienced Workers Pass On Techniques and Skills

Since 1994, Daikin Industries, Ltd. has worked to boost the level of its manufacturing by having a Kaizen Team of experienced workers lead a 4- to 6-month training course for young employees in the manufacturing divisions, which are promoting refinement and automation of manufacturing and technical strengths.

Fostering Service Engineers

Training Programs and Skill Certification Systems

At Daikin, we aim to increase customer satisfaction by continually enhancing the skills of our engineers and level of dedication.

In addition to basic training on air conditioning service quality for service engineers, we conduct a variety of training and lectures for each management level and job description and provide education necessary for acquiring certification.

For example, we run Service University, which offers a four-year training program. Moreover, we conduct an evaluation examination for service engineers and have established a rule of not allowing engineers who have not met a certain level of technical capabilities to perform repair work unsupervised. We also strive to enhance the technical skills of service engineers in performing precise and reliable work onsite.

We have a system in place for recognizing high level skills among service engineers. Using this system, we conduct quantitative evaluation and certification of professional engineers following a set of key performance indicators (KPI). Moreover, we also have a specialist certification system in place to promote cultivation of engineers with expertise in specific models. To date, over 1,000 engineers have been certified under the system.

We have also created a system to certify Daikin service skills overseas. In fiscal 2024, the certification exam was held in all regions worldwide. Starting in fiscal 2025, we began offering examination questions for solution-related technologies, in addition to repair and maintenance technologies. As of December 31, 2025, approximately 4,000 employees from 27 countries had completed their registration to take the exam.

We will also continue our efforts to recruit training personnel and key people from each country to undergo training in Japan, and then establish a foundation for them to develop human resources in their own countries.

Daikin Service Olympics and Service Awards

Since 2016, Daikin has held the Service Olympics, a global competition where service engineers hone their skills and compete against each other. At the second Service Olympics held in fiscal 2024, 45 service engineers who made it past regional qualifying rounds around the world were divided into the DX (Direct Expansion) and AP (Applied) divisions where they competed for overall points through various competitions.

Also, at service bases across Japan, teams are created that compete against each other in the annual Service Awards tournament. There, teams are quantitatively judged and awarded for their level of service in areas such as speed, accuracy, and good manners.

Educational Programs to Improve Installation Quality

Daikin offers training courses for its engineers and dealers to enhance their installation and service skills at seven locations in Japan.

In fiscal 2025, the program was modified to reflect the diversification of learning styles, with content created using digital technology as online learning material. We offer a wide variety of training opportunities, totaling 77 courses.

In addition, we hold special training programs that combine online and in-person training for new mid-career recruits from sales companies, helping them improve their skills and grow quickly.

Skills training for dealers

Sustainability Education

Sustainability Communication

Daikin engages in various ways of communication to help employees gain a deeper appreciation of its sustainability goals and to encourage working together as a group.

For example, annual sustainability e-learning is conducted for all domestic employees. The attendance rate in fiscal 2025 was 98.8%.

In addition, a video message from the officer in charge of sustainability was streamed for employees both domestically and internationally. The message explained the importance of contributing to the realization of a sustainable society through our business, and what the Group aspires to.

Furthermore, sustainability briefings are conducted for every station and department. In fiscal 2025, approximately 2,500 employees attended the briefings. The meetings provide information on the changes in society and extrapolate the relationship between society and the Group's overall business activities using the data published in the sustainability report to allow employees to think about how their individual work relates to society.

Sustainability Briefing (Tokyo Branch Office)

Daikin's Unique Approach to Human Resource Development

Daikin encourages employees to go beyond their departments and participate in cross-functional projects and company-wide events. For example, at the Bon dance and summer festivals held every August at our plants in Japan, attended by many local residents, more than 2,800 employees participate as executive committee members and event staff. In particular, the executive committee is mainly made up of young employees from various departments, who plan the event and coordinate with related parties both inside and outside the company.

Every year, the Daikin Orchid Ladies Golf Tournament, which serves as the opening round of the Japanese women's professional golf tour, is held in Okinawa Prefecture in March. More than 100 employees from our bases are involved in planning and running the event as a company-wide project.

FY2025 Results

Event or project name	Executive committee and staff
Bon dance and summer festival	2,919 (total for Sakai Plant, Yodogawa Plant, Shiga Plant, and Soka Station)
Daikin Orchid Ladies Golf Tournament	103

In these projects, we always think from the customer's perspective, asking ourselves what we can do to make sure that local residents and visitors have a good time, with each employee coming up with and executing their own original plans. We utilize "core persons & supporters," where individuals, regardless of age or position, with strong expertise and passion form the core, supported by those around them, while adopting a "flat and fast" structure, where decisions are made by a leader through consensus-based decision-making after everyone has expressed their opinions until they are satisfied. This provides an opportunity for each employee to grow significantly by putting into practice the philosophy and work methods that are important in Daikin's People-Centered Management. Furthermore, the teamwork and personal networks that transcend organizational boundaries, as well as the ability to think outside the box, execute, and solve problems in order to realize a plan, are all cultivated through these projects. These skills are then put to good use in the daily work of each workplace and function as our own unique form of human resource development.

Daikin Employees

Workplace Diversity

Basic Policy

A company can only grow stronger by having a diverse range of employees working within an organization that is conducive to mutual understanding of one another's values and that allows everyone to shoot for a lofty goal.

The Daikin Group Human Rights Policy cites diversity and inclusion (respect for diversity and prohibition of discrimination and harassment) as one initiative for employees. Furthermore, the Group Compliance Conduct Guidelines state: "We shall understand diverse values and elevate each employee's unique talents and strengths into the driving force of our organization."

Based on this philosophy, we strive for diverse management in which we maximize the talents of all people, regardless of their nationalities, ages, genders, sexual orientation, gender identity, or disability. This goes for both periodically hired employees and career hires.

The diversity of Daikin's workforce has increased with every passing year. Our diversity management combines such diverse personnel and harnesses their individuality and strengths into the combined capabilities of the Group. We believe that the biggest strength of the Daikin Group lies in its more than 100,000 employees and business operations in over 170 countries and regions around the world.

Daikin Group Human Rights Policy

Group Compliance Conduct Guidelines

11. Respect for Human Rights and Compliance with Labor-related Laws and Ordinances

We shall respect the human rights of each and every employee, understand diverse values including culture, ethnicity, generations, and customs, and elevate each employee's unique talents and strengths into the driving force of our organization. Furthermore, we will not discriminate against or harass any person on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual identity, sexual orientation, disability, and other relevant factor.
We shall continue to exchange opinions with our supply chain partners to promote our efforts to respect human rights, and shall contribute to the realization of a society in which human rights are truly respected.
We shall thoroughly comply with labor-related laws and ordinances of each country and region, as well as their spirit. We will never tolerate any form of labor performed against a person's will (forced labor) or labor of children who do not meet the minimum legal working age stipulated by laws and ordinances in each country and region (child labor).

See below for number of employees (Daikin Industries, Ltd. only), employee make-up by region, number of employees by gender and employment rate of women

158 Data ESG Data Society Daikin Employees

Recruitment and Appointment of Diverse Human Resources

Promoting Local Employees to Regional Management Executive Positions at Overseas Bases, and to Officer Positions at Daikin Industries, Ltd.

We are promoting more employees at overseas bases to managerial positions.

As part of our efforts to develop executive managers, in addition to the Daikin Executive Program (D-EP) for management at our local bases around the world, we established the Group Leadership Development Program to develop management candidates within the Group both in Japan and overseas.

At the same time, outstanding personnel hired at overseas bases are being chosen and trained for positions as officers at Daikin Industries, Ltd. (Group head office).

As of March 31, 2026, the ratio of local nationals serving as president or director of an overseas subsidiary stood at 41% and 49%, respectively.

See below for the number and percentage of overseas bases where local nationals are presidents and executives

160 Data ESG Data Society Daikin Employees

Building a Global HR Database

Develop and Assign Talent that Draws out the Infinite Potential of Every Individual

In October 2023, we established and started using a database of our global human resources called DAIKIN People as a platform for maximizing the power of our people, a source and strength of Daikin's competitiveness. In addition to containing basic information about each employee, such as department, position, and career history at Daikin, the database allows employees to fill in other data points such as strengths and expertise, thoughts and hopes for work and career, and for supervisors to fill in information on directions related to employee development. Supervisors can also add records of conversations with employees, thereby accumulating and updating information. In turn, we will use this database as a tool to further harness the abilities of each individual, which will lead to timely training and assignment of human resources.

In addition, to understand employees' sense of job satisfaction and growth, we asked to what extent they agreed with each of the following four statements: "I am proud to work at this company," "I feel motivated in my work," "I feel like I am growing through my work," and "My work allows me to make use of my strengths."

In fiscal 2025, over 70%* of employees gave positive responses to each statement, and in particular, over 80% of employees responded positively to the statements, "I am proud to work at this company" and "I feel motivated in my work."

Response to Statements (FY2025)
90% of the target employees responded

Statements	Percentage of positive responses
I am proud to work at this company	85.9%
I feel motivated in my work	81.4%
I feel like I am growing through my work	79.9%
My work allows me to make use of my strengths	71.9%

* Of the responses "I strongly agree," "I somewhat agree," "I can't say," "I don't really agree," and "I completely disagree," "I strongly agree" and "I somewhat agree" were counted as the "percentage of positive responses."

The responses are analyzed for each department. In turn, the Human Resources Division and each department work together to implement measures to foster a desire to take on challenges and pursue growth in each employee, improve job satisfaction, and resolve organizational issues.

Going forward, we will roll this out to our affiliated companies globally, with the aim of understanding the talent of the entire Group and helping each individual thrive professionally.

Workplaces that Empower Every Worker

Offering a Work Environment Where All Can Thrive Professionally

Daikin Industries, Ltd. raised its mandatory retirement age from 60 to 65 effective April 1, 2024. In conjunction with this, we are also steadily reviewing our personnel and compensation systems in order to create a work environment in which each and every employee, regardless of age, can take on challenges and grow, contribute their abilities, and continue to play an active role.

In addition to eliminating the mandatory retirement age for managerial positions, which was previously set at 56 years old, we will continue to use the qualification grade, evaluation, and wage systems applied to those under the age of 59 until the retirement age of 65 under the new system. We have revised the wage level to a consistent system until the age of 65 and changed it to a system in which wages will not decline uniformly depending on age.

In 2001, we eliminated uniform wage items such as age pay and seniority pay. Through further changes in fiscal 2024, we are minimizing uniform age factors and accelerating the challenges and growth opportunities of each individual employee.

Going forward, we will continue to explore and implement system reviews for all employees, including new measures to accelerate the challenges and growth opportunities of each employee and restructuring of support systems (benefits programs) that support each employee.

Maximizing the Talents of Women

In 2011, Daikin Industries, Ltd. launched a project directly under top management with a focus on promoting women's participation and advancement at work. In our action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, we established targets and are now working on the reinvention of how managers and female employees think, early cultivation of female leaders, support for early return from childcare leave and career advancement, and workplace improvements and culture updates for balancing work and childcare regardless of gender.

As a result of these efforts, the number of female officers promoted from within the company has reached two and the number of female managers reached 132 at the end of March 2026, approximately six times the number in 2011 when we officially launched our initiatives for maximizing the talents of women. We are making steady progress with the development and promotion of female managers and leaders. Also, male employees taking childcare leave has become more established, with a utilization rate of 98.1% and an average of 36.8 days taken in fiscal 2025, indicating a growing culture of participation in childcare regardless of gender.

We have achieved all three targets outlined in our action plan covering the period until the end of fiscal 2025.

Targets and Achievements in the Action Plan as of March 31, 2025

Quantitative targets	Achievements
Appointment of at least one female officer from inside the company	2 (as of March 2026)
Minimum of 120 female managers by the end of fiscal 2025	132 (as of March 2026)
At least 90% utilization rate of childcare leave among both genders Male employees continue to take an average of 10 days or more	Utilization rate of childcare leave (fiscal 2025) Male employees: 98.1%, female employees: 97.8% Average number of days taken by male employees: 36.8

Going forward, we will accelerate our efforts by setting the following new targets for the five-year period concluding at the end of fiscal 2030.

Action Plan to Promote Women's Advancement

1. **Period: Fiscal 2026 to fiscal 2030** (Five years from April 1, 2026, to March 31, 2031)
2. **Quantitative targets**
   - At least 30% of director and Audit & Supervisory Board Member positions occupied by females by the end of fiscal 2030
   - Minimum of 200 female managers by the end of fiscal 2030
   - Aim for at least 100% utilization rate of childcare leave among both genders, and ensure male employees take an average of 30 days or more

Main Initiatives in Fiscal 2025

Training to foster female leaders	• As part of our measures to systematically develop female candidates for managerial positions, the Female Leader Development Program targets female candidates for managerial positions. The program has been held annually since 2011. In addition to a total of four group training sessions, we conducted training for the supervisors of the participants. • The program raises awareness among participants about their own strengths and issues and reveals how they can become leaders. At the same time, the program seeks to change the mindset and actions of participants to increase their influence in the organization as managers and leaders.
Innovative Women's Active Participation Program	• As part of our collaboration with the University of Osaka to promote diversity and inclusion, we implemented a program for female employees in skilled and technical areas. During the three-day program, participants attended lectures at the University of Osaka. • The program changes mindsets so that the participants become influential as leaders in the Daikin Group's skilled and technical areas in the future, and provides a venue to encourage learning through interactions with female engineers from other companies and female graduate students at the University of Osaka.
Discussions among department heads	• In order to accelerate efforts within each department to promote women's empowerment, the Human Resources Department held discussions with the heads of each department. • These discussions further reaffirm the need to promote women's participation and advancement in the workplace, to strengthen the development of women in each department, and to accelerate the promotion of women's active participation.
Health seminar	• On International Women's Day in March, we held a health literacy seminar to deepen understanding of health issues specific to women, to provide an opportunity to consider how to build a career while managing one's own health, and to think about creating a workplace that is conducive for everyone to work.

Selected as Nadeshiko Brand for the 10th Time

In recognition of its efforts to promote women's participation in the workforce, Daikin was selected as a "Nadeshiko Brand" for fiscal 2025, a program jointly run by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to evaluate listed companies that excel in promoting women's participation in the workforce. This marks the 10th time that we have been selected.

Nadeshiko Brand

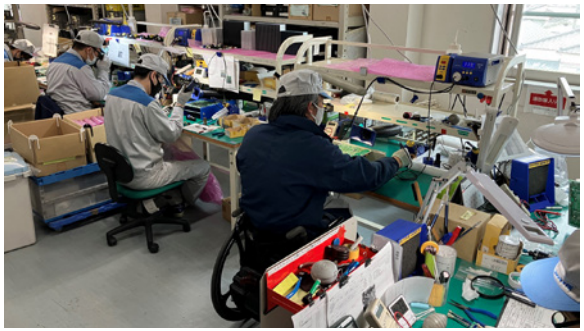
See below for the number of new employees hired; women as percentage of all new employees hired, number and percentage of women in management positions, and gender pay gap (Daikin Industries, Ltd. only)

159 Data ESG Data Society Daikin Employees

Employment of Persons with Disabilities

In 1993, based on the Act on Employment Promotion etc. of Persons with Disabilities, Daikin Industries, Ltd. established Daikin Sunrise Settsu Co., Ltd., a cooperative venture with the Osaka Prefecture and Settsu City governments. DSS strives to provide persons with disabilities with an environment conducive to working so that they have the opportunity to make the most of their talents. Also, we are stepping up efforts for the employment of persons with disabilities across the Group, including at Daikin Industries, Ltd. and other affiliates in Japan.

Targeting a level above the statutory requirement of 2.7%, the Daikin Group in Japan maintained an employment rate of persons with disabilities of 2.93% in fiscal 2025. Group company Daikin Air-conditioning (Shanghai) is proactively hiring persons with disabilities. In December 2013, the company was recognized by the government as a national training base for persons with disabilities.



Daikin Sunrise Settsu Co., Ltd.

In response to changes in the situation surrounding the employment of persons with disabilities in Japan, we established a system in which the Executive Officers Committee and company-wide committees continuously confirm and discuss initiatives for persons with disabilities at Daikin. In order to expand the employment of persons with disabilities throughout the Group, we hold meetings to promote the employment of persons with disabilities in which our affiliated companies in Japan participate. We establish and promote employment targets for each company and the action plan to achieve them.

With the revisions of the Act for Eliminating Discrimination against Persons with Disabilities requiring reasonable accommodation in fiscal 2023, we conducted e-learning on reasonable accommodation for the entire company, not limited to just departments where employees with disabilities are enrolled (covering approximately 94% of the 9,917 employees). We have also expanded this training to our domestic affiliates.

Going forward, we will continue working to create an environment in which each and every employee, regardless of disability, can maximize their abilities in each workplace.

See below for the number of persons with disabilities employed and employment rate (Group companies in Japan)

160 Data ESG Data Society Daikin Employees

Hiring Non-Japanese Nationals

As Daikin's business becomes increasingly globalized, Daikin Industries, Ltd. is aggressively hiring university graduates from a large number of countries. As of March 31, 2026, there were 103 foreign nationals working at Daikin in Japan.

As part of our efforts to improve the situation for hiring foreign national employees, we created the Japan Living Guide for new employees and trainees in October 2018. The guide provides information to help these individuals start off their lives and work in Japan smoothly. In November 2018, we created a handbook containing tips on communication and training methods for workplaces that employ foreign nationals. Furthermore, we provide seminars, workshops, and Japanese lessons. When employees of a foreign nationality work at our overseas Group companies, we take appropriate measures according to the situation, such as making manuals and notices available in multiple languages.

In June 2025, we co-hosted a networking event with other companies for foreign national employees and the Japanese employees who work alongside them. The event featured a panel discussion in which foreign national managers from both companies shared their careers and experiences, providing an opportunity for participants to consider the challenges, concerns, and opportunities of working at a Japanese company. In addition, a discussion was held where participants could freely discuss questions and concerns related to their work and daily lives, fostering deeper connections among them. Fourteen employees from various departments participated.

Understanding of the LGBTQ+ Community

Daikin aims to create workplaces conducive for all employees to work in, regardless of nationality and gender.

In 2018, Daikin Industries, Ltd. has clearly established definitions of human resource rules on marriage and gender to recognize things like common-law marriage (including same sex partners) and gender identity (what gender a person identifies himself or herself as). We are also promoting understanding of the LGBTQ+* community by releasing information via newsletters.

Furthermore, we hold voluntary events to raise awareness and distribute handbooks in collaboration with other companies, providing opportunities for non-LGBTQ+ people to deepen their understanding of what it means to be LGBTQ+.

In June 2025, we partnered with other companies to hold a seminar to deepen understanding of the LGBTQ+ community. We solicited volunteers from our entire workforce, and 51 people from Daikin, including those from affiliated companies, participated. The seminar included basic knowledge, along with a panel discussion featuring input from those working in companies, providing an opportunity to deepen understanding and consider what constitutes a workplace conducive for all to work in.

* LGBTQ+: An acronym describing the community of sexual minorities standing for lesbian (L), gay (G), bisexual (B), transgender (T), and queer or questioning. The plus indicates all others.

Efforts in the Hiring Process

Daikin's Group Compliance Conduct Guidelines state we shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. We are taking the same measures in our hiring process to respect each individual's diversity and prevent discrimination. In addition, we are conducting thorough education among employees involved in hiring to prevent discrimination.

Daikin Employees

Work-Life Balance

Basic Policy

Daikin Industries believes that the sustained physical and mental well-being of its employees at work contributes to the company's growth. With an emphasis on work-life balance, we are introducing various systems and initiatives and fostering a workplace culture that empowers our diverse people to perform at their best.

In particular, support for balancing work and childcare is one of our key pillars. As a company certified as complying with the Act on Advancement of Measures to Support Raising Next-Generation Children, Daikin Industries has established an action plan, which is currently underway, for helping employees with children, irrespective of gender, to continue both work and their home duties with peace of mind. Concretely, we are rolling out flexible work arrangements that support career advancement while balancing work and childcare for all employees, regardless of gender, as well as enhancing employee benefits programs and fostering a supportive workplace culture.

Helping Employees Match Work Schedule with Lifestyle

Employing Flexible Work Systems such as Flex Time and Discretionary Work System

Daikin Industries, Ltd. has introduced a flex time system that allows employees greater flexibility in terms of work. We also have a discretionary work system that can be taken advantage of by the R&D department and employees in other company departments conducting duties such as planning, proposals, and surveys related to company operations.

Support for Childcare While Working

Creating a Workplace Where Employees Can Balance Their Jobs and Childcare

Daikin Industries, Ltd. strives to create an environment where employees can continue their jobs even after having children. We achieved the targets of our first action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children. For this, the company was certified as "Kurumin" by the Osaka Labour Bureau (Ministry of Health, Labour and Welfare) on four occasions in 2007, 2012, 2014, and 2020. Furthermore, in recognition of our measures and efforts to support employees to strike a balance between work and childcare, regardless of gender, we received Platinum Kurumin certification in 2025.

Symbol Showing Certification as a Company Supporting Employees' Childcare Efforts

Utilization of Childcare Leave

Daikin Industries has a number of support measures in place. These include offering flexible work arrangements and enhancing employee benefits, with the aim of fostering a corporate culture where every employee—no matter their gender—can advance their career while balancing work and family life. An increasing number of employees are achieving work-life balance by taking full advantage of these systems and measures. In fiscal 2025, 90 women and 254 men took childcare leave. We also support employees who return to work early from childcare leave, and are working to establish flexible work arrangements and strengthen our childcare support services.

As part of our efforts to foster a supportive work environment, we host the Seminar for Employees Returning from Childcare Leave. The seminar targets a maximum of four persons—employees returning to work, no matter their gender, their partners who also work at Daikin but did not take childcare leave, and the supervisors of both. For employees returning from childcare leave and their partners, the seminar serves as an opportunity to consider how to balance childcare with building their future careers. For managers, it provides an opportunity to reflect on team management in an era where both parents work and share parenting responsibilities.

See below for the number of employees taking childcare leave (Daikin Industries, Ltd. only)

161 Data ESG Data Society Daikin Employees

Workplace Environment Development at Daikin Industries, Ltd.

Creating a work environment that supports the balance between life and career irrespective of gender		
Seminar for employees returning from childcare leave	Purpose	We conduct the seminar to strengthen the measures that support the continuation of an employee's career and not let childbirth or childcare end a career. 1. To understand the mindset needed to balance work and childcare while shaping their future career, including know-how for balancing both, and the positive impacts that childcare can have on work. 2. To dispel unconscious bias such as gender roles. 3. For supervisors to consider their management approach to bring out the potential of diverse human resources, including employees balancing work and childcare.
	Details	Lectures and discussions on careers, know-how sharing on balancing work and childcare by participants, and panel discussions are held by senior employees (men and women) who have experienced childcare leave and supervisors whose subordinates include employees who have children. It provided an opportunity for those involved to think about their careers from a long-term perspective, and for supervisors, an opportunity to think about their management approaches for drawing out the diversity of team members, including employees who are raising a child or children. In fiscal 2025, we held the seminar online for around 120 participants.
	Targets	Total of four: Employees returning from childcare leave and their supervisors. Partners of a returnee from childcare leave and their supervisors (External partners can also participate if they want to).
Creating an environment that encourages male employees to take childcare leave		We publish and distribute the Handbook on Balancing Work and Childcare, which includes information for new fathers, among male employees with a recently born child and their supervisors. We raise awareness of the system to promote systematic utilization of childcare leave, facilitate dialogue between supervisors and subordinates, and link these actions up with confirmation of each individual's intentions and necessary considerations. The Human Resources Division also checks in regularly with eligible employees on their plans to take the leave. We also host seminars jointly with other companies that encourage men to achieve work-life balance in terms of childcare.
Supporting early return from childcare leave		The following program was introduced for employees returning from long-term childcare leave whose child is less than 6 months of age. 1. Flexible workstyle to enable an easy transition that balances work with life • Shorter workday of 4 hours a day • Shorter flexible workday of 6 hours a day • Work-from-home for up to 4 times a week 2. Strengthen services to support parents of infants in balancing life and career • Expand the subsidy amount and list of support within the Cafeteria Plan to Support Challenges and Growth
Other support (establishment of lactation rooms)		We utilize private rooms within each workplace's health management office as a lactation room. Daikin Industries' head office has a dedicated lactation room in the building's common area, which is available for use by employees who wish to use it.
Supporting employees looking for daycare facilities		
Daycare facilities concierge service		This service provides comprehensive support from experts on searching for daycare facilities, which includes information on how to conduct searches and details on daycare facilities, as well as getting advice from experts.
Childcare search seminar		We hold a seminar on how to navigate the childcare application process and related tips, as well as a panel discussion featuring current employees who have gone through the process, sharing their experiences and discussing how they balance work and family life after returning from childcare leave. The seminar serves as an opportunity to learn the key points of securing childcare, resolve any concerns, and think concretely about life after returning to work from childcare leave. In fiscal 2025, approximately 100 employees—including those on maternity or childcare leaves and those interested in learning about childcare options for the future—attended.
Matching employees with company-owned daycares		In order to support employees in finding daycare for their children, we began matching services for employees with company-owned daycares. We list daycares that are owned by the company with openings on the website, and we help employees with the application process to put their children into daycare facilities.

