Corporate Social Responsibility Report

2011

— Web version —

Every year the Daikin Group reports on its CSR (corporate social responsibility) activities. On the Sustainability section of the Daikin Web site, we have past years' data and related information so that you can read the details of all activities we are involved in.

This PDF file contains all the fiscal 2010 information from the Sustainability section of our Web site. You may download and print it out.

Note: The printed version of the CSR Report 2011 focuses on our main activities and efforts. It can also be downloaded as a PDF file.

Contents

Editorial Policy

Editorial Policy

This site details the Daikin Group's CSR (corporate social responsibility) activities: basic CSR philosophy, performances in fiscal 2010, and plans for the near future. Information that, due to space limitations, could not fit into the CSR Report 2011 (printed version) released in July 2011 is included on this Web site.

We divided the CSR Report by what we consider to be the key themes of our CSR activities: the environment, quality and customer satisfaction, human resources, and social contribution. Each chapter deals with the Daikin Group's major areas of activity and subjects in which our stakeholders are most interested.
You'll find features on the Daikin Group's human resource training and on our efforts to curb global warming, which has been a major focus for us in recent years.

This Web site is divided into sections on our environmental protection activities and on each stakeholder group: customers, suppliers, shareholders and investors, employees, and local communities. This allows readers easy access to important information concerning Daikin.

Environment (Page 62)
Responsibility to Stakeholders (Page 160)

We also give specific examples of how Daikin and its bases around the world contribute to key efforts of working to prevent global warming and to foster human resources.

Key Activities (Page 39)

To ensure an objective assessment of our activities and of this report, and to deepen dialogue with stakeholders, we have included independent, third party opinions.

Independent Opinions (Page 35)

Reference Guidelines

Environmental Reporting Guidelines (fiscal 2007 edition) released by the Ministry of the Environment.
Sustainability Reporting Guidelines Third Edition (G3) released by the Global Reporting Initiative (GRI).

Note
In reporting on fiscal 2010 environmental protection activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual results and information reported for fiscal 2009. Also, because figures are rounded off, totals may not equal the sum figures.

■ Forecasts, Expectations, and Plans

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

What This Report Covers

Term Covered

This report covers fiscal 2010 (April 1, 2010 to March 31, 2011).

Daikin Organizations Covered

This report covers Daikin Industries, Ltd. and its consolidated subsidiaries. Environmental performance data, however, covers four Daikin Industries, Ltd. production bases, seven production subsidiaries in Japan, and 20 production subsidiaries overseas.

Note that only the figures on pages 3-4 (printed version, CSR Report 2011) for performance, number of employees, and number of subsidiaries include O.Y.L. Industries, which Daikin acquired in 2006, and O.Y.L. subsidiaries.

■ Japan

Daikin Industries, Ltd.	
Head Office	
Tokyo Office	
Sakai Plant	Air conditioning/refrigeration equipment, compressors
Shiga Plant	Air conditioning equipment, compressors
Yodogawa Plant	Fluorochemical products, hydraulic equipment, air-conditioning equipment, precision defense equipment
Kashima Plant	Fluorochemical products

7 Production Subsidiaries
Daikin Sheet-Metal Co., Ltd.
Daikin Piping Co., Ltd.
Daikin Hydraulic Engineering Co., Ltd.
Daikin Rexxam Electronics (Japan) Ltd.
Daikin Sunrise Settsu Ltd.
Toho Kasei Co., Ltd.
Kyoei Kasei Industries, Ltd.

■ Overseas

20 Production Subsidiaries
Daikin Australia Pty., Ltd.
Daikin Industries (Thailand) Ltd.
Daikin Airconditioning (Thailand) Ltd.
Daikin Europe N.V.
Daikin Compressor Industries Ltd.
Daikin Chemical France S.A.S.
Daikin Chemical Netherlands B.V.
Daikin Device Czech Republic s.r.o
Daikin Industries Czech republic s.r.o.
Daikin Air conditioning (Shanghai) Co., Ltd.
Daikin Air conditioning (Shanghai) Co., Ltd. (Huizhou Branch)
Xi'an Daikin Qing'an Compressor Co., Ltd.
Daikin Fluoro Coatings (Shanghai) Co., Ltd.
Daikin Fluorochemicals (China) Co., Ltd.
Daikin Device (Suzhou) Co., Ltd.
Daikin Motor (Suzhou) Co., Ltd.
Daikin America, Inc.
Daikin Refrigeration (Suzhou) Co., Ltd.
Rotex Heating Systems GmbH
Daikin Airconditioning India Pvt. Ltd.

Daikin's CSR

Air Conditioning and Chemical Technologies Work Hand-in-Hand

Daikin has made global warming prevention one of its top priority issues and actively pursues environmental impact reduction in all business activities.

The Daikin Group offers products utilizing technologies in both air conditioning and fluorochemicals to provide living spaces with comfort. We also contribute to sustainable development of society through proprietary advanced technologies and advanced R&D in our oil hydraulics business, which encompasses energy-efficient technologies cultivated in our air conditioning business, and our defense systems business, which provides a wide range of products from aerospace parts to home medical equipment.

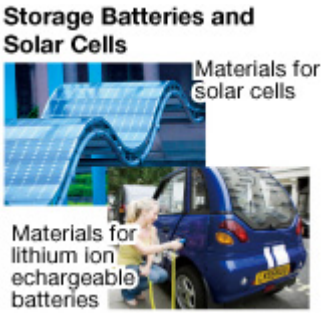
Daikin Group Business

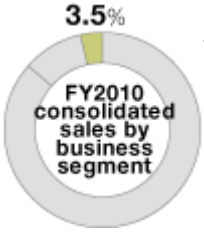
Air Conditioning Business

Achieving Both Comfort and Environmental Consciousness to Meet All Global Air Conditioning Needs

Chemicals Business

World's Leading Lineup of Fluorochemicals





Oil Hydraulics, Defense Systems Business

Proprietary Technologies at Work in a Range of Industries

Ever since we developed Japan's first air conditioner in 1951, the Daikin Group has used the air conditioning and chemical expertise it has built up to bring comfort to people around the world, whether they are at home or at work. In the fields of oil hydraulics and defense systems, our proprietary cutting-edge technologies and R&D capabilities have advanced industry and improved people's lives.

Of all our businesses, those with the greatest impact on environmentally are the air conditioner business and our fluorochemical business, which makes the fluorocarbon refrigerants for air conditioners. Air conditioners use large amounts of energy, and fluorocarbons are greenhouse gases that cause global warming. The structure of our business necessitates that we make it our mission to help prevent global warming. We thus do all that we can to reduce environmental impact in all areas of business.

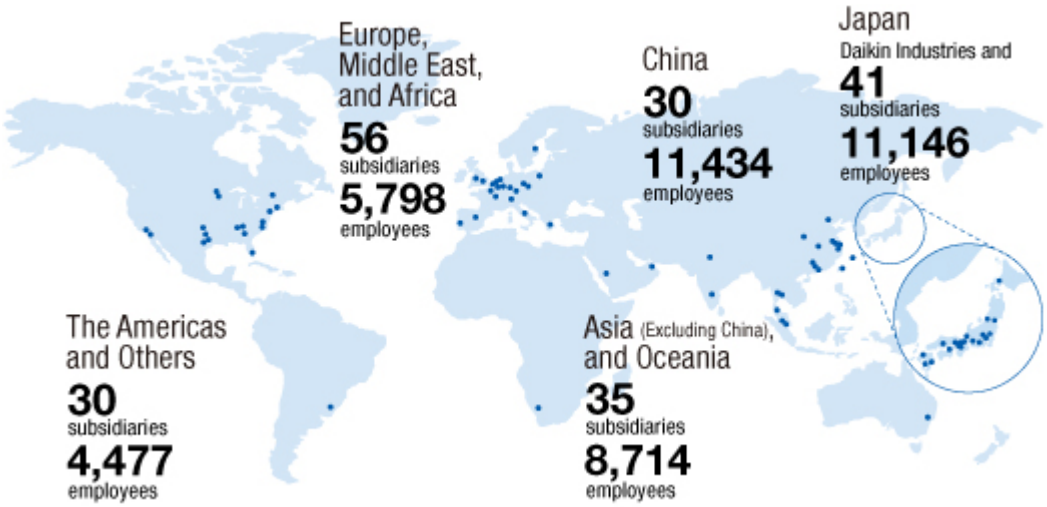
Our aim is to be an environmentally advanced company by developing and marketing environmentally conscious products and services and by reducing emissions of fluorocarbons and CO_2 in the production, distribution, and marketing stages.

Worldwide Business

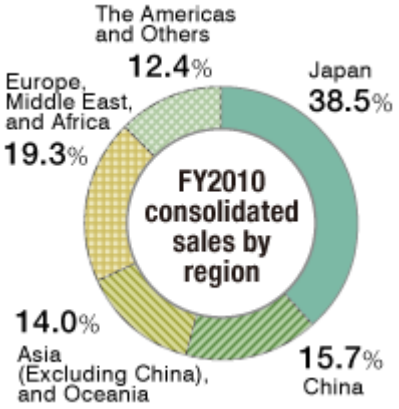
Daikin Group strives to be a company that can meet the expectations of various stakeholders while respecting the diverse cultures and values of people in each country and region.

The Daikin Group does business around the world in countries and regions like China, Southeast Asia, Oceania, Europe, and North America. We have 41,569 employees at worldwide production and sales bases, with two-thirds of employees working outside Japan. By respecting the cultures and values of each country and region, we strive for a workplace that motivates employees and brings out the unique personality of each employee.

■ Daikin Group



The Daikin Group does business in Japan, China and the rest of Asia, Oceania, Europe, and the United States with the goal of maximizing corporate value to become a truly global and excellent company. In fiscal 2006, we further expanded our geographical area and markets through the acquisition of O.Y.L. Industries (headquarters: Malaysia), which has solid air conditioning business networks in North America and Asia. As we continue to grow worldwide, we are striving even further to contribute to society in respecting the diverse cultures and values of the countries and regions where we operate and by hiring locally to ensure our products and services meet local needs.



People are the force behind improving corporate value. To become a company trusted throughout the world, all Group employees must understand and implement our Group Philosophy, and our company must create a work environment in which employees can maximize their unique traits and work with enthusiasm and pride.

We will continue to reward stakeholders-customers, shareholders, employees, and local citizens-through our corporate growth. In the process, we will think globally while being a good citizen of the Earth and acting in the best interests of each community in our goal of becoming a truly first-rate company.

Chairman's Message

On March 11, 2011, an unprecedented earthquake struck Eastern Japan, and I offer our sincerest condolences to all those afflicted by this disaster. The Daikin Group will continue to support the stricken areas with donations of money and relief supplies.

Although the Kashima Plant of Daikin Industries, Ltd. was affected by the disaster, damage to production equipment was minimal, and we were able to quickly resume manufacturing. Along with the concentrated aid provided to suppliers, measures were adopted to secure parts for the supply chain, including changing to substitution parts, and the impact to production was minimized.

The earthquake presented us with an array of challenges: one of which involves energy consumption and the pressing need for society to reduce peak electricity use. To Daikin, whose products have a significant impact on electricity use, this crisis represents not only a temporary necessity for Japan but is also a crucial issue that must be addressed worldwide as a demand of the times. Beginning with our control technology that operates air conditioners to minimize energy consumption, we intend to fully utilize our energy-saving and power conservation technologies to help the world meet its growing energy needs in the medium and long term.

Environmental Protection as a Major Pillar of Our Growth Strategy

Daikin's CSR is founded on two pillars: providing environmentally conscious products and services, and fostering the human resources that make this possible.

Critical to our environmental efforts is the FUSION 10 strategic management plan ended fiscal 2010. Under this plan, we set forth a basic policy of maintaining a balance between active contributions to solving global environmental problems and business expansion by striving to reduce environmental impact during manufacturing and contribute to environmental protection through our business. For example, we have striven to promote the use of products using energy-efficient inverter technology and heat-pump space heating, which has less global warming impact than combustion-type space heating. We believe this has enabled our customers to achieve greater energy efficiency and reduce CO_2 emissions. We have also succeeded in reducing greenhouse gas emissions from production processes by 73% against fiscal 2005, bettering our target of a 50% reduction.

In fiscal 2011, we began FUSION 15, which focuses on a strategy of growth by accelerating our environmental business. Moreover, we aim to further reduce greenhouse gas emissions from production processes to one-third of fiscal 2005 levels by 2015. By concentrating on protecting and revitalizing our precious natural environment, we aim to achieve sustainable business growth and development while contributing to environmental protection.

Strengthen Human Resources throughout the Global Group by Implementing People-Centered Management

People are the force that executes strategic activities. Daikin believes that the "cumulative growth of all Group members serves as the foundation for the group's development." Consequently, "People-Centered Management" is implemented with the aim of creating a work environment in which each employee can use his or her talents to the fullest.

Under FUSION 15, we are making the strengthening of human resources a core strategy company-wide. With more than 60% of the sales of the Daikin Group coming from overseas, fostering personnel who can contribute at our global bases is an urgent task.

Currently at our major overseas subsidiaries, one in every four members of management is locally hired. As well, three of these also serve as board members of Daikin Industries. In order to train more local personnel in Daikin's management philosophy to run more local Daikin subsidiaries, we will continue to increase global hiring and pursue measures such as building a global human resources system and promoting better communication between the Daikin Head Office and worldwide subsidiaries.

Meet Stakeholder Expectations through CSR that Earns the Trust of Society

Times are changing at lightning speed. As major transformations take place within the framework of the world economy, society, and politics, we must quickly adapt to the structural changes of the times so that we can meet the expectations of our stakeholders and thus achieve sustainable development. We firmly believe that by looking 10 years into the future and flexibly adapting to predicted changes, the Daikin Group can further grow and develop. We will strive to listen even more closely to stakeholder opinions so that we can continue to be a trusted company that meets society's expectations. We look forward to your continued support in our endeavors.

July 2011

Noriyuki Inoue
Chairman and CEO
Daikin Industries, Ltd.

