

UNITED STATES OF AMERICA
CONSUMER PRODUCT SAFETY COMMISSION

In the Matter of:

DAIKIN COMFORT TECHNOLOGIES
MANUFACTURING, INC.

CPSC Docket No.: 26-C0003

SETTLEMENT AGREEMENT

1. In accordance with the Consumer Product Safety Act, 15 U.S.C. §§ 2051–2089 (“CPSA”), and 16 C.F.R. § 1118.20, Daikin Comfort Technologies Manufacturing, Inc. f/k/a Daikin Comfort Technologies Manufacturing, L.P. (“DCT”), and the United States Consumer Product Safety Commission (“Commission” or “CPSC”), through its staff, hereby enter into this Settlement Agreement (“Agreement”). The Agreement and the incorporated attached Order resolve staff’s charges set forth below.

THE PARTIES

2. The Commission is an independent federal regulatory agency, established pursuant to, and responsible for, the enforcement of the CPSA, 15 U.S.C. §§ 2051–2089. By executing the Agreement, staff is acting on behalf of the Commission, pursuant to 16 C.F.R. § 1118.20(b). The Commission issues the Order under the provisions of the CPSA.

3. DCT is a corporation, organized and existing under the laws of the state of Texas, with its principal place of business in Waller, Texas.

STAFF CHARGES

4. Between May 2015 and January 2023, approximately 62,100 Amana-branded Packaged Terminal Air Conditioners and Heat Pumps (PTACs) equipped with “DigiAir” modules (collectively, the “Subject Products”) were manufactured and distributed in the United States.

5. The Subject Products are “consumer products” that were “manufactured” and “import[ed]” and “distribut[ed] in commerce,” as those terms are defined or used in sections 3(a)(5), (7), (9), and (10) of the CPSA, 15 U.S.C. § 2052(a)(5), (7), (9), and (10). DCT is the “manufacturer” and “distributor” of the Subject Products, as such terms are defined in section 3(a)(8) and (11) of the CPSA, 15 U.S.C. § 2052(a)(8) and (11).

Violation of CPSA Section 19(a)(4)

6. The Subject Products contain a defect which could create a substantial product hazard or create an unreasonable risk of serious injury or death because the DigiAir module compressor in the recalled PTACs can overheat, posing burn and fire hazards.

7. Between 2017 and 2023, DCT received multiple warranty claims relating to the Subject Products and over a dozen reports of fires involving the Subject Products, including one causing a smoke inhalation injury.

8. Despite possessing information that reasonably supported the conclusion that the Subject Products contained a defect which could create a substantial product hazard or created an unreasonable risk of serious injury or death, DCT did not immediately report to the Commission.

9. The Commission and DCT jointly announced a recall of the Subject Products on August 3, 2023. The press release announcing the recall stated that the Firm had received 52 reports of incidents with the “DigiAir” compressor, including 10 that resulted in fires.

Failure to Timely Report

10. Despite having information reasonably supporting the conclusion that the Subject Products contained a defect which could create a substantial product hazard or created an unreasonable risk of serious injury or death, DCT did not notify the Commission immediately of such defect or risk, as required by sections 15(b)(3) and (4) of the CPSA, 15 U.S.C. § 2064(b)(3), (4), in violation of section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4).

11. Because the information in DCT's possession about the Subject Products constituted actual and presumed knowledge, DCT knowingly violated section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4), as the term "knowingly" is defined in section 20(d) of the CPSA, 15 U.S.C. § 2069(d).

12. Pursuant to section 20 of the CPSA, 15 U.S.C. § 2069, DCT is subject to civil penalties for its knowing violation of section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4).

RESPONSE OF DCT

13. This Agreement does not constitute an admission by DCT to the staff's charges as set forth in Paragraphs 4 through 12 above, including, without limitation, that the Subject Products contained a defect that could create a substantial product hazard or created an unreasonable risk of serious injury or death; or, that DCT failed to notify the Commission in a timely manner in accordance with section 15(b) of the CPSA, 15 U.S.C. 2064(b); or, that DCT knowingly violated section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4), as the term "knowingly" is defined in section 20(d) of the CPSA, 15 U.S.C. § 2069(d). In fact, DCT expressly denies such.