Support for Family Care and other Employee Benefit Systems

Daikin Industries, Ltd. has established a variety of employee welfare programs. For example, these include a defined contribution plan, paid leave, dormitories for singles and company housing, recreational facilities, a home loan program, a property accumulation savings program, and a stock ownership plan.

Family Care Leave and Shortened Working Hours

Daikin Industries Ltd. has developed a number of family care programs to help employees achieve work-life balance when caring for a family member.

Under our family care leave system, eligible employees can take leave up to a maximum of 365 days, which can be taken continuously or broken up into numerous leave blocks, up to three times whenever the family member's conditions become such as to require care.

With our system for adjustment of working hours for family care (under which employees can opt to work a staggered or flexible work schedule, or a shorter six-hours-per-day schedule), for each family member who requires care, employees can break their use of this system into two or more times over a period of three years starting from initial use of this system. Under our short family care leave, employees can take leave in hourly units.

In addition, employees eligible under this system can elect to work from home.

See below for the number of employees taking family care leave (Daikin Industries, Ltd. only)

161 Data ESG Data Society Daikin Employees

Introduction of D-Vita Cafeteria Plan to Support Challenges and Growth

With the aim of creating an environment that maximizes the potential of its people, Daikin introduced the D-Vita Cafeteria Plan to Support Challenges and Growth as part of its employee benefits in April 2025. Vita is Latin for life, living, and vitality. The aim of the plan is to support employees' challenges and growth from the perspectives of personal growth, mental and physical health, and improved quality of life, and to help each employee increase their productivity and produce results over the course of their long careers at the company.

In addition to the basic points awarded to those eligible, employees who balance work with childcare or family care are awarded "childcare support points" and "family care support points," ensuring they can receive support when they use the system to balance work and life.

The cafeteria plan offers childcare-related assistance in the form of subsidies for babysitters, family support center fees, sick childcare, after-school childcare, and other services. Family care-related assistance includes assistance for the use of external services, as well as assistance for purchasing care supplies, elderly care monitoring services, and other services required for providing care while working. Additionally, we have set up a total of 15 programs, including support for health promotion and disease prevention, support for learning and self-improvement, subsidies for infertility treatment, and subsidies for the use of housekeeping services to reduce the burden of daily housework.

Daikin Employees

Occupational Health and Safety

Basic Policy

Daikin is working to create safe workplaces, having formulated the Daikin Group Human Rights Policy based on international rules and guidelines including the UN Guiding Principles on Business and Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Furthermore, the Group Compliance Conduct Guidelines contain a section on "Ensuring the Safety of Operations." In compliance with international rules and the laws of each country on occupational health and safety, we strive to create a "zero accident" workplace where Daikin employees and subcontractor employees work safely, both for their own sake and to instill peace of mind in the minds of residents around our factories.

Daikin Group Human Rights Policy

Group Compliance Conduct Guidelines

10. Ensuring the Safety of Operations

We shall always place our top priority on safety in all operations. Ensuring the safety is the foundation of corporate management and represents a critical responsibility to society. Therefore, we shall comply with the relevant laws and ordinances and commit to creating a safe and secure workplace environment through autonomous and voluntary safety activities.

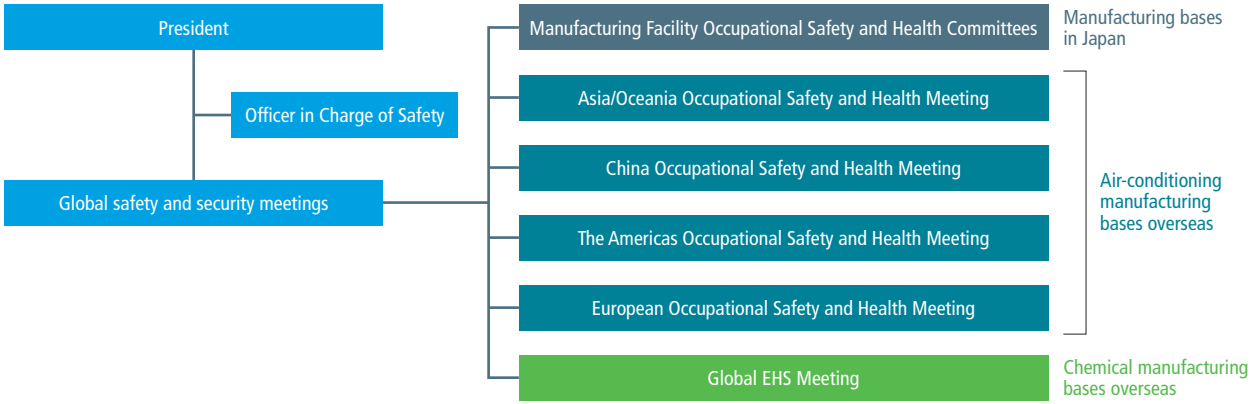
Compliance Management Structure

Officer in Charge of Safety Leads Safety and Accident-Prevention Efforts

Daikin has appointed an officer in charge of safety to promote safety and disaster prevention measures. Global safety and security meetings, chaired by the officer in charge of safety, are held twice a year. At these meetings, reports are provided on the occurrence of accidents in Japan and overseas, the contents of Occupational Safety and Health Meetings in each region, the status of support for overseas bases where accidents occur frequently, and the status of measures to address common global issues. Meetings also deliberate on measures to further improve safety levels.

In Japan, Occupational Safety and Health Committees are established at each plant to devise annual safety policies, formulate occupational safety and health plans, and implement the PDCA cycle. Overseas, employees responsible for safety are appointed at each manufacturing base. Annual Occupational Safety and Health Meetings are held in each region in an attempt to improve the level of safety measures.

Occupational Safety and Health Management Structure



Risk Assessment

To prevent the occurrence of occupational injuries, Daikin carries out safety countermeasures after each base conducts risk assessments and identifies facilities that pose a high risk of injury. When an injury occurs at a base either inside or outside of Japan, matters concerning the monthly occurrence, causes, and countermeasures are reported to the officer in charge of safety via the department responsible for safety at Daikin Industries, Ltd., pursuant to the Group's injury reporting guidelines. In turn, this information is reported to and shared with the global safety and security meeting two times per year.

For example, with regard to accidents related to "getting caught in or trapped by machinery," "cuts," and "transport work," which have accounted for a large number of accidents globally in recent years, we share the details of the accidents and countermeasures at each base at global safety and security meetings. We also implement an improvement cycle where we carry out risk reduction activities for these accidents after categorizing them into "people," "people and equipment," and "equipment."

Additionally, we are working to prevent the occurrence of occupational accidents by providing protective equipment, translating procedure manuals into local languages, conducting periodic inspections of equipment, and adopting easy-to-understand labeling using photographs, including at overseas bases.

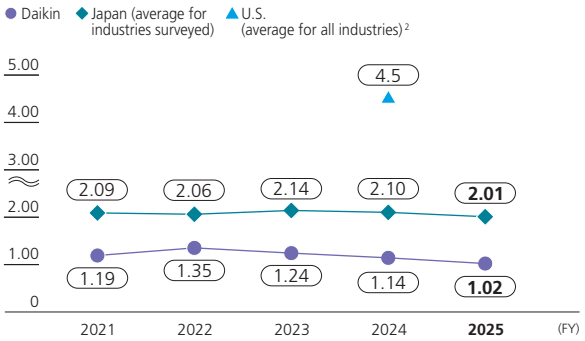
132 Governance Risk Management Measures Against Major Operational Risks

Targets and Results

Aiming for "zero accident" workplaces, Daikin utilizes a rate showing the frequency of occupational accidents resulting in lost work time as an indicator of operational safety.

The frequency rate of occupational accidents for the entire Daikin Group, including overseas, in fiscal 2025 was 1.02.

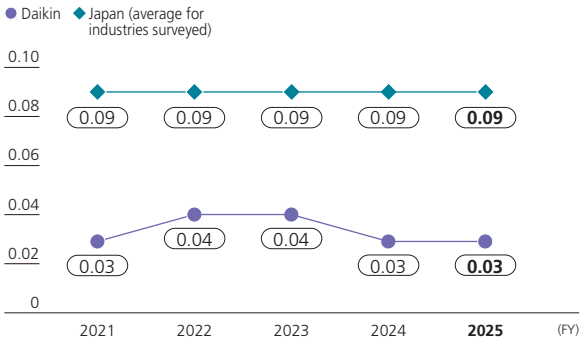
Frequency Rate of Lost Work Time Accidents[1]



[1] This shows the frequency of occupational accidents resulting in lost work time, expressed in number of casualties for every 1,000,000 working hours.
Frequency rate = Number of injuries or fatalities from occupational accidents resulting in lost work time / Total actual working hours × 1,000,000

[2] Calculated based on information from U.S. Bureau of Labor Statistics (November 2025).
No data was released for the United States in fiscal 2025 (as of the end of July 2026).

Severity Rate*



* This shows the severity of the calamity, expressed in man-days lost per 1,000 hours worked.
Severity rate = Total number of working days lost / Total actual working hours × 1,000

Occupational Health and Safety Management System

Daikin has manufacturing bases around the world and we ensure safe plant operation and worker safety through the creation of occupational safety and health management systems at each base. Under this system, we use risk assessment to reduce and manage the risk of health and safety problems; we formulate, execute, and monitor the progress of action plans; and we ensure that we are continuously in compliance with laws and regulations.

In addition, every year, we conduct internal and external audits, along with education and safety patrols with the aim of achieving "zero accident" workplaces.

As of the end of fiscal 2025, 67 bases (approximately 60% of all bases) had acquired certification related to ISO 45001 and other occupational safety and health management systems.

See below for the number of sites that obtained occupational safety and health management system certification

161 Data ESG Data Society Daikin Employees

Employee Education and Training

Daikin conducts a variety of education and training on occupational safety and health. This applies to everyone who works at Daikin, including employees (part-time employees and dispatched employees included), business partners, partner companies, and contractors.

Daikin Industries Ltd. places an important focus on hands-on training that simulates situations where certain actions or situations could invite danger. Using specially made devices and machines, employees take part in hands-on mock training in which they experience what it is like to be caught in or trapped by machinery in the equipment manufacturing industry, where such accidents are common; and where they see firsthand the danger of fire and pressure caused by chemical reactions common in the chemicals manufacturing industry. We continue to hold training based on effective programs that are combined with theoretical learning in the classroom.

At our overseas bases, in addition to improving employee technical proficiency levels through training held in Japan, we aim for zero occupational accidents by providing safety training and conducting safety patrols, among other initiatives. At Daikin Fluorochemicals (China) hundreds of people receive safety training every year at the education and training center within the factory. This center was certified as a "petrochemical industry safety education base" by the China Chemical Industry Federation. It provides training not only to our own employees but also to our customers and to affiliated companies and organizations.

Additionally, every July, coinciding with Japan's nationwide safety week, the President and CEO issues a message to the entire Group on our priority initiatives for that particular fiscal year in order to foster greater awareness of safety. Every year, management, the safety officer, and departments responsible for safety visit our bases in Japan and overseas to provide coaching in terms of safety assurance, while departments responsible for safety consolidate accident data monthly to share with persons in charge of safety at each business base in an effort to raise awareness of safety.

Hands-on training

See below for our efforts to ensure the safety of our business partners on assembly lines

122 Social Supply Chain Management Working Closely with Suppliers Ensuring Safety Inside Plants

See below for our countermeasures and disaster prevention training in preparation for natural disasters

124 Social Affected Communities Contributions to Local Communities Harmony with Communities

Employee Health Management and Mental Health Care

Supporting Employee Health Through Checkups and Counseling

Daikin Industries conducts regular health checkups semi-annually to support the health of its employees. Special health checkups for employees engaged in specified tasks are also conducted semi-annually at each business location, in accordance with laws such as the Industrial Safety and Health Act.

Employees who are found to have problems are put under the direct guidance of the company health clinic and are given thorough guidance in the necessary measures to take. At such secondary checkups, employees are given personalized health guidance and advice on improving their habits according to their individual lifestyles. Employees who require detailed examinations and treatment are sent monthly follow-up emails as part of our efforts to decrease the number of people not getting the care they need.

If an employee is found to be working excessive hours, he or she is checked by an industrial physician, and if the employee needs special attention, the employee and their superior will receive guidance from the physician. At interviews with industrial physicians, employees are given not just health advice but also consultation regarding family life and other personal matters.

Awareness of Individuals and Organizations Dealing with Mental Health Issues and Provision of Specialist Care

Daikin Industries, Ltd. strives to maintain the physical and mental health of employees. Based on guidelines from the Ministry of Health, Labour and Welfare, four types of mental healthcare measures, such as self-care and care by dedicated outside staff, are planned and implemented at all bases depending on the needs of each base.

Stress checks are conducted at all Daikin bases in Japan, and if a high-risk individual is identified, they will be interviewed by an industrial physician. We approach mental health concerns from multiple angles, including early detection, self-care guidance, and workplace improvements.

Eliminating Long Working Hours

Eliminating Long Working Hours by Obligating Employees to Leave at Closing

Daikin strives to comply with labor-related laws and regulations in the countries and regions where it operates and to eliminate prolonged working hours of employees, under the Group Compliance Conduct Guidelines that state, "Respect for Human Rights and Compliance with Labor-related Laws and Ordinances."

Group Compliance Conduct Guidelines

11. Respect for Human Rights and Compliance with Labor-related Laws and Ordinances

We shall respect the human rights of each and every employee, understand diverse values including culture, ethnicity, generations, and customs, and elevate each employee's unique talents and strengths into the driving force of our organization. Furthermore, we will not discriminate against or harass any person on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual identity, sexual orientation, disability, and other relevant factor.
We shall continue to exchange opinions with our supply chain partners to promote our efforts to respect human rights, and shall contribute to the realization of a society in which human rights are truly respected.
We shall thoroughly comply with labor-related laws and ordinances of each country and region, as well as their spirit.
We will never tolerate any form of labor performed against a person's will (forced labor) or labor of children who do not meet the minimum legal working age stipulated by laws and ordinances in each country and region (child labor).

For example, Daikin Industries, Ltd. strives to eliminate long working hours through measures such as obligating employees to leave the office at a designated closing time once a week and prohibiting employees from coming to work on their days off (unless absolutely necessary and approved by the department head).

In this way, we are making a concerted effort to improve both work rule compliance and work efficiency. Yearly plans are made for each employee's duties and working hours, and to ensure that work management is in line with the plans, checklists are filled out to manage daily work.

Furthermore, by implementing a planned 5-day paid work leave system and establishing general paid leave, we aim to promote respect for work-life balance and a more vibrant work environment.

See below for the paid leave utilization rate (Daikin Industries, Ltd. only) and average overtime hours per employee (Daikin Industries, Ltd. only)

162 Data ESG Data Society Daikin Employees

Stakeholder Engagement

Dialogue with Communities for Safer Plants

We have established venues for regular dialogue with local community members for safer plants in order to provide added peace of mind to the people living around our plants.

See below for our interactions with local communities

124 Social Affected Communities Contributions to Local Communities Harmony with Communities

Daikin Employees

Employee Evaluation and Treatment

Basic Policy

Daikin offers "fairness of opportunity and reward": a workplace where employees are rewarded for putting their motivation to work and taking every opportunity for success.

Employee Evaluation and Treatment

Fair Evaluation and Compensation Structure

In fiscal 2001, Daikin Industries, Ltd. eliminated standardized wage scales based on age and seniority, along with uniform pay raises. Instead, we switched to a compensation system that rewards performance, not age or seniority. Our performance evaluation focuses on how well employees improve their abilities.

This evaluation also looks at job results in three categories called achievements, challenging spirit, and growth. To ensure even greater fairness of evaluation, managers evaluate their staff only after consulting with other managers. Furthermore, employees are evaluated from multiple angles based on their level of contribution to company successes and to the organization as a whole. This compensation system was extended to include Daikin Group companies in Japan.

In addition, we have begun formulating a global, Group-wide human resources policy that includes evaluation and compensation in an effort to implement personnel measures that promote the desire to work and a sense of job satisfaction for all employees throughout the entire Group.

Job Placement and Transfer Mindful of Employee Circumstances

Whenever possible, Daikin Industries, Ltd. asks new employees where they want to work and if possible assigns them to the departments and sections of their choice. If new employees cannot be placed in the department or section of their desire due to personal aptitude and company needs, we do all we can to gain their understanding.

When we consider transferring an employee, the supervisor and employee meet to discuss strengths and specializations, job and career thoughts and aspirations, approach to human resource development, and records of employee meetings with their supervisors, which are entered into DAIKIN People, our global human resources database, by both the supervisor and employee. Whenever possible, we consider employees' individual circumstances for relocations and ensure their spirit of challenge is reflected in the posts they are assigned to. For employees who wish to work overseas, we have established a practical training system to support employees in foreign positions.

We continue to build rewarding workplaces for our employees by matching their dreams and goals with those of Daikin.

Daikin Employees

Labor/Management Relations

Basic Policy

Daikin Industries, Ltd. believes that cooperative labor management relations are the foundation of company management. We therefore place the utmost emphasis on equality of labor and management, as well as mutual trust between both sides. Our stance has been, and always will be, to face the truth in solving all problems and to speak frankly and draw clear lines between what is and what is not possible.

Except for managers and some contract employees, around 80% of employees at Daikin Industries, Ltd. are union members. The company holds frank discussions with the labor union. As soon as business plans are clarified, management holds a meeting where it explains these plans to the labor union. In fiscal 2025, we continued to hold these meetings with the labor union's headquarters on a regular basis. Participants discussed topics including challenges in workplace culture, motivation, how to make work more rewarding, and management issues, among others.

Employee working conditions and status are matters discussed between labor and management, with results of these discussions promptly reported.

Respecting the Rights of Workers

Specification in Work Regulations and Agreements and Publicizing of Respect for Workers Rights

At Daikin Industries, Ltd., we believe that the company should respect its employees as individuals and strive to improve their welfare, and that employees should fulfill their duties as workers. The principle of respect for the rights of the worker is specified in work regulations and labor agreements. We give a thorough explanation of the work regulations and labor agreement to new employees when they join the company, and the labor union also conducts similar education of employees to ensure employees have access to this information.

Creation of the All Daikin Federation of Labor Unions

The Daikin Industries' labor union established a federation structure in February 2014 to further expand activities across the entire Daikin Group, including enhancing labor-management relations at each company and using the mutual aid system to capitalize on scale merits. This move also aimed to create solidarity within the Group in terms of labor unions, strengthen the employment base of workers, and maintain and improve working conditions.

Today, the federation comprises 24 independent labor unions.

Dialogue with Employees

Hearings for Employees to Improve Working Conditions

Daikin Industries, Ltd. has about 10 hearings a year with at least 4% of its employees (approximately 300 employees). Salary negotiations with the labor union are held between labor and management with consideration for factors including company performance, operational issues, world trends, and the work of the labor union. On top of that, each employee is interviewed. This results in employees receiving a salary that both sides agree is fair under the circumstances.

Besides salary, employees are also given hearings when there are matters to report from the company, such as new fiscal year Group policies, budget and performance reports, and a message from the president at bonus time. Other ways that we hold regular opportunities for dialogue with employees include meetings between managers and their workers during announcement of annual targets and employee evaluations. Listening to frank employee opinions ensures that we can continuously improve labor-management relations.

Daikin Employees

Human Rights Policy and Management Structure

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 (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Cooperation and Development (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 also includes human rights due diligence, a 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 Compliance Conduct Guidelines which specifies 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 ask them to ensure thorough compliance.

Compliance Management Structure

At Daikin, the officer in charge of human resources is the person responsible for initiatives related to respect for human rights. The secretariat (composed of the human resources department, the corporate planning department, the legal department, and the sustainability department) and business departments (procurement departments, etc.) located within the Daikin Industries headquarters work together to promote initiatives ensuring that human rights are respected across the value chain. The human resources department is responsible for considering and deciding on the direction of the Group's human rights initiatives, including formulating human rights policies. The Corporate Ethics and Risk Management Committee, whose secretariat is the legal department, advances operational risk management and thorough compliance, positions human rights risks as a material form of operational risk, and reviews the previous fiscal year's activities within the company and in the supply chain. Based on the results, we decide on the activities for the year and follow up on progress. The Sustainability Committee, whose secretariat is the sustainability department, promotes the Group's sustainability efforts in an integrated and cross-functional manner. The Sustainability Committee takes a bird's-eye view of all sustainability initiatives, including respect for human rights in the value chain, and aims to discuss matters from different medium- to long-term perspectives and identify issues. These results are reviewed and confirmed by the Internal Control Committee, chaired by the President and COO. In turn, the results of meetings of the Internal Control Committee are reported to the Board of Directors.

Group Compliance Conduct Guidelines

11. Respect for Human Rights and Compliance with Labor-related Laws and Ordinances

We shall respect the human rights of each and every employee, understand diverse values including culture, ethnicity, generations, and customs, and elevate each employee's unique talents and strengths into the driving force of our organization. Furthermore, we will not discriminate against or harass any person on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual identity, sexual orientation, disability, and other relevant factor.

We shall continue to exchange opinions with our supply chain partners to promote our efforts to respect human rights, and shall contribute to the realization of a society in which human rights are truly respected. We shall thoroughly comply with labor-related laws and ordinances of each country and region, as well as their spirit. We will never tolerate any form of labor performed against a person's will (forced labor) or labor of children who do not meet the minimum legal working age stipulated by laws and ordinances in each country and region (child labor).

Daikin Group Human Rights Policy
Group Compliance Conduct Guidelines
Supply Chain CSR Promotion Guidelines

132 Governance Risk Management Operational Risks
134 Governance Compliance Consistency in Compliance

Daikin Employees

Human Rights Due Diligence

Identification and Assessment of Human Rights Risks as Well as Risk Mitigation and Countermeasures

Human Rights Risk Assessment

Daikin identifies and assesses human rights risks within its entire value chain across its operational risk management structure. We established questions on respect for human rights within the self-assessments that we conduct every year to check compliance with the Conduct Guidelines. We will more carefully monitor whether issues, such as human rights violations, are occurring and assess human rights risks according to their severity and likelihood based on risk assessments that root out the risks facing the company and each division. Risks, the issues identified in self-assessments and risk assessments, along with countermeasures, are reported to and shared with the legal compliance meeting of each region and the Corporate Ethics and Risk Management Committee in an effort to mitigate risk. Moreover, these details are reported to the Internal Control Committee chaired by the President and COO and also to the Board of Directors.

Daikin regularly refines and upgrades its human rights due diligence methods. In fiscal 2025, we began efforts to strengthen our risk-based approach. Specifically, to ascertain the overall picture of human rights risks in each country and region, we are utilizing publicly available information from international organizations and NGOs, the results of interviews with related departments, and the expertise of external stakeholders such as NGOs. In turn, we are organizing this information to visualize major human rights issues, including child labor and forced labor, mainly in the countries where our production bases are located. Based on this, we will promote corrective and preventive measures for each human rights issue according to its specific circumstances and link these efforts to continuous monitoring and improvement.

132 Governance Risk Management Operational Risks

116 Social Supply Chain Management Responsible Procurement

Human Rights Risks in the Daikin Group Value Chain and Relation to Major Stakeholders

	Details of risks	Related stakeholders
Occupational health and safety	• Eroding safety or health due to work accidents or poor working environment	Suppliers Employees
	• Noise, vibration, fires, etc. at bases	Suppliers Communities Employees
	• Child labor, forced labor	Suppliers Employees
Products and services	• Harm to customers' lives and health because of faulty products or services	Customers
	• Wrongful use or abuse—unforeseen by the company—of products or technologies	Customers
Discrimination	• Lack of concern for people because of their gender, or because they are members of indigenous groups, ethnic minorities, LGBTQ+, immigrant laborers, etc. (inappropriate language, advertising expressions, etc.)	Customers Suppliers Communities Employees
Communities	• Air and water pollution, misuse of natural resources	Suppliers Communities Employees
	• Destruction of indigenous cultures and environment	Communities
Societies and government	• Procurement of conflict minerals associated with inhumane acts	Suppliers
	• Leakage of personal information	Customers Suppliers Employees
	• Violations of human rights-related laws or regulations	Customers Suppliers Communities Employees

Respecting Human Rights in the Supply Chain

Following the Daikin Group Human Rights Policy, we are promoting initiatives to respect human rights throughout the supply chain. Particularly in regions where the risk of forced or compulsory labor and exploitation of migrant workers is considered relatively high, we conduct human rights due diligence on our suppliers guided by the UN Guiding Principles on Business and Human Rights.

In fiscal 2024, Daikin identified human rights issues within the supply chains of its overseas Group companies. In cooperation with NGOs and other organizations, we have worked to take appropriate action and make corrections, while also endeavoring to understand the background and contributing factors, to share this information within the Group, and to prevent recurrence.

In fiscal 2025, we held human rights briefings for suppliers at Daikin Malaysia to promote understanding of the Daikin Group Human Rights Policy and to ensure thorough compliance with human rights-related laws and regulations among suppliers. In addition, we held a human rights due diligence training program at Daikin Industries (Thailand) with 156 companies participating, primarily local suppliers.

Going forward, we will continue to engage in ongoing dialogue with our suppliers to reduce human rights risks throughout our entire supply chain.