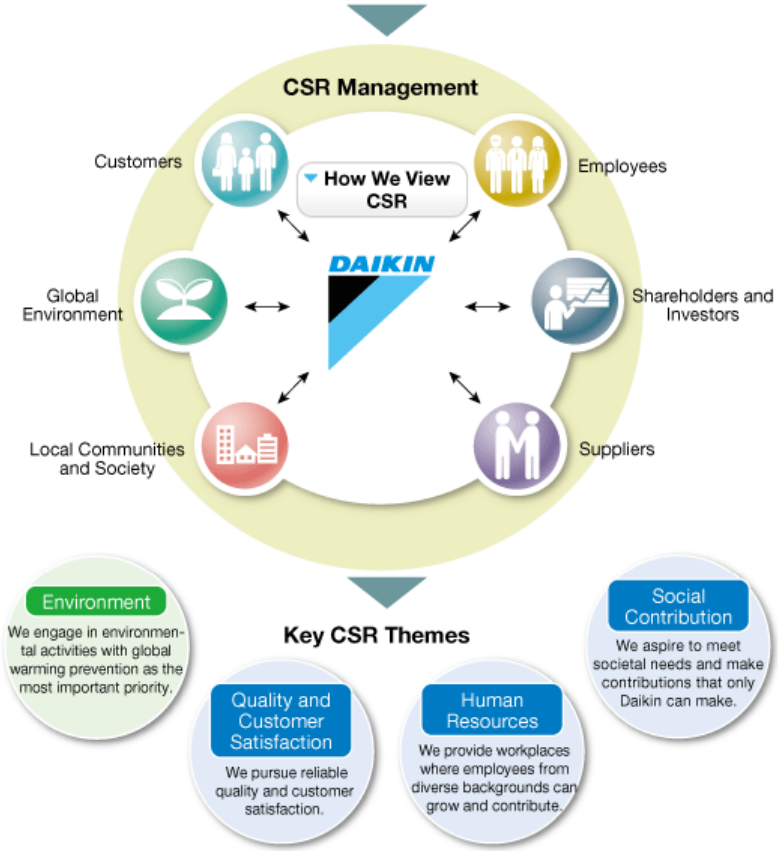
CSR Philosophy

Corporate Policies

1. Absolute Credibility
2. Enterprising Management
3. Harmonious Personal Relations

Our Group Philosophy

1. Create New Value by Anticipating the Future Needs of Customers
2. Contribute to Society with World-Leading Technologies
3. Realize Future Dreams by Maximizing Corporate Value
4. Think and Act Globally
5. Be a Flexible and Dynamic Group
6. Be a Company that Leads in Applying Environmentally Friendly Practices
7. With Our Relationship with Society in Mind, Take Action and Earn Society's Trust
8. The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Group
9. Be Recognized Worldwide by Optimally Managing the Organization and its Human Resources, under Our Fast & Flat Management System
10. An Atmosphere of Freedom, Boldness, and "Best Practice,Our Way"



How We View CSR in the Daikin Group

1. By ensuring implementation of our Group Philosophy, the DAIKIN Group will execute our social responsibilities globally in relations with all our stakeholders, and thereby raise our corporate value and contribute to the sustainable development of society.
2. Based upon thorough observance of legal compliance and corporate ethics, the DAIKIN Group will carry out our CSR initiatives with priority on contributing to society through our business activities such as:
    - Creating and offering new value by anticipating the future needs of customers;
    - Taking initiatives to sustain and improve the environment in all aspects of our business operations, and promoting the development of new products and the innovation of technologies that will lead to a more environmentally healthy world;
    - Building friendly yet competitive relations with all our business partners such as suppliers; and
    - Cultivating workplaces that foster pride and enthusiasm in each employee.

   Furthermore, as a good corporate citizen the DAIKIN Group will make beneficial contributions to each community in which we are based by being highly receptive to its needs.
3. Instead of simply giving consideration to CSR, the DAIKIN Group will proactively incorporate CSR initiatives in all our business activities, fuse and integrate such initiatives with these activities in order to ensure truly ongoing CSR initiatives and lead to the improvement of our business performance.
4. The DAIKIN Group will pursue CSR in our unique way by riding on our strengths, such as our atmosphere of freedom and boldness, thorough customer-oriented management, warm hospitality and other valued traditions and culture, as well as world-leading technologies.
5. The DAIKIN Group will fulfill our CSR by promoting interactive communications widely with society, achieving accountability, and maintaining high transparency.

Environmental Philosophy

Be a Company that Leads in Applying Environmentally Friendly Practices

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.

Group Compliance Guidelines

These compliance guidelines set forth the basic premises to observe as a basic framework for compliance for all Group companies as well as each and every one of their executives and employees in the worldwide expansion of the Daikin Group.
Each company of the global Group shall draft specific criteria based on these guidelines as a code of conduct that corresponds to differences in laws and customs of each country and region and thoroughly maintains compliance.

1. **Providing Safe, High Quality Products and Services**
   We shall make every effort to ensure the safety and quality of our products and services from the standpoint of our customers. Should a problem occur regarding safety, we shall immediately take appropriate action.
2. **Free Competition and Fair Trading**
   We shall perform fair corporate activities in compliance with all applicable laws and regulations relating to fair competition and fair trade of each country and region.
3. **Observing Trade Control Laws**
   We shall not participate in any transactions that may undermine the maintenance of global peace and security and world order in compliance with all applicable export and import related laws and regulations of each country and region as well as Daikin Group Policy.
4. **Respect and Protection of Intellectual Property Rights**
   Recognizing that intellectual property rights are important company assets, we shall strive to protect and maintain our intellectual property rights and effectively utilize them. Furthermore, we shall respect and make every effort not to infringe upon the intellectual property rights of other companies.
5. **Proper Management and Utilization of Information**
   We shall properly manage and effectively utilize the confidential information of our company, the confidential information obtained from other companies, and the personal information of our customers and employees and shall not obtain any information through improper means. We shall thoroughly execute IT security management for our computer systems and the data-resources saved on them.
6. **Prohibition of Insider Trading**
   To maintain the trust of the securities market, we shall not use non-public information about the Daikin Group or other companies to buy or sell stocks or other securities (insider trading).

7. **Timely and Appropriate Disclosure of Corporate Information**
   Aiming to be an "open company" with high transparency and earn the respect of society, we shall actively convey corporate information in a timely fashion not only to shareholders and investors but also to a wide spectrum of society, and engage in two-way communication.

8. **Preservation of the Global Environment**
   We shall observe all applicable environment laws and regulations of each country and region and practice initiatives that sustain and improve the environment in all aspects of our business operations, including product development, manufacturing, sales, distribution, and services. Also, each and every one of us shall strive to promote environmentally conscious actions.

9. **Ensuring the Safety of Operations**
   We shall take all possible precautions for safe operations and act with a mindset of "Safety First" to ensure the safety of the workplace and further gain the trust of people in the regions we serve.

10. **Respect for Human Rights and Diversity in the Workplace and Observance of Labor Laws**
    We shall respect the human rights of each and every employee and diversity in values and approach to work while striving to create a workplace that is safe and comfortable to work. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances sanction the labor performed under compulsion or against a person's will (forced labor), or labor of children who do not meet the minimum age requirements for labor as regulated by laws and regulations of each country and region (child labor).

11. **Protection of Company Assets**
    We shall properly manage the tangible and intangible assets of our company to protect and utilize effectively these assets.

12. **Proper Handling of Accounting Procedures**
    We shall comply with all accounting standards and tax laws of each country and region as well as internal company rules in properly performing accounting procedures and shall make every effort to improve internal controls.

13. **Practicing Moderation in Entertainment and Gift Exchanges**
    We shall exercise moderation and perform within the acceptable range of social norms and obey the laws and regulations of each country and region in regards to entertainment and exchange of presents performed relating to our business. In particular, we shall neither entertain nor provide gifts of monetary value to public officials at home and abroad in violation of applicable laws and regulations in each country and region.

14. **Maintaining a Firm Attitude against Anti-social Activities**
    We shall take a firm attitude against anti-social force or organization that threatens the safety and order of the citizens of society

15. **Observing Various Business Law and Regulation**
    We shall accurately comprehend and observe all business laws and regulations of each country and region applicable to our business activities.

Participation in the Global Compact

Building a System for Unified Group Action

In October 2008, Daikin Industries' participation in the United Nations Global Compact was acknowledged.

The United Nations Global Compact, proposed by former United Nations Secretary-General Kofi Annan in 1999 at the World Economic Forum, presents a unique strategic platform for companies to advance their commitments to sustainability and corporate citizenship. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption.

In August 2008, we established our Group Compliance Guidelines. And in September 2008, we revised our Handbook for Corporate Ethics, adding items such as the abolition of forced labor and child labor. In this way, we are incorporating the spirit of the Global Compact into our Group management strategy and putting it into action in our business activities as we strive to contribute to a sustainable society and raise the Daikin Group's corporate value.

Ten Principles of UN Global Compact

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Labour Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

CSR Management

The Daikin Group believes that CSR is the meticulous practice of Our Group Philosophy on a daily basis. We also create systems for our worldwide bases that promote corporate ethics and legal compliance as the foundation of our CSR.

CSR Promotion Activities

Building a System for Integrated Group CSR

The Daikin Group has systems for the comprehensive, cross-organizational promotion of CSR activities throughout the entire group.

Read more

(See page 20)

- CSR Management Structure
- CSR Promotion Plan

Corporate Governance

Outside Viewpoint Ensures Sound Transparent Management

Daikin Industries' corporate governance system aims for fast decision-making and execution by having the two together in an integrated management framework. We also have mechanisms that ensure the soundness and transparency of our management.

The board of directors oversees the CSR Committee, the Corporate Ethics and Risk Management Committee, and the Disclosure Committee, all of which work to ensure that corporate governance is based firmly in corporate social responsibility.

Read more

(See page 22)

- Corporate Governance
  - Corporate Governance

Compliance and Risk Management

Daikin Joins UN Global Compact; Establishes Group Compliance Guidelines

The Daikin Group has systems for carrying out integrated action in compliance and risk management.

In October 2008, we joined the United Nations Global Compact. Prior to that, in September 2008, we established our Group Compliance Guidelines, which include Global Compact philosophies including the abolishment of forced labor and child labor. These guidelines were added to our Handbook for Corporate Ethics, an action guide for Daikin employees.

- See Participation in the Global Compact (Page 16)

Read more

(See page 23)

- Management Structure
  - Corporate Ethics and Risk Management
- Handbook for Corporate Ethics
- Checking Legal Compliance through Audits
- Education
- In-House Information
- Help-Line
- Risk and Measures
- Preparing for Earthquakes

Free Competition and Fair Business Dealings

The Daikin group strives for fair business practices through measures for complying with the Anti-Monopoly Act, Misleading Representations Act, and the Subcontract Act.

Read more
(See page 28)

Prohibiting Bribes

We do our utmost to ensure that business entertainment and gift-giving related to business are conducted within the laws and customs of each country and region.

Read more
(See page 28)

Information Security

We ensure the proper management and use of information by thoroughly educating employees and by properly managing confidential information that we obtain from other companies.

Company divisions and departments have information managers, and we ensure information is being properly managed through legal compliance audits and other measures.

Read more
(See page 29)

- Proper Management and Use of Information
- Personal Information

Respect for Intellectual Property Rights

We recognize intellectual property as one of a company's most valuable assets. We carry out proper and fair exercise of rights in response to violation of intellectual property as well as respect other companies' intellectual property. Training is held for each management level of employees and thorough checks are carried out during development of new products and technologies to ensure there is no infringement on the intellectual property of other companies.

Read more
(See page 30)

- Managing Intellectual Property Rights
- Encouraging Employees to Create Intellectual Property

Suppliers Must Be in Legal Compliance

Management That Achieves Legal Compliance throughout the Supply Chain

The Daikin Group urges its suppliers to abide by labor-related laws.

Before taking on new suppliers, in the Air Conditioning Manufacturing Division, we inquire into things like their management policies and labor situation. The Chemicals Division carries out unscheduled audits and monitors suppliers for improper labor practices such as excessive work hours.

Read more
(See page 206)

Basic Policy of Respect for Human Rights and Diversity, and Compliance with Labor Laws

Daikin Industries makes employees aware of human rights issues as part of its goal of becoming a company free of discrimination where each individual is respected.

The Handbook for Corporate Ethics states our policy of respecting human rights and diversity in the workplace and abiding by labor laws, and we constantly remind employees to be aware of this.

Read more

(See page 31)

- Policy and Management Structure
- Human Rights Education
- Preventing Sexual Harassment

CSR Promotion Activities

CSR Management Structure

Building a System for Integrated Group CSR

Firmly grounded in corporate ethics and legal compliance, the Daikin Group's CSR efforts are aimed at contributing to society through its business activities.

The CSR Committee chaired by officers in charge of CSR sets Daikin's CSR direction and monitors the progress of CSR activities. Under this committee, officers in charge of CSR and their staff in the CSR & Global Environment Center lead comprehensive, cross-organizational CSR activities throughout the entire group.

CSR Promotion Plan

Deepening Focus on Key Issues in Response to Society's Expectations

In the 10 years since we formulated Our Group Philosophy, Daikin has rapidly expanded as a global corporate group, and with this expansion have come greater demands from society and greater corporate social responsibility (CSR).

We have striven to fulfill our CSR by responding to the expectations of our various stakeholders while implementing our Group management philosophy. In 2011, the Daikin Group set targets for the coming five years that will determine our future. These targets reflect our resolve to step up our past activities and continue being a company that earns the trust of society.

2002

Daikin Formulates Our Group Philosophy as Its Basic Philosophy of Business

Daikin formulated Our Group Philosophy with the aim of becoming a corporate group trusted by worldwide customers and where employees in all countries could work with pride. By sharing Our Group Philosophy as the fundamental business philosophy of the entire Group, it has become the cornerstone of all employees' thoughts and actions.

The management policies and plans of Daikin Industries and all other Group companies were created in line with Our Group Philosophy, and we believe that the embodiment of this philosophy has brought us closer to becoming a truly global and excellent company.

Our Group Philosophy (Page 12)

2005

The Daikin Group Defines Its Philosophy on Responsibility towards Stakeholders

We believe that the Daikin Group's CSR is to conduct business that puts Our Group Philosophy into practice and fulfills our responsibility to society by meeting the expectations of shareholders.

How We View CSR in the Daikin Group (Page 13)

2008

Daikin Establishes Key Themes with Consideration for Business Plans and Impact on Stakeholders

In light of the unique characteristics and business plans of Daikin, a global manufacturer of air conditioners and fluorochemicals, we conduct CSR based on key themes in four areas: the environment, quality & customer satisfaction, human resources, and social contribution.