14. At all relevant times, DCT had a compliance program and took reasonable steps to monitor, evaluate, and address reports of overheating regarding the Subject Products.

15. DCT promptly notified the Commission under Section 15(b) of the CPSA after identifying potential risk of overheating in the Subject Products and conducted a voluntary recall of the Subject Products, which was announced in August 2023.

16. DCT enters into this Agreement to settle this matter and to avoid the distraction, delay, uncertainty, and inconvenience of protracted litigation or other proceedings. DCT does not admit that it violated the CPSA or any other law, and DCT's willingness to enter into this Agreement and Order does not constitute, nor is it evidence of, an admission by DCT of liability, or violation of any law.

AGREEMENT OF THE PARTIES

17. Under the CPSA, the Commission has jurisdiction over the matter involving the Subject Products and over DCT.

18. The parties enter into the Agreement for settlement purposes only. The Agreement does not constitute an admission by DCT or a determination by the Commission that DCT violated the CPSA.

19. In settlement of staff's charges, DCT shall pay a civil penalty in the amount of eight million five hundred thousand dollars (\$8,500,000). The \$8,500,000 Payment shall be paid within thirty (30) calendar days after receiving service of the Commission's final Order accepting the Agreement. All payments to be made under the Agreement shall constitute debts owing to the United States and shall be made by electronic wire transfer to the United States via <http://www.pay.gov>, for allocation to, and credit against, the payment obligations of DCT under this Agreement. Failure to make such payment by the date specified in the Commission's final Order shall constitute Default.

20. After receipt of the payment set forth in paragraph 19, the Commission releases and agrees that it will not seek civil penalties from DCT for any violation of section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4), regarding any defect or risk posed by a consumer product for which DCT, as of March 6, 2026, had submitted an Initial or Full Report under CPSA section 15, 15 U.S.C. § 2064, and 16 C.F.R. §§ 1115.13 (c) and (d). This paragraph does not relieve DCT from the continuing duty to report to the Commission any new, additional, or different information as required by CPSA section 15.

21. The Commission or the United States may seek enforcement for any breach of, or any failure to comply with, any provision of this Agreement and Order in United States District Court, to seek relief including, but not limited to, collecting amounts due.

22. All unpaid amounts, if any, due and owing under the Agreement, shall constitute a debt due and immediately owing by DCT to the United States, and interest shall accrue and be paid by DCT at the federal legal rate of interest set forth at 28 U.S.C. § 1961(a) and (b) from the date of Default, until all amounts due have been paid in full (hereinafter “Default Payment Amount” and “Default Interest Balance”). DCT shall consent to a Consent Judgment in the amount of the Default Payment Amount and Default Interest Balance, and the United States, at its sole option, may collect the entire Default Payment Amount and Default Interest Balance, or exercise any other rights granted by law or in equity, including, but not limited to, referring such matters for private collection, and DCT agrees not to contest, and hereby waives and discharges any defenses to, any collection action undertaken by the United States, or its agents or contractors, pursuant to this paragraph. DCT shall pay the United States all reasonable costs of collection and enforcement under this paragraph, respectively, including reasonable attorney’s fees and expenses.

23. After staff receives this Agreement executed on behalf of DCT, staff shall promptly submit the Agreement to the Commission for provisional acceptance. Promptly following provisional acceptance of the Agreement by the Commission, the Agreement shall be placed on the public record and published in the *Federal Register*, in accordance with the procedures set forth in 16 C.F.R. § 1118.20(e). If the Commission does not receive any written request not to accept the Agreement within fifteen (15) calendar days, the Agreement shall be deemed finally accepted on the 16th calendar day after the date the Agreement is published in the *Federal Register*, in accordance with 16 C.F.R. § 1118.20(f).

24. This Agreement is conditioned upon, and subject to, the Commission's final acceptance, as set forth above, and it is subject to the provisions of 16 C.F.R. § 1118.20(h). Upon the later of: (i) the Commission's final acceptance of this Agreement and service of the accepted Agreement upon DCT, and (ii) the date of issuance of the final Order, this Agreement shall be in full force and effect, and shall be binding upon the parties.