See below for details on our initiatives to respect human rights in the supply chain

116 Social Supply Chain Management Responsible Procurement

Supply Chain CSR Promotion Guidelines

Response to Human Rights-Related Laws and Regulations

Response to Personal Data Regulations

Daikin has its own Group guidelines for the protection of personal information that it strictly enforces. These guidelines are the basis for promotion systems and rule systems of each Daikin Group company. We have developed regulations on the handling of personal data in the EU that include the requirements of the General Data Protection Regulation (GDPR), which governs the personal data of EU residents. The Daikin rules cover protection measures for when personal data is taken out of the EU, the recording and control of how personal data is handled, and measures to ensure safe management of personal information. We have also set up a hotline for inquiries from residents of the EU. Every employee in the Daikin Group is familiarized with these rules.

To further ensure the protection of personal information, we introduced the system as a personal information protection tool at all Group companies in Japan from May 2024. We will also be rolling out the system to overseas subsidiaries in Europe, Southeast Asia, and other regions.

Response to the U.K. and Australia's Modern Slavery Acts

Our Group companies in the U.K. and Australia have released the following statements based on the Modern Slavery Acts enforced by the U.K. and Australia.

Statements

Daikin Airconditioning UK Ltd.

J&E Hall International

Daikin Applied (UK) Ltd.

Daikin Australia Pty., Ltd.

Human Rights Education

At Daikin, we regularly conduct human rights training for each level of employee to raise awareness toward human rights among officers and employees. Additionally, using annual self-assessments by employees, we confirm how well the Group Compliance Conduct Guidelines, including respect for human rights, are being implemented, thus contributing to improved understanding of the guidelines.

At Daikin Industries, Ltd., human rights training is held every year for all officers, new employees including those at affiliates, and newly appointed managers.

For example, in fiscal 2025, Daikin Industries conducted training sessions led by experts for its directors, executive officers, and associate officers. Under the theme of "Business and Human Rights in a New Era," participants learned about social trends in Japan and abroad, best practices of other companies, and the importance of human rights due diligence throughout the entire value chain. We also conduct harassment training as part of training for new managers and raise awareness regarding how to handle information received from subordinates.

Daikin has set a target of achieving a 100% implementation rate of education and training programs by 2030 to ensure that its human rights policy is thoroughly understood and followed. We will continue to implement human rights education to ensure that our human rights policy is fully understood and to raise awareness of human rights among our officers and employees.

Human rights training

098_Social_Daikin Employees_Workplace Diversity

121_Social_Supply Chain Management_Working Closely with Suppliers

Remedy Mechanism

Daikin has established a contact point for receiving reports related to human rights from various stakeholders, including employees and business partners. We accept reports concerning human rights from our stakeholders through the grievance form of the Japan Center Engagement and Remedy on Business and Human Rights (JaCER),* of which Daikin is a member.

In addition to the above contact point operated by JaCER, each Group company also accepts human rights whistleblowing reports from employees and others through its own internal contact point.

For reports received through these channels, the Group company that received the report conducts an appropriate investigation based on the content of the report and takes necessary actions in accordance with the findings.

Furthermore, reports made to this contact point are kept confidential and whistleblowers are not subject to retaliation or treated unfairly for having made a report.

* JaCER aims to provide a non-judicial platform for grievance redress and to act in a professional capacity to support and promote redress of grievances by member companies based on the United Nations Guiding Principles on Business and Human Rights.

JaCER Grievance Form

133_Governance_Compliance

Supply Chain Management

Responsible Procurement

Basic Policy

Daikin is working with suppliers worldwide in ensuring responsible procurement in order to fulfill its social responsibility across the entire supply chain. We consider our suppliers of raw materials and parts as important partners, with whom we promote relationships of trust through open, equal, and fair trade. At the same time, Daikin promotes CSR procurement with consideration for the environment, quality, occupational safety, and human rights within its supply chain, including our suppliers, in order to live up to society's trust as a global company.

Supply Chain CSR Promotion Guidelines
Green Procurement Guidelines
Guide to Our Global Sourcing Activities

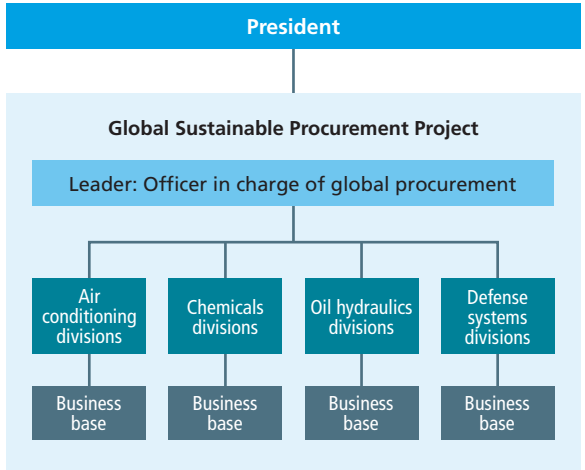
Compliance Management Structure

Daikin has set "Reduce GHG emissions throughout the life cycle" and "Respect for human rights" as key sustainability themes and is advancing initiatives in its supply chain.

Each officer shares information and deliberates on the progress and challenges related to initiatives in the supply chain at meetings of the Sustainability Committee, which is chaired by the officer in charge of sustainability. In turn, decisions made by the Committee are reported to the Board of Directors.

Under our project team reporting directly to the president and led by the officer in charge of global procurement, we are advancing responsible procurement practices globally in order to strengthen efforts for respecting human rights and reducing environmental impacts in the supply chain, with an eye to compliance with laws and regulations on sustainability globally.

Compliance Management Structure



Purchasing Philosophy and Purchasing Policy

Purchasing Philosophy:

"Respect Independence" and "Cooperation and Competition"

Purchasing Policy:

- Fair relations based on an open door policy:
  Provide open, equal, and fair opportunities for all companies, regardless of their locality, size, and sales results.
- Mutual growth through mutual trust:
  Create open conditions for business dealings and respect free competition.
- Look for good partners:
  In procuring from overseas, look for companies to share common profit and offer useful products to society.
- Observe laws, and maintain confidentiality:
  Observe laws on business dealings and respect the spirit of these laws.

Giving All Suppliers an Equal Opportunity

Daikin has an open door policy on choosing suppliers in which we welcome bids from any company, regardless of nationality, size, or transaction results.

Daikin accepts estimates and proposals from multiple vendors in an effort to ensure fair business opportunities. In principle, companies satisfying our transactional criteria become eligible to do business with us.

CSR Procurement

Evaluation of Suppliers

Daikin ensures potential partners understand our Purchasing Policy, and we assess them on consistent standards.

We assess our suppliers once a year at each of our global bases from perspectives such as management, quality, and environment. On top of this, we regularly assess suppliers based on ISO 9001 and other factors, and to ascertain the ability of suppliers to address ESG-related risks, we investigate their compliance with the Supply Chain CSR Promotion Guidelines and determine whether the business relationship with suppliers can be continued.

Supply Chain CSR Promotion Guidelines

Rolling Out Supply Chain CSR Promotion Guidelines

Daikin established "Completion of the CSR survey: 100% of all locations" as the company's sustainability indicator and target for 2030, as an initiative to achieve sustainable development of business together with suppliers that runs alongside "look for good partners" pursuant to our Purchasing Policy. This target proclaims that we will conduct socially responsible procurement as we take on challenges like the environment, human rights, and labor throughout the supply chain.

Daikin has established the Supply Chain CSR Promotion Guidelines and requests that its suppliers specify compliance with these guidelines in contracts and other documents related to business dealings. These guidelines aim to further CSR, including at suppliers and other partners through stable and ongoing growth. In addition to standard requirements such as proper management and abidance with laws and regulations, the guidelines urge suppliers in Japan and overseas to strive to be better in every aspect of CSR, such as improving performance in the environment, quality, occupational safety, and human rights, and abstaining from dealing with companies in war-torn regions. We request primary suppliers to extend the same guidelines to secondary and subsequent suppliers, in striving to penetrate them across the entire supply chain.

In fiscal 2025, following the revision* of the Subcontract Act to the Act on Proper Transactions for Small and Medium-Sized Contractors (Proper Transactions Act), we have included in our contracts not only compliance with the Proper Transactions Act but also compliance items with the Supply Chain CSR Promotion Guidelines, and we are requesting our suppliers to comply with these guidelines.

At Daikin, we have conducted CSR questionnaires among suppliers equivalent to 90% of total procurement value in Japan and overseas as a way to monitor compliance with these guidelines, and we provide the results of questionnaires to suppliers as feedback. In addition, we evaluate suppliers by classifying their CSR initiatives according to our own standards and then recommend improvements or provide guidance to suppliers in order to improve the quality of their initiatives. Furthermore, we encourage our suppliers to educate and train their workers periodically, disclose information regarding their activities and progress properly on their website or other tools, and have continuous dialogue with their stakeholders.

* Effective January 1, 2026, the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontract Act) was amended and implemented as the Act Against Delay in Payment of Fees, etc. to Small and Medium-sized Entrusted Business Operators in Manufacturing and Other Specified Fields (abbreviated as: Act on Proper Transactions for Small and Medium-Sized Contractors).

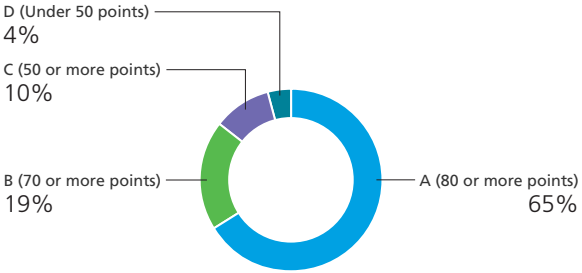
CSR Procurement Targets and Results

(%)

Quantitative indicator	Targets	Progress			FY2025 target
		FY2023	FY2024	FY2025	
Percentage of suppliers requested to carry out initiatives based on the guidelines	Request all suppliers to carry out CSR initiatives based on the Supply Chain CSR Promotion Guidelines	100	100	100	100
Percentage of suppliers reaching Class A ranking in CSR procurement	Improving percentage of suppliers reaching Class A ranking in CSR procurement	81	84	65	100

The results of the 2025 CSR questionnaire showed that the percentage of suppliers with a Class A ranking of CSR initiatives was 65%. The reasons why we fell short of our target of 100% included expanding the scope of our surveyed suppliers from approximately 80% to over 90% in response to the increasing ESG-related risks in the supply chain, and enhancing the survey's content by utilizing third-party assessment services. Therefore, in fiscal 2026, based on the survey results of fiscal 2025, we will strive to further improve the level of CSR initiatives of our suppliers by confirming the status of their efforts, providing training, and engaging in continuous dialogue.

Results of CSR Questionnaires



A: For suppliers with excellent CSR initiatives
B: For suppliers currently implementing CSR initiatives
C: For suppliers with certain challenges in terms of CSR initiative themes
D: For suppliers who do not implement CSR initiatives and face many challenges

Response to Conflict Minerals

Under our Basic Policy on Conflict Minerals* established in July 2013 and "11. Respect for human rights and diversity, and compliance with labor-related laws" of the Supply Chain CSR Promotion Guidelines, the Daikin Group strives to identify materials from the Democratic Republic of the Congo and its surrounding countries and encourages suppliers to procure minerals from smelters with conflict-free certification.

From fiscal 2016, we have been conducting surveys of suppliers with regard to their use of conflict minerals as part of our CSR procurement. In our air conditioning divisions, we began operating an online registration system for results of conflict mineral surveys based on the latest system or tool designed by the Responsible Minerals Initiative. This strengthens our system for surveying the procurement sources of conflict minerals.

* The four minerals of tin, tantalum, tungsten, and gold, which are mined in the Democratic Republic of the Congo and surrounding countries and used by rebel groups to purchase weapons.

Basic Policy on Conflict Minerals

Daikin will work with its suppliers to enhance transparency in its supply chains and ensure responsible minerals procurement, so as not to be complicit in the inhumane acts of armed groups in the Democratic Republic of the Congo and surrounding countries.

Supply Chain CSR Promotion Guidelines

Promoting Green Procurement

Daikin Group Requests that Worldwide Suppliers Abide by Green Procurement Guidelines

Daikin established its Green Procurement Guidelines in fiscal 2000 and requires suppliers from which it procures materials in Japan and overseas to abide by these guidelines in order to place a priority on the procurement of materials and parts used in manufacturing that reduce environmental burdens.

In implementing these guidelines, we evaluate suppliers on environmental protection activities using a green procurement inspection list. This list contains information on the presence or absence of environmental management systems, chemical substances management, and other data.

Supplier procurement rate scores of 82 points or more on the green procurement inspection list are set as the green procurement rate.* The supplier procurement rate corresponds to suppliers inside and outside of Japan accounting for 90% of total procurement value. For suppliers who do not meet certain standards, we request improvement and provide guidance, supporting them in enhancing their environmental activities and thereby ensuring that our business relationships continue.

In fiscal 2025, the Group green procurement rate was 77%. Since we fell short of our fiscal 2025 target because of the increase in the scope of suppliers surveyed, we will continue working to increase the green procurement rate in each region through briefings and other events aimed at facilitating an understanding of the importance of green procurement among suppliers.

* Green procurement rate = Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured

Green Procurement Guidelines

Green Procurement Rate

(%)

	FY2021	FY2022	FY2023	FY2024	FY2025
Japan	95	91	93	96	78
Outside Japan	78	76	75	80	58
Entire Group	80	79	79	82	77

Green Procurement Targets and Results

(%)

Quantitative indicator	Target	Progress			FY2025 target
		FY2023	FY2024	FY2025	
Percentage of suppliers requested to carry out initiatives based on the guidelines	Request all suppliers to carry out initiatives based on the Green Procurement Guidelines	100	100	100	100
Green procurement rate	Increase green procurement rate	79	82	77	100

Reducing CO_2 Emissions During Procurement

To reduce CO_2 emissions during procurement (Scope 3, Category 1), Daikin promotes the procurement of low-carbon materials, including aluminum refined using hydroelectric power, for the virgin aluminum ingots and steel it uses. In fiscal 2025, we reduced CO_2 emissions by approximately 240,000 tons compared to using conventional materials.

Compliance with Restrictions on Toxic Chemicals

Daikin maintains a list based on the RoHS Directive[1] and the REACH Regulation[2] regarding chemicals contained in products. These are stated in our Green Procurement Guidelines, which we require our suppliers to abide by. We regularly revise our green procurement guidelines in response to the increasingly stringent regulations on chemical substances.

Also, we introduced chemSHERPA, a chemical substance management system recommended by the Ministry of Economy, Trade and Industry in fiscal 2018 so that we can accurately and promptly manage information on chemical substances.

[1] The RoHS Directive (Restriction of Hazardous Substances Directive) 2011/65/EU is a regulation in the EU prohibiting the use of certain hazardous substances in electrical and electronic equipment.

[2] The REACH Regulation 1907/2006/EC on chemical substances went into effect in Europe in June 2007. REACH obligates companies manufacturing or importing at least 1 ton of chemical substances a year in the EU to register with EU authorities. REACH covers almost all chemicals on the market in the EU.

060 Environment In Harmony with Nature Management and Reduction of Chemical Substances

Risk Management in the Supply Chain

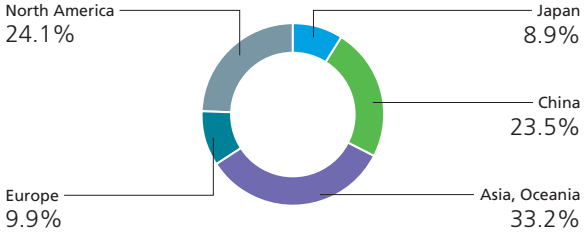
Mitigating Risks Associated with Green Procurement

At Daikin, we have appointed persons in charge of procurement in each region and strive to reduce growing procurement risks as our business expands around the world and the operations of our suppliers become more globalized.

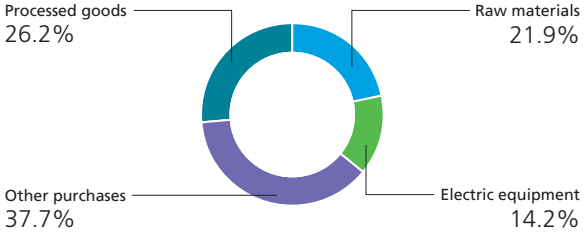
We regularly evaluate suppliers to identify risk and have created an in-house system for making timely decisions on suppliers affected by risk, and we update our databases as needed in order to improve our ability to deal with problems when they arise. We encourage the use of multiple suppliers across different regions and the commonization and/or standardization of parts in order to procure raw materials and parts in a stable and timely manner at reasonable prices even if one supplier faces a deterioration in financial situation or in case of a natural disaster or accident. Suppliers that carry parts and materials matching Daikin's core technologies are designated as "Critical Supplier" based on the three categories of "substitution difficulty," "size of transactional value," and "importance of items supplied."

Furthermore, we formulated the Supply Chain CSR Promotion Guidelines and promote CSR procurement by having our suppliers complete a CSR questionnaire on items such as human rights, the environment, and compliance, identify issues in their CSR initiatives, and request that they make improvements.

Transactions by region (procurement value basis)



Transaction by industry (procurement value basis)



Strict Adherence to the Act on Proper Transactions for Small and Medium-Sized Contractors

There are several thousand Daikin suppliers and subcontractors covered by the Act on Proper Transactions for Small and Medium-Sized Contractors (Proper Transactions Act), enforced following the amendment to the Subcontract Act. Our Proper Transactions Act Compliance Guidelines ensure that all Daikin divisions are in full compliance with the Act. Each department also conducts in-house training for employees on the Proper Transactions Act and also has them participate in external training courses.

Comprehensive compliance inspections ensure that appropriate payment methods are being followed. We also constantly check the financial situation of subcontractor suppliers and production outsource suppliers subject to the Proper Transactions Act and, if necessary, implement assistance measures such as relaxation of payment methods.

Training for Procurement Department Staff

Daikin regularly provides training on CSR and green procurement to procurement department staff. For example, in the domestic air conditioning divisions, we provide explanations of the Supply Chain CSR Promotion Guidelines to over 100 procurement department staff every year, share information on domestic and international regulatory trends for chemical substances, and reflect this in the activities of procurement department staff.

Supply Chain Management

Working Closely with Suppliers

Building a Relationship of Growth

Daikin takes every possible opportunity to communicate with suppliers and promote mutual understanding and trust.

In the air conditioning divisions, managers including the general manager and the senior manager of the Global Procurement Division regularly visit suppliers, where they lead briefings, goodwill gatherings, and awards ceremonies as part of communication enhancement efforts. With the aim of providing the impetus for innovation leading to new and better manufacturing; for example, countering the weakening of Japan's manufacturing amid intensifying globalization by helping make Japanese suppliers more internationally competitive and by boosting our ability to quickly respond to sudden changes such as exchange rates and market conditions, we implement the air conditioner cooperative. Starting in fiscal 2023, we established a CSR workshop within our air conditioning cooperative and reported on activities covering the three topics of "ethical practices," "logistics improvement," and "quality co-creation." This workshop benefits both suppliers and Daikin, including through business collaboration.

In the chemicals divisions, besides the ongoing Quality Forum meetings, purchasing managers keep in close contact with suppliers to gather and exchange information in areas such as technology, quality, and prices. Any problems that come up are solved through extraordinary or emergency support requests to relevant divisions. Particular emphasis is given to follow-up on outsourced production start-up, and we work with suppliers while the chemicals divisions work alongside the Quality Assurance Department and engineering divisions to examine the products onsite.

Supporting Suppliers

Support for Quality Improvement and CSR Initiatives

Daikin supports its suppliers in quality improvement and CSR activities by hosting information sessions and training on ways to improve quality and CSR procurement. Daikin also provides on-site production quality guidance for suppliers.

Support Provided to Suppliers

Supplier meetings	We provide information on the policies and conditions of Daikin Industries, Ltd. as well as CSR information, including the environment and human rights for suppliers of the air conditioning divisions. In fiscal 2025, we provided information on our compliance and information security activity plans. These meetings were held four times, with 126 companies participating.
Quality improvement case study announcement meetings Quality improvement proposal meetings	We conduct presentations for suppliers of the air conditioning divisions to share good improvement practices as well as quality improvement proposal meetings for suppliers with quality issues to seek improvement. Three presentations were held in fiscal 2025, with eight companies presenting and a total of 78 companies attending. Proposal meetings were held 170 times, with a total of 25 companies participating.
Quality forum	For business partners of the chemical divisions, we explain our quality policy, share quality anomalies in procured products, and hold a lecture on quality improvement. In fiscal 2025, we held explanations of our quality policy, awarded one supplier for its quality initiatives, and organized a quality seminar entitled "The Importance of Standardization in Manufacturing."
Commendation system	Suppliers that make significant contributions to the areas of development, production, quality, price, delivery, environment, and global business are presented with a CEO Award, COO Award, or Special Commendation in order to recognize the daily contributions of suppliers.
Technical instruction for suppliers	Managers and certified excellent engineers "Takumi" of Daikin Industries, Ltd. visit suppliers of the air conditioning divisions to provide instructions.
Technical exchange meetings	For suppliers of the chemicals divisions, Daikin representatives conduct both in-person visits to suppliers and online meetings to exchange information to propose new technology and innovative techniques.
Technical meetings	For suppliers of the chemicals divisions, information sessions on Daikin technology are held to provide a platform for making technical proposals between Daikin and its suppliers.
Quality and safety exchange meetings	For our suppliers involved in contract manufacturing for the chemicals divisions, the quality assurance and safety departments of both parties collaborate to conduct study sessions and information exchanges on stable factory operations and quality improvement, with the aim of resolving problems as quickly as possible.

Quality Audits

In addition to regular external audits conducted by the auditing agencies based on ISO 9001, internal audits are conducted jointly in the Air Conditioning Manufacturing Division and at suppliers of the air conditioning divisions. Moreover, our representatives conduct visits to each supplier for checks on management items covering the procurement and quality of newly adopted parts and the production process to streamline production on a regular basis (45 suppliers were visited in fiscal 2025). In addition, we also regularly conduct audits on suppliers' quality processes based on Daikin's quality guidelines.

Suppliers that handle important materials of the chemicals divisions and suppliers who had quality abnormalities in the past undergo audits based on ISO 9001 by visiting Daikin representatives (18 suppliers were audited in fiscal 2025).

Promoting Activities to Prevent Defects Through Co-Creation with Suppliers

In the air conditioning divisions, we are working to improve the quality of purchased parts through co-creation with our suppliers in order to prevent product defects caused by procured materials.

As part of these efforts, we are working with our suppliers to select production lines for preventative activities and identify potential defect risks in processes and equipment. In particular, we prioritize improvements to issues that have a significant impact on product safety or pose a high risk of defects reaching the market.

Through these activities, we are strengthening mechanisms to prevent human error in the production lines of purchased parts and mitigating quality risks throughout the entire supply chain.

Ensuring Safety Inside Plants

Daikin Industries, Ltd. asks for business partners and staff of outsourcing partners to cooperate in making plants safer.

Assisting Business Partners and Staff of Outsourcing Partners to Ensure Safety

Plant safety liaison meetings	Awareness of safety is raised and information sharing carried out in order to safeguard staff of outsourcing partners. (Meetings are held bi-monthly.) In addition, safety patrols are held.
Driving safety seminars	Drivers of supplier delivery vehicles that frequent our factories are taught about traffic rules on- and off-site. (In fiscal 2025, 230 people from 150 companies participated in the seminars held online and in person.)
Training for partner companies	Training is held on safety and work quality management, information on hazardous chemicals provided using Safety Data Sheets (SDS), and pocket-sized safety booklets are handed out to workers of partner companies performing periodic maintenance of chemical facilities.

Affected Communities

Contributions to Local Communities

Basic Policy

Focus of Activities: Protecting the Environment, Supporting Education, Living in Harmony with Communities

Our Group Compliance Conduct Guidelines clearly state Daikin's aim of being a good corporate citizen that is trusted by society.

Daikin does business globally and strives to be a locally rooted company wherever it operates, with its employees taking the initiative in conducting activities that are valuable to local society.

1. Protecting the Environment
   As a worldwide provider of pleasant air environments, we contribute to solving environmental problems on a global scale. We are working with a number of partners including governments, local residents, NGOs, and employees of the Group to protect and rejuvenate areas around our business sites as well as important natural environments around the world.

2. Supporting Education
   By contributing state-of-the-art technologies to society, we support education for future generations and help build a society where both technological advancement and sustainability are possible.
   We aim to be a trusted company by providing various forms of financial assistance and technology at our bases around the world.

3. Harmony with Communities
   In conducting our business around the world, we stand committed to identifying the needs and challenges facing the communities where we operate as well as finding solutions to them. We help communities to progress proactively by providing them with the support they need in the areas of local culture, arts, sports, and disaster relief.

Group Compliance Conduct Guidelines

16. Relationship with Society

Aiming to be a "good corporate citizen" trusted by society, we shall maintain self-awareness, pride, and responsibility in our own conduct and, at the same time, strive to act and communicate honestly and fairly. We shall also conduct ourselves in a modest and appropriate manner, especially recognizing that statements made or content posted on social or other media may adversely affect society or our corporate value. Furthermore, to contribute to the sustainable development of society, we shall strive to address social challenges and engage in social contribution activities, focusing on environmental conservation, educational support, and harmonious coexistence with local communities.

Protecting the Environment

Conducting Neighborhood Cleanup and Beautification Activities

Employees at our business sites take part in local environmental activities including neighborhood cleanups around the premises.