Key CSR Themes (Page 12)

2011 and onward

Step up CSR Activities by Listening to Customers

We actively seek stakeholder involvement so that we can meet society's demands and continue sustainable growth. A particularly important part of our social role in developing countries is meeting local needs by building infrastructure and transferring technology.

Corporate Governance

Ensuring Sound, Transparent Management Through Outside Viewpoints

Unlike the committee system* in the United States, where decision-making and execution are completely independent of each other, the Daikin Group employs an integrated management framework in which directors assume responsibility for both management and execution. This integrated management framework effectively speeds up decision-making and execution. We also have mechanisms that ensure the soundness and transparency of our management.

We appoint two or more outside board members with no vested interest in our company to take part in decision-making from an outsider's point of view. We also appoint two external auditors who not only sit in on the Auditors Meeting and the Board of Directors Meeting but also on key meetings such as the Executive Officers Meeting where they monitor and manage the execution of policy. The Group Auditors Meeting, made up of auditors from major group companies, meets periodically to ensure that the entire Group's auditing and management functions are constantly improving. We also strive to raise soundness and transparency through the Corporate Advisors, who offer unbiased operational advice, and the Personnel and Compensation Advisory Committee, which works to improve the transparency of personnel matters and the compensation of directors.

* Committee system:
A system with a committee comprising mostly outside directors instead of auditors to raise management transparency.

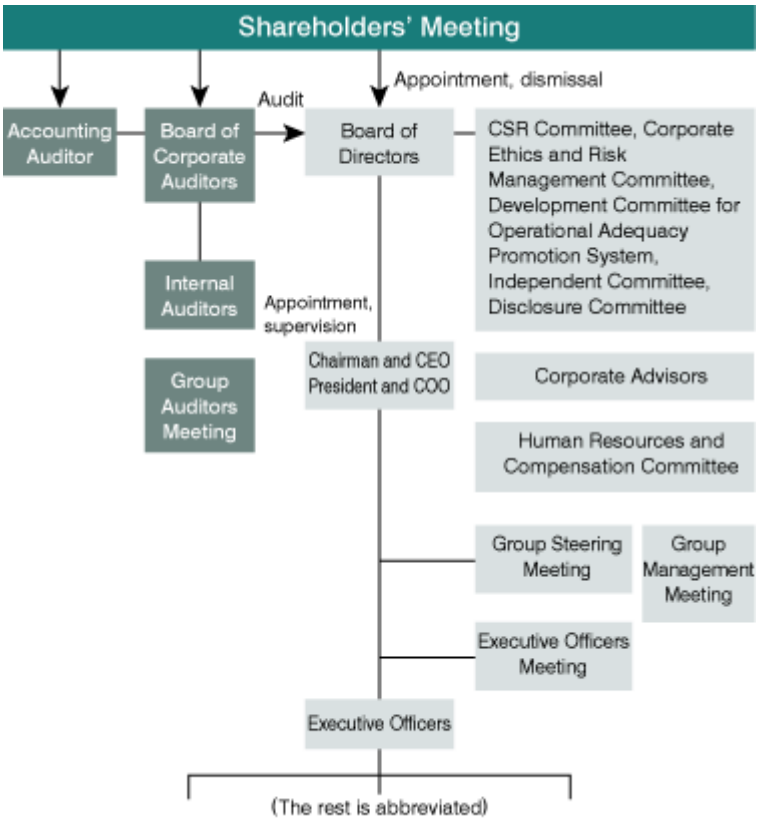
Variety of Committees Protect Shareholders' Profit

The Independent Committee was formed to ensure that when there is a large-scale purchase of Daikin shares, Daikin's corporate value and shareholders' joint profit are protected. The committee helps provide our shareholders with impartial information so that there is transparency in our paperwork and dealings, as well as a high degree of objectivity.

To ensure that the interests of stakeholders other than shareholders are respected and protected, the board of directors oversees the CSR Committee, the Corporate Ethics and Risk Management Committee, and the Disclosure Committee, all of which work to ensure that corporate governance is based firmly in corporate social responsibility.

The Group will pursue various ways to ensure optimal corporate governance grounded in CSR by looking at ways that we can revise our next-term strategic management plan FUSION15.

■ Corporate Governance (as of end of March 2011)



Management Structure

Conducting Integrated Group-Wide Promotion of Compliance and Risk Management

In fiscal year 2003, the Daikin Group established the Corporate Ethics Committee as an organ for leading group-wide corporate ethics activities. In fiscal year 2007, the name was changed to the Corporate Ethics and Risk Management Committee for the purpose of carrying out integrated action in compliance and risk management. This committee holds two meetings a year.

In the area of legal compliance, compliance and risk management leaders (CRLs) in each division gather the latest legal information and check to see if laws are reflected in company rules and manuals. There are also monthly daily triple checks to ensure everyone is following laws and company rules and manuals. The results of these checks are reported at monthly CRL meetings for the sake of sharing information. There are also self assessments carried out once a year to ensure that employees are following the Compliance Action Guidelines stipulated in the Handbook for Corporate Ethics.

In the area of risk management, we have a group-wide cross-organizational risk management. Every year, self assessments are accompanied by risk assessment in all divisions. From the results, the key risks in each division are identified and measures are then created to reduce these risks.

Based on the results of self assessments and risk assessment, the Corporate Ethics and Risk Management Committee draws up an annual company-wide "to do" list, along with a time frame and managers responsible for carrying out the tasks on the list. These tasks are carried out using the PDCA management cycle.

For more information, see Risk and Measures.(Page 26)

Building Compliance and Risk Management Systems for Overseas Group Companies

Since fiscal 2003, nine major overseas group companies* have had CRLs (compliance and risk management leaders) to lead compliance activities based on the Daikin Industries' model and adapted to their own particular situation. With compliance committees, Corporate Ethics Handbooks, and regular self assessment and risk management conducted, these companies strive for the same level of compliance as Daikin Industries. Since fiscal 2009, these overseas companies have, like Daikin Industries, decided on key issues to work on each year based on the results of self assessments and risk assessments.

In fiscal 2010, major overseas group companies requested their affiliates within the region to conduct self assessments and risk assessments with the aim of stepping up compliance and risk management activities across the entire group.

Sharing Information with Major Overseas Group Companies

Representatives of Daikin Industries regularly visit these companies and meet with the CRLs to see how they are progressing and share valuable information on overall group compliance and risk management.

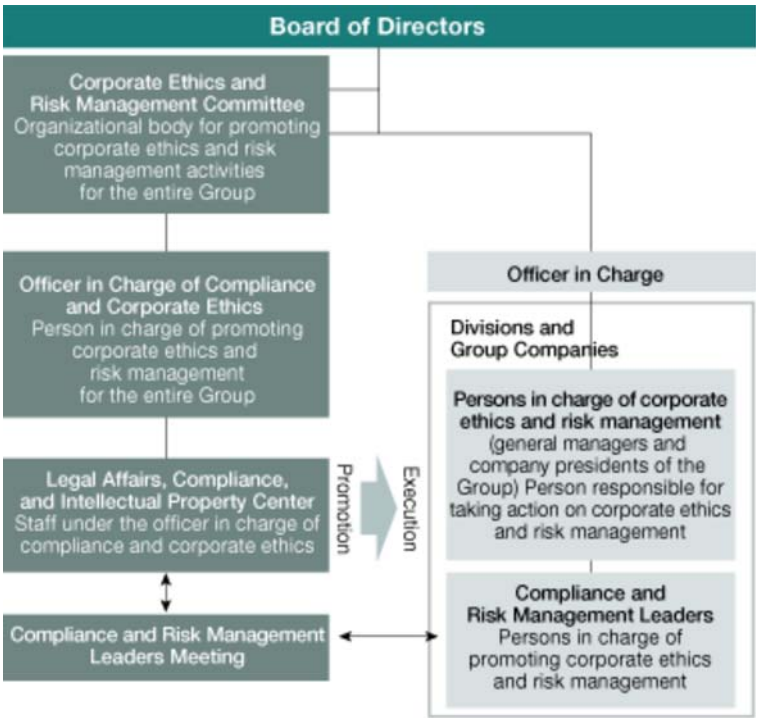
In fiscal 2010, Daikin Industries representatives joined the meetings of legal managers at Daikin group companies in China and Thailand, and discussed with legal managers in Daikin companies in the U.S. and Europe future plans for legal matters.

Meeting of legal managers at Daikin in Thailand

In fiscal 2011, Daikin will speed up its compliance measures for major overseas group companies in each region, as well as improve the sharing of information among companies.

* Major overseas companies:
Daikin Europe N.V., Daikin America Inc., Daikin Air Conditioning (Americas) Inc, Daikin Air conditioning (Singapore) Pte., Daikin Industries (Thailand) Ltd., Daikin Australia Pty., Ltd., Daikin Air-conditioning (Shanghai) Co., Ltd., Daikin (China) Investment Co., Ltd., Daikin Fluorochemicals (China) Co., Ltd.

■ Corporate Ethics and Risk Management



Handbook for Corporate Ethics

Daikin Industries' Handbook for Corporate Ethics Revised; Group Divisions and Overseas Group Companies Follow

In fiscal 2008, Daikin Industries revised the Handbook for Corporate Ethics, a valuable guide to employee behavior. At that time, hearings were held with overseas group companies and the Group Compliance Guidelines were formulated to clarify common compliance matters for the entire group worldwide. Employees in Japan have been given compliance cards and are urged to carry these with them at all times to ensure that they always follow rules and ethics.

The revisions provided an opportunity for renewed education and training. The multi-faceted training uses every opportunity to teach the basics of the handbook items and carry out practical study and discussion of case studies in a question-and-answer format.

With revisions to the Handbook for Corporate Ethics, we also revised the departmental handbook that each company division could keep up with relevant laws. Each division uses these handbooks to conduct training whenever possible at each base at for each job level.

At major overseas companies as well, the revised handbooks from Japan were the basis of ethics handbooks that were revised by each company in fiscal 2008.

See Group Compliance Guidelines (Page 14)

Checking Legal Compliance through Audits

Legal Audits Ensure Laws are Being Followed

Based on self assessment results, legal compliance audits are conducted to make sure that all Daikin Industries business divisions and group companies in Japan are abiding by laws and regulations.

In fiscal 2010, audits were conducted in six divisions of Daikin Industries and group companies in Japan. All relevant documents were inspected and compliance and risk management leaders (CRLs) led hearings with managers. Audit results were reported to general managers so that everyone could share an awareness of what must be done to improve compliance.

■ Number of compliance violations, countermeasures

FY2010	Details
0	No laws or regulations were broken.

Education

Case Studies on Intranet Help Spread Knowledge on Compliance

The revisions to the Handbook for Corporate Ethics in fiscal 2008 provided an opportunity to also revise our education program to make it more focused on the practical matters of compliance. The Compliance Action Guidelines, created based on the Group Compliance Guidelines, were the topic of monthly training for compliance and risk management leaders (CRLs) in all divisions starting in September 2008. There was also training that used case studies to teach the most relevant laws in the areas of marketing, manufacturing, and purchasing. As well, new employees and newly appointed managers received compliance training.

Collection of case studies on compliance issues for specially assigned employees

In fiscal 2010, we strove to boost compliance knowledge and awareness with illustrated training material on the intranet on the subject of compliance case studies. Centered around specially assigned employees, the training material used easy-to-understand language and illustrations in stories based on eight topics including information management and the Anti-Monopoly Act. So far the site has had over 40,000 hits.

We also held a seminar for officers on insider trading rules, as well as courses for sales managers on the Premiums and Representations Act and labeling restrictions, and for production division purchasers on the Subcontract Act.

We are creating a second set of case studies so that we can continue to raise awareness of compliance.

Continuous Compliance Education for Overseas Group Companies

Daikin Industries requires overseas group companies to strictly follow their respective corporate ethics handbooks and to educate their employees on these handbooks.

Each major overseas company has its own compliance system and conducts compliance education according to its particular needs.

In fiscal 2010, Shanghai Daikin Air Conditioning Co., Ltd. translated Daikin Industries' collection of case studies into Chinese for in-house compliance education.

In-House Information

Compliance Information Archive Used to Relay Importance of Compliance to Employees

To raise employees' awareness of compliance, general managers and managers take every opportunity to give talks on the importance of compliance that draw on their wealth of experience.

In November 2009, Daikin Industries created a publication called the Compliance Information Archives, a compilation of information that is given to managers. They then use this to continually keep their employees informed and aware of the importance of compliance.

In fiscal 2010, the archives were revised to include the past year of new compliance information.

We are looking into giving this information to a wider range of people.

Help-Line

Help-Line for Corporate Ethics Offers Counseling and Gathers Opinions

We have a Help-Line for Corporate Ethics in the Legal Affairs, Compliance, and Intellectual Property Center, where employees from Daikin Group companies worldwide including retired employees can give opinions or receive consultation on all corporate ethics matters.

Although corporate ethics issues are normally taken care of in the part of the organization where they occur, sometimes this is not easy. In that case, the corporate ethics manager, representing the Help-Line for Corporate Ethics, consults directly with the employee to hear his or her opinions. The help-line is designed to be worry-free and accessible: users can contact it by phone, fax, or mail and their names are kept confidential.

All queries and opinions to the help-line are investigated, and discussions are held with the related company division, with measures promptly carried out so that problems do not reoccur. Drastic measures will be carried out in the case of a potential company-wide problem.

To ensure that the help-line is well publicized, the help-line's contact information is provided on the compliance card that all employees carry with them at all times.

Daikin Australia Pty., Ltd., Daikin Europe N.V., and Daikin Industries (Thailand) Ltd. each has its own help-line for corporate ethics.

Risk and Measures

Identifying the Most Important Risks, then Formulating and Implementing Measures

With the Daikin Group expanding rapidly around the globe, we introduced company-wide, cross-organizational risk management in 2006 in order to quickly get an overall picture of risks from a global point of view and reduce the risks.

In fiscal 2010, we identified risks related to product liability and quality, information leaks, and transfer pricing taxation as the most important risk areas, and the Corporate Ethics and Risk Management Committee created measures to deal with these.

And for the divisions and group companies in Japan that that carried out risk assessment, hearings were held to determine what progress is being made in implementing legal audits. And during visits to overseas group companies, Daikin Industries confirmed progress in risk assessment implementation and measures being taken in response to important risks.