25. Effective upon the later of: (1) the Commission's final acceptance of the Agreement and service of the accepted Agreement upon DCT, and (2) the date of issuance of the final Order, for good and valuable consideration, DCT hereby expressly and irrevocably waives and agrees not to assert any past, present, or future rights to the following, in connection with the matter described in this Agreement:

- (i) an administrative or judicial hearing;
- (ii) judicial review or other challenge or contest of the Commission's actions;
- (iii) a determination by the Commission of whether DCT failed to comply with the CPSA and the underlying regulations;
- (iv) a statement of findings of fact and conclusions of law; and

- (v) any claims under the Equal Access to Justice Act.

26. DCT shall maintain a compliance program designed to ensure compliance with the CPSA with respect to any DCT consumer product imported, manufactured, distributed, or sold in the United States, which shall contain the following elements:

- (i) designation of DCT's Product Safety Committee Chair as responsible for oversight of the compliance program and for making final recommendations on section 15(b) reporting determinations (the "Internal Compliance Monitor");
- (ii) written standards, policies, and procedures, including those designed to ensure that information that may relate to or impact CPSA compliance is conveyed effectively to personnel responsible for CPSA compliance, including the Internal Compliance Monitor, whether or not an injury has been reported;
- (iii) procedures and systems for tracking and reviewing claims, including warranty claims, and reports for safety concerns reported by consumers, whether inside or outside the United States, and for implementing corrective and preventive actions when compliance deficiencies or violations are identified;
- (iv) procedures and systems for tracking and reviewing information concerning safety-related production or design change(s), product liability suits, and/or claims for personal injury or damage, information received from the Commission, and other information pertinent to determining section 15(b) reporting obligations, as set forth in 16 C.F.R. 1115.12(f);

- (v) procedures requiring that any investigation, analysis, or review to evaluate the reportability of a product under section 15(b), whether performed by the Firm or by a third party acting on behalf of the Firm, be conducted in a reasonably expeditious manner pursuant to 16 C.F.R. 1115.14(d);
- (vi) procedures requiring that information required to be disclosed by DCT to the Commission is recorded, processed, and reported in accordance with applicable law;
- (vii) procedures requiring that all reporting made to the Commission is timely, truthful, complete, accurate, and in accordance with applicable law;
- (viii) procedures requiring that prompt disclosure is made to DCT management of any significant deficiencies or material weaknesses in the design or operation of such internal controls that are reasonably likely to affect adversely, in any material respect, DCT's ability to record, process and report to the Commission in accordance with applicable law;
- (ix) mechanisms to effectively communicate to all applicable DCT employees, through training programs or other means, compliance-related company policies and procedures to prevent violations of the CPSA;
- (x) a mechanism for confidential employee reporting of compliance-related questions or concerns to either a compliance officer or to another senior manager with authority to act as necessary;
- (xi) DCT's senior management responsibility for, and general board oversight of, CPSA compliance, through the individual identified in subparagraph (i), including the implementation of steps to ensure that incident and injury

data is reviewed and analyzed for purposes of CPSA section 15(b) reporting;

- (xii) an annual internal audit, for a period of three years, of the effectiveness of policies, procedures, systems, and training related to CPSA compliance that evaluates opportunities for improvement, deficiencies or weaknesses, and the Firm's overall culture of compliance; and
- (xiii) retention of all CPSA compliance-related records for at least five (5) years, and availability of such records to CPSC staff upon request.

27. DCT shall submit a report under CPSA section 16(b), 15 U.S.C. § 2065(b), sworn to under penalty of perjury:

- (i) describing in detail its compliance program and internal controls and the actions DCT has taken to comply with each subparagraph of paragraph 26;
- (ii) affirming that during the reporting period, DCT has reviewed its compliance program and internal controls, including the actions referenced in subparagraph (i) of this paragraph, for effectiveness, and that it complies with each subparagraph of paragraph 26 or describing in detail any non-compliance with any such subparagraph; and
- (iii) identifying any changes or modifications made as a result of the audit during the reporting period to DCT's compliance program or internal controls to ensure compliance with the terms of the CPSA and, in particular, the requirements of CPSA section 15 related to timely reporting.