Daikin Ar Condicionado Amazonas

Daikin Air Conditioning (Huizhou)

Contributing to Biodiversity Conservation in Communities

We engage in activities to help preserve biodiversity in the areas in and around our business sites.

"Forests for the Air" Project

We have been conducting activities since 2014 to conserve important forests around the world as part of our environmental and social programs.

"Forests for the Air" Project

See below for the "Forests for the Air" Project and our initiatives around business bases/stations

063 Environment In Harmony with Nature Protecting Biodiversity Efforts at Bases

Supporting Education

Efforts in Japan

"Circle of Life" Free Environmental Education Program for Elementary School Children

Daikin Industries, Ltd. has developed an environmental education program for elementary school students called "Circle of Life" in which we have been providing schools across Japan with free teaching materials since 2010. The program focuses on Daikin's reforestation efforts and instructs children about the relationship between global environmental issues and the ecosystem and our daily lives through fun and engaging activities. In fiscal 2025, around 230 students from four schools took part in the program, while Daikin employees were dispatched to give lessons at two schools.

A Daikin employee leads an environmental lesson at a school

Daikin Leads Science Classes at Elementary Schools

In support of the Sakai Municipal Board of Education's initiative to implement special classes on science, Daikin employees take on the role of teachers in science experiments in schools. The children conduct actual experiments in which, for example, they see how an air conditioner conveys heat and cools the air, and how an air purifier uses electricity to clean the air. The event was held at 12 elementary schools with around 750 students participating in fiscal 2025.

Efforts Overseas

Focusing on the Development of Engineers in Emerging Countries

Daikin offers scholarships and hosts interns as part of efforts to provide technical school students in emerging countries with better employment opportunities. We also have tours of our worldwide factories to raise interest in technology among local students. Further, Daikin donates air conditioners to schools used for instruction in technical training and supports the development of engineers essential for the spread of air conditioning.

In India, for example, we participated in the Manufacturing Skill Transfer Promotion Program by Japan's Ministry of Economy, Trade and Industry and India's Ministry of Skill Development and Entrepreneurship, and opened the Japan-India Institute for Manufacturing (JIM) in 2017. We train service engineers who install and repair our air conditioners and also work with vocational training schools to offer technical guidance on installation and repair and provide training equipment free of charge.

Japan-India Institute for Manufacturing (India)

In recent years, there has been growing demand for service engineers in Africa. In August 2025, we signed a memorandum of understanding with the Senegalese government and the Centre de Formation Professionnelle et Technique SENEGAL-JAPON (CFPT-SJ) to support human resource development. Going forward, we will develop practical technical training covering the installation, maintenance, and repair of air conditioners. By training job-ready service engineers, we will contribute to the spread of air conditioning and the strengthening of the industrial base in Senegal.

Harmony with Communities

Interactions with Local Communities

Responding Sincerely to Opinions from Local Communities

Each of our plants in Japan has a representative assigned to promote communication with local communities. Assigned personnel hold regular meetings with local community representatives and take other measures to proactively promote company-community interactions.

A Safe Plant Open to the Community

With safety being the top priority, each plant in Japan does all it can to ensure safety so that nearby residents can live in peace of mind. When there is noise or vibration from operations of a plant, we set up a number that residents can call so that we can quickly deal with any complaints.

Besides group meetings with community associations, Daikin plant employees take part in local disaster prevention drills as each of the plant's efforts to work with the community in making Daikin facilities safe. And with the aim of being a plant open to the community, each Daikin company site welcomes community associations, schools, and citizens for factory tours.

Disaster Preparedness Measures and Disaster Prevention Drills

Each plant has measures in place should there ever be a natural disaster. Besides providing our factories as evacuation sites in the event of a disaster, we have stored supplies of food, water, and emergency equipment. Daikin holds disaster prevention drills every year and seeks ways to improve its disaster prevention measures based on any issues identified from these drills.

Deepening Community Relations around the World at Summer Bon Dance Festivals

The Daikin Industries-sponsored traditional Bon dance festival is a major event attracting large crowds of locals every summer. The Bon dance festival that first began in 1971 at our Yodogawa Plant was eventually expanded into a program that encompasses the entire area. The event has evolved into one of Japan's largest corporate-sponsored Bon dance events and has been reported in media around the world as a successful example of interactions between companies and the community. The Bon dance festivals have also been held at our major manufacturing bases around the world, including in China, the U.S., and Europe.

In fiscal 2025, festivals were held at our Yodogawa Plant, Shiga Plant, Sakai Plant, and Soka Station. The Yodogawa Plant event, which was planned and run by young employees, was a huge success, attracting approximately 23,000 visitors.

Bon dance festival at Yodogawa Plant

097 Social Daikin Employees Development of Human Resources Daikin's Unique Approach to Human Resource Development

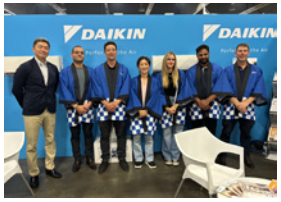
Other Initiatives Overseas

Daikin recognizes the importance of having employees play the lead role in building strong relationships with local community members through support provided to local charities and volunteer activities.

Daikin Applied Americas
Support for people in need of housing

Daikin Airconditioning Indonesia
Donations and visits to orphanages and elderly care facilities

Daikin Malaysia
Blood donation volunteers



Daikin Air Conditioning New Zealand
Support for Japan Day

Daikin Comfort Technologies North America
Art contest for elementary school students on Earth Day

Daikin Industries (Thailand)
Hosting of Children's Day event

Contributing to Promotion of Art and Culture

The Daikin Foundation for Contemporary Arts

In 1996, Daikin Industries, Ltd. established the Daikin Foundation for Contemporary Arts to mark the company's 70th anniversary. It supports the activities of the National Museum of Art, Osaka, including exhibitions, academic research, lectures, and publications, to further revitalize arts and culture in Osaka, the birthplace of Daikin Industries.

The National Museum of Art, Osaka (NMAO)

Daikin Supports the Kansai Philharmonic Orchestra

Daikin Industries, Ltd. has supported the Osaka-based Kansai Philharmonic Orchestra since 2006.

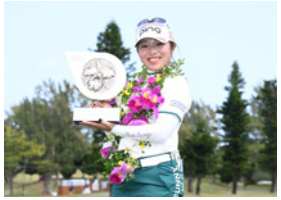
Kansai Philharmonic Orchestra

Contributing to Promotion of Sports

Daikin Orchid Ladies Golf Tournament

For over 30 years since 1988, Daikin Industries, Ltd. has been sponsoring the Daikin Orchid Ladies Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour. The slogan "Ever Onward with Okinawa" indicates our desire to join with Okinawa in continuously addressing the challenges of the future and work closely with local communities.

An amateur tournament is held as part of Daikin Orchid as a qualifying tournament for participation in the main tournament. The amateur tournament qualifies amateur lady golfers from Okinawa or reside in Okinawa, with a total of 5,000 players participating so far. From this competition, 21 players have become professional golfers.



Golfer Shuri Sakuma, winner of the 39th tournament

The pro and amateur tournaments and the pre-tournament festival provide venues for representatives of Okinawan and mainland businesses to deepen interactions in an informal setting, which gave rise to the Okinawa Konwakai. The association, which seeks to bridge Okinawa and the mainland, organizes a variety of vibrant activities that include forums and presentations aimed at further promoting and developing Okinawa.

In addition, the Orchid Bounty Fund was established in 1995 with donations from business participants and from organizers. Since then, it has provided monetary assistance to individuals and organizations active in the promotion of arts, culture, sports, education, and the environment in Okinawa Prefecture.

In 2026, at the 39th tournament, the Orchid Bounty donated ¥6.5 million to a total of 10 organizations and individuals in Okinawa Prefecture. This brings the contributions since 1995 to ¥198.5 million and total recipients to 300.

The Orchid Bounty donation ceremony

Other Initiatives Overseas

Daikin also supports sports overseas.

Daikin Comfort Technologies North America
Signed official partnership with Houston Astros

Daikin Industries (Thailand)
Sponsored city marathon

Daikin Applied Americas
Supported a girls soccer team in the community

Governance

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139 Prohibiting Bribery and Corruption
141 Information Security

Corporate Governance

Basic Policy

Further Boosting Corporate Value

Daikin believes that the role of corporate governance is to accelerate decision-making and operational execution work in anticipation of and in response to changes in management tasks and the management environment while concurrently promoting consistently high levels of management transparency and soundness, thereby increasing the Group's corporate value. The Group will continue to raise corporate value by ensuring the increasing sophistication of speedy management and still-higher levels of transparency and soundness. We will achieve this by constantly reviewing and implementing optimal corporate governance and by spreading best practices throughout the entire Daikin Group.

Corporate Governance Structure

Management and Operational Execution Systems

Rather than adopt a U.S.-style "committee system" that completely separates decision-making and work supervision from operational execution, Daikin Industries, Ltd. has adopted an "integrated management" system that provides more advanced management. We believe that this system is effective in speeding up decision-making and execution considering the characteristics of our Group's business.

In an integrated management system, directors quickly make strategic decisions and conduct sound and appropriate supervision and guidance, thus achieving management responsibility through cooperation across all management and at the same time achieving work execution responsibility through prompt action. Numerous external officers monitor the execution of operations from an independent perspective and offer appropriate supervision and advice during decision-making, in the process taking responsibility for supporting our "integrated management" from the standpoint of transparency and soundness.

To improve execution of operations, Daikin Industries, Ltd. has introduced an Executive Officer System, whose members are appointed by the Board of Directors. The goal of this system is to accelerate the speed of execution based on autonomous judgments and decisions in units handling each region, division, and function.

Directors are selected with an emphasis on having a diverse range of personnel representing people of varying genders, nationalities, and experience. As of July 1, 2026, we have 10 directors (including two women and two non-Japanese nationals). These directors oversee prompt and strategic decision-making and sound supervision and guidance throughout the entire Group.

Daikin Industries, Ltd. appoints five external directors and three external Audit & Supervisory Board members with no vested interest in our company. To ensure that the external directors can effectively contribute to Daikin Industries, Ltd.'s corporate governance system, the employees in the Corporate Planning Department are assigned to provide the external directors with early notice of Board of Directors meetings. In addition, in the case that an external director is not able to attend a Board of Directors meeting, the assistants provide the external director with related materials and subsequently an explanation of the proceedings of the meeting and other assistance.

Furthermore, we have set targets to have external directors and external Audit & Supervisory Board members account for more than 50% of all positions and to have female representation of greater than 30% by 2030. We will continue to work to ensure the independence, diversity, and transparency of the Board of Directors.

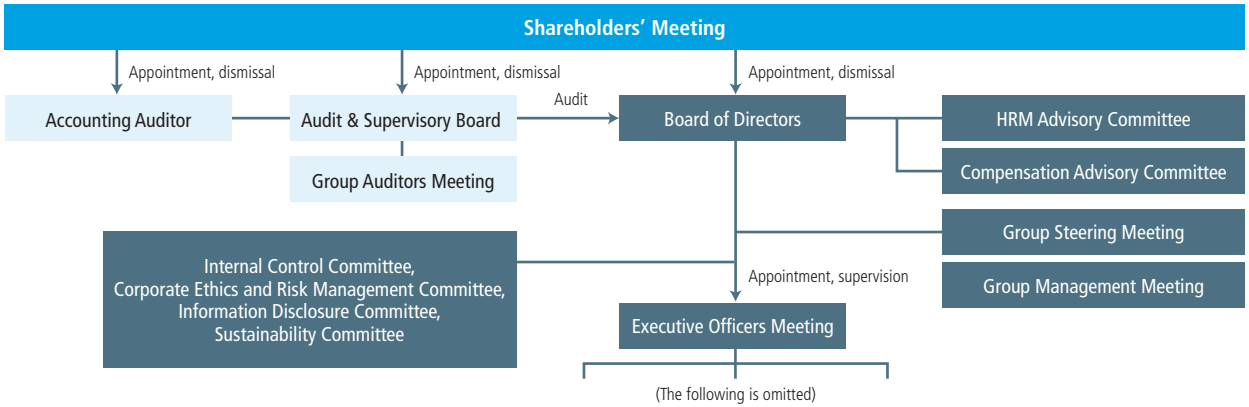
Management

Disclosure Policy

For information on the skill sets of directors and Audit & Supervisory Board members, please see our Corporate Governance Report.

Corporate Governance Report

Corporate Governance Structure (As of July 1, 2026)



Audit System

Daikin Industries, Ltd. employs an Audit & Supervisory Board. As of July 1, 2026, Daikin Industries, Ltd.'s five Audit & Supervisory Board members include three external Audit & Supervisory Board members.

The Audit & Supervisory Board members attend meetings of the Board of Directors as well as other important meetings and receive reports. In addition, they are able to express diverse opinions. To ensure effective audit functions, the Audit & Supervisory Board receives reports on important issues related to management and performance when necessary and also investigates relevant units, confirms approval of documents, and regularly exchanges opinions with representative directors, executive officers, and the independent auditors.

To ensure the effectiveness of Audit & Supervisory Board members, Daikin has established the Office of Audit & Supervisory Board Members. Staff of the Office carry out their duties to support the work of Audit & Supervisory Board members under the orders of Audit & Supervisory Board members. The opinions of the Audit & Supervisory Board are respected on matters related to personnel transfers, work evaluations, and other matters pertaining to the Office of Audit & Supervisory Board Member staff members.

The Audit & Supervisory Board stipulates Code of Audit & Supervisory Board Member Auditing Standards, in which it is written that members should strive to constantly educate themselves to improve the quality of audits. One way they educate themselves is through participation in working groups and training events sponsored by the Public Interest Incorporated Association Japan Audit & Supervisory Board Members Association. The Audit & Supervisory Board communicates closely with accounting auditors. It also receives advice when necessary from outside experts such as certified public accountants and lawyers.

Organizational Structure 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. Three organs—the Board of Directors Meeting, the Group Steering Meeting, and the Executive Officers Meeting—are the main management bodies.

The Board of Directors is the Group-wide 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 operations. In fiscal 2025, the Board of Directors Meeting was convened 16 times, with external directors attending on average 97% of the meetings and external Audit & Supervisory Board members attending on average 94% of the meetings. In addition to the formulation of the Fusion 30 Strategic Management Plan as well as the capital investment and M&A related to the key strategic themes of the Fusion 25 Strategic Management Plan, the Board of Directors deliberated and received reports on the status of operations, including on such topics as risk response, sustainability initiatives, and safety efforts in Japan and overseas. To evaluate board effectiveness, each director is interviewed individually each year as a way to confirm its effectiveness and to conduct self-evaluation. During the evaluation of board effectiveness in fiscal 2025, we confirmed there were no issues in the operation of board meetings, as well as received opinions for further enhancing the supervisory function of the Board of Directors, including increasing information provision for external directors and external Audit & Supervisory Board members and expanding reporting and briefing materials of the Board of Directors. Going forward, we will continue to improve the operation of board meetings as well as further strengthening decision-making and supervision functions to further improve board effectiveness. The highest deliberation organ for the Group's management system is the Group Steering Meeting, which strives to constantly speed up the pace at which the Daikin Group decides on future strengthening and solves issues related to important management policy and strategies. In fiscal 2025, the Group Steering Meeting discussed the Fusion 30 Strategic Management Plan, refrigerant strategy and policy, a key theme of the Fusion 25 Strategic Management Plan, and future management challenges.

The Executive Officers Meeting, established following the introduction of the Executive Officer System, promotes speedy implementation and thorough deliberation regarding important management tasks related to operational execution.

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

For evaluation of board effectiveness, see our Corporate Governance Report.

Corporate Governance Report

HRM and Compensation Advisory Committees

To ensure the transparent management of its corporate officer personnel and remuneration processes, Daikin Industries, Ltd. has established the HRM Advisory Committee and the Compensation Advisory Committee. These committees engage in discussions and deliberations regarding issues including corporate officer nomination criteria, corporate officer candidates, and remuneration.

As of July 1, 2026, the HRM Advisory Committee and the Compensation Advisory Committee consist of six members—five external directors and one internal director—and are chaired by one of the four external directors. In addition, the suitability of candidates and their training plan for the successors of executives such as directors, CEOs, and executive officers are to be first deliberated and examined by the HRM Advisory Committee, followed by the same process by the Board of Directors.

Group-Wide Governance

To ensure governance throughout the entire Group, including companies acquired by Daikin, the Group Management Meeting is held regularly with the aim for action based on unified opinion throughout the Group. It does this by sharing important Group policies and basic strategies, as well as providing support for problem-solving in Group companies.

The Group Auditors Meeting, made up of auditors from the main Group companies and internal auditors, works to strengthen auditing and control functions throughout the Group and ensure that these functions are working to the fullest.

To further raise corporate governance and Group management as a multinational company, Daikin has put a Chief Global Group Officer position in place. Under this position, the Group strives to further improve cohesiveness across global operations.

Corporate Governance Report

Corporate Officer Remuneration

The policy for determining the remuneration of corporate officers is decided by the Board of Directors based on recommendations from the Compensation Advisory Committee, which is chaired by an external director, has members selected from among the directors, and the majority of whose members are external directors, with the aim of ensuring objectivity and transparency.

From the perspective of ensuring the independence of judgment and enhancing the effectiveness of its functions as an advisory body, the Compensation Advisory Committee examines from various angles the relative position of the Company's performance position and remuneration level among the group of comparative companies and appropriateness of remuneration, among other matters, while utilizing information gathering and advice from external specialized remuneration advisors. To ensure independence, the determination of individual directors' remuneration and other benefits is entrusted from the Board of Directors to the Compensation Advisory Committee. The Compensation Advisory Committee determines the amount of individual compensation for directors based on the remuneration policy for directors determined by the Board of Directors, taking into account the Company's management and overall performance, as well as the responsibilities and achievements of each director.

The Compensation Advisory Committee deliberated extensively on a new remuneration system that aligns with the strategic objectives of the Fusion 30 Strategic Management Plan and subsequently revised the corporate officer remuneration system. To realize our Fusion Strategic Management Plan and to sustainably enhance corporate value, we have created systems to increase the entire Group's value and improve capital efficiency in the medium to long term, including a system that strongly motivates our employees to take on challenges in management that further meet the expectations of our shareholders and other stakeholders.

The remuneration for directors, excluding external directors, consists of basic remuneration, performance-linked bonuses, and stock-based remuneration. Stock-based remuneration consists of performance-linked stock units (PSUs) and recurring service stock units (RSUs).

Remuneration levels and their component proportion ratios are determined based on objective compensation survey data from external expert organizations (WTW's Executive Compensation Database), benchmarking compensation against a group of companies with similar business scale and operating environment, and taking into consideration the relative position of performance and consistency with the basic remuneration policy.

The remuneration for external directors and Audit & Supervisory Board Members consists only of basic remuneration, taking into account their responsibilities. Remuneration levels are determined based on objective compensation survey data from external expert organizations (WTW's Executive Compensation Database) and benchmarking compensation against a group of companies with similar business scale and operating environment. The remuneration level for Audit & Supervisory Board Members is determined by discussions among the Audit & Supervisory Board Members.

Furthermore, from the perspective of sustainable value sharing with shareholders, guidelines have been established for our Representative Director regarding their holdings of the Company's shares. To ensure the soundness of the corporate officer remuneration system, a malus and clawback clause that allows for the forfeiture or repayment of compensation is used.

Corporate Governance Report

Integrated Report

See below for Executive Compensation, Corporate Officers with Compensation over 100 Million Yen, and Accounting Auditor Compensation

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Risk Management

Basic Policy and Management Structure

With the Daikin Group expanding rapidly around the globe, we have introduced company-wide, cross-organizational risk management in order to quickly get an overall picture of risks from a global point of view and reduce the risks. With our President and COO as the highest ranking person in Daikin's risk management structure, we carry out risk management in the following three areas.

1. Strategic risk
   Risk related to strategic decision-making in the management of Daikin (Division in charge: Corporate Planning Department)
2. Internal control risk in financial reports
   Risk related to the reliability of financial reports (Division in charge: Finance and Accounting Division)
3. Operational Risks
   Management and operational risk related to internal and external causes (Division in charge: Corporate Ethics and Risk Management Committee)

Strategic risk is deliberated on by management members through platforms such as the Group Steering Meeting and the Executive Officers Meeting. Measures to address internal control risk regarding financial reporting and operational risk are advanced and managed biannually for the entire Group by the Corporate Ethics and Risk Management Committee. The results are then reported to the Internal Control Committee, chaired by the President and COO, which checks and verifies whether overall internal control, including risk management, is functioning properly.

Business-Related and Other Risks

The following are possible risks affecting the Daikin Group's financial situation, business performance, and other areas.

For details about each risk, see page 24 "Operating Risks" of Securities Report (available in Japanese only).

Business-Related and Other Risks

1. Risks related to market environment
   1) Risks related to changes in market environment
   2) Risks related to fluctuations in foreign exchange rates and financing environment
   3) Risks related to fluctuations in the market value of securities
2. Risks related to business activities
   1) Risks related to technologies, products or services
   2) Risks related to acquisitions or partnerships with other companies
   3) Quality and accountability for products and services
   4) Risks related to procurement
   5) Legal regulations
   6) Information security
3. Risks related to the environment, such as climate change
4. Others
   1) Impairment of long-lived assets
   2) Natural disasters

Securities Report Semiannual Report (available in Japanese only)
074 Social Markets and Customers Improving Product Safety and Quality
116 Social Supply Chain Management Responsible Procurement
133 Governance Compliance
141 Governance Information Security
028 Environment Climate Change
060 Environment In Harmony with Nature Management and Reduction of Chemical Substances

Operational Risks

The directors and executive officers in charge of a duty have the authority and responsibility to create a Group-wide, cross-organizational system that covers the entire sphere of that duty; for example, in terms of product liability and quality, safety, production and sales activities, and disasters.

Risks facing the entire company are selected based on risk assessment results and after discussions held at risk assessment evaluation meetings led by the heads of corporate departments, and then finalized after deliberation by the Corporate Ethics and Risk Management Committee.

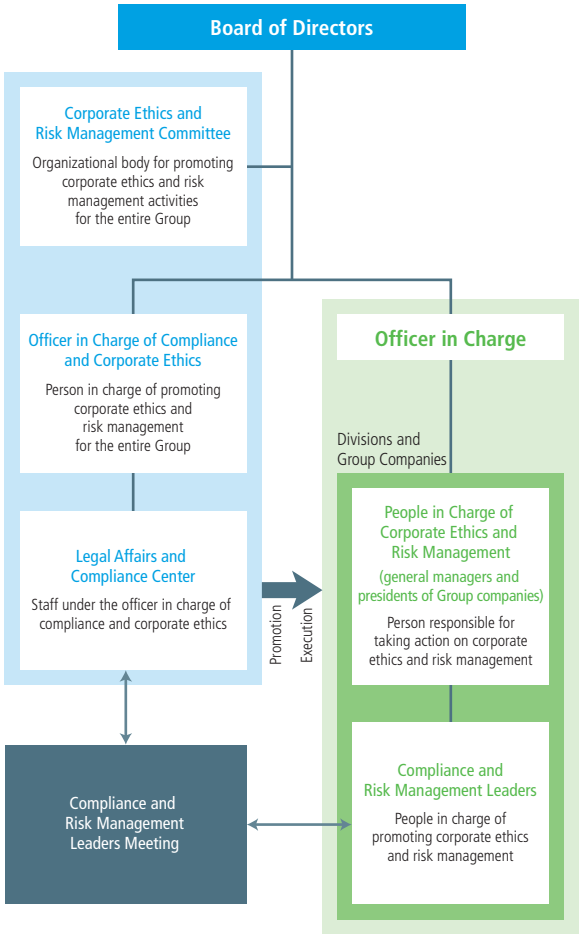
All divisions and major group companies around the world carry out annual risk assessments to determine the most important risks in line with the risks faced across the company. Based on this, companies propose and implement countermeasures to reduce risk. They also make reports on the progress of these measures and present and share them via the Corporate Ethics and Risk Management Committee.

Furthermore, looking ahead to 2030, we have set the target of "identifying and addressing major operational risks" and will work to strengthen appropriate and smooth risk management capabilities surrounding the company.

Major Operational Risks in Fiscal 2025

- Natural disasters
- Safety risks
- Product quality
- Information management
- Strengthening of overseas crisis management
- Respect for human rights
- Increasing employment of persons with disabilities
- Thorough implementation of recurrence preventive measures for improper accounting practices

Operational Risk Management Structure



Measures Against Major Operational Risks

Revamping Natural Disaster Risk Measures and Stepping Up Safety Measures

In recent years, various parts of the world have been struck by natural disasters, including floods, typhoons, torrential rains, and earthquakes. The impacts of these disasters on business activities and supply chains have since manifested. At Daikin, we consider natural disaster risk to be one of the most important themes for the entire company. In turn, we are now working on comprehensive natural disaster risk countermeasures, both tangible and intangible.

For example, Daikin Industries has for many years systematically planned and implemented earthquake countermeasures. These include seismic reinforcement of buildings at its production bases, flood control measures for chemical plants, and evacuation drills at sites at risk of flooding. Our ongoing efforts to prepare for these natural disasters have made it possible to sustain our business operations in recent years without suffering any critical damage.