Most Important Risks and Measures

Product Liability and Quality Risk
In fiscal 2010, the Air Conditioning Manufacturing Division vowed to "ensure the level of quality needed to build trust among customers," one of the three pillars crucial to reaffirming Daikin's reputation for technology. To this end, officers in charge of quality do a weekly follow-up covering everything from confirmation of where the defect occurred to prevention of reoccurrence. The aim is to ensure that defects to not happen again. And as a way to develop higher levels of quality, we switched to independent operation of design review with the development team at the core.

Furthermore, to ensure timely and appropriate measures to deal with defects, information related to product safety is accumulated and reported monthly.

Information Leaks Risk
In October 2010, information managers and IT security managers held a joint meeting at which they once again drove home the importance of managing corporate secrets and protecting personal information.

We plan to take the hardware technology already in use for information management in the Air Conditioning Manufacturing Division and apply it for measures in other business divisions.

Transfer Pricing Taxation Risk
With development bases expanding throughout the world, we must deal with the transfer pricing taxation risk that occurs during licensing of intellectual property generated at each base within the group. For example, we formulated the Global Group Intellectual Property Management Guidelines, which we ensure are familiar with the entire group.

Preparing for Earthquakes

Preparing for Earthquakes through Safety Confirmation System and Building Reinforcement

In the event of an earthquake, ensuring the safety of employees and their families is first and foremost. To this end, in fiscal 2008 we built a safety confirmation system in which we have the cell phone numbers of all Daikin Industries' employees and their family members on file. In fiscal 2009, we expanded this system to include all Daikin Group company employees. We are also working towards protecting employees by gradually reinforcing company buildings against earthquakes.

We are currently in the process of formulating a business continuity plan (BCP) under which we identify priority areas of business so that we can continue operations or recover within a short time after an earthquake.

Following the March 2011 Great East Japan Earthquake, we are reviewing and upgrading our disaster response measures.

For more information, see Response to the Great East Japan Earthquake. (Page 36)

Free Competition and Fair Business Dealings

Free Competition and Fair Business Dealings

Thorough Compliance with the Anti-Monopoly Act, Misleading Representations Act, and Subcontract Act

The Daikin group strives for fair business practices through measures for complying with the Anti-Monopoly Act, Misleading Representations Act, and the Subcontract Act.

Besides education in each division, the Legal Affairs, Compliance, and Intellectual Property Center holds training when necessary. Employees also ensure they are in compliance through self assessments.

In fiscal 2010, we put a collection of case studies on compliance issues for specially assigned employees on the intranet. These case studies gave employees a better understanding of the Anti-Monopoly Act and the Subcontract Act.

For more information, see Education. (Page 25)

Prohibiting Bribes

Reasonable Business Entertainment and Gift-Giving

Thorough Measures to Prevent Bribes

The Group Compliance Guidelines state that we shall conduct business entertainment and gift-giving within the laws and customs of each country and region. We are especially strict in enforcing this in relation to gifts and entertainment for government officials.

The Compliance Action Guidelines also refer to sound and transparent relations with government offices, compliance with the Political Funds Control Law and the Public Offices Election Act, and reasonable entertainment and gift-giving with suppliers, and we strive to thoroughly educate all employees on these points. Self assessments allow employees to stay in compliance with the above policies, and company-wide training is conducted thoroughly and regularly.

Information Security

Proper Management and Use of Information

Proper Management and Use of All Confidential Information Including That of Other Companies

We manage and use confidential information appropriately, be it our own or that of other companies, according to the stipulations of the Rules for Managing Confidential Information, which we formulated in 2006. Our Compliance Action Guidelines also state our policy of proper acquisition and use of confidential information so that we can appropriately manage information. We apply this policy throughout the entire worldwide Daikin Group.

For the management of information, the executive officer in charge of legal affairs at Daikin Industries assumes responsibility for managing corporate secrets. As well, divisions and departments have management systems that cover areas like assigning information managers to each division and department. The Legal Affairs, Compliance, and Intellectual Property Center has a Corporate Secrets Management Office. In addition to self assessments for ensuring employees are protecting confidential information, legal audits are also conducted regularly.

Boosting Management of Technical Information

In fiscal 2010, information managers and IT security managers held a joint meeting at which they once again drove home the importance of managing corporate secrets and protecting personal information.

A system was also built to handle the input of technical information and to grasp details on how we use data. We have thus boosted control of database access and data use. As well, greater restrictions have been placed on the entering of/leaving from security zones in the workplace.

Personal Information

See Protecting Customer Information (Responsibility to Customers) (Page 178)

Respect for Intellectual Property Rights

Managing Intellectual Property Rights

Acquire Intellectual Property Rights While Respecting That of Other Companies As Well

We recognize that intellectual property is a valuable company asset. Our Compliance Action Guidelines clearly state that we shall carry out proper and fair exercise of rights in response to violation of intellectual property as well as respect other company's intellectual property. The Legal Affairs, Compliance, and Intellectual Property Center manages intellectual property by assigning an intellectual property manager in each division. Along with active participation in seminars both inside and outside the company, training is held for specific groups such as new employees and engineers in order to deepen employee understanding of intellectual property.

In new product and new technology development, part of the design review process involves verifying that these products and technologies do not infringe on existing patents. We will continue to conduct precise surveys so that we can not only acquire worldwide patents for successful R&D but also ensure that we avoid inadvertently infringing on the intellectual property of other companies.

As part of efforts to strengthen systems overseas, our development bases have managers in charge of acquiring and protecting intellectual property rights.

Encouraging Employees to Create Intellectual Property

See Spurring the Creation of Intellectual Property (Resposibility to Employees) (Page 201)

Respect for Human Rights

Policy and Management Structure

Respecting Human Rights in Action Guidelines Based on the U.N. Global Compact

Daikin Industries makes employees aware of human rights issues as part of its goal of becoming a company free of discrimination where each individual is respected. To this end, regular self assessments by employees and annual legal compliance audits ensure that no human rights violations occur. There is also human rights education when necessary for officers and other management levels.

In October 2008, Daikin Industries took part in the United Nations Global Compact for aligning operations to universally accepted principles on human rights, labor standards, the environment, and anti-corruption. Prior to that, we had formulated the Group Compliance Guidelines, which clarify group-wide compliance with our policy of no forced labor or child labor, respect for individual human rights and for diverse values and ways of looking at work, and the creation of an employee-friendly workplace. The Group Compliance Guidelines were revised to create the Compliance Action Guidelines, which detail the laws and regulations that the Daikin Group in Japan must follow.

Based on the Global Compliance Guidelines, the Handbook for Corporate Ethics for each major overseas group company was revised to ensure thorough respect for human rights in the workplace.

Daikin Industries will continue to urge all employees to be aware of human rights issues as we strive to abide by the letter and spirit of labor-related laws in Japan and around the world.

Human Rights Education

Holding Training for All Job Descriptions including Officers, Managers, and New Employees

Part of Daikin Industries' human rights awareness efforts is the annual Antidiscrimination Committee meetings, under which is held human rights training for job descriptions including officers, managers, and new employees.

Other efforts to raise human rights awareness among employees include articles in the company newsletter and human rights slogan contests at the factories.

We are also a member of the Corporate Report Association of Human Rights Issues and the Osaka Corporate Human Rights Promotion Council, through which we take part in extensive human rights awareness activities that will make our own employees more conscious of human rights.

Preventing Sexual Harassment

Educating Managers on Sexual Harassment

The Compliance Action Guidelines promote respect for human rights and diversity and compliance with labor laws in the workplace. It is our policy to respect human rights by building a fair workplace that is free of sexual harassment and power harassment.

We also carry out company-wide sexual harassment education: there are regular explanatory sessions as part of section and division managers meetings at all Daikin bases.

Honors for Daikin

Overall CSR (Include SRI)

Daikin Group

- Socially Responsible Investment Indexes
  Chosen for inclusion in the Dow Jones Sustainability Indexes
  (for nine consecutive years up to FY2010)

- Chosen for inclusion in the Morningstar Socially Responsible Investment Index

- Sustainable Management
  Received a Silver Class rating for corporate sustainability from Sustainable Asset Management (SAM), a Swiss asset management company

Environmental Protection

Daikin Industries

- Earned LEED® Gold certification from the U.S. Green Building Council for the Daikin-McQuay Applied Development Center

- Daikin Ales Aoya
  Selected for inclusion in the list of 100 top companies contributing to biodiversity, sponsored by the Organization for Landscape and Urban Green Architecture

Daikin Australia

- Received the 2010 ARBS HVAC Project Excellence Award for the new head office

Daikin (China) Investment Co., Ltd.

- Green Brand Award at the 2010 China Brand & Communication Forum

- Chosen one of World's Top 100 Lowest Carbon Producing Companies

Social Contribution

Recognition of Customer Satisfaction

Daikin Industries

- DESICA System
  Japan Society of Mechanical Engineers Award (Technology award)
  2009 Japan Society of Refrigerating and Air Conditioning Engineers Technology Award

- Daikin-McQuay Applied Development Center
  RAC Cooling Industry Award for asymmetric screw compressor
  Air-cooled screw chiller chosen one of best 100 new products by a building equipment industry publication

- User manual for residential room air conditioner
  Honored in the 2010 Technical Publication and Online Communication Competition by the East Tennessee Chapter of the Society for Technical Communication

Daikin AC (Americas), Inc.

- AHR Expo Innovation Award for Daikin Altherma, Quaternity, and Daikin Inverter Duct Line

Daikin Australia

- Most Satisfied Award in the 2010 Canster Blue air conditioner survey

Daikin (China) Investment Co., Ltd.

- China Electronics Association 2010 Award for Retail Electronics Brand with Outstanding Satisfaction among Chinese Consumers

- Flash Streamer humidifying air purifier
  Multi-functional VRV system
  F Series residential air conditioners
  Awards in the categories of design, trend, and low-carbon at a consumer electronics trade show in China

- 2010 Award in China honoring companies for outstanding customer relations

Recognition of Occupational Safety and Health

Daikin Airconditioning (Singapore) Pte

- Ranked BizSafe Level 5[*1]

*1 Ranked according to the implementation level of occupational safety and health

Recognition of Personnel Systems

Daikin Sunrise Settsu Co., Ltd.

- 2010 Minister of Health, Labour and Welfare Award in Awards for Outstanding Workplaces for the Disabled

American Air Filter International (AAF)

- Investors in People (IIP) Silver standard from the Chartered Institute of Personnel and Development (CIPD)

Daikin Europe N.V.

- Chosen for the Top Employers 2011 awards[*2] for the sixth year in a row

*2 In recognition of companies with outstanding human resource systems

OYL

- Named an Outstanding Employer by Malaysia's Department of Social Welfare for providing the disabled with employment opportunities

Independent Opinions

Outside Expert Comments on Daikin Group CSR (June 2011)

Mitsuo Ogawa

President, Craig Consulting Ltd.
Visiting professor, Nagoya University of Commerce and Business

Profile
Established Craig Consulting in 2004 after working at various think tanks and foreign consulting companies. Specializes in stimulating companies' organizational structure and human resources through CSR. His books have covered topics including how ISO 26000 will change company management and how to boost the CSR value of companies (published by Nikkei Publishing Inc.).

Japan's number one priority is to recover from the aftermath of the Great East Japan Earthquake. Daikin Industries can play an important role in this respect. Besides providing monetary donations and supplies for victims of the disaster, as an air conditioner manufacturer Daikin can make a key contribution to energy savings in the face of the current electricity shortage. More than anything, Daikin can fulfill its social responsibility through its business by stirring awareness and action among households and corporations about saving energy through air conditioning.

Daikin Industries has already begun effective action in this regard. First, since before the earthquake, the company has been pioneering energy-efficient and energy-saving technologies such as inverters and heat pumps and has shown them to be effective in reducing energy use. Daikin has helped proliferate the use of inverter air conditioners in China, for example. By fully taking advantage of these energy-efficient and energy-saving technologies, Japan will be able to accelerate energy saving in the summer of 2011.

Second, Daikin has begun a service in which air conditioners are connected to a network, and when customers use more than a set amount of energy Daikin Industries controls the room temperature to make up for this excess use. By making use of its technological strength, Daikin Industries is aiming to develop solutions such as net zero energy buildings (use of primary energy amounts to zero) as part of its ongoing, long-term efforts.

Third, Daikin offers residential air conditioner users advice on energy saving on its website. For example, customers can view easy-to-understand illustrations and proven data to learn how to save a certain percentage in electricity by following a few home heating and cooling tips.

There are a number of ways I think Daikin could improve its overall CSR.

Daikin Industries is a global corporation with about two-thirds of its approximately 40,000 employees working outside Japan. The company's management philosophy stresses 'people-centered management'. This policy should be fully implemented worldwide, and I think that success in this regard will depend upon how well Daikin achieves diversity of human resources. Since more than half of Daikin employees are not Japanese, it only makes sense that there should be more of these people in management positions. And Daikin must create a corporate climate that incorporates the opinions and values of a diverse range of people. To this end, the company needs a way to find and foster not only Japanese but any employees with advanced knowledge of international management. And these employees must live and breathe Daikin Industries' management philosophy. I want to see Daikin strive to be a leader in diversity management in Japan.

A company as advanced as Daikin Industries must conduct a high level of CSR—and it must take this CSR beyond its own walls and include its entire supply chain. Suppliers today must do more than just provide good quality at a good price; they must also focus on compliance, respect human rights, and conduct fair labor practices. Daikin Industries will be required to educate its suppliers on these. They are particularly important as supply chain efforts become increasingly important in certification for ISO 26000, the international standard for social responsibility. I believe that Daikin Industries' efforts in areas like these will make it a company even more capable of pursuing globalization.

Response to the Great East Japan Earthquake

We would like to express our deepest sympathy to all those who are suffering from the earthquake occurred on March 11, 2011 and pray for the swift recovery of the disaster area.

The following information is from the printed version of the CSR Report (Japanese version), published July 20, 2011.

Establishment of Task Force

The day after the Great East Japan Earthquake, the Daikin Group set up the Emergency Response Headquarters headed by the Noriyuki Inoue, Chairman and CEO. The Emergency Response Headquarters strove to confirm the whereabouts of employees and their families, and employees of partner companies and suppliers, and provide them with assistance.