Such reports shall be submitted to the Director, Office of Compliance and Field Operations, Division of Enforcement and Litigation, for a period of three (3) years. The first report shall be submitted within 30 days after the expiration of 12-months from the date of the Commission's Final Order of Acceptance of the Agreement and successive reports shall be due annually on the same date thereafter. Without limitation, DCT acknowledges and agrees that failure to make such timely and accurate reports, as required by this Agreement and Order, may constitute a violation of section 19(a)(3) of the CPSA, 15 U.S.C. § 2068(a)(3), and may subject DCT to enforcement under section 22 of the CPSA, 15 U.S.C. § 2071.

28. DCT shall cooperate fully and truthfully with staff and shall make available all non-privileged information and materials and personnel necessary to evaluate DCT's compliance with the terms of the Agreement.

29. The parties acknowledge and agree that the Commission may publicize the terms of the Agreement and the Order.

30. DCT represents that the Agreement:

- (i) is entered into freely and voluntarily, without any degree of duress or compulsion whatsoever;
- (ii) has been duly authorized; and
- (iii) constitutes the valid and binding obligation of DCT, enforceable against DCT in accordance with its terms. The individuals signing the Agreement on behalf of DCT represent and warrant that they are duly authorized by DCT to execute the Agreement.

31. The signatories represent that they are authorized to execute this Agreement.

32. The Agreement is governed by the laws of the United States.

33. The Agreement and the Order shall apply to, and be binding upon, DCT and each of its successors, transferees, and assigns; and a violation of the Agreement or Order may subject DCT, and each of its successors, transferees, and assigns, to appropriate legal action.

34. The Agreement, any attachments, and the Order constitute the complete agreement between the parties on the subject matter contained therein.

35. The Agreement may be used in interpreting the Order. Understandings, agreements, representations, or interpretations apart from those contained in the Agreement and the Order may not be used to vary or contradict their terms. For purposes of construction, the Agreement shall be deemed to have been drafted by both of the parties and shall not, therefore, be construed against any party, for that reason, in any subsequent dispute.

36. The Agreement may not be waived, amended, modified, or otherwise altered, except as in accordance with the provisions of 16 C.F.R. § 1118.20(h). The Agreement may be executed in counterparts.

37. If any provision of the Agreement or the Order is held to be illegal, invalid, or unenforceable under present or future laws effective during the terms of the Agreement and the Order, such provision shall be fully severable. The balance of the Agreement and the Order shall remain in full force and effect, unless the Commission and DCT agree in writing that severing the provision materially affects the purpose of the Agreement and the Order.

(Signatures on next page)

DAIKIN COMFORT TECHNOLOGIES
MANUFACTURING, INC.

Dated: _____

By: _____ S _____

Satoru Akama
Chief Executive Officer
Daikin Comfort Technologies Manufacturing, Inc.
Authorized Signatory

Dated: _____

By: _____ S _____

William Troutman
Jeffrey Margulies
Norton Rose Fulbright US LLP
Counsel to DCT

Dated: _____

U.S. CONSUMER PRODUCT SAFETY COMMISSION

By: _____ S _____

Mary B. Murphy, Director
Division of Enforcement and Litigation

Dated: _____

By: _____ S _____

Gregory M. Reyes, Supervisory Attorney

Dated: _____

By: _____ S _____

W. Michael Evans, Trial Attorney

Division of Enforcement and Litigation
Office of Compliance and Field Operations

UNITED STATES OF AMERICA
CONSUMER PRODUCT SAFETY COMMISSION

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DAIKIN COMFORT TECHNOLOGIES
MANUFACTURING, INC.

CPSC Docket No.: 26-C0003

ORDER

Upon consideration of the Settlement Agreement entered into between Daikin Comfort Technologies Manufacturing, Inc. f/k/a Daikin Comfort Technologies Manufacturing, L.P (“DCT”) and the U.S. Consumer Product Safety Commission (“Commission” or “CPSC”), and the Commission having jurisdiction over the subject matter and over DCT, and it appearing that the Settlement Agreement is in the public interest, the Settlement Agreement is incorporated by reference and it is:

Provisionally accepted and Order issued on the 15 day of June, 2026.

BY ORDER OF THE COMMISSION:

Abioye Mosheim Oyewole, Acting Secretary
U.S. Consumer Product Safety Commission