Furthermore, we continuously develop and review our Business Continuity Plan (BCP) based on our business continuity regulations. By having each division take the lead in verifying and enhancing the effectiveness of countermeasures, including for the stable procurement of materials and responses in logistics and services, we are working to enhance our business continuity structure against natural disaster risk.

Information Management

Daikin considers information management risk countermeasures to be one of its top priorities company-wide. The Group Compliance Conduct Guidelines state that we manage and use confidential information appropriately. We also established the Group Information Security Basic Policy. Based on these policies, the IT and compliance departments work together to strengthen information security throughout the entire Group.

141 Governance Information Security

Compliance

Basic Policy and Management Structure

Daikin inspects and checks whether the group's internal controls are functioning appropriately, including risk management, through the Internal Control Committee chaired by the President and COO. In addition, the Corporate Ethics and Risk Management Committee carries out operational risk management and ensures compliance.

At meetings held twice a year, the committee identifies issues to be addressed and advances relevant solutions, while also receiving reports on efforts by overseas Group companies.

Our Group Compliance Conduct Guidelines stipulate the appropriate behavior of our officers and employees, and compliance and risk management leaders (CRLs) are appointed in each division and major worldwide group companies to ensure thorough compliance. By regularly confirming the state of compliance and risk management efforts, sharing information, and making the Group Compliance Conduct Guidelines second nature to everyone, we aim to cultivate a corporate culture and improve a system in which all employees ensure that they and their colleagues are always in compliance.

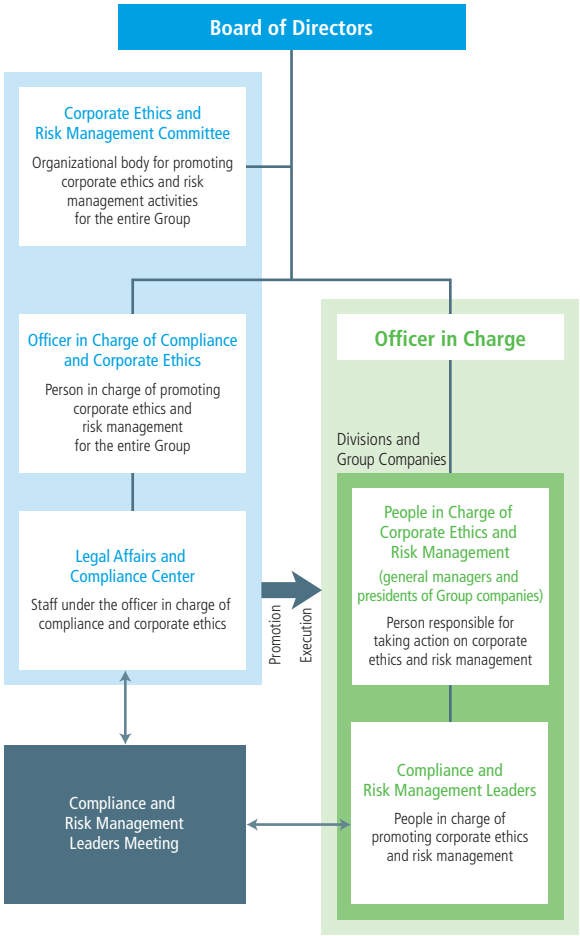
Group Compliance Conduct Guidelines

The "Group Compliance Conduct Guidelines" set forth the fundamental principles of corporate ethics and compliance to be observed by all Group companies and each of their officers and employees in the course of the Daikin Group's global corporate activities.
Each company within the global Group shall formulate a specific manual based on these Guidelines, taking into account differences in the laws and customs of each country and region, and shall ensure that corporate ethics and compliance are thoroughly implemented.

1. **Provision of Safe, High Quality Products and Services**
2. **Fair and Free Competition and Fair Trading**
3. **Responsible Procurement Activities**
4. **Strict Compliance with Trade Control Laws and Policies**
5. **Respect for and Protection of Intellectual Property Rights**
6. **Proper Management and Utilization of Information**
7. **Prohibition of Insider Trading**
8. **Timely and Appropriate Disclosure of Corporate Information**
9. **Preservation of the Global Environment**
10. **Ensuring the Safety of Operations**
11. **Respect for Human Rights and Compliance with Labor-related Laws and Ordinances**
12. **Protection of Company Assets and Avoidance of a Conflict of Interest**
13. **Proper Handling of Accounting Procedures**
14. **Prevention of Bribery and Other Corrupt Practices**
15. **A Firm Attitude Against Anti-Social Activities**
16. **Relationship with Society**
17. **Compliance with Industry-Specific Law and Ordinances**

Group Compliance Conduct Guidelines Specific Details

Compliance Management Structure



Consistency in Compliance

Ensuring Constant Compliance with Conduct Guidelines Through Self-Assessments, a Daikin Initiative

Every year, we conduct self-checks regarding compliance with the Group Compliance Conduct Guidelines using our proprietary self-assessment system, with the target of "Thorough implementation and understanding of the Group Compliance Conduct Guidelines" ahead of 2030. The results are used to glean issues facing each workplace and implement countermeasures, which are then reported to and shared with the Corporate Ethics and Risk Management Committee.

Based on the results of the self-assessment, we select departments and group companies subject to audits and the legal department conducts legal audits annually regarding the status of compliance initiatives. Additionally, we conduct a compliance survey.

The results of the self-assessment are shared with the internal auditing department and utilized in audits conducted onsite.

Creating and Disseminating Corporate Ethics Handbooks, Compiling Concrete Examples of the Group Compliance Conduct Guidelines

Daikin makes the Group Compliance Conduct Guidelines, which stipulate the appropriate behavior of directors and employees globally, including Group companies, accessible to all by providing them not only in Japanese, but also in over 10 other languages including English. To help officers and employees act in line with these guidelines, we have also created Corporate Ethics Handbooks, which serve as manuals with concrete examples to help all employees attain a thorough understanding of compliance.

In the area of legal compliance, compliance and risk management leaders in each division head efforts to gather the latest legal information and check to see if laws are reflected in company rules and manuals. There are also daily triple checks to ensure everyone is following laws and company rules and manuals.

Formulating Common Worldwide Rules and Sharing Them with Overseas Group Companies

Daikin has formulated common worldwide rules on compliance and risk management that it shares with each overseas Group company. Each overseas group company has created a management system for its own region based on these common worldwide rules. Each of these systems has compliance committees and Corporate Ethics Handbooks, and they conduct regular self-assessments and risk management checks. In addition, members of the legal department of Daikin Industries, Ltd. join compliance committee meetings in each global region in efforts to confirm the state of compliance and risk management and to share information.

In fiscal 2025, we held legal and compliance committee meetings in the Asia and Oceania region in July 2025 and in China in March 2026, focusing on topics such as cyberattack countermeasures, appropriate software usage, and human rights due diligence.

In addition, in October 2025, we held global legal and compliance committee meetings in Japan, focusing on topics such as the direction of the global legal and compliance functions under our next strategic management plan called Fusion 30, along with challenges related to the use of generative AI.

Legal and compliance committee meeting in Asia and Oceania region

Global Legal and Compliance Meetings

Free Competition and Fair Business Dealings

Daikin engages in fair business practices based on our Group Compliance Conduct Guidelines, which state that we conduct fair and free competition and fair trading as well as responsible procurement activities.

Group Compliance Conduct Guidelines

2. Fair and Free Competition and Fair Trading

We shall comply with all applicable related laws and ordinances in each country and region in conducting all aspects of our business activities, including procurement, production, sale, distribution and marketing, and research and development. We shall consistently conduct fair corporate activities in compliance with provisions of laws governing free competition and fair trading, including the Antimonopoly Act of Japan, competition laws, and anti-trust laws.

3. Responsible Procurement Activities

We shall, as part of our corporate responsibility, make efforts to comply with the laws and ordinances governing the procurement of products, materials, and parts in each country and region, respect human rights, procure mineral resources appropriately, and protect the environment. Through these efforts, we shall build relationships of trust with society.
Furthermore, recognizing that all suppliers are our important business partners, we shall engage in open, fair, and impartial transactions.

At Daikin, we are committed to fair competition and fair trade. We accomplish this by strictly complying with relevant laws and regulations, including the Antimonopoly Act, the Act Against Unjustifiable Premiums and Misleading Representations, and the Act on the Proper Conduct of Transactions with Small and Medium-Sized Contractors, and by working to prevent anti-competitive practices. Every year, we conduct risk assessments that include risks related to anti-competitive behavior and verify our compliance with laws and regulations through self-assessments.* In turn, we select audit targets based on the results of these self-assessments, and the legal department also conducts legal audits every year. In fiscal 2025, there were no cases involving violations or sanctions related to anti-competitive behavior.

We also provide training to employees both in Japan and overseas. For example, at Daikin Industries, each division creates an annual training plan and cross-divisional training is held with instructors dispatched from law firms and the legal department in an effort to promote and entrench compliance.

In fiscal 2024, we established the Antimonopoly Act Compliance Guidelines and Competitor Contact Manual, which stipulate procedures and precautions to prevent violations of the Antimonopoly Act. They cover cartels and other "illegal agreements with competitors," which can have large impacts on our business operations. To make the guidelines and manual known to all, we conduct employee briefings and training sessions on an ongoing basis at Group companies both in Japan and overseas.

* Daikin's proprietary system for checking the conduct of each and every employee pursuant to the Group Compliance Conduct Guidelines. Implemented annually, these checks identify issues within organizations that lead to compliance countermeasures.

132 Governance Risk Management Operational Risks

Tax Compliance

Basic Policy and Management Structure

Daikin is working to improve tax transparency pursuant to Proper Handling of Accounting Procedures set forth in the Daikin's Group Compliance Conduct Guidelines. Based on these guidelines, we clarify our basic approach toward tax compliance and ensure thorough tax compliance.

Tax-related risks are overseen by the officer in charge of accounting and finance and reported to the Board of Directors. In case of uncertainty over the application or interpretation of tax laws, we respond appropriately after seeking out the advice of external professionals.

Group Compliance Conduct Guidelines

13. Proper Handling of Accounting Procedures

We shall handle accounting procedures appropriately in compliance with the established accounting standards and tax laws in each country and region, as well as with the internal rules established by our Group. Furthermore, we shall establish an appropriate internal control system to achieve these purposes and strive to maintain and effectively administer it.

Tax Payment History

We disclose the amount of the Group's corporate income tax liability, including the differences from the statutory effective tax rate in our Securities Report.

Securities Report Semiannual Report (available in Japanese only)

Basic Policy on Tax Compliance

1. Approach to Risk Management and Governance Arrangements in Relation to Taxation

At Daikin, we consider the payment of tax to be a critical element of our corporate social responsibilities (CSR).
We believe that the taxes we pay play a vital role in the development of the countries and regions where we operate. We recognize that fulfilling this responsibility will ultimately lead to the Daikin Group's sustainable growth and increased corporate value.
Recognizing that tax related risk is an important element among the many business risks facing the Daikin Group, we address tax related risks based on our Group's risk management principles.

2. Tax Compliance

We are committed to full compliance with the applicable laws and regulations in each of the jurisdictions in which the Daikin Group operates.
We also respect not only the letter but the spirit of the law.

3. Prohibition of Tax Avoidance and Attitude Toward Tax Planning

Daikin does not undertake tax planning that lacks commercial substance, or which involves artificial or aggressive transactions or structures undertaken solely for tax reasons.
All intercompany transactions within the Group are conducted on an arm's length basis as described in the OECD Transfer Pricing Guidelines, and consistent with local laws and regulations.

4. Level of Tax Risk Accepted

External advice may be sought if issues are significantly uncertain or complex.
To mitigate risks, including the risk of double taxation, we routinely consider effective measures to increase certainty in our positions, such as Advance Pricing Arrangements (APA) and Mutual Agreement Procedures (MAP) for transfer pricing.

5. Approach to Dealing with Tax Authorities—Trust and Transparency

We strive to act in good faith and maintain an open, constructive and cooperative relationship with tax authorities. Through the approach described above, we aim to achieve a robust and predictable tax position.
We demonstrate our commitment to transparency by disclosing information required under applicable laws and regulations, when requested by taxation authorities.

Basic Policy on Product Safety

Basic Policy and Initiatives for Ensuring Product Safety

Daikin recognizes that ensuring product safety is an important management task that underpins customer trust. For this reason, we have established a basic policy on product safety, grounded in the principle of designing and manufacturing products from the customer's perspective. Under this policy, we are committed to ensuring product safety in every process, from product planning and development through manufacturing, sales, and after-sales service.

074 Social Markets and Customers Improving Product Safety and Quality

Product Safety Voluntary Action Guidelines

1. Legal Compliance

The Group shall observe the Consumer Product Safety Act and other product-related laws and safety standards.

2. Ensuring Product Safety

The Group shall establish a quality management system and execute measures to maintain product safety in all processes extending from product design to production, sales, and after sales service. And the Group shall display appropriate, easy-to-understand instructions and warnings on products and in instruction manuals to ensure the safe use of our products by our customers.

3. Collecting and Providing Product Accident Information

The Group shall actively collect information from our customers concerning accidents involving Daikin products and quickly report this information to our executive management while providing customers with suitable information.

4. Immediate and Appropriate Response to Product Accidents

In the unlikely event of a safety problem occurring in the use our product, our first and primary concern shall be for the safety of our customers, and we shall take immediate actions to minimize and prevent the occurrence of a serious accident. Actions to be taken immediately shall include repairing or replacing the product in question, publicizing the problem through the appropriate media, and submitting a statutory report on the problem to the relevant authorities. All relevant people outside the company, including sales company personnel, will be informed of the situation.

5. Product Safety Promotion

The Group shall establish a quality assurance system that it uses to ensure product safety and quality. We shall ascertain information related to the safety and quality in the marketplace and provide accurate feedback to personnel within our company in order to reflect it into future product design and manufacture.

6. Education, Training, and Monitoring

The Group shall constantly make every effort to promote the safety and quality of our product through widespread education and training within the company in laws and regulations on product safety. We also shall regularly monitor work to ensure product safety is being achieved.

(Formulated in June 2007)

Educational Activities

Focus on Educating Employees Toward Thorough Compliance

At Daikin Industries, Ltd., compliance education is conducted each year targeting all employees based on the Group Compliance Conduct Guidelines. Additionally, employees who are studying look at case studies related to legal matters in specific areas, such as sales, production, and procurement. Education is also divided by employee category, with courses for directors, new employees, newly appointed managers, compliance and risk management leaders (CRLs), and other categories of employees.

At Daikin Industries, Ltd., employees receive a company newsletter, which uses familiar case studies to raise employee awareness of the importance of compliance. Moreover, whenever there is an important revision to a relevant law or regulation, all employees take e-learning on the matter.

In fiscal 2025, we provided company-wide training on topics such as prohibiting unauthorized use of software, preventing fraudulent fund transfers through identity theft, and amendments to the Subcontracting Act.

Major Legal Violations

The Daikin Group makes it a rule to publicly announce all instances of major legal violations related to business operations.

There were no cases of major legal violations in fiscal 2025 at Daikin.

Help-Line

Help-Line for Corporate Ethics Offers Counseling and Gathers Opinions both Inside and Outside Daikin

Daikin has a Help-Line for Corporate Ethics, where employees and others can give opinions or receive consultation to enable the early detection and correction of legal violations or other unethical behaviors.

For example, at Daikin Industries, Ltd., all advice sought and opinions expressed to the internal and external (law firm) hot lines are kept strictly confidential, and reported matters are dealt with promptly and appropriately. Consultations or reports can be made anonymously and no retribution is taken against either those persons reporting problems and seeking advice or those persons helping investigate the reported matters. Department heads and managers also receive education on harassment in newly appointed manager training, etc., so that they can appropriately deal with the information provided during counseling with their staff.

The legal department investigates all queries and opinions to the Help-Line and works with related company divisions to decide on measures to prevent the reoccurrence of problems. This makes for the smooth creation of measures and the solution of problems.

To ensure it is known to all, we disseminate information through self-assessments to confirm compliance with the Group Compliance Code of Conduct. We are also making improvements to increase employee accessibility to the Help-Line, including accepting submissions via online form accessed by 2D barcode.

We have also set up a separate internal hotline exclusively for the Freelance Act to ensure compliance.

Prohibiting Bribery and Corruption

Basic Policy and Management Structure

With the progress of a global economy, demand for anti-corruption is increasing while regulations are being tightened not only domestically but also in international business.

Daikin has established its policy on "Fair and Free Competition and Fair Trading," "Responsible Procurement Activities," and "Prevention of Bribery and Other Corrupt Practices" in its Group Compliance Conduct Guidelines. The legal department spearheads the prevention of corruption and bribery under the supervision of the executive officer in charge of corporate ethics and compliance.

At each division and our principal Group companies in Japan and abroad, we conduct risk assessments annually, including risks concerning bribery and corrupt practices, and confirm compliance with internal rules and guidelines using self-assessments.* Based on the results, each company plans and implements their own countermeasures. Legal audits are also conducted every year by the legal departments of Group companies in Japan and overseas, which select the targets of these audits.

Each company reports and shares the status of these initiatives with the Corporate Ethics and Risk Management Committee, with the results reported to the Internal Control Committee chaired by the President and COO. Furthermore, the Company's risk response is reported to the Board of Directors.

* Daikin's proprietary system for checking the conduct of each and every employee pursuant to the Group Compliance Conduct Guidelines. Implemented annually, these checks identify issues within organizations that lead to compliance countermeasures.

Group Compliance Conduct Guidelines

132 Governance Risk Management Operational Risks

Group Compliance Conduct Guidelines

2. Fair and Free Competition and Fair Trading

We shall comply with all applicable related laws and ordinances in each country and region in conducting all aspects of our business activities, including procurement, production, sale, distribution and marketing, and research and development. We shall consistently conduct fair corporate activities in compliance with provisions of laws governing free competition and fair trading, including the Antimonopoly Act of Japan, competition laws, and anti-trust laws.

3. Responsible Procurement Activities

We shall, as part of our corporate responsibility, make efforts to comply with the laws and ordinances governing the procurement of products, materials, and parts in each country and region, respect human rights, procure mineral resources appropriately, and protect the environment. Through these efforts, we shall build relationships of trust with society. Furthermore, recognizing that all suppliers are our important business partners, we shall engage in open, fair, and impartial transactions.

14. Prevention of Bribery and Other Corrupt Practices

Emphasizing the transparency of our corporate activities, we shall comply with all applicable anti-bribery and anti-corruption laws and ordinances in each country and region. In particular, we shall not provide entertainment, gifts of monetary value, or invitations to officials and employees of public organizations in Japan or abroad if such practices would violate applicable laws and ordinances in the relevant country or region. When offering or receiving entertainment, gift, or invitation to or from business partners, including su ppliers, we shall ensure that such practices remain within justifiable limits and are permitted under applicable laws, ordinances, and commercial customs in each country and region.
We shall duly conduct political donations and lobbying activities in strict compliance with related laws and ordinances of each country and region, ensuring openness and fairness.

Thoroughly Implementing Compliance Guidelines for Preventing Bribery of Public Officials, Etc.

We created our Compliance Guidelines for Preventing Bribery of Public Officials, Etc., which give detailed directives related to entertaining, gift exchanges, and invitations for government officials. These guidelines are being strictly implemented throughout the Daikin Group. These guidelines are always applied to companies that newly join the Daikin Group through M&A in an effort to prevent wrongdoing with regard to the guidelines Group-wide.

The guidelines stipulate policies in areas such as entertainment, gift exchanges, and invitations for public officials, outsourcing to third parties, and facilitation payments.* The goal is to have standards and approval processes regarding dining and other interactions with public officials and others. The guidelines are also for preventing the dispersion of profit indirectly to public officials and others via third parties such as by hiring dealers, agents, or consultants. To this end, third party business partners are selected through a strict screening process and are required to sign a contract covering anticorruption.

When there are questions regarding interpretation and application of laws, we have a consultation hotline in the legal department, which we constantly encourage concerned parties to make use of.

We confirm compliance with the guidelines by conducting self-assessments. Any compliance problems found and their countermeasures are shared by reporting them to the Corporate Ethics and Risk Management Committee. We are also working to roll out the guidelines to newly acquired companies as well.

* A small payment made to facilitate routine tasks performed by public officials (i.e., import customs clearance, immigration screening, and visa issuance) that is not based on any legal provisions.

Educational Activities

Daikin holds training for employees so that each and every one is knowledgeable and thoroughly aware of compliance with laws and company regulations. The training is conducted to ensure that employees obey rules on sound and transparent relations with government offices, are compliant with the Political Funds Control Law and the Public Offices Election Act, conduct entertainment and gift exchanges with business partners in moderation, and the prohibition of facilitation payments.* Since the Compliance Guidelines for Preventing Bribery of Public Officials, Etc. were introduced, we have striven to ensure they are familiar to all employees by holding briefings for each division and Group company around the world and providing e-learning for all employees of Daikin Industries, Ltd.

For employees of divisions and Group companies in frequent contact with public officials, members of our legal department visit and lead periodic educational sessions.

* However, if an employee feels that their life, physical safety, or freedom is in danger, they are permitted to make an exception and accept payment, provided that ensuring safety is the top priority.

Monitoring

Having formulated the Compliance Guidelines for Preventing Bribery of Public Officials, Etc., we carry out audits in divisions and Group companies that do business in countries and regions where corruption is prevalent to ensure that bribes are not occurring. The Internal Auditing Department spearheads the monitoring of divisions and Group companies inside and outside of Japan. If an issue arises, the department is ready to respond immediately.

Guideline-related issues discovered during the audits are dealt with by creating solutions in collaboration with relevant divisions and groups, and these are reported to the Board of Directors and the Internal Control Committee. In addition, issues and successful countermeasures are shared via the Corporate Ethics and Risk Management Committee and Global Legal and Compliance Meetings attended by compliance and risk management leaders in each worldwide region.

Help-Line System

Daikin Industries, Ltd. has an internal and external Help-Line for Corporate Ethics, through which employees can give opinions or receive consultation on all corporate ethics matters, including bribe-related issues.

In fiscal 2025, there were no incidents involving bribe-related violations or sanctions.

138 Governance Compliance Help-Line

Information Security

Information Security Basic Policy

Proper Management and Use of All Confidential Information Including That of Other Companies

Daikin's Group Compliance Conduct Guidelines state that we manage and use confidential information appropriately. We also established the Information Security Basic Policy. Daikin stipulates that information leaks from internal information systems, Daikin products and services, and plant equipment systems constitute a major company-wide risk. Therefore, information security leaders in each division and business site in Japan and overseas lead efforts in making Basic Regulations of Information Security and Common Security Guidelines, in an effort to appropriately manage and thoroughly utilize confidential information, including that from other companies.

We also strictly manage confidential information we are holding that is the property of other companies. And with the increasingly widespread problems of companies losing information over the Internet, we are striving to raise the awareness of employees regarding managing their information; for example, we have strict company policies regarding use of social media.

There were no incidents of improper information management or leaks in fiscal 2025.

Information Security Basic Policy

The Daikin Group recognizes that one of our most important management issues is to deliver safe and highly reliable products and services and protect our information assets as well as customers' information assets in our possession from various types of threats by addressing information security risks which increase on a daily basis. To deal with these issues, we established the Group basic information security policy and united as the Daikin Group to further reinforce information security.

1. Our Group complies with rules and regulations, national guidelines, and other social standards in connection with information security.
2. Our Group establishes and complies with internal rules related to information security based on the basic information security policies.
3. Our Group implements appropriate security measures from personnel, organizational, and technological perspectives to protect and manage information.
4. Our Group provides continuous education and awareness programs for information security to all employees.
5. Our Group properly collects information and quickly reports to top management in the event that a security problem occurs on information assets. In addition, we rapidly investigate the cause and strive to minimize the damage and prevent recurrence.
6. Our Group inspects the information security management system and its initiatives and continuously reviews and improves them.

Group Compliance Conduct Guidelines

6. Proper Management and Utilization of Information

We shall properly manage our company's confidential information, as well as confidential information on other companies obtained from our suppliers and other entities, and the personal information of our customers and employees. In addition, we shall effectively utilize such information and shall not obtain such information through improper means.
We shall understand information security-related laws and ordinances, guidelines prescribed by national governments, and other social norms, as well as the internal rules established by our Group, ensure information security management, and strive to prevent information security incidents by implementing actions and measures that comply with such laws, ordinances, guidelines, norms, and rules. Should an information security incident arise, we shall take appropriate responsive actions to prevent further damage.

Group Compliance Conduct Guidelines

Information Security Management System

Daikin established the Information Security Committee, chaired by the officer in charge of information security, under the Corporate Ethics and Risk Management Committee. It discusses revisions to groupwide information security strategy, policy measures, and common rules (regulations and guidelines) and reports important information security matters, as well as notifications that must be sent to all employees and strictly followed. Matters decided on by the Corporate Ethics and Risk Management Committee are reported to the Internal Control Committee, chaired by the President and COO, as well as to the Board of Directors. The officer in charge of information security also chairs the Corporate Ethics and Risk Management Committee.

We are taking steps to strengthen the information security management systems of our Group companies both in Japan and overseas by assigning information security leaders and establishing company rules.

Thorough Information Security

Daikin continuously reviews the situation by assessing compliance with security rules at each Group company and implementing improvement activities in order to prevent information security incidents before they occur. We have also put into place a system for reporting and addressing information security incidents to minimize damages even if one was to occur.