No persons in the Daikin Group were hurt in the disaster. Although the Kashima Plant (Kamisu City, Ibaraki Prefecture) suffered some equipment damage, production started up as of April 1. The Yuki Plant of Nippon Muki Co, Ltd. (Yuki City, Ibaraki Prefecture) experienced a temporary power outage and had to stop operations, but was able to resume on March 25.

State of Supply Chain, Effect on Business

Due to the earthquake, there was a shortage of parts and in April we had to temporarily stop taking orders from customers. To minimize the effect on business activities, we made maintenance of the supply chain our top priority and conducted efforts including helping suppliers in their recovery, searching for substitute parts and developing new ones in-house, ensuring sufficient inventory, and diversifying our means of procurement. As of July 2011, full recovery was in sight.

We will strengthen emergency response abilities to prepare ourselves for future emergencies and ensure stable procurement by maintaining multiple suppliers and allocating production as we work to quickly build up a procurement network both in Japan and overseas.

Improved Business Continuity Plans and Safety Measures

The recent earthquake gave us a chance to revamp our disaster measures. We are boosting our company-wide safety measures by reviewing the earthquake resistance of company buildings, ensuring security for chemical plants, and making sure that all systems are safe.

We are also creating a business continuity plan (BCP) that will prevent damage to manufacturing facilities and strengthen the supply chain.

Using what we learned from the recent earthquake, we are improving our system for determining the whereabouts of employees and their families, and putting satellite phones in our major business sites as part of an emergency communication network. We are also revising our crisis management in areas such as ensuring we have sufficient stockpiles to use as aid in case of emergency.

For Customers Using Our Products

The Daikin website has advice on how our residential, commercial, and industrial users can safely use their products. Information includes what to do during a power outage and when comes power back on, and what to do with air conditioning equipment when taking refuge indoors due to the accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Plant.

We sent about 100 service engineers to the Sendai Service Station. The engineers conducted free-of-charge primary inspections of air conditioners in the stricken area, and Daikin paid for half of the necessary repair costs for products. We also conducted free-of-charge primary inspections of oil hydraulic equipment.

Response to Energy Problems Triggered by the Earthquake

The energy supply shortage resulting from the earthquake has prompted all of Japanese society to look at its energy consumption: and not just how it can cut back on the amount of electricity used, but also how it can cut peak energy use during the daytime when energy demand is at its highest. This goes for the rest of the world as well. Daikin has an important role to play in this respect as a manufacturer of air conditioners, products that consume a large percentage of the electricity society uses.

The Daikin Group has worked to meet this year's need to save energy by proposing ways to cut air conditioner energy use and contribute to the reduction of peak energy use. In the medium-term, we will develop and release products that help the world reduce the amount of energy use. In the long-term, we will contribute to realization of energy management that incorporates demand efficiency of entire towns, and effective use of renewable energy.

Support for Recovery of Disaster-Stricken Areas

To aid and support disaster victims, on March 16, five days after the earthquake, we decided to donate a total of 300 million yen (100 million yen in monetary donations and relief supplies: 600 commercial air purifiers, and 500 far infrared heaters).

Future recovery support efforts by Daikin will include helping companies affected get back on track and rebuilding infrastructure such as hospitals and schools.

Meeting the Increasing Need for Energy Savings

With an electricity shortage expected during the summer in Japan, the government urged companies and households to cut energy use by 15% across the board. This would require energy savings for air conditioners, which use a significant portion of the power consumed by households and companies.

The Daikin Group works to offer energy-saving solutions for commercial air conditioners and provide households with information on how to save energy at home.

Daikin has a website giving hints on how users can get by on less energy during the summer (in Japanese only).

Ways to Save Energy with Commercial Air Conditioners

As a short-term measure, Daikin is suggesting ways that corporate customers can save energy without having to upgrade or buy new air conditioners. (For details, see Power-Saving Control Center Commercial Air Conditioner.) (Page 88)

Our medium-term efforts will include releasing air conditioners that incorporate energy-saving features and that offer total energy-saving solutions.

■ Examples of How to Save Energy

Energy-Saving Tuning System	The remote energy-saving control system allows energy efficiency with minimal manpower through monitoring of the local weather conditions (based on data from the Japan Meteorological Agency) and analysis of the installation and operational status of air conditioners.	Maximum 20% energy savings
VRV Energy-Saving Tuning	Our VRV Energy-Saving Tuning service helps customers who have purchased Daikin building air conditioners we have been selling since before 2006 save energy.	Maximum 20% energy savings
Ene-cut	Sprinkling water on the air conditioner outdoor unit stabilizes operation and makes cooling more efficient.	Maximum 12% energy savings
Demand Control	By setting an operation time period for each air conditioner, electricity usage is controlled on each unit. The remote controller is used to easily set each unit to operate on demand.	Maximum 30% energy savings

Ways to Save Electricity at Home

In April 2011, Daikin conducted a survey of 600 men and women across Japan asking if they were conscious of saving energy in the summer of 2011. The response was 'yes' for 99% of respondents in the Tohoku and Kanto areas and at least 90% in the rest of the country.

In response to a survey question asking what appliance could significantly save energy, 'air conditioner' received the most responses (90%). However, many of these people also said they were trying to save energy without knowing exactly how to do so.

Daikin therefore decided to conduct experiments in how to save energy and the results were place on the website.

For the results of these experiments, see the section of Daikin website titled The Daikin Air Survey Team (in Japanese only).

■ How to Save Energy at Home and Results of Energy-Saving Experiments

How to save energy	Before energy saving	After energy saving	Effect
Increase air conditioner temperature by 2°C*1.	0.84 kWh (when operated for 6 hours)	0.65 kWh (when operated for 6 hours)	22.6% energy savings
Block direct sunlight with an outdoor awning. Clean the filter. Place the outdoor unit in a breezy location*2.	1.120 kWh (when operated for 6 hours)	0.876 kWh (when operated for 6 hours)	21.8% energy savings

*1 Date of experiment: May 24; temperature difference between inside and outside: 4°C/2°C
Assumption: Outdoor temperature of 30°C; set temperature of 26°C/28°C
Actual: Outdoor temperature of 22°C; set temperature of 18°C/20°C
*2 Date of experiment: May 20; temperature difference between inside and outside: 7°C
Assumption: Outdoor temperature of 35°C; set temperature of 28°C
Actual: Outdoor temperature of 25°C; set temperature of 18°C

Key Activities

2010 Key Activities

Environment The Quest for Next-Generation Refrigerants

With Consideration for Environmental Performance, Safety, and Efficiency

Proposing Future Refrigerants in the International Forum

- Background: Refrigerant, Indispensable for Air Conditioning, is a Significant Environmental Issue for the Air Conditioning Manufacturer
- International Treaties to Reduce the Environmental Impact from Refrigerants
- Daikin Provides Opportunities for Discussing Next-Generation Refrigerants
- Daikin Efforts to Reduce the Environmental Impact of Refrigerants

Environment Solutions for Curbing Global Warming

Towards Net Zero Energy

Optimal Energy Management Solutions for Meeting Worldwide Customer Needs

- Background: The world demands buildings with zero net energy consumption
- Providing Total Solutions for Achieving Comfort and Energy Efficiency
- In China: Use Heat Recovery of Unused Energy For Heating
- In Japan: Collective Management of Multiple Buildings to Comply with Revised Rationalization in Energy Use Law
- In the U.S.: Total Solution for Enhancing Energy-Efficiency Performance of a Data Center to Achieve Energy Saving in Society

Quality and Customer Satisfaction Improving Quality

Using the Stress Strength Model (SSM)

All Employees Take Part in Passing on Knowledge to Continue Meeting Customers' Increasingly Advanced Needs

- Background: Passing on Knowledge to the Next Generation is Crucial in Meeting Customers' High Expectations
- SSM Shares Individual Skills and Know-How
- Improving Techniques and Awareness of Young Employees to Meet Customers' Product Expectations

Human Resources People-Centered Management

Becoming a Truly Global and Excellent Company

Implement People-Centered Management to Become a Company Where Individuals Grow

- Background: Group Philosophy and People-Centered Management (PCM) Are the Unifying Forces of the Daikin Group
- Implementing People-Centered Management (PCM)
- Making PCM an Integral Part of Worldwide Group Companies

Social Contribution Raising Environmental Awareness

Environmental Education Program Developed for Elementary Schools

Opportunity to Raise Awareness among Both Children and Daikin Employees

- Background: Providing Opportunities to Become Aware of the Relationship between Living Things and the Environment
- Circle of Life Program Focuses on Forest Issues
- Program Raises Awareness of Relationship between Environmental Issues and Daily Life

Environment

The Quest for Next-Generation Refrigerants

Back ground

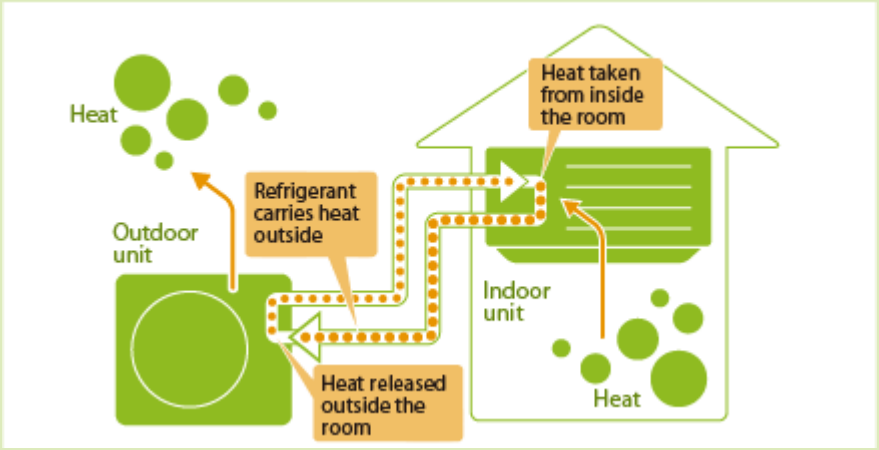
Refrigerant, Indispensable for Air Conditioning, is a Significant Environmental Issue for the Air Conditioning Manufacturer

Refrigerants are gases that are indispensable for cooling and warming the air. Because refrigerants have such a large impact on the environment, it is the duty of manufacturers to find refrigerants that exert minimal environmental impact and are safe, efficient, and economical.

Performance requirements of a refrigerant

Safety | Efficiency | Economic efficiency | + | Environmental performance

How an air conditioner works (for cooling)



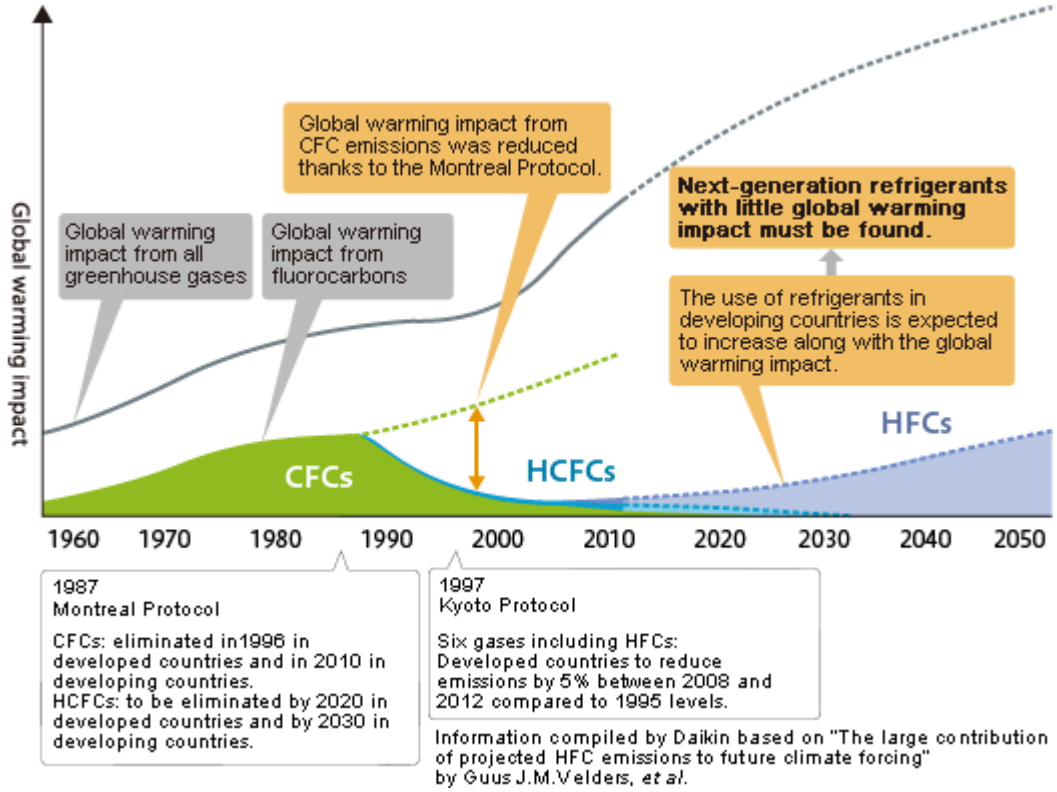
With Consideration for Environmental Performance, Safety, and Effifficiency

Proposing Future Refrigerants in the International Forum

Fluorocarbon Use and International Restrictions

Fluorocarbon is a general name for a compound containing carbon, hydrogen, fluorine, chlorine, and bromine. Not only was it used as a refrigerant in air conditioners, freezers, and refrigerators, it was also widely used in other ways, including as a foaming agent for insulation such as Styrofoam and a cleaning agent for precision electronic parts. It was discovered that certain substances in fluorocarbons had a negative impact on the environment, and so they became subject to international restrictions.

■ Global Warming Impact from Emission of Fluorocarbons



Information compiled by Daikin based on "The large contribution of projected HFC emissions to future climate forcing" by Guus J.M.Velders, *et al.*

CFCs Chlorofluorocarbons (CFC12)	HCFCs Hydrochlorofluorocarbons (HCFC22)	HFCs Hydrofluorocarbons (HFC410A)
Ozone depletion potential: 1.0	Ozone depletion potential: 0.055	Ozone depletion potential: 0
Global warming potential*: 8,100	Global warming potential*: 1,500	Global warming potential*: 1,725
* According to the Second Assessment Report of the IPCC	* According to the Second Assessment Report of the IPCC	* According to the Second Assessment Report of the IPCC
Designated under the Montreal Protocol as a specified fluorocarbon that is largely responsible for ozone layer depletion. Its production has been banned in developed countries.	Although used as a substitute fluorocarbon, designated as a restricted substance due to its depletion of the ozone layer.	Although in the process of replacing HCFC as a substitute fluorocarbon, it is a greenhouse gas. The Kyoto Protocol calls for its reduction.