At Daikin, employees who discover an incident or situation that could lead to a security threat are required to report it to the information security leader of their division or business site and then follow that leader's instructions. Information security leaders in turn report to the IT Development Department, which serves as the secretariat of the Information Security Committee, following the incident response standards. The IT Development Department spearheads efforts to investigate the cause and prevent the recurrence of these incidents.

Information Security Education

Daikin is working to raise awareness of security among every employee in the Group, according to their individual roles.

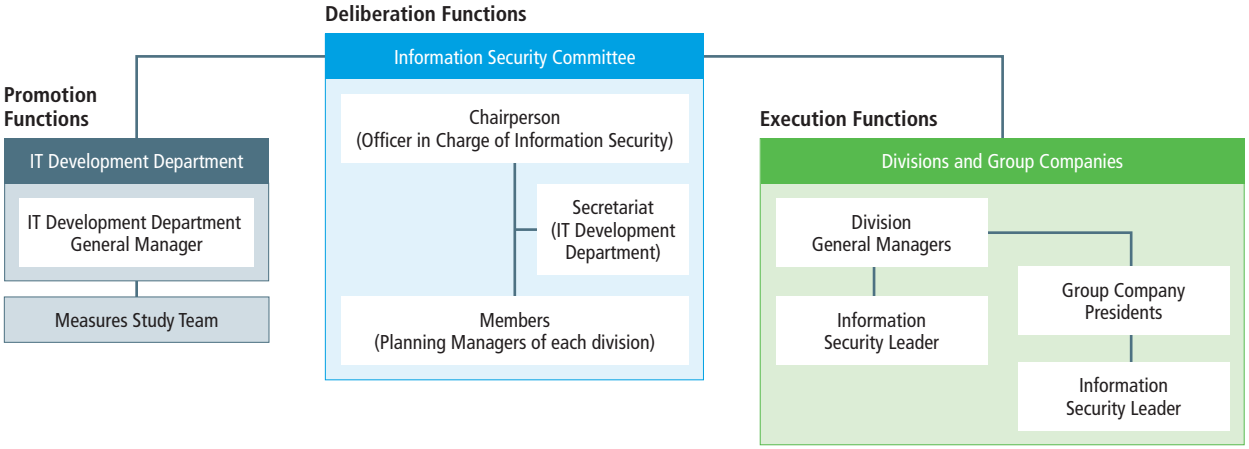
For employees, we raise their awareness day-to-day through training courses on in-house rules in which they conduct self-assessments* and also articles in Daikin's in-house magazine on the importance of security. At the same time, we also provide training on targeted email attacks.

We hold training for information security leaders in Japan led by an outside expert who discusses the recent evolution of cyberattacks and countermeasures companies must take. For information security leaders in Japan and overseas, we conduct security training using e-learning.

For example, Daikin Industries conducted training for web application developers in fiscal 2025. In addition to explaining security guidelines and security checklists, it also featured hands-on training through case studies and group discussions.

* Daikin's proprietary system for checking the conduct of each and every employee pursuant to the Group Compliance Conduct Guidelines. Implemented annually, these checks identify issues within organizations that lead to compliance countermeasures.

Information Security Management System



Information Security Inspections and Results

Daikin performs in-house checks on information security matters based on questions on information security included in its proprietary self-assessment system. In addition, through our annual testing of incident response procedures, we verify our response workflows and simulated scenarios in the event of an incident, identify any shortcomings or challenges, and use these findings to strengthen our countermeasures.

The status of inspections, along with problems that have come to light and their countermeasures, are reported to the Information Security Committee. Further, major issues and matters that all employees must be notified of and strictly follow are reported to the Corporate Ethics and Risk Management Committee, the Internal Control Committee, and the Board of Directors.

For fiscal 2025, we revised the questions in the self-assessment in light of recent trends in cyberattacks, which are becoming more frequent and sophisticated. To assess how well employees handle targeted emails and phishing emails, we have added questions asking whether they avoid opening suspicious emails carelessly and whether they promptly report any suspicious emails they receive to the designated contact point. In addition, in light of recent cases of fraudulent fund transfers involving the misuse of business emails, we have added a new question to determine whether employees verify information by calling or meeting in person with the business partner themselves when notified of a change in their bank account details. Through these actions, we are working to prepare for cyber risks and strengthen internal controls.

Protecting Customer Information

Personal Information Managers and Thorough Employee Education

To properly protect the range of customer information entrusted to us, Daikin has a Privacy Policy, as well as various in-house rules for information protection. In the Daikin Group in Japan, we hold annual conferences for personal information managers and others in each division in an effort to reduce risk related to confidential information and personal information.

Particularly, in divisions that handle repair information data on customers on a daily basis, we do everything possible to keep this information secure. To continually monitor and improve on our information security system, employees conduct their own self-assessments, the legal department conducts legal audits, and the Internal Auditing Department conducts operational audits.

Privacy Policy

See below for our response to personal data regulations

114 Social Daikin Employees Human Rights Due Diligence Response to Human Rights-Related Laws and Regulations

Data

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ESG Data

Environment

Companies covered by data: D Daikin Industries, Ltd. JG Including group in Japan Verified Data verified by a third party
OG Overseas group companies only OJG Including group companies in Japan and overseas

025 Environment 166 Data Third-Party Verification

Overview of Environmental Impacts

INPUT

Materials
Aluminum, Iron, and Copper, etc.
Chemical product materials, Glass,Plastics
0.91 million tons (0.24 million tons)

Energy Electricity, City gas, LPG, Steam, Petroleum, etc.
17,222 TJ (3,632 TJ)

Water Water intake Verified
8.26 million m³ (2.44 million m³)

Fuel (transportation)
Gasoline, etc.

Energy consumption from the use of Daikin products on the market
Air conditioners **405 TWh** (45 TWh)
All other products[1] **63 TWh** (16 TWh)

Verified Data Verified by Third Party
Note: The figures on this page represent the total for the group in fiscal 2025. Figures in ( ) are for Daikin Industries, Ltd. only. Figures in < > are for the Daikin Group in Japan.
1 Air purifiers, refrigeration, oil hydraulics, and defense systems, etc.
2 The fluorocarbon recovery rate at the time of disposal is calculated as 0%.

Type of business

Procurement → Development, Design, Manufacturing → Sales, Transportation, Installation → Usage → After-Sales Service, Recovery, Recycling → Conduct and expand environmental activities together with stakeholders

OUTPUT

CO_2 Verified
CO_2 emissions from purchased materials
4.63 million tons-CO_2 (0.67 million tons)

Emissions
Recycled materials **0.155 million tons** (0.024 million tons)
Waste **0.186 million tons** (0.026 million tons)
Wastewater Verified **7.01 million m³** (2.23 million m³)
Chemical substances **0.002 million tons** (0.0005 million tons)

CO_2 **CO_2 emissions from development and production** Verified
0.69 million tons-CO_2 (0.18 million tons-CO_2)
Energy-induced CO_2 0.57 million tons-CO_2 (0.13 million tons-CO_2)
Fluorocarbons 0.11 million tons-CO_2 (0.04 million tons-CO_2)
Non-energy-induced 0.015 million tons-CO_2 (0.011 million tons-CO_2)

CO_2 **CO_2 emissions from transportation and business trips**
0.41 million tons-CO_2 (0.06 million tons-CO_2)

CO_2 **CO_2 emissions from the use of Daikin products on the market**

	Air conditioners Verified	All other products[1]
	217.84 million tons-CO_2 (21.8 million tons-CO_2)	26.77 million tons-CO_2 (7.65 million tons-CO_2)
Energy-induced CO_2	208.10 million tons-CO_2 (20.49 million tons-CO_2)	26.00 million tons-CO_2 (7.48 million tons-CO_2)
Fluoro-carbons	9.74 million tons-CO_2 (1.31 million tons-CO_2)	0.77 million tons-CO_2 (0.17 million tons-CO_2)

CO_2 **Fluorocarbon emissions during disposal of CO_2 Daikin products[2]**

Air conditioners Verified	All other products[1]
36.97 million tons-CO_2 (4.76 million tons-CO_2)	1.80 million tons-CO_2 (0.45 million tons-CO_2)

Amount of fluorocarbons recovered
<1.39 million tons-CO_2>

See below for GHG emissions in the value chain (Scope 1, 2, 3), the method of calculating GHG emissions data

146 Data ESG Data Environment Mitigating Environmental Impacts in the Value Chain 169 Data Third-Party Verification Method of Calculating GHG Emissions Data

Mitigating Environmental Impacts in the Value Chain

GHG emissions in the value chain (Scope1,2,3) OJG

(Thousand tons-CO_2)

Scope and Category			Assessment method	2021	2022	2023	2024	2025
Scope1		Use of fuel and fluorocarbon Verified	169 Data Third-Party Verification Method of Calculating GHG Emissions Data	600	547	524	514	332
Scope 2 (market-based)[1]		Use of electricity and steam Verified		557	484	407	366	358
Scope 2 (location-based)[2]		Use of electricity and steam Verified		618	541	536	559	558
Scope3	Category 1	Purchased goods and services Verified	Volume of purchased materials x emission coefficient	4,048	4,701	4,198	4,624	4,859
	Category 2	Capital goods	Capital investment amount x emission coefficient	449	718	894	932	861
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	Purchased electricity, steam, and fuel x emission coefficient for each type	100	99	96	99	98
	Category 4	Upstream transport and delivery	Transport weight x transport distance x emission coefficient for each type	295	334	427	441	483
	Category 5	Waste generated in operations	Waste volume x emission coefficient for each type	33	35	26	24	27
	Category 6	Business travel	Travel expenses x emission coefficient	77	83	119	127	128
	Category 7	Employee commuting	Number of employees x emission coefficient	37	37	41	43	43
	Category 8	Leased assets (upstream)	–	N/A[5]	N/A[5]	N/A[5]	N/A[5]	N/A[5]
	Category 9	Downstream transportation and delivery	Transport volume x emission coefficient	81	89	97	89	107
	Category 10	Processing of sold products	Weight of manufactured intermediate products x emission coefficient	40	40	50	51	49
	Category 11	CO_2 from use of Daikin's air conditioners in the market Verified	169 Data Third-Party Verification Method of Calculating GHG Emissions Data	255,150	257,500	250,170	234,560	217,840
		CO_2 from use of other Daikin products[3] in the market		24,930	25,660	25,550	28,040	26,770
	Category 12[4]	Fluorocarbon at time of disposal of Daikin's air conditioners Verified		46,670	46,090	45,810	41,690	36,970
		Fluorocarbon at time of disposal of other Daikin products[3]		1,910	1,410	1,290	1,690	1,800
	Category 13	Downstream leased assets	–	N/A	N/A	N/A	N/A	N/A
	Category 14	Franchises	–	N/A	N/A	N/A	N/A	N/A
	Category 15	Investments	Emissions of investment target companies x ownership percentage	406	158	24	5	4
	Total			334,230	336,940	328,800	312,410	290,030
Comprehensive total				335,380	337,980	329,730	313,290	290,720

1. Market-based is the calculation of Scope 2 emissions reflecting contracts for purchased electricity. 2. Location-based is the calculation of Scope 2 emissions based on the average emission coefficient for electricity of a specific location.
3. Non-air conditioner data indicates air purifiers and refrigeration/oil hydraulics/defense systems, etc. 4. Calculated with fluorocarbon recovery rate as 0%. 5. Includes Scope 1 and Scope 2.

Contributions to GHG Emissions Reduction OJG

(Thousand tons-CO_2)

		2021	2022	2023	2024	2025
Amount of avoided emissions*	Avoided emissions through the spread of air conditioners and heat pumps, hot water supply systems, and refrigeration systems with lower emissions	5,000	6,680	5,330	7,040	8,020
	Avoided emissions due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to patents, technical support, etc.	11,260	11,220	24,270	36,850	42,400
Amount of refrigerant recovery and recycling from market	Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group (in CO_2 equivalent)	4,670	4,450	4,050	4,340	3,680

* Calculated with F-gas recovery rate as 0%.
Note: Reviewed by the third-party.

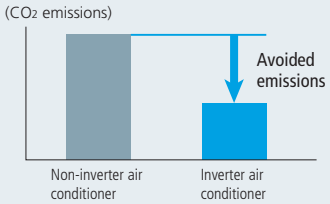
Example of Approach to Calculating Avoided Emissions

Referencing the guidance and guidelines[1] published by the World Business Council for Sustainable Development (WBCSD) and the GX League promoted by the Ministry of Economy, Trade and Industry, we calculated the avoided emissions from the widespread adoption of refrigeration systems, air conditioners, and space and water heaters with lower emissions for the following three products. We adopted a more conservative method for the calculation; for example, for sales volume, only the increase from the base year (2019) was included, and the count was limited to countries and regions where the market penetration rate of the target product was less than 50% in the base year.

Contribution through the spread of energy efficient equipment

Contribute to reduction of emissions during usage in the market by spreading inverter air conditioners which have higher efficiency than non-inverter models.

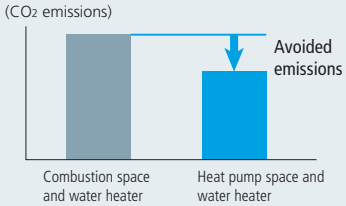
- **Baseline:** Emissions during use of non-inverter air conditioners
- **Target:** Emissions during use of inverter air conditioners
- **Calculation formula:** (power consumption per year per unit of non-inverter air conditioner[2] –power consumption per year per unit of inverter air conditioner[2])×electricity emission factor[3]× product lifespan[4]× units sold[2]



Contribution through the spread of heat pump space and water heaters

Contribute to reduction of emissions during usage in the market through the spread of heat pump space and water heaters by switching from combustion heating to electrical heating.

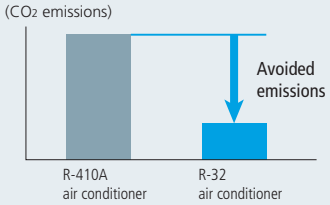
- **Baseline:** Emissions during use of combustion heating
- **Target:** Emissions during use of heat pump heating
- **Calculation formula:** (gas consumption/year per unit of combustion space and water heater[2]×gas emission factor[5] – power consumption/year per unit of heat pump space and water heater[2]×electricity emission factor[3])×product lifespan[4]×units sold[2]



Contribution through the spread of air conditioners using low GWP refrigerants

The spread of air conditioners using R-32 refrigerant which has a lower global warming potential (GWP) than the conventional R-410A refrigerant has contributed to reduced emissions during disposal in the market.

- **Baseline:** Emissions of air conditioners using R-410A upon final disposal
- **Targets:** Air conditioners using R-32
- **Calculation formula:** (GWP of R-410A[6] – GWP of R-32[6])×charge amount per unit of air conditioner[2]×(1 – recovery rate[7])×units sold[2]



[1] *Basic Guidelines for Disclosure and Evaluation of Climate-related Opportunities* (published in March 2023 by GX League), Guidance on Avoided Emissions (published in March 2023 by WBCSD), [2] Based on Dakin's data, [3] Based on IEA *Emissions Factors 2025*, [4] Based on Daikin's internal standards, [5] Based on the European Commission's report of *Space and Combination Heaters Ecodesign and Energy Labelling*, [6] Based on the IPCC *Fourth Assessment Report*, [7] Calculated as 0% (Daikin also calculates emissions as 0%)

Reduction Rate of Net GHG Emissions* OJG

(%)

	2021	2022	2023	2024	2025
Reduction rate of net GHG emissions (compared to BAU with 2019 as base year)	10	14	17	27	34

* Net GHG emissions equals GHG emissions during the product life cycle minus avoided emisions.

GHG Emissions Reduction Target (SBT* 1.5°C Target) and Results OJG

Daikin has obtained certification from the SBTi for the following GHG reduction targets.

	Target	2023	2024	2025
Emissions from the Group's business activities (Scope 1 and 2)	46.2% reduction by fiscal 2030 (compared to fiscal 2019)	29.5% reduction	33.3% reduction	48.4% reduction
Emissions from use and disposal of the Group's products (Scope 3 category 11 and 12)	55% reduction per operating profit (yen) by fiscal 2030 (compared to fiscal 2019)	32.3% reduction	37.4% reduction	43.8% reduction

* Science Based Targets: International GHG emissions reduction targets in line with the Paris Agreement goals.

Environmentally Conscious Products* as Percentage of Units Sold (Residential Air Conditioners) OJG

(%)

		2021	2022	2023	2024	2025
Environmentally Conscious Products		99.0	99.0	99.1	99.3	99.7
	Super Green Products	71	76	76	81	84
	Green Products	28	23	23	19	16
Other products		1.2	0.8	0.9	0.7	0.3

* Environmentally conscious products: A generic term that refers to Super Green Products and Green Products.
Air conditioners that meet all of the following conditions are considered Super Green Products, and air conditioners that meet at least one of the following conditions are considered Green Products.
- Consume at least 30% less electricity than conventional products. Example: Air conditioners equipped with inverters.
- Use refrigerants with at least two-thirds less global warming potential than conventional refrigerants. Example: Air conditioners using R-32, a refrigerant with lower global warming potential.

Materials Used OJG

(Thousand tons)

		2021	2022	2023	2024	2025
Japan	Iron	76	80	63	75	67
	Copper	13	16	13	14	13
	Aluminium	15	17	17	18	18
	Other metals	3	4	4	3	2
	Plastics	22	23	18	20	17
	Chemical product materials	145	143	120	127	120
	Glass	0.5	0.4	0.5	0.5	0.4
Overseas	Iron	519	497	485	455	532
	Copper	71	91	81	113	87
	Aluminium	58	90	79	92	104
	Other metals	2	4	3	4	3
	Plastics	90	104	88	111	115
	Chemical product materials	150	150	164	137	121
	Glass	–	–	–	9	4
Total	Iron	595	577	548	530	599
	Copper	84	107	94	127	101
	Aluminium	73	107	95	110	121
	Other metals	5	8	6	7	5
	Plastics	112	127	106	131	132
	Chemical product materials	295	293	283	263	240
	Glass	0.5	0.4	0.5	9	4

Note: Glass figures until fiscal 2023 are for the Group in Japan and from fiscal 2024 for the Group globally.

CO_2 Emissions Reduction achieved with Packaging Improvements (Air Conditioning) D

(tons-CO_2)

	2021	2022	2023	2024	2025
CO_2 emissions reduction achieved with packaging improvements*	146	270	395	518	639

* Reduced use of packaging materials and promotion of returnable packaging

Recycling of Residential Air Conditioners JG

			2021	2022	2023	2024	2025
Residential air conditioners collected by Daikin (units: thousand)*			460	490	500	560	620
	Weight of products recycled or reused (tons)		18,337	19,998	20,276	22,226	24,026
	Amount recycled (tons)		16,700	18,234	18,596	20,356	22,115
	Recycling ratio (%)		91	91	91	91	92
	Breakdown (%)	Iron	32	31	29	29	29
		Copper	8	8	8	8	8
		Aluminium	2	2	2	3	3
		Mixture of non-ferrous and iron composite materials	40	41	41	41	41
		CFCs	1.7	1.7	1.7	1.7	1.7
		Other valuable materials	17	17	18	18	19
	Fluorocarbons recoverd (CO_2-equivalent) (thousand tons-CO_2)		590	650	650	680	720

* Number of units accepted

Amount of Fluorocarbons Recovered JG

(Thousand tons-CO_2)

	2021	2022	2023	2024	2025
Electric appliances recycling	590	650	650	680	720
Fluorocarbon recovery and destrution	760	670	670	740	670

Amount Destroyed in Fluorocarbon Recovery and Destruction at Time of Repair and at Time of Disposal JG

(tons)

	2021	2022	2023	2024	2025
Recovered fluorocarbons at time of repair	333	305	317	333	310
Recovered fluorocarbones at time of disposal	68	34	24	43	29
Total	401	339	340	376	338

Note: Amount destroyed at contracted destruction facilities around Japan including our Yodogawa Plant and Kashima Plant.

Calculated Leakage Amount Under the Fluorocarbon Emissions Control Act.

(tons-CO_2)

	2021	2022	2023	2024	2025
Calculated Leakage Amount	186	373	756	603	641

Note: The number of Class I designated equipment managed by Daikin under the Fluorocarbons Emission Control Act is 6,355 (based on the number of outdoor units; as of the end of March 2026).

Reducing Environmental Impacts of Business Activities

Indicators and Results at Manufacturing Bases

Main initiatives	Management items	Fiscal 2025	
		Targets	Results
GHG	Reduce GHG emissions (fluorocarbons and energy)	1.10 million tons-CO_2 (17% reduction compared to fiscal 2019)	0.69 million tons-CO_2 (47% reduction compared to fiscal 2019)
Emissions	Reduce waste generated	Unit reduction in emissions of 10% against standard value*	20% reduction
Water	Reduce water usage	Unit reduction in water intake of 10% against standard value*	25% reduction
Chemicals	Reduce PRTR substances and VOC emissions	Unit reduction in chemical emissions of 10% against standard value*	50% reduction

* Average for fiscal 2013–2015. Most recent figures are used for manufacturing bases that newly joined the Group.

GHG Emissions (Development and Production) OJG Verified

(Thousand tons-CO_2)

		2021	2022	2023	2024	2025
Energy-induced CO_2		790	710	620	580	570
	(Scope1)	230	230	210	220	210
	(Scope2)	560	480	410	370	360
HFC (Scope1)		110	100	80	80	60
PFC (Scope1)		260	220	220	200	50
Non-energy-induced CO_2 (Scope1)		–	–	10	20	10
Total		1,160	1,030	930	880	690

Note: In accordance with the revision of the Act on Promotion of Global Warming Countermeasures in April 2023, we have added non-energy CO_2 emissions from limestone from fiscal 2023.

Energy Consumption OJG

(TJ)

	2021	2022	2023	2024	2025
Electricity	10,335	10,294	10,210	10,777	11,575
Renewable energy generated	1,177	2,200	2,674	4,013	5,340
City gas	4,686	4,771	4,354	4,516	4,453
LPG	174	174	127	117	131
Steam	1,277	1,251	971	988	1,018
Petroleum	49	71	33	33	45
Total	16,521	16,561	15,694	16,431	17,222

Water Intake / per Unit of Production OJG

		2021	2022	2023	2024	2025
Water intake (thousand m³)	Japan	1,820	1,910	1,820	1,790	1,700
	Overseas	4,510	4,810	4,830	4,860	4,630
	Total	6,330	6,720	6,650	6,650	6,330
Unit with standard value set at 100 (%)	Japan	85	89	88	90	89
	Overseas	72	69	79	71	71
	Total	76	74	82	76	75

Note: These values are different from values for third-party verification.

Water Intake and Discharge Amounts OJG Verified

(Thousand m³)

		2021	2022	2023	2024	2025
Water intake		9,850	9,710	10,340	9,230	8,260
Water discharge		9,110	8,700	9,540	8,360	7,010
	Sewerage	5,010	4,780	4,790	4,910	4,390
	Released into ocean/river	4,100	3,920	4,740	3,450	2,620

Chemical Oxygen Demand (COD) emissions OJG

(tons)

	2021	2022	2023	2024	2025
Emissions	2,382	2,404	855	901	732

Water Intake and Discharge Amounts at the Production Bases Exposed to High Water Stress

Daikin Airconditioning India

(Thousand m³)

		2021	2022	2023	2024	2025
Neemrana Factory	Water intake	57	53	54	64	54
	Water discharge	48	42	43	43	42
Sri City Factory	Water discharge	–	–	–	–	71
	Water discharge	–	–	–	–	18

Daikin Industries (Thailand)

(Thousand m³)

	2021	2022	2023	2024	2025
Water intake	173	194	170	146	114
Water discharge	138	155	136	119	91

Daikin Applied Europe

(Thousand m³)

	2021	2022	2023	2024	2025
Water intake	37	27	39	40	42
Water discharge	37	27	39	40	42

Daikin Manufacturing México

(Thousand m³)

	2021	2022	2023	2024	2025
Water intake	7	13	17	12	35
Water discharge	7	10	12	12	35

Chemical Emissions (total of PRTR Substances and VOCs) / per Unit of Production OJG

		2021	2022	2023	2024	2025
Emissions (tons)	Japan	510	563	496	522	516
	Overseas	1,552	1,426	1,326	1,266	1,275
	Total	2,062	1,989	1,822	1,788	1,791
Unit with standard value set at 100 (%)	Japan	81	81	78	77	77
	Overseas	56	43	45	50	44
	Total	61	49	51	55	50

Note: These values are different from values for third-party verification.

Compilation of PRTR Substances (PRTR Substances of which at Least 1 ton was Handled) JG

(tons)

Substance name	2025				
	Amount emitted			Amount transported	
	Air	Public waterways	Soil	Waste	Sewage
antimony and its compounds	0.00	0.00	0.00	6.30	0.00
ethylbenzene	0.39	0.00	0.00	0.10	0.00
xylene	0.48	0.00	0.00	0.08	0.00
1-chloro-1,1-difluoroethane	8.30	0.00	0.00	0.00	0.00
chlorodifluoromethane	43.94	0.00	0.00	0.00	0.00
2-chloro-1,1,1,2-tetrafluoroethane	0.94	0.00	0.00	0.00	0.00
chloroform	0.78	0.00	0.00	8.53	0.00
tetrachloromethane	0.00	0.00	0.00	0.00	0.00
dichloromethane	23.89	0.00	0.00	3.77	0.00
N,N-dimethylacetamide	0.00	0.13	0.00	0.14	0.00
styrene	0.00	0.00	0.00	0.00	0.00
toluene	5.09	0.02	0.00	0.36	0.00
phenol	0.88	0.00	0.00	0.89	0.00
hydrogen fluoride and its water-soluble salts	0.26	0.00	0.00	94.17	0.00
n-hexane	4.19	0.00	0.00	7.50	0.32
water-soluble salts of peroxodisulfuric acid	0.00	0.00	0.00	0.00	0.00
boron compounds	0.00	0.49	0.00	0.65	0.00
poly (oxyethylene) alkyl ether (alkyl C=12-15)	0.04	0.02	0.00	37.00	0.23
formaldehyde	0.43	0.69	0.00	0.30	0.00
methylenebis (4,1-phenylene) diisocyanate	0.00	0.00	0.00	0.07	0.00
Molybdenum and its compounds	0.00	0.00	0.00	0.03	0.00

(tons)

Substance name	2025				
	Amount emitted			Amount transported	
	Air	Public waterways	Soil	Waste	Sewage
tritolyl phosphate	0.00	0.00	0.00	0.00	0.00
alpha-Alkyl-omega-hydroxypoly (oxyethylene) (limited to those the alkyl group is C=9-11 and mixture thereof, and the number average molecular weight is less than 1,000)	0.00	0.00	0.00	3.50	0.11
dimethyl (1-phenylethyl) benzene	0.00	0.00	0.00	0.00	0.00
Tetrafluoroethylene	22.00	0.00	0.00	0.00	0.00
paraformaldehyde	0.00	0.00	0.00	0.00	0.00
methyl isobutyl ketone	0.27	0.00	0.00	2.40	0.02
N-methyl-2-pyrrolidone	0.01	0.00	0.00	7.90	0.12

Air Pollutant Emissions OJG

(tons)

	2021	2022	2023	2024	2025
NO_x	111	86	75	35	23
SO_x	7	6	5	6	4
Dust	57	61	47	16	17

Amount of Waste and Recycled Materials OJG Verified

(tons)

		2021	2022	2023	2024	2025
Japan	Amount of waste	4,126	4,060	2,465	2,976	2,935
	Amount of recycle	27,329	26,320	22,593	24,479	23,624
	Out of the above amount, hazardous waste	22,058	22,996	16,814	14,759	15,282
Overseas	Amount of waste	37,178	42,737	14,334	22,717	21,723
	Amount of recycle	142,059	152,359	140,582	142,565	131,032
	Out of the above amount, hazardous waste	57,239	69,076	28,216	27,750	22,857
Total	Amount of waste	41,304	46,797	16,799	25,706	24,658
	Amount of recycle	169,388	178,679	163,175	166,964	154,656
	Out of the above amount, hazardous waste	79,297	92,072	45,030	42,532	38,139

Emissions / per Unit of Production OJG

		2021	2022	2023	2024	2025
Emissions (tons)	Japan	30,917	28,482	23,692	25,205	25,510
	Overseas	180,283	190,898	169,757	159,950	153,196
	Total	211,200	219,380	193,449	185,155	178,706
Unit with standard value set at 100 (%)	Japan	70	76	78	72	70
	Overseas	90	89	86	78	82
	Total	87	87	85	77	80

Note: These values are different from values for third-party verification.

Environmental Management

Serious Violation of Environmental Laws OJG

(Violations)

	2021	2022	2023	2024	2025
Serious violations of environmental laws	0	0	0	0	0

Report from Audits JG

(cases)

		2021	2022	2023	2024	2025
Problems found from internal environmental audits	Major nonconformity	0	0	1	0	1
	Minor nonconformity	8	3	5	2	9
	Improvement	97	91	76	65	73
Problems found by third-party certification institutes	Major nonconformity	0	0	0	0	0
	Minor nonconformity	1	0	0	0	0
	Improvement	3	4	3	4	3

Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification OJG

(%)

	2021	2022	2023	2024	2025
Japan	100	100	100	100	100
Overseas	91	90	91	90	90

Daikin Bases Certified for ISO 14001

ESG Data

Society

Companies covered by data: D Daikin Industries, Ltd. JG Including group in Japan OG Overseas group companies only OJG Including group companies in Japan and overseas

065 Social

Markets and Customers

Improvement in Customer Satisfaction*

	(Base year)	2021	2022	2023	2024	2025
Japan	(FY2015)	1.14	1.15	1.15	1.15	1.15
China	(FY2018)	1.04	1.04	1.04	1.04	1.04
India	(FY2016)	1.19	1.22	1.24	1.24	1.28
Indonesia	(FY2017)	1.11	1.07	1.15	1.14	1.13
Singapore	(FY2015)	1.00	1.00	1.02	1.00	1.06
Vietnam	(FY2015)	1.21	1.22	1.22	1.22	1.23
Australia	(FY2015)	1.02	1.02	1.03	1.02	0.93
Spain	(FY2016)	1.14	1.11	1.11	1.12	1.09
Italy	(FY2019)	1.07	1.08	1.06	1.03	1.03
France	(FY2019)	1.02	1.00	0.97	0.99	1.03
UAE	(FY2015)	1.05	1.05	1.07	1.09	1.09
Brazil	(FY2020)	1.03	1.06	1.02	1.00	1.03

* Satisfaction of after-sales services, regarding the base year as 1.00.

Customer Satisfaction with After-sales Service* D

	2021	2022	2023	2024	2025
Overall satisfaction	4.60	4.66	4.67	4.64	4.67

* Results of responses online as well as on postcard-sized surveys that are sent to a random sampling of customers one or two weeks after they receive servicing. Average of a scale of 5.

Number of Inquiries to the Contact Center JG

(thousands)

	2021	2022	2023	2024	2025
Repair inquiries	604	579	586	556	473
Technical advice	595	565	589	611	527
Parts inquiries	207	194	176	175	167
Others	13	9	12	9	10
Total	1,419	1,347	1,363	1,351	1,177

Number of Inquiries to the Contact Center China

(thousands)

	2021	2022	2023	2024	2025
Repair inquiries	843	913	970	883	966
Technical advice	36	30	21	9	7
Parts inquiries	97	100	104	340	333
Total	976	1,043	1,096	1,232	1,306

ZEB Certifications of Our Own Buildings in Japan

Time	Details
2017	• Daikin Industries registered as a ZEB Planner
2018	• Daikin Airtechnology & Engineering Co., Ltd. registered as a ZEB Planner • Daikin Industries Fukuoka Building achieved ZEB Ready status
2020	• Daikin Industries Esaka Building achieved ZEB Ready status
2022	• All 10 companies in the Daikin HVAC Solutions Group's domestic sales offices registered as ZEB Planners • Daikin HVAC Solutions Tokyo's Omiya Station achieved ZEB Ready status • Chiba Service Station achieved Nearly ZEB status
2023	• Daikin HVAC Solutions Kyushu's Saga Sales Office achieved ZEB status • Kawagoe Service Station achieved Nearly ZEB status • Daikin HVAC Solutions Chugoku-Shikoku's Okayama Branch achieved ZEB Ready status • Daikin HVAC Solutions Tohoku's Headquarters achieved ZEB Ready status
2024	• Sendai Service Station achieved Nearly ZEB status • Daikin HVAC Solutions Tokyo's Mito Sales Office achieved ZEB Ready status • Daikin HVAC Solutions Tokyo's Matsudo Sales Office achieved ZEB Ready status
2025	• Daikin HVAC Solutions Chugoku-Shikoku's Takamatsu Branch achieved ZEB Ready status • Nerima Service Station achieved Nearly ZEB status • Aomori Service Station achieved ZEB Ready status • Tosu Service Station achieved ZEB Ready status

Research and Development Expenses OJG

(billion yen)

	2021	2022	2023	2024	2025
Research and development expenses	81.5	102.2	122.5	135.7	150.7

Daikin Employees

Employees

Employee Composition* D

	2021		2022		2023		2024		2025	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of employees	7,339	1,579	7,276	1,601	7,236	1,658	7,457	1,712	7,727	1,821
Average range of services (years)	16.7	10.9	16.5	10.6	17.2	12.1	17.4	12.4	17.6	12.3
Average age	41.8	35.4	42.0	35.7	41.9	35.9	42.1	36.2	42.4	36.1
Number of managers	1,122	68	1,149	95	1,174	108	1,236	121	1,287	132
Number of directors, Audit & Supervisory Board members and senior executive officers	40	2	40	2	41	3	39	5	39	5
Number of foreign nationals	62	34	61	33	58	37	56	34	66	37

* Includes employees on loan.
Note: Figures as of fiscal year-end.

Employee Make-up by Region* OJG

	2021		2022		2023		2024		2025	
	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees
Daikin Industries, Ltd. (Only)	1	7,652	1	7,618	1	7,654	1	7,866	1	7,866
Domestic Group (Excluding Daikin Industries, Ltd.)	30	5,717	30	5,817	31	5,914	31	6,130	31	6,624
U.S.	67	20,275	75	22,966	72	22,412	75	25,255	59	25,145
China	32	19,567	33	20,599	32	19,645	33	19,075	33	18,426
Europe	77	11,147	86	12,215	90	13,293	84	13,310	85	13,498
Asia, Oceania	55	18,542	61	20,083	62	21,187	65	22,288	66	22,850
Others (Latin America, Middle East, Africa, etc.)	61	5,798	62	7,039	62	8,057	62	9,620	50	9,686
Total	323	88,698	348	96,337	350	98,162	351	103,544	325	104,095

* Figures as of fiscal year-end.

Number of Employees by Gender and Employment Rate of Women OJG

	2021	2022	2023	2024	2025
Men	63,753	69,733	73,925	78,546	79,836
Women	24,945	26,604	24,237	24,998	24,259
Total	88,698	96,337	98,162	103,544	104,095
Women as % of all employees	28.1	27.6	24.7	24.1	23.3

Number of New Employees Hired; Women as Percentage of All New Employees Hired* D

	2021	2022	2023	2024	2025
Men	284	204	201	295	311
Women	112	87	98	115	130
Total	396	291	299	410	441
Women as % of all new employees	28.3	29.9	32.8	28.0	29.5

* Number of people joining the company on April 1.

Number of Employees Leaving, Employee Turnover D

	2021	2022	2023	2024	2025
Men	332	376	389	176	148
Women	61	69	73	74	52
Total	393	445	462	250	200
Employee turnover (%)	4.4	5.0	5.2	2.7	2.1

Note: Due to the increase in the retirement age (from 60 to 65) implemented in April 2024, there will be no employees reaching mandatory retirement age until the end of March 2029.

Development of Human Resources

Human Resources Development of Manufacturing OJG

		2021	2022	2023	2024	2025
Japan	The ratio of excellent or advanced skilled engineers* in manufacturing (%)	30.5	31.7	34.8	37.8	37.4
	Ratio	1 in 3.3 employees	1 in 3.2 employees	1 in 2.9 employees	1 in 2.6 employees	1 in 2.7 employees
Overseas	The ratio of excellent or advanced skilled engineers* in manufacturing (%)	6.2	9.1	12.3	13.4	15.0
	Ratio	1 in 16.1 employees	1 in 11.0 employees	1 in 8.1 employees	1 in 7.4 employees	1 in 6.7 employees
Total	The ratio of excellent or advanced skilled engineers* in manufacturing (%)	14.8	12.5	15.8	17.0	18.3
	Ratio	1 in 6.8 employees	1 in 8.0 employees	1 in 6.3 employees	1 in 5.9 employees	1 in 5.5 employees

* High-skilled engineers with knowledge and leadership.

Workplace Diversity

Number of Overseas Bases Where Local Nationals are Presidents and Executives OG

	2021	2022	2023	2024	2025
Number of bases where local nationals are presidents and executives	44	45	47	50	50
Number of presidents who are local nationals	32	34	36	34	33
Number of executives who are local nationals	63	65	73	72	75

Percentage of Overseas Bases Where Local Nationals are President and Executives OG

(%)

	2021	2022	2023	2024	2025
Percentage of overseas bases where local nationals are president	45	44	46	42	41
Percentage of overseas bases where local nationals are executives	44	45	50	46	49

Number and Percentage of Women in Management Positions D

	2021	2022	2023	2024	2025
Number of female managers	68	95	108	121	132
Females as % of all managers	5.7	7.6	8.4	8.9	9.3

Number of People with Disabilities Employed and Employment Rate JG

	2021	2022	2023	2024	2025
Number of people with disabilities employed[1]	409.0	427.5	454.0	480.5	495.5
Employment rate of people with disabilities[2] (%)	2.60	2.69	2.81	2.91	2.93

1. Based on the calculation method prescribed by the Ministry of Health, Labour and Welfare.
2. Disability employment rate = number of people with disabilities employed / number of full-time employees.
Note: Figures as of end of fiscal year.

Gender Pay Gap D

(%)

	2022	2023	2024	2025
All workers	77.2	79.5	80.4	81.6
Full-time employees	80.3	81.6	82.1	83.0
Part-time and contract employees	65.4	63.1	65.5	69.1

Note: Figures calculated based on the provisions of the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015).
Average annual wage of female workers ÷ Average annual wage of male workers x 100

Work-Life Balance

Number of Employees Taking Childcare Leave* D

(people)

		2021	2022	2023	2024	2025
Number taking childcare leave	Men	233	214	221	235	254
	Women	93	78	82	74	90
	Total	326	292	303	309	344

* Number of employees taking childcare leave each fiscal year.
Note: Revisions to the Act on Childcare Leave, Caregiver Leave in April 2023 require that companies disclose the rate of employees taking childcare leave calculated according to a specified formula. As a result, figures for fiscal 2021 were changed to this formula and revised retroactively.

Number Taking Family Care Leave D

(people)

		2021	2022	2023	2024	2025
Number taking family care leave	Men	3	2	5	6	8
	Women	2	2	3	1	2
	Total	5	4	8	7	10

Occupational Safety and Health

Frequency Rate of Lost Work Time Accidents[1] OJG

	2021	2022	2023	2024	2025
Daikin Group (including overseas)	1.19	1.35	1.24	1.14	1.02
Japan (manufacturing industry average)	2.09	2.06	2.14	2.10	2.01
U.S. (average for all industries)[2]	–	–	–	4.5	–

1. This shows the frequency of occupational accidents resulting in lost work time, expressed in number of casualties for every 1,000,000 working hours.
Frequency rate = Number of injuries or fatalities from occupational accidents resulting in lost work time / Total actual working hours × 1,000,000
2. Calculated based on information from U.S. Bureau of Labor Statistics (November 2025).
No data was released for the U.S. in fiscal 2025 (as of the end of July 2026).

Severity Rate* OJG

	2021	2022	2023	2024	2025
Daikin Group (including overseas)	0.03	0.04	0.04	0.03	0.03
Japan (manufacturing industry average)	0.09	0.09	0.09	0.09	0.09

* This shows the severity of the calamity, expressed in man-days lost per 1,000 hours worked.
Severity rate = Total number of working days lost / Total actual working hours × 1,000

Number of Sites that Obtained Occupational Safety and Health Management System Certification OJG

(base)

	2025
Japan	3
China	20
Asia and Oceania	21
Europe	22
Americas	1
Total	67

Note: The number of bases with ISO 45001 certification, with approximately 60% of all production bases having obtained the certification. Bases with other certifications are excluded.

Percentage of Employees Taking All Paid Leave D

(%)

	2021	2022	2023	2024	2025
Percentage of Daikin Industries, Ltd. Employees	95.8	97.7	97.7	95.8	94.8
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	61.6	62.6	65.8	70.4	72.8

Average Hours of Overtime per Employee D

(hours)

	2021	2022	2023	2024	2025
Hours	211.80	220.80	211.40	215.40	212.00

Labor-Management Relations

Ratio of Union Members D

(%)

	2021	2022	2023	2024	2025
Percentage of employees in union	87	86	84	84	82

Supply Chain Management

Class A CSR Procurement Achievement Rate* OJG

(%)

	2021	2022	2023	2024	2025
Japan	66	66	79	81	20
Overseas	73	77	82	84	75
Entire Group	72	75	81	84	65

* Procurement value from suppliers that satisfy Daikin's Class A standards of total procurement value.
Note: In FY2025, we revised the evaluation methodology and expanded its scope.

Green Procurement Rate* OJG

(%)

	2021	2022	2023	2024	2025
Japan	95	91	93	96	78
Overseas	78	76	75	80	58
Entire Group	80	79	79	82	77

* Green procurement rate = Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured

Affected Communities

Expenditure for Social Contribution Activities OJG

(million yen)

	2021	2022	2023	2024	2025
Total	1,388	1,794	1,828	1,704	1,632

ESG Data

Governance

Companies covered by data: D Daikin Industries, Ltd. JG Including group in Japan
OG Overseas group companies only OJG Including group companies in Japan and overseas

127 Governance

Number of Executives and Breakdown* D

(people)

			2024	2025	2026
Executives	Internal	Men	5 (non-Japanese 1)	4 (non-Japanese 1)	4 (non-Japanese 1)
		Women	1	1	1
	External	Men	3	3	4 (non-Japanese 1)
		Women	1	1	1
	Total		10	9	10

* As of July 1 each year.

Number of Auditors and Breakdown* D

(people)

			2024	2025	2026
Auditors	Internal	Men	2	2	2
		Women	0	0	0
	External	Men	1	1	1
		Women	2	2	2
	Total		5	5	5

* As of July 1 each year.

Number of Board of Directors' Meetings and Average Attendance D

	2023	2024	2025
Number of meetings	16	16	16
Average attendance of Board of Directors' meetings (%)	96	98	96

Average Appointment Term for Directors* D

(year)

	2026
Average appointment term	6.4

* As of July 1

Make-up of Human Resources Advisory Commitee and Compensation Advisory Committee* D

(people)

			2024	2025	2026
Human Resources Advisory Commitee and Compensation Advisory Committee	Internal directors	Men	1	1	1
		Women	0	0	0
	External directors	Men	3	3	3
		Women	1	1	1
	Executive officers	Men	0	0	0
		Women	0	0	0

* As of July 1 each year.

The Vesting for Variable CEO Compensation D

Period during which CEO's change in compensation is based on	Three years from the grant date

* As of July 1, 2026

Executive Compensation* D

		2021	2022	2023	2024	2025
Directors	Number	14	12	11	13	13
	Amount of compensation (million yen)	1,364	1,435	1,441	5,504	1,201
Audit & Supervisory Board Member	Number	4	4	5	6	6
	Amount of compensation (million yen)	99	102	122	131	135
Total	Number	18	16	16	19	19
	Amount of compensation (million yen)	1,463	1,537	1,563	5,635	1,336

* About compensation amounts
For fiscal 2021, the compensation amount for the term of office of three directors who retired are included.
For fiscal 2022, the compensation amount for the term of office of one director who retired is included.
For fiscal 2023, the compensation amount for the term of office of one director who retired is included.
For fiscal 2024, the compensation amount for the term of office of three directors and one auditor who retired is included.
For fiscal 2025, the compensation amount for the term of office of four directors and one auditor who retired is included.

Corporate Officers with Compensation Over 100 Million Yen (Fiscal 2025) D

Name	Total consolidated compensation (million yen)	Category	Company	Total consolidated compensation by type (million yen)		
				Fixed compensation	Stock options	Performance-linked compensation
Masanori Togawa	429	Director	Daikin Industries, Ltd.	156	75	197
Naofumi Takenaka	306	Director	Daikin Industries, Ltd.	94	75	135
Kanwal Jeet Jawa	223	Director	Daikin Industries, Ltd.	18	32	6
		Director	Daikin Airconditioning India Pvt. Ltd. (Consolidated subsidiary)	99	–	66
Koichi Takahashi	183	Director	Daikin Industries, Ltd.	56	39	87

Note: Only those individuals receiving 100 million yen or more of consolidated remuneration are listed.

Accounting Auditor Compensation D

(million yen)

	2025
Auditing expenses	414

Number of Patent Applications D

(cases)

	2020	2021	2022	2023	2024
Japanese applications	1,045	1,190	1,067	973	1,049
Overaseas applications	587	597	772	707	453

Major Legal Violations OJG

(cases)

	2023	2024	2025
Number of major legal violations	0	0	0

Third-Party Verification

Third-Party Verification

To ensure reliability of the content of this report, Daikin contracts with the Japan Audit and Certification Organization for Environment and Quality (JACO), an independent third-party organization, to verify its data on GHG emissions, water use, and waste water.

Data Covered by Verification

Environmental Impact Data on Business Operations in FY2025

- Scope 1 and Scope 2 GHG emissions, water use, and waste water from business operations of four manufacturing bases of Daikin Industries, Ltd., nine manufacturing subsidiaries in Japan, and 68 manufacturing subsidiaries overseas.
- Category 1 (purchased goods and services), 11 (use of sold products), and 12 (final product disposal) emissions of Scope 3 GHG emissions calculated in line with the GHG Protocol's "Corporate Value Chain (Scope 3) Accounting and Reporting Standard."

Scope of Review

Avoided Emissions Through the Use of Products

- Amount of avoided emissions*
  - Avoided Emissions through the spread of air conditioners, space and water heaters, and refrigeration systems with lower emissions
  - Avoided Emissions due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to patents, technical support, etc.
- Amount of refrigerant recovery and reclamation from market
  - Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group (in CO_2 equivalent)

* Calculated with F-gas recovery rate as 0%

169 Data Third-Party Verification Method of Calculating GHG Emissions Data

Independent Assurance Statement (GHG emissions)

Greenhouse Gas Emissions
Independent Verification Report

To: DAIKIN INDUSTRIES, LTD.

July 16, 2026

Japan Audit and Certification Organization
for Environment and Quality (JACO)
3-4 Kandakajicho Chiyoda-ku, Tokyo, Japan

President *Yoshiaki Okajima*

Japan Audit and Certification Organization for Environment and Quality (JACO) has been engaged by DAIKIN INDUSTRIES, LTD. including its domestic consolidated company and overseas consolidated production subsidiary (hereinafter referred to as "the Organization") to conduct independent verification of its greenhouse gas (GHG) emissions information prepared under the responsibility of the Organization.

1. Purpose and scope of verification

With regard to the GHG emissions information reported by the Organization for the fiscal year 2025 (from April 1, 2025 to March 31, 2026), the verification was conducted. The aim of this verification is to consider the accuracy of the GHG emissions data and to provide a verification opinion.

1) Scope 1 and Scope 2 Greenhouse gas emissions
- CO_2 emissions from energy consumption by business activities; and HFCs, PFCs and CO_2 emissions (from limestone) from production processes at the Organization's 105 sites

2) Scope 3 Greenhouse gas emissions as defined by the Organization (Category 1, 11 and 12)
3) Amount of contribution to emission reduction:
- Contribution to greenhouse gas emission reduction through the spread of air conditioners and heat pumps, hot water supply systems and refrigeration systems with lower emissions
- Contribution to greenhouse gas emission reduction due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to the patents, technical support, etc.
- Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group (in CO_2 equivalent)

The responsibility for accounting and reporting GHG emissions is in the Organization and our responsibility is to express an opinion on GHG emissions information by independent standpoint.

2. Verification procedure

JACO conducted verification in accordance with ISO 14064-3:2019, Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements. We conducted the following activities as part of limited assurance:

- Hearing or document inquiries to the Organization's officials who are responsible for identifying and accounting greenhouse gas emissions;
- Evaluation of the application of the accounting criteria, the method of data measurement, the assumptions adopted by the Organization as well as its basis, and the description of the GHG statement related to the information (data) used to determine the GHG emissions; and
- Verification by sampling in order to confirm accuracy of GHG emissions.

Verification activities applied in a limited level of assurance verification are less extensive in nature, timing and extent than in a reasonable level of assurance verification.

3. Conclusion

Based on the process and procedures conducted, there is no evidence that the Organization's GHG statement:

- is not materially correct and is not a fair representation of GHG data and information;
- has not been prepared in accordance with the related International Standards on GHG quantification, monitoring and reporting, or to relevant national standards or practices.

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Japan Audit and Certification Organization for Environment and Quality (JACO)
https://www.jaco.co.jp

Verified greenhouse gas emissions
Scope 1: 332 $ktCO_2e$
Scope 2: Location-based 561 $ktCO_2e$, Market-based 357 $ktCO_2e$ (emissions before deduction: 435 $ktCO_2e$, deduction by renewable energy certificates: -78 $ktCO_2e$)
Scope 3: 259,662 $ktCO_2e$ (Category 1, 11 and 12)
Amount of contribution to emission reduction:
- Contribution to greenhouse gas emission reduction through the spread of air conditioners and heat pumps, hot water supply systems and refrigeration systems with lower emissions: 8,019 $ktCO_2e$
- Contribution to greenhouse gas emission reduction due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to the patents, technical support, etc.: 42,397 $ktCO_2e$
- Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group (in CO_2 equivalent): 3,676 $ktCO_2e$

The Organization and JACO verification team did not have any specific conflicts of interest and carried out the verification on an independent basis.

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Japan Audit and Certification Organization for Environment and Quality (JACO)
https://www.jaco.co.jp

Independent Assurance Statement (GHG emissions)

Independent Assurance Statement (Environmental Data)

Environmental Data
Independent Verification Report

To: DAIKIN INDUSTRIES, LTD.