International Treaties to Reduce the Environmental Impact from Refrigerants

Preventing Ozone Layer Depletion and the Effects of Global Warming

In 1987, the Montreal Protocol was adopted for restrictions on the production, use, and trading of substances believed to be responsible for ozone layer depletion. The protocol designated the CFCs conventionally used as refrigerants in air conditioners as specified fluorocarbons and called for the phasing-out of their production by the end of 1995 in developed countries.

CFCs were replaced by HCFCs, which have a relatively low impact on the ozone layer. HCFCs have since been designated under the Montreal Protocol and will cease being manufactured in developed countries by 2020 and in developing countries by 2030.

HCFCs began to be replaced in the developed countries by HFCs, which do not deplete the ozone layer. However, HFCs are also greenhouse gases, although they do not contribute to global warming as much as CFCs. The Kyoto Protocol, adopted in 1997, calls for reducing their emissions.

As Developing Countries Use More Refrigerants, the Time Comes for the Shift to Next-Generation Refrigerants

The World's Quest for Refrigerants to Replace HCFCs

With air conditioner use spreading throughout developing countries, the amount of refrigerants used is expected to rise. Under the Montreal Protocol, the elimination of HCFCs in developing countries is set for later than in developed countries, which means that even now in developing countries HCFC22, which has an impact on the ozone layer, is being used.

That being said, starting in 2013, HCFCs are slated to be gradually phased out in developing countries, so the time for a refrigerant switchover is approaching. Because the Kyoto Protocol calls for the reduction of HFC emissions, there is a rush to find the next refrigerant to enable developing countries to bypass HFCs altogether.

It will take international collaboration to decide which refrigerant should be adopted. This is because a switch to a new refrigerant will involve numerous issues: these include ISO standards, restrictions and standards in each country, standards governing equipment safety, methods of installation and maintenance, systems for supplying refrigerants, and methods for disposal of equipment. We are currently in a crucial period for the search for the refrigerant that will become the global standard for the next generation.

Daikin Provides Opportunities for Discussing Next-Generation Refrigerants

Decision on Refrigerant Must Take into Account Factors Including Environmental Performance, Safety, and Price

A number of substances are being considered as a next-generation refrigerant: HFC32, a type of HFC with a relatively low global warming potential; HFO refrigerants, which have a low global warming potential but stability and price issues; and natural substances such as CO_2 and propane, which have refrigerating characteristics. All of these must undergo an overall assessment that considers factors such as impact on global warming, safety factors like flammability and toxicity, and price. Besides the effect of the refrigerant when it is released into the atmosphere, one must also consider the energy efficiency of air conditioners that use it. Important in terms of cost is not just the price of the refrigerant itself but also factors like the cost of producing air conditioners that use the refrigerant.

The qualities sought for a residential air conditioner differ from those for a commercial air conditioner, and the performance sought for hot water and space heaters differs from that for freezing and refrigeration equipment. All this means that we must select the most adequate refrigerant for each case.

Frank Discussions with Relevant Parties Worldwide

Daikin is the only air conditioner manufacturer that also makes refrigerant, and we aid in the selection of appropriate refrigerants by creating opportunities for academic societies and industry organizations to gather and exchange ideas and opinions.

We take every opportunity to discuss the selection and application of next-generation refrigerants: at international conferences and exhibits in the vast market of China, as well as in Europe, the U.S., and around Asia, we discuss topics like refrigerant trends and efforts to reduce emissions with members of the United Nations and administrative organizations in countries around the world.

Lecture at an international conference

Exchanging opinions with academics

What Our Stakeholders Are Saying

Opinions from Participants at International Conferences

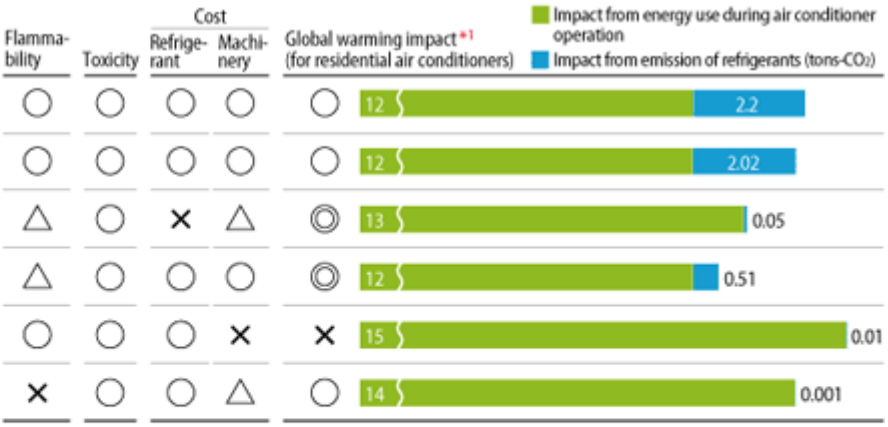
- The refrigerant with the lowest global warming potential is not necessarily the best. We have to make a choice based on a range of criteria including equipment efficiency and ease of use.
- HFO, HFC32, and propane all have differing flammability characteristics. We must consider safety measures appropriate to each type of refrigerant.
- Cost is important in developing countries. It would be difficult to use an expensive refrigerant, not just in terms of initial cost, but also in terms of running costs and the cost of equipment replacement.

Characteristics and Main Uses of Next-Generation Refrigerants that Substitute for HCFCs

	Characteristic	Main use (Spread / Potential to proliferate)
HFC410A	Because propane has no impact on the ozone layer and has the same global warming potential and efficiency as HCFC22, it is being adopted in developed countries.	Residential air conditioners; Commercial and VRV multi air conditioners; Commercial freezing and refrigeration equipment; Hot water and space heaters
HFO1234yf	No impact on the ozone layer and a low global warming potential. Low flammability. Safety and price issues.	Chillers; Automobile air conditioners
HFC32	No impact on the ozone layer, and one of the lowest global warming potentials among HFCs. Low flammability.	Residential air conditioners; Commercial and VRV multi air conditioners; Commercial freezing and refrigeration equipment; Hot water and space heaters
CO_2	No impact on the ozone layer and low global warming potential. Low efficiency when used for air conditioning. Daikin uses it in products for water heating, for which it has the same performance as conventional refrigerants.	Commercial and VRV multi air conditioners; Commercial freezing and refrigeration equipment; Hot water and space heaters
Propane (hydrocarbons)	No impact on the ozone layer and low global warming potential. Good refrigerant characteristics; however, high flammability creates the danger of explosions.	Residential air conditioners; Residential refrigerators

Comparison of Next-Generation Refrigerants that Will Take the Place of HCFCs

		Ozone depletion potential	Global warming potential*2	Flammability	Toxicity	Cost: Refrigerant	Cost: Machinery	Global warming impact*1 (for residential air conditioners)
Refrigerants used in developing countries	HCFC22	0.055	1,500	○	○	○	○	○
Refrigerants used in developed countries	HFC410A	0	1,725	○	○	○	○	○
Possible next-generation refrigerants	HFO1234yf	0	4	△	○	×	△	◎
	HFC32	0	650	△	○	○	○	◎
	CO_2	0	1	○	○	○	×	×
	Propane*3	0	3	×	○	○	△	○



*1 Global warming impact: The impact from energy use during air conditioner operation plus the impact from emission of refrigerants (Direct emissions plus emissions from manufacturing refrigeration)
Calculated for a 3.5-kW air conditioner in Europe under EuP standard conditions. CO_2 emission coefficient of 0.43 kg/kWh (Europe average), refrigerant recovery rate of 30%, leakage rate of 5%.
*2 Global warming potential is calculated using Second Assessment Report of the IPCC.
*3 According to IEC safety requirements with filling amount reduced.

Note: × indicates a condition not met. △ indicates a condition partially met. ○ indicates a condition met. ◎ indicates a condition met very well.

Daikin Efforts to Reduce the Environmental Impact of Refrigerants

Promoting Research into the Practical Use of a Range of Next-Generation Refrigerants

Daikin is working to find and apply next-generation refrigerants. Our focus is on selecting the right refrigerants for the particular application. From natural refrigerants to HFCs with low global warming impact, we are aiming for application of the most adequate refrigerant for each case. Besides testing factors like energy efficiency and cost during refrigerant use, we are conducting exhaustive experiments into risks such as flammability to find the most appropriate next-generation refrigerant.

Daikin has its sights set on HFC32 as the next-generation refrigerant for residential and commercial air conditioners. A type of HFC, it has only about one-third the global warming potential of currently used HFCs, and it offers superb energy efficiency. It is also similar in price to current refrigerants. However, because it is mildly flammable, it has never been put to practical use. Lowering global warming potential inevitably raises flammability.

The ISO is currently revising its basic safety standards for refrigeration and air conditioning equipment. The revision relates to categories of flammability for refrigerants with the new category of mildly flammable being added. This would mean that a substance like HFC32 with a low flammability could be adopted as a refrigerant. Daikin is taking part in working groups and calling for the practical application of refrigerants with mild flammability.

Low-Impact Refrigerants (Page 97)

Creating Ways to Prevent Refrigerants from Leaking

As well as conducting research into the practical application of next-generation refrigerants, Daikin is working to design air conditioners that emit as little refrigerant as possible into the atmosphere. For example, we are designing air conditioners that are easy to install and that have joints that prevent leaks even if the equipment is improperly installed. We are also working to make such joints the industry standard worldwide.

For the recovery of refrigerants, Europe already has a system for periodic inspection to ensure that no refrigerant has leaked from the equipment. The Japan Refrigeration and Air Conditioning Industry Association has begun creating industry guidelines, and Daikin is actively participating in this effort.

Daikin will continue to work towards the application of refrigerants that reduce environmental impact by seeking next-generation refrigerants for practical application and by creating ways to prevent refrigerants from leaking from equipment.

Recovering and Destroying Fluorocarbons from Customers' Air Conditioners (Page 115)

Environment

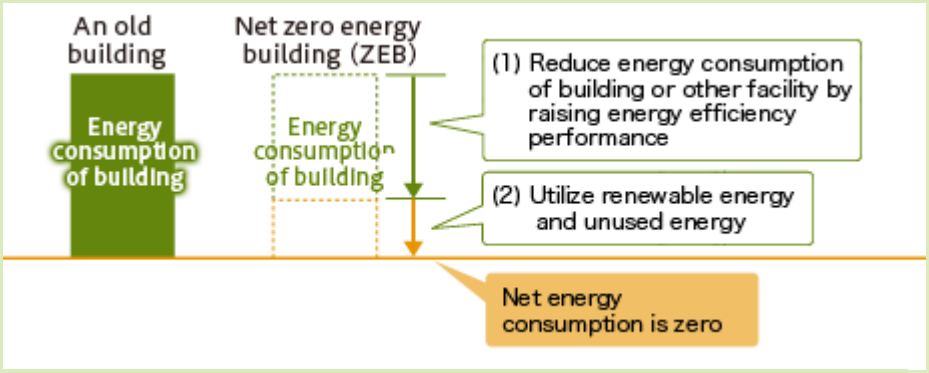
Solutions for Curbing Global Warming

Back ground

The world demands buildings with zero net energy consumption

Like the name suggests, a net zero energy building or facility is one in which measures such as improved energy efficiency performance and the utilization of renewable energy and unused energy result in net energy consumption of zero.

Japan has set a goal of having all new buildings achieve zero net energy consumption by 2030. Other countries are looking into similar initiatives.



Towards Net Zero Energy

Optimal Energy Management Solutions for Meeting Worldwide Customer Needs

Providing Total Solutions for Achieving Comfort and Energy Efficiency

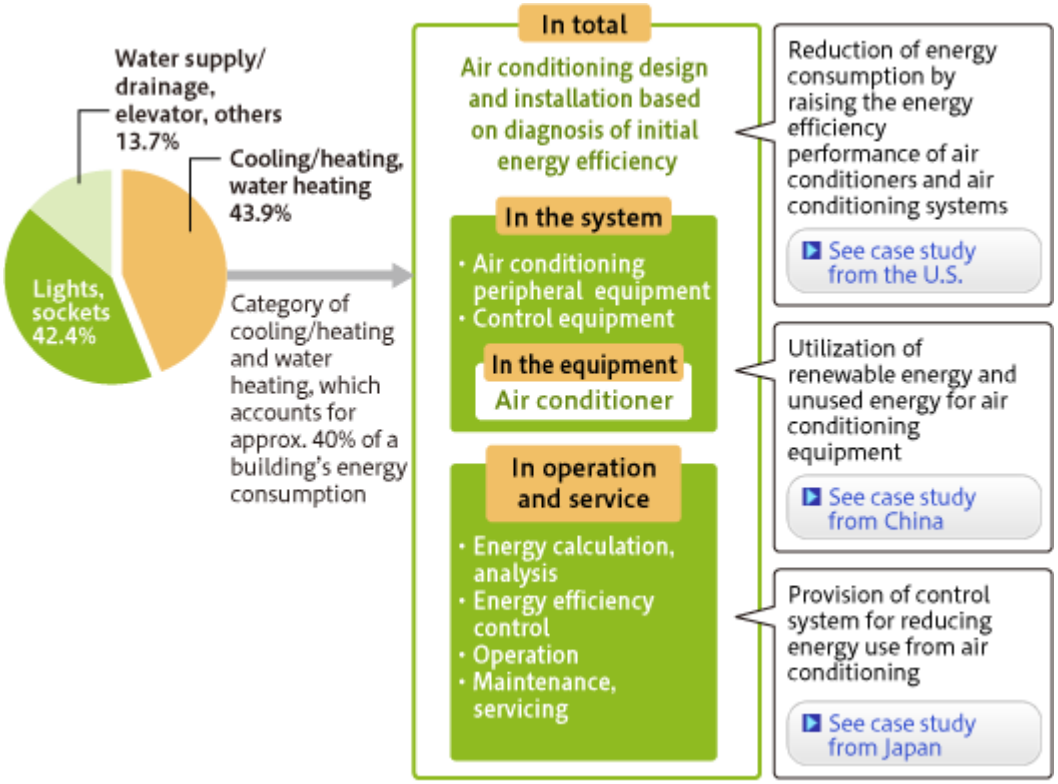
Aiming for Zero Energy Consumption in Buildings

Energy consumption has been on the rise in recent years in office buildings and other commercial facilities, creating a greater demand for energy-efficiency measures. Around the world, net zero energy buildings (ZEB) are being achieved through countermeasures for covering all on-site energy needs by increasing energy efficiency of buildings and facilities and by utilizing renewable energy.

To bring a building's net energy consumption down to zero, something must be done about air conditioning equipment, which accounts for about 40% of all energy consumption. And air conditioning is not just about temperature: it also serves the key functions of maintaining a comfortable indoor environment in terms of humidity and air quality.

To this end, the Daikin Group, in response to the various types of weather and customer needs around the world, provides versatile energy management that gives a comfortable room environment and a reduction in energy use. Through such solutions, we aim to contribute to the realization of net zero energy buildings.

Daikin's Solution



An Overall Solution towards the Net Zero Energy Building

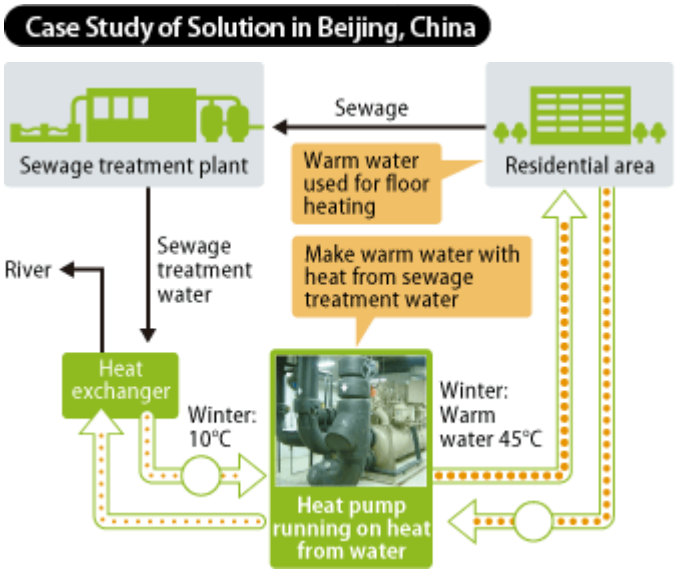
Realization of the net zero energy building will require further technological development that covers maximum utilization of renewable energy, more efficient products and systems, and electricity control systems that can cope with the electricity demands of future smart grids. The Daikin Group has been developing technologies and creating solutions that will bring us closer to buildings with a net energy consumption of zero.

- European Net Zero Energy Project Begins (Page 91)
- LEED® Gold Certification for Daikin-McQuay Applied Development Center in the United States (Page 114)

Case Study: Solution in China

Use Heat Recovery of Unused Energy for Heating

The utilization of renewable energy is indispensable for the realization of net zero energy buildings. Air conditioners use the heat from sources such as the outside air for room heating and cooling. But by also utilizing previously unused energy sources, such as heat from rivers, underground, and sewage, even more energy-efficient heating and cooling is possible.



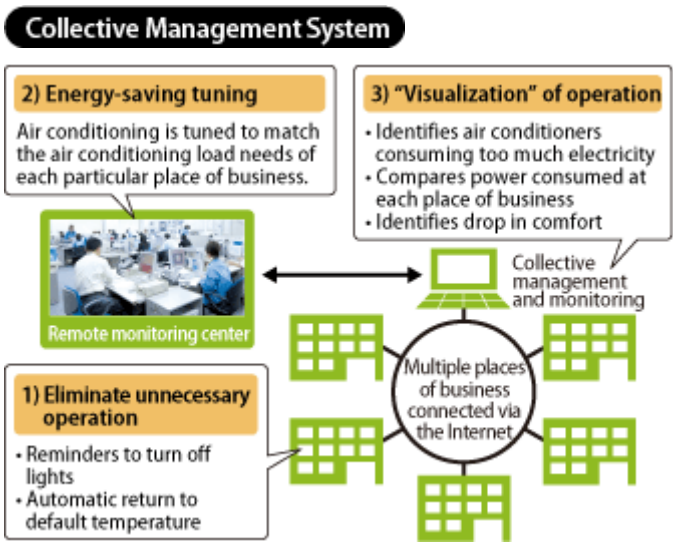
For example, Daikin provided a large public housing district in Beijing, China, with a system that uses the heat from recycled urban water in a sewage treatment plant to make warm water that is used for floor heating. In this cold region, combustion-type heaters with high CO_2 emissions are common since they can quickly generate warmth. However, thanks to this system, using the sewage heat, which is warmer than the outside air, compensates for the lack of heat compared to combustion-type systems, and the result has been an annual reduction of 4,300 tons of CO_2 emissions compared to gas-combustion heating.

And at our worldwide R&D sites, such as the Applied Development Center, jointly established by Daikin and McQuay, and the Environment Research Center at Daikin Europe N.V., we are conducting R&D for new products and systems that use renewable energy and accelerate our energy efficiency efforts.

Case Study: Solution in Japan

Collective Management of Multiple Buildings to Comply with Revised Rationalization in Energy Use Law

Daikin offers a total energy management service that covers energy efficiency and environmental consideration; a service solution in which, in addition to maintenance, we measure and analyze energy use and suggest ways to use energy optimally. For example, customers get maximum energy efficiency through measures such as reminders to turn off lights, the elimination of excessive cooling, and optimal control of air conditioning equipment according to the usage environment such as changes in temperature and humidity, and the intended use of the room.



In Japan, the revised Rationalization in Energy Use Law went into effect in April 2010, switching the energy management focus from individual places of business to entire companies. The revised law now covers entities such as companies possessing multiple stores using small amounts of energy and universities with multiple campuses.

The revised law provided an opportunity for Daikin's collective building energy management system centered around D-BIPS, a building integrated monitoring board. This system allows collective management of commercial air conditioning systems in multiple places of business, making possible reductions in air conditioning energy use of approximately 20%.

Remote monitoring center

Case Study: Solution in the U.S.

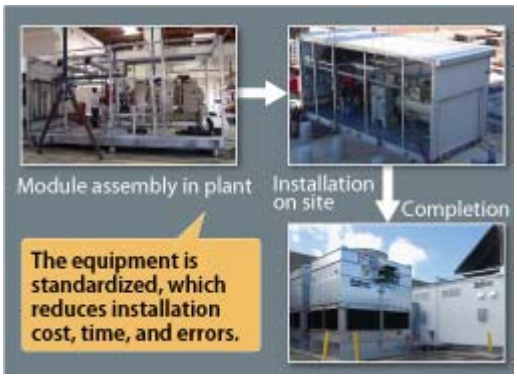
Total Solution for Enhancing Energy-Efficiency Performance of a Data Center to Achieve Energy Saving in Society

The widespread use of IT in today's society has created a new trend in which many companies' systems are outsourced to data centers. Whether it's a paperless office or an online store, IT has reduced the movement of people and the use of goods to reduce the environmental impact on society. On the other hand, data centers are taking up an increasing amount of energy, not just for the IT equipment itself, but for the air conditioning needed to keep the equipment cool and other devices such as uninterruptible power supply (UPS): these all need to be energy efficient.

Phoenix NAP, an industry-leading data center and network access point in Arizona, needed desperately to reduce its power consumption. In addition, it needed an air conditioning system that could provide stable cooling in case of a power failure or breakdown of air conditioning, as well as one whose cooling capacity could be easily increased when the data center expanded.

That's where Daikin came in with a solution for the design, installation, and operation of an air conditioning system. To meet every need of Phoenix NAP, Daikin proposed optimal energy-efficient equipment based on an energy diagnosis, and provided several redundancies and seamless connection with UPS system in case of breakdown or power failure.

The system was designed using Daikin's modular central plant system. This system standardizes units such as the air conditioner, Variable-Frequency Drive, and control devices into a module, which is assembled in a plant before going to the site. Because it can be easily expanded and moved, the system offers a flexible response to the needs of the data center for expansion, and it can be easily installed and tested for functions and operation.

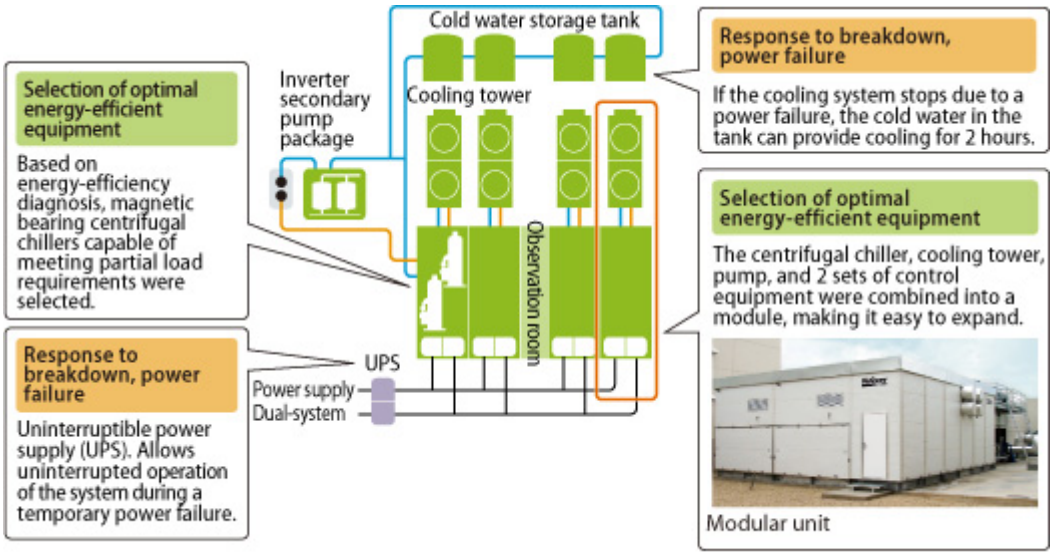


Module central system

Thanks to this system, installation at the Phoenix NAP data center took just two weeks, compared with the three to four months it would normally take to install a conventional system. The system also achieved 30% more energy efficiency than previous Daikin systems.

Flow of Contracting Solution

Case Study: Solution at Phoenix NAP Data Center



What Our Stakeholders Are Saying

Looking Forward to Even Greater Energy-Efficiency Performance

Ian McClarty
President Phoenix NAP

A big requirement for us was to ensure that we had great power usage effectiveness (PUE) from our chiller systems, which account for a large amount of the power we consume. The Daikin systems are incredibly efficient, and air conditioning levels can be adjusted to meet the load requirements of the data center. We anticipate that Daikin will produce chillers that offer even better performance and service than offered now.

Quality and Customer Satisfaction

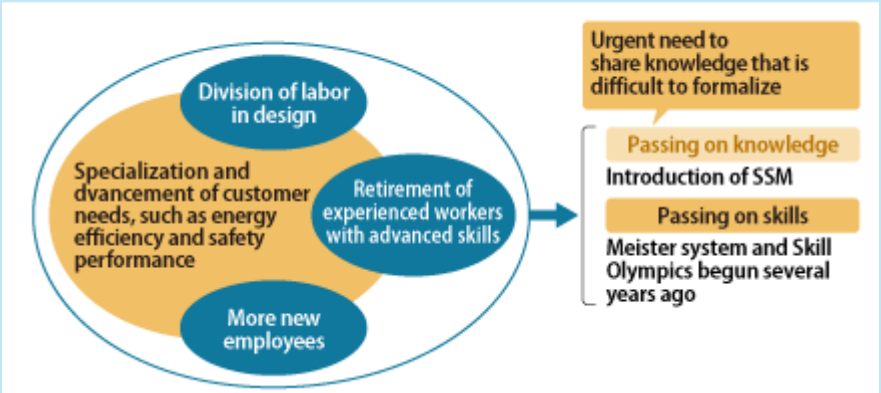
Improving Quality

Back ground

Passing on Knowledge to the Next Generation is Crucial in Meeting Customers' High Expectations

Customers have increasingly advanced needs that must be met with expert knowledge and techniques in development and design. At the same time, division of labor is increasing in the design process, and highly experienced and skilled engineers are retiring. To meet customer expectations with superior products, for several years now we have been having our experienced engineers pass on not only their on-the-job skills to younger employees, but also their knowledge and know-how that is hard to put into words.

The Changes in the Social Environment Surrounding Daikin



Using the Stress Strength Model (SSM)

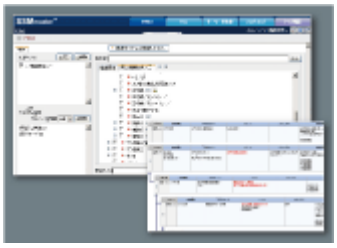
All Employees Take Part in Passing on Knowledge to Continue Meeting Customers' Increasingly Advanced Needs

SSM Shares Individual Skills and Know-How

Problems Segmented and Information Shared

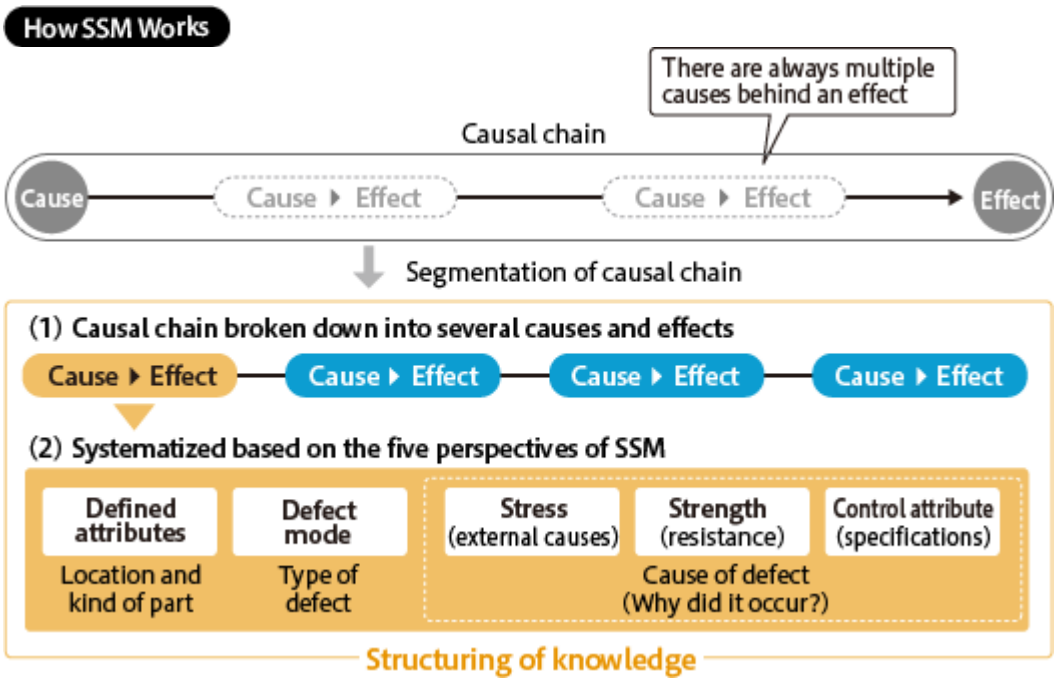
We introduced the Stress Strength Model (SSM) at the Shiga Plant in 2007, and have been using it to pass on knowledge, strengthen human resource capabilities, and provide better products.

SSM systematizes the knowledge related to the occurrence of problems that tend to occur in products and processes. It is a framework for predicting and preventing problems during design and planning. Problems are segmented into five perspectives based on their cause, and this information is compiled into a database. SSM thus makes it possible to systematize individual knowledge accumulated by an engineer over his or her career, including knowledge of problems and how to deal with them.



Accumulated knowledge shared on intranet

Normally in quality control using SSM, the accumulated knowledge is used to inspect for defects in the final stage of product design. But at Daikin Industries, it is used from the initial design stages to prevent wasted time and effort.



Improving Techniques and Awareness of Young Employees to Meet Customers' Product Expectations

Segmentation Process Contributes to Human Resource Development

In the process of the segmentation of problems, small groups of experienced and young employees brainstorm to determine the cause of problems. This creates an opportunity for human resource development by allowing young employees to sharpen their ability to understand the essence of problems.

Small group activity for segmentation

What Our Stakeholders Are Saying

Making a Habit of Questioning through Segmentation in Small-Group Activities

Hiroaki Nishino
Device Technology Product Development Group Air-Conditioner Manufacturing Division

At small-group activities for segmentation, experienced employees have younger staff think about why problems occur. This gets young staff in the habit of thinking about the mechanisms of problems. Experienced employees don't just lecture; rather, they let young staff think and speak up for themselves to gain a better understanding. This results in a team in which ideas come from the bottom up.

SSM Raises Everyone's Awareness

All employees in the design divisions use database information. It helps young employees detect problems and prevents defects caused from failure to notice or understand. It also helps young employees improve their techniques in a shorter time.

Daikin Industries takes a variety of measures to make SSM an integral part of the company at the earliest possible stage. For example, all employees take part in a monthly meeting at which effective case studies are shared, and the company has established an in-house SSM skills certification course. A three-level system for certification of employees' knowledge of both SSM theory and practical skills helps raise motivation. The result of these activities has been a dramatic improvement in quality, and in the awareness of the prevention of reoccurrences of problems.

Daikin Quality Control Method

1 Segmentation at small-group activities combining experienced and young workers

By having everyone brainstorm and share knowledge, think about causes of problems, and segment these causes, Daikin is training young workers who can determine exactly why something fails.

2 Information used in initial stages

Instead of simply doing a final check, workers use accumulated information for reference in the initial design stages to ensure there are no defects: this prevents problems from occurring in the first place.

3 All ideas shared at monthly meetings

At a monthly meeting, employees from all relevant divisions share examples of how accumulated information is being used effectively.

4 SSM skills certification boosts SSM user capabilities

There are three levels of SSM skills certification: novice, intermediate, and advanced. This certification system helps employees understand how much they know, boosts their motivation, and ensures that SSM gets used to maximum efficiency in Daikin work processes.

A Worldwide Effort—from Design though All Stages of Manufacturing

Provide High-Quality Products to Anywhere in the World

At the Shiga Plant, SSM is utilized not just in design but also in all divisions related to air conditioner manufacturing, from supplier auditing to maintenance of manufacturing facilities. In 2010, the Sakai Plant also introduced SSM.

As Daikin establishes plants around the world, it is crucial that we are able to provide customers, wherever they are, with the same consistently high quality. We will continue spreading the use of this system, at bases in China and India, and at our suppliers, so that we can offer customers quality that satisfies their needs.

Human Resources

People-Centered Management

Back ground

Group Philosophy and People-Centered Management (PCM) Are the Unifying Forces of the Daikin Group

In the Daikin Group, we believe that by having employees act based on our group philosophy and by building an environment where employees can grow by implementing People-Centered Management, we can achieve sustainable development and growth. As we accelerate business expansion on a global scale, we will have a greater number of employees of differing nationalities and values, and we will have more locally-hired management members. Against this background, we will implement our group philosophy and People-Centered Management and coordinate the direction of our worldwide Group companies so that we can become a truly global and excellent company.

Basic Management Philosophy of the Daikin Group

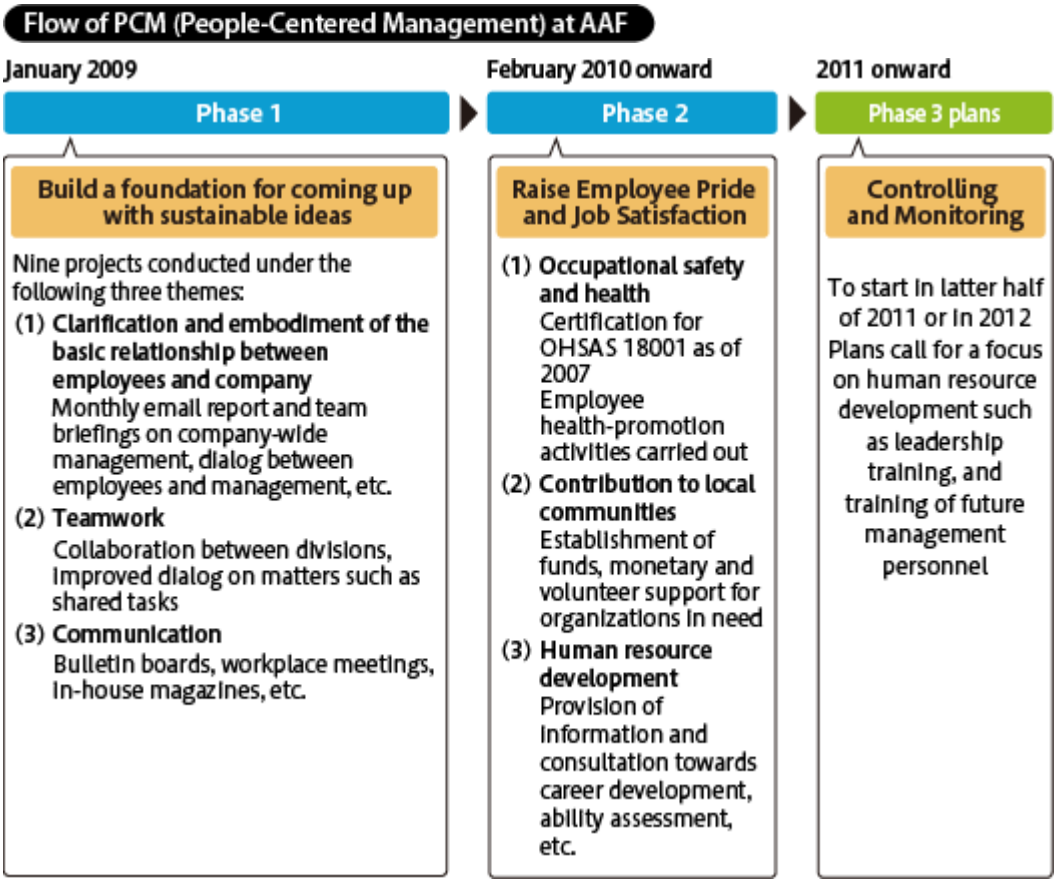
Becoming a Truly Global and Excellent Company

Implement People-Centered Management to Become a Company Where Individuals Grow

Implementing People-Centered Management (PCM)

AAF of the U.K. Starts PCM Activities

American Air Filter International (AAF) of the United Kingdom is a member of the OYL Group, which joined the Daikin Group in 2006. In January 2009, the company started a PCM (People-Centered Management) initiative with the full support of Daikin and OYL. In this model case for the Daikin Group, ten project members from various divisions lead the implementation of People-Centered Management through organizational reform involving all employees.



Stimulate Both Vertical and Lateral Communication

The focus of the phase one of PCM activities is communication between employees and management and between employees of different departments. Management personnel strive to provide information on business policy and the current state of management. In response, employees give their opinions, which are reflected in company management, creating a virtuous cycle that helps the company grow and allow employees to raise job satisfaction.

More active dialog was realized through an in-house newsletter and workplace discussion, and this created greater individual enthusiasm and consent. A questionnaire showed that 94% of employees feel that their opinions are being reflected in company business, and employees are now more eager to take action to contribute to the company.

A range of established activities promote in-house communication

Step up CSR to Raise Employee Pride and Job Satisfaction

The phase two of PCM activities began in February 2010 and involved reforming the development system in order to raise employee pride and job satisfaction. For employees who wanted to make greater contributions, the company offered measures that included recognition of individual talent and career paths in line with this talent. It also created an occupational safety and health system and stepped up community service activities. As a result of these efforts, employees felt more a part of the company, and AAF successfully realigned its organization so that employees were eager to solve problems.

These efforts were recognized in November 2010 by the Chartered Institute of Personnel and Development (CIPD), which awarded AAF with the Investors in People (IIP) Silver standard to honor outstanding human resource development. In April 2011, AAF was awarded the Investors in People Gold standard and soon after the company was invited to become the Investors in People Champion organization.

What Our Stakeholders Are Saying

Helping Employees Want to Get Involved

Lynne Jackson
Strategic Planning Associate AAF

A key to the success of the PCM activities is having employees and management engage in frequent and earnest dialog to understand each other's desires. AAF has striven to raise employee motivation to get involved by ensuring that everyone understands the significance, goals, and merits of PCM activities. I believe that it is precisely because of the participation of all employees that AAF was awarded the IIP Silver, Gold and Champion standards.

A Complete Foundation for Implementing People- Centered Management

Ryan Noble
Project Manager AAF

Employee participation is crucial to the success of PCM activities. Over the past two and a half years, we have built a complete foundation for implementing People-Centered Management by having employees think, speak up, and act on their own initiative. We plan to continue making PCM an even more integral part of the corporate climate of AAF.

Making PCM an Integral Part of Worldwide Group Companies

Putting Individual Philosophy into Action Leads to Company Growth

Based on the AAF model, Daikin's worldwide Group companies are putting into action the Daikin group philosophy and People-Centered Management, and at the March 2011 Group Management Conference, worldwide companies agreed to work towards this goal. Under the strategic management plan FUSION 15 beginning in fiscal 2011, one of the key themes is to further instill our group philosophy in the global group. Plans call for having management of Daikin bases develop a greater understanding of the group philosophy, holding training for leaders, and equipping companies with tools such as case study collections and training videos.

By having employees implement group philosophy and by creating an atmosphere conducive to employee growth through rewarding work, we strive to become a truly global and excellent company.

Social Contribution

Raising Environmental Awareness

Back ground

Providing Opportunities to Become Aware of the Relationship between Living Things and the Environment

The Circle of Life is a Daikin environmental education program that gives children the chance to become aware of and think about the relationship between living things and the environment, and between global environmental issues and the daily life of people in Japan. In addition to four lessons (five classes) led by the elementary school teachers, there are practical environmental lessons led by Daikin employees in response to school requests.

Overview of Circle of Life Program

Lessons 1 to 4 (5 classes) Lessons on the theme of forest issues to make students aware of the relationship between environmental issues and their daily lives.

Daikin → Teacher → Children

Daikin provides teaching material, teacher leads class.

Children
- Learn connection between people and nature and think about importance of environmental protection
- Become aware of relationship between countries of the world and one's own life
- Think about what individuals can do for the environment

Practical lessons (optional) Learn what companies are doing in their business to protect the environment

Daikin → Dispatch → Employees → Children / Teacher

Daikin employees lead classes.

Children
- Think about what individuals can do in their daily lives; learn that little efforts add up to big results

Employees
- Gain a deeper understanding of Daikin environmental activities, take pride in the company, and become more motivated
- Learn communication skills by speaking simply to the children

Environmental Education Program Developed for Elementary Schools

Opportunity to Raise Awareness among Both Children and Daikin Employees

Circle of Life Program Focuses on Forest Issues

On the Theme of Forest Issues in Indonesia

Daikin Industries developed the Circle of Life environmental education program on the theme of biodiversity and began implementing it on a voluntary basis in elementary schools in Japan in April 2010. As of March 2011, 34 schools had participated in the program.

This program follows the subject of a reforestation project that Daikin undertook together with an international NGO starting in June 2008 in Java, Indonesia. The program gives children the chance to become aware of the relationship between living things and the environment, and how people's lives would be affected in case of damage to ecosystems of which humans are a part, as well as the intricate connection between their daily lives and forest issues in Indonesia.

- The Circle Of Life (available in Japanese only)（http://www.daikin.co.jp/csr/edu/index.html）

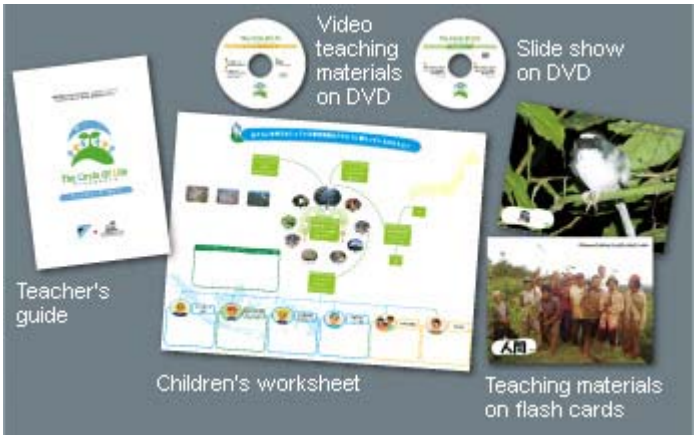
Program Raises Awareness of Relationship between Environmental Issues and Daily Life

Children Learn Connection between Environment and Living Things