July 16, 2026

Japan Audit and Certification Organization
for Environment and Quality (JACO)
3-4 Kandakajicho Chiyoda-ku, Tokyo, Japan

President *Yoshiaki Okajima*

Japan Audit and Certification Organization for Environment and Quality (JACO) has been engaged by DAIKIN INDUSTRIES, LTD. including its domestic consolidated companies and overseas consolidated production subsidiaries (hereinafter referred to as "the Organization") to conduct independent verification of its environmental data under the responsibility of the Organization. The aim of this verification is to consider the accuracy of reported information and to provide a verification opinion.

Verification was conducted as limited assurance according to the procedure agreed with the Organization based on JACO verification standards in accordance with International Assurance Business Standard (ISAE) 3000. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Summary of verification

With regard to the following environmental data for the fiscal year 2025 (from April 1, 2025 to March 31, 2026), verification was conducted.

Verification scope	Sampling sites
The following environmental data of business activities in the Organization's 92 sites: – Water intake and discharge amounts	Sites visited: 4 sites Verification was conducted based on confirmation of related documents formulated, interviews with or inquiries to the responsible persons and persons in charge, confirmation of the method of obtaining data, and comparison between the reported data and its supporting documented information (evidence). Data sampling sites: 7 sites Verification was conducted based on comparison between the reported data and its supporting documented information (evidence).

Conclusion

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that the Organization's environmental data is not prepared, in all material respects, in accordance with the methodology implemented by the Organization.

Verified environmental data:

– **Water intake:** 8,264 thousand m^3, **Water discharge:** 7,012 thousand m^3

Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. JACO applies International Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable regulatory requirements.

The Organization and JACO verification team did not have any specific conflicts of interest and carried out the verification on an independent basis.

Japan Audit and Certification Organization for Environmental Quality (JACO)
https://www.jaco.co.jp

Independent Assurance Statement (Environmental Data)

Third-Party Verification

Method of Calculating GHG Emissions Data

GHG emissions data are calculated as follows.

(1) Use of fuel at sites (energy-induced CO_2) Scope 1

- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., nine manufacturing subsidiaries in Japan, and 68 manufacturing subsidiaries overseas.
- However, the following may not be included in calculation: newly consolidated bases, sites that are newly established and that don't yet have a data collection system in place, and sites whose emissions are negligible. For sites where data procurement is difficult, calculation is based on estimates of past data, for example.
- Heat generation per unit, CO_2 emissions coefficient: the Act on the Promotion of Global Warming Countermeasures.

(2) Emissions of HFCs and PFCs in production processes at sites Scope 1

- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., nine manufacturing subsidiaries in Japan, and 68 manufacturing subsidiaries overseas.
- For estimates of emissions of HFCs and PFCs, material balances and emissions coefficients are set and calculated based on methods stipulated in the Act on the Promotion of Global Warming Countermeasures.
- Global warming potentials of HFCs and PFCs are from the IPCC Fifth Assessment Report.

(3) Non-energy-induced and energy-induced CO_2 (from limestone) emissions in production processes at sites Scope 1

- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., nine manufacturing subsidiaries in Japan, and 68 manufacturing subsidiaries overseas.
- Calculations are based on emissions coefficients stipulated in the Act on the Promotion of Global Warming Countermeasures.
- Global warming potentials are from the IPCC Fifth Assessment Report.

(4) Use of electricity and heat at sites (Energy-induced CO_2) Scope 2

- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., nine manufacturing subsidiaries in Japan, and 68 manufacturing subsidiaries overseas.
- CO_2 emissions coefficients are as follows.

  Purchased electricity: Use one of the following
  - Coefficients provided by electricity distribution companies
  - Coefficients published by national and local governments (and government agencies)
  - Coefficients published by the IEA

  Purchased heat: Use one of the following
  - Coefficients provided by heat distributors
  - Coefficients based on the Act on the Promotion of Global Warming Countermeasures

(5) Purchased products and services (Energy-induced CO_2) Scope 3

- The scope of calculation covers components and materials purchased for air conditioners, refrigerating machines, water heaters, oil hydraulic products, filters, and fluorochemical products produced by 51 Group companies in Japan, China, Asia, Europe, and the United States, etc.
- For each, the purchased amount is multiplied by the CO_2 emission coefficient.
- The CO_2 emission coefficient is based on the Inventory Database for Environment Analysis, developed by the National Institute of Advanced Industrial Science and Technology, and the Japan Environmental Management Association for Industry.
- For raw materials used to produce chemical products, approximately 80% of the highest volume ones were selected, and a 100% value estimate calculation was done.

(6) CO_2 emissions from the use of products sold (energy-induced CO_2) Scope 3

- The scope of calculation covers the use of products sold globally which includes residential air conditioners, air conditioners for shops, offices and buildings, air conditioners for factories, central air conditioning units, and equipment for hot water supply and heating.
- Calculation method: Annual energy consumption × Product life cycle × Electricity CO_2 emission coefficient (or Gas* CO_2 emission coefficient) × Sales volume
  * Used as fuel in combustion heating equipment
- The data for the calculation method are as follows.
  Annual energy consumption: Catalog value, standard value, or value calculated assuming actual usage conditions
  Product life cycle: 10 years for residential equipment and 13 years for others
  Electricity CO_2 emission coefficient: Value reported in IEA Emissions Factors

(7) CO_2 emissions from the use of products sold (fluorocarbons) Scope 3

- The scope of calculation is the same as part (6).
- Calculation method: Refrigerant charge amount × Annual leakage rate × Product life cycle × Global warming potential × Sales volume
- The data for the calculation method are as follows.
  Refrigerant charge amount: Catalog value
  Annual leakage rate: Statistics from Japanese government agencies
  Product life cycle: 10 years for residential equipment and 13 years for others
  Global warming potential: Value reported in IPCC Assessment Report

(8) CO_2 emissions from the disposal of products sold Scope 3

- The scope of calculation is the same as part (6).
- For the calculation method, impact by refrigerant release is calculated by refrigerant charge amount × global warming potential × (1- recovery rate) × sales volume. Emissions associated with the transport, disassembly etc. of waste products is calculated by multiplying the emissions per unit by sales volume.
- The data for the calculation method are as follows.
  Refrigerant charge amount: Catalog value
  Global warming potential: Value reported in IPCC Assessment Report
  Recovery rate: Set to 0% conservatively

GRI Standard Comparison Table

Statement of use	Daikin has reported the information cited in this GRI content index for the period from 1 April 2025 to 31 March 2026 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

Universal Standard

GRI 2: General Disclosures 2021

Disclosure		Relevant page number or web address
1. The organization and its reporting practices		
2-1	Organizational details	About Daikin
2-2	Entities included in the organization's sustainability reporting	003 Editorial Policy Securities Report (available in Japanese only)
2-3	Reporting period, frequency and contact point	003 Editorial Policy Inquries for Sustainability
2-4	Restatements of information	–
2-5	External assurance	166 Third-Party Verification
2. Activities and workers		
2-6	Activities, value chain and other business relationships	About Daikin 008 Role and Responsibility of the Air Conditioning Business 116 Responsible Procurement
2-7	Employees	About Daikin 098 Workplace Diversity
2-8	Workers who are not employees	–
3. Governance		
2-9	Governance structure and composition	128 Corporate Governance Management
2-10	Nomination and selection of the highest governance body	128 Corporate Governance
2-11	Chair of the highest governance body	128 Corporate Governance
2-12	Role of the highest governance body in overseeing the management of impacts	014 Materiality Identification Process 019 Key Sustainability Themes and Management Structure 128 Corporate Governance 131 Risk Management
2-13	Delegation of responsibility for managing impacts	019 Key Sustainability Themes and Management Structure 128 Corporate Governance
2-14	Role of the highest governance body in sustainability reporting	019 Key Sustainability Themes and Management Structure
2-15	Conflicts of interest	–
2-16	Communication of critical concerns	131 Risk Management 128 Corporate Governance
2-17	Collective knowledge of the highest governance body	–
2-18	Evaluation of the performance of the highest governance body	128 Corporate Governance

Disclosure		Relevant page number or web address
2-19	Remuneration policies	128 Corporate Governance
2-20	Process to determine remuneration	128 Corporate Governance
2-21	Annual total compensation ratio	–
4. Strategy, policies and practices		
2-22	Statement on sustainable development strategy	Integrated Report
2-23	Policy commitments	007 Fundamental Approach to Sustainability 133 Compliance 112 Human Rights Policy and Management Structure
2-24	Embedding policy commitments	133 Compliance 112 Human Rights Policy and Management Structure 116 Responsible Procurement
2-25	Processes to remediate negative impacts	019 Key Sustainability Themes and Management Structure 023 Sustainability Targets and Results (FY2025)
2-26	Mechanisms for seeking advice and raising concerns	133 Compliance
2-27	Compliance with laws and regulations	133 Compliance
2-28	Membership associations	179 Participation in Initiatives
5. Stakeholder engagement		
2-29	Approach to stakeholder engagement	018 Stakeholder Engagement
2-30	Collective bargaining agreements	111 Labor/Management Relations

GRI 3: Material Topics 2021

Disclosure		Relevant page number
3-1	Process to determine material topics	014 Priority Sustainability Items
3-2	List of material topics	019 Key Sustainability Themes and Management Structure
3-3	Management of material topics	019 Key Sustainability Themes and Management Structure 023 Sustainability Targets and Results (FY2025) 131 Risk Management

Topic Standards

Economic

Disclosure		Relevant page number
Economic Performance		
201-1	Direct economic value generated and distributed	156 ESG Data (Society)
201-2	Financial implications and other risks and opportunities due to climate change	045 Information Disclosure Based on the TCFD Framework
201-3	Defined benefit plan obligations and other retirement plans	–
201-4	Financial assistance received from government	–

Disclosure		Relevant page number
Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	–
202-2	Proportion of senior management hired from the local community	098 Workplace Diversity
Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	–
203-2	Significant indirect economic impacts	–
Procurement Practices		
204-1	Proportion of spending on local suppliers	–
Anti-corruption		
205-1	Operations assessed for risks related to corruption	133 Compliance 131 Risk Management 139 Prohibiting Bribery and Corruption
205-2	Communication and training about anti-corruption policies and procedures	
205-3	Confirmed incidents of corruption and actions taken	–
Anti-competitive Behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	133 Compliance

Disclosure		Relevant page number
Tax		
207-1	Approach to tax	133 Compliance
207-2	Tax governance, control, and risk management	
207-3	Stakeholder engagement and management of concerns related to tax	
207-4	Country-by-country reporting	–

Environmental

Disclosure		Relevant page number
Biodiversity 2024		
101-1	Policies to halt and reverse biodiversity loss	057 In Harmony with Nature
101-2	Management of biodiversity impacts	057 In Harmony with Nature
101-3	Access and benefit-sharing	–
101-4	Identification of biodiversity impacts	057 In Harmony with Nature
101-5	Locations with biodiversity impacts	–
101-6	Direct drivers of biodiversity loss	–
101-7	Changes to the state of biodiversity	–
101-8	Ecosystem services	–
Materials		
301-1	Materials used by weight or volume	145 Overview of Environmental Impacts

Disclosure		Relevant page number
301-2	Recycled input materials used	–
301-3	Reclaimed products and their packaging materials	053 Promotion of Resource Circularity 056 Reducing Emissions
Energy		
302-1	Energy consumption within the organization	145 Overview of Environmental Impacts 145 ESG Data (Environment)
302-2	Energy consumption outside of the organization	
302-3	Energy intensity	
302-4	Reduction of energy consumption	
302-5	Reduction in energy requirements of products and services	145 ESG Data (Environment) 023 Sustainability Targets and Results (FY2025)
Water		
303-1	Interactions with water as a shared resource	058 Water Resource Conservation
303-2	Management of water discharge-related impacts	–
303-3	Water withdrawal	145 ESG Data (Environment)
303-4	Water discharge	
303-5	Water consumption	–
Emissions		
305-1	Direct (Scope 1) GHG emissions	145 Overview of Environmental Impacts 145 ESG Data (Environment)
305-2	Energy indirect (Scope 2) GHG emissions	

Disclosure		Relevant page number
305-3	Other indirect (Scope 3) GHG emissions	145 Overview of Environmental Impacts 145 ESG Data (Environment)
305-4	GHG emissions intensity	145 ESG Data (Environment)
305-5	Reduction of GHG emissions	
305-6	Emissions of ozone-depleting substances (ODS)	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
Waste		
306-1	Waste generation and significant waste-related impacts	145 Overview of Environmental Impacts
306-2	Management of significant waste-related impacts	048 Initiatives for a Circular Economy 056 Reducing Emissions
306-3	Waste generated	145 ESG Data (Environment)
306-4	Waste diverted from disposal	
306-5	Waste directed to disposal	
Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	116 Responsible Procurement
308-2	Negative environmental impacts in the supply chain and actions taken	

Social

Disclosure		Relevant page number
Employment		
401-1	New employee hires and employee turnover	098 Workplace Diversity 103 Work-Life Balance
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	–
401-3	Parental leave	103 Work-Life Balance
Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	–
Occupational Health and Safety		
403-1	Occupational health and safety management system	106 Occupational Health and Safety
403-2	Hazard identification, risk assessment, and incident investigation	106 Occupational Health and Safety 133 Compliance
403-3	Occupational health services	–
403-4	Worker participation, consultation, and communication on occupational health and safety	106 Occupational Health and Safety
403-5	Worker training on occupational health and safety	
403-6	Promotion of worker health	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	106 Occupational Health and Safety 121 Working Closely with Suppliers
403-8	Workers covered by an occupational health and safety management system	106 Occupational Health and Safety
403-9	Work-related injuries	
403-10	Work-related ill health	
Training and Education		
404-1	Average hours of training per year per employee	–
404-2	Programs for upgrading employee skills and transition assistance programs	091 Development of Human Resources
404-3	Percentage of employees receiving regular performance and career development reviews	110 Employee Evaluation and Treatment
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	128 Corporate Governance 098 Workplace Diversity
405-2	Ratio of basic salary and remuneration of women to men	–
Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	–
Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	111 Labor/Management Relations

Disclosure		Relevant page number
Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	113 Human Rights Due Diligence
Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	113 Human Rights Due Diligence
Security Practices		
410-1	Security personnel trained in human rights policies or procedures	–
Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	–
Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	113 Human Rights Due Diligence
412-2	Employee training on human rights policies or procedures	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	–
Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	–
413-2	Operations with significant actual and potential negative impacts on local communities	–

Disclosure		Relevant page number
Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	116 Responsible Procurement
414-2	Negative social impacts in the supply chain and actions taken	–
Public Policy		
415-1	Political contributions	–
Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	074 Improving Product Safety and Quality
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	–
Marketing and Labeling		
417-1	Requirements for product and service information and labeling	074 Improving Product Safety and Quality
417-2	Incidents of non-compliance concerning product and service information and labeling	–
417-3	Incidents of non-compliance concerning marketing communications	–
Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	–

The Evolution of Our Sustainability Initiatives

Daikin has rapidly expanded as a global corporate group, and with this expansion have come greater expectations and demands from society. We are committed to contributing to a sustainable society through our business activities in response to the expectations of our various stakeholders while implementing Our Group Philosophy.

2002

Daikin Formulates Our Group Philosophy

We incorporated our CSR philosophy—namely, "Contributing to society through world-leading technologies," "Leading the way in environmental and social initiatives," and "The pride and joy of every employee as the driving force behind the Group"—into Our Group Philosophy.

2005

Establishment of CSR Office and Launch of CSR Committee

We established the CSR Committee to set the overall direction of the Daikin Group's CSR activities and to monitor and oversee implementation. At the same time, we established the CSR Office and put in place a system to advance CSR activities across the entire Group.

2007

Establishment of CSR & Global Environment Center

We merged the former CSR Office and the Global Environment Office to establish the CSR & Global Environment Center, to oversee and promote Group-wide CSR activities centered on the environment.

2015

Establishment of Technology and Innovation Center (TIC), a Core Base for Creating Value Through Co-Creation

We established TIC by consolidating our technology development capabilities to promote "co-creation and innovation" with companies across different industries and fields globally.

2018

Formulation of Environmental Vision 2050

Daikin established Environmental Vision 2050 with the goal of reducing GHG emissions to net zero by 2050. In addition to reflecting the measures in the final three years of the Fusion 20 strategic management plan, we also developed a medium- to long-term strategy targeting fiscal 2030.

012 Management Daikin's Sustainability Environmental Vision 2050

2021

Formulation of Fusion 25 Strategic Management Plan in Pursuit of Further Contribution to a Sustainable Society

Our key themes, including the challenge to achieve carbon neutrality, as well as the target value for fiscal 2030 in aiming to achieve net-zero GHG emissions by 2050 are established in Fusion 25, our strategic management plan. In addition, we reviewed our materiality, arriving at 10 materiality themes, with a target for fiscal 2025 set for each.

023 Management Activity Results Sustainability Targets and Results (FY2025)

2024

Revision of Our Group Philosophy

On the occasion of Daikin's 100th anniversary, we revised Our Group Philosophy based on our growth trajectory and the expectations and requests of our stakeholders. We have made the new philosophy the basic concept of management for further growth and development.

Daikin Group Philosophy

Establishment of PCM Behaviors, a Set of Behavioral Guidelines based on People-Centered Management

We clearly articulated and organized the concept of "people-centered management"—the foundation of our corporate culture—in PCM Behaviors, so that every member of the Group can put it into practice at all our locations and workplaces, both in Japan and overseas.

2026

Formulation of Fusion 30 Strategic Management Plan, Aimed at Addressing Social Issues and Enhancing Corporate Value

We redefined our key themes for sustainability in line with our business strategy and incorporated sustainability metrics into the new Fusion 30 Strategic Management Plan.

Strategic Management Plan Fusion 30

Establishment of Corporate Sustainability Office

We integrated the CSR & Global Environment Center and the Tokyo Office's Public Relations Department to form the Corporate Sustainability Office in order to implement a highly consistent sustainability management structure throughout the company.

Daikin's Value Creation and Priority SDGs

Creating New Value for the Planet, Cities, and People

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

Daikin's Aims for Value Creation

Value Creation for the Earth

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

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

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

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

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES

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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

Value Creation for Cities

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

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

Value Creation for People

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

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

3 GOOD HEALTH AND WELL-BEING

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

11 SUSTAINABLE CITIES AND COMMUNITIES

- Creation of value in air and spaces for people's physical and mental wellbeing

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Contribution to increased productivity by providing a comfortable work environment
- Reduce food waste and loss in distribution supply chains

Foundation Underpinning Value Creation

Human Resources

Contribute to the growth of employees and local citizens

8 DECENT WORK AND ECONOMIC GROWTH

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

Co-Creation

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

17 PARTNERSHIPS FOR THE GOALS

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

Participation in Initiatives

Daikin actively participates in a number of initiatives. These venues allow us to address the requests and expectations of society in an appropriate way while communicating and collaborating with various stakeholders including governments, municipalities, international organizations, experts, industry, academia, and other companies.

Initiatives and Groups We Participate In

World Business Council for Sustainable Development (WBCSD)

World Business Council for Sustainable Development (WBCSD)

Science Based Targets initiative (SBTi)

In 2024, Daikin Industries obtained certification for its GHG reduction target for fiscal 2030 as a 1.5°C target. We obtained certification for our net-zero target in July 2025.

Science Based Targets: Ambitious corporate climate action

UNEP GlobalABC

088_Social_Markets and Customers_Engagement in Public Policy and Rulemaking

Global Alliance for Buildings and Construction (GlobalABC)

Japan Clean Ocean Material Alliance (CLOMA)

Japan Clean Ocean Material Alliance

GX League led by METI

Daikin participated in the GX League until fiscal 2025. In fiscal 2026 and beyond, we intend to continue participating in initiatives after the framework is renamed.

GX League

Circular Partners led by METI

Circular Partners (available in Japanese only)

Eco-First Program run by Japan's Ministry of the Environment

Eco-First Promotion Council (available in Japanese only)

Japan Climate Initiative (JCI)

In fiscal 2025, we announced our participation in the UN-led Race to Zero campaign through JCI.

Initiative for Net Zero: Race to Zero Circle

Race to Zero Circle—Leading the Global Shift to A Decarbonized Economy—

Keidanren's Challenge Zero

Challenge Zero—Innovation Challenges towards a Decarbonized Society

Honors for Daikin (Daikin Industries, Ltd.)

Inclusion in ESG Indexes

Chosen for inclusion in the MSCI Selection Indexes

MSCI Selection Indexes Constituents 2026

Chosen for inclusion in the MSCI Japan ESG Select Leaders Index

2026 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

Chosen for inclusion in the MSCI Japan ESG Select Leaders Index

2026 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Received AA ESG Rating from MSCI

Sustainable investing powered by insight

THE INCLUSION OF Daikin Industries, LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Daikin Industries, LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Chosen for inclusion in the FTSE JPX Blossom Japan Index

FTSE JPX Blossom Japan Index

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

FTSE JPX Blossom Japan Sector Relative Index

FTSE Russell Indices, Insights & Data

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.

Chosen for inclusion in the SOMPO Sustainability Index

2026 Sompo Sustainability Index

Sompo Asset Management Co., Ltd. Management

The SOMPO Sustainability Index is a domestic ESG equity index comprising approximately 300 companies with high ESG ratings. The index combines stock selection based on SOMPO Risk Management's ESG ratings with SOMPO Asset Management's equity valuation methodology. Long-term investment strategies that track this index have been adopted by pension funds and other institutions.

Recognitions and Accreditations by Ratings Agencies

Selected for CDP's A List for Climate Change and Water Security

Climate CDP A List 2025

Water CDP A List 2025

Selected for CDP's Supplier Engagement Assessment (SEA) A-list

Supplier Engagement Leader CDP 2025

CDP

External Recognitions Regarding ESG

Won FY2025 Energy Conservation Grand Prize (organized by the Energy Conservation Center, Japan)

Products and business model category

- ECCJ Chairman Prize
  New energy-saving ventilation system, "Heat Recycle System," which reuses waste heat from ventilation
- ECCJ Chairman Prize
  Air-cooled modular chiller (heat pump chiller) "Hexagon GX," contributing to the realization of carbon neutrality

See below for information on environmentally conscious products and services

033 Environment Climate Change Power Consumption Reductions during Product Use

Daikin's products won a Good Design Award for fiscal 2025 (Sponsored by the Japan Institute of Design Promotion)

- Wired remote controller for the European market
- Ice Cool Spot, a rest area used at Expo 2025 Osaka, Kansai, Japan
- Three products from AIR CREATOR, a residential retail product brand for Southeast Asia

GOOD DESIGN AWARD 2025

069 Social Markets and Customers Providing New Customer Value Through Solutions

Selected as a "Nadeshiko Brand" by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a company that excels in promoting women's active participation in the workforce (10th time)

NADESHIKO BRAND 2026

Received special Platinum Kurumin certification from the Ministry of Health, Labour and Welfare in recognition of our excellent childcare support, which helps employees balance work and childcare

プラチナくるみん 子育てサポートしています

103 Social Daikin Employees Work-Life Balance

Received the METI Minister's Award in the Ministry of Economy, Trade and Industry's Industrial Standardization Business Awards for our contribution to the proper performance evaluation of household air purifiers

Received the METI Minister's Award at the FY2025 Industrial Standardization Business Awards (available in Japanese only)

Daikin and Fairy Devices' AI agent won both the top prize ("1st Place") and the special prize ("AI Agent Award") at the GENIAC-PRIZE hosted by the Ministry of Economy, Trade and Industry and NEDO

Daikin and Fairy Devices' AI agent won both the top prize ("1st Place") and the special prize ("AI Agent Award") at the GENIAC-PRIZE hosted by the Ministry of Economy, Trade and Industry and NEDO (available in Japanese only)

Selected for the third year running for LexisNexis Intellectual Property Solutions' "Innovation Momentum 2026 The Global Top 100," which identifies companies that drive innovation based on patent data

Selected for the third year running for LexisNexis Intellectual Property Solutions' "Innovation Momentum 2026 The Global Top 100"

Selected as one of Clarivate's "Top 100 Global Innovators 2026" in recognition of intellectual property activities (11th time)

Selected for Clarivate Top 100 Global Innovators 2026

Selected as an "Asia IP Elite 2025" by the Intellectual Asset Management (IAM), which recognizes companies that excel in intellectual property strategy (Third time, three years running)

Selected for IAM's Asia IP Elite 2025 Recognizing Companies with Outstanding IP Strategies

Newspaper and Magazine Rankings

Received 4.5 stars certification in the Nikkei Sustainable Management Survey: Smart Work Edition (deviation value of 65 or higher, but less than 70) (Nikkei, Inc.)

NIKKEI Smart Work ★★★★½ 2025 Best 50

Received 4 stars certification in the Nikkei Sustainable Management Survey: SDGs Edition (overall deviation of 60 or higher, but less than 65) (Nikkei, Inc.)

Ranked 11th overall in the 2026 (20th) CSR Rankings (Toyo Keizai Inc.)

Best Japan Brands 2025 18th (Interbrand)

DAIKIN INDUSTRIES, LTD.

Inquiries

Corporate Sustainability Office

Osaka Umeda Twin Towers South

1-13-1, Umeda, Kita-ku, Osaka 530-001, Japan

Website: https://www.daikin.com/sustainability

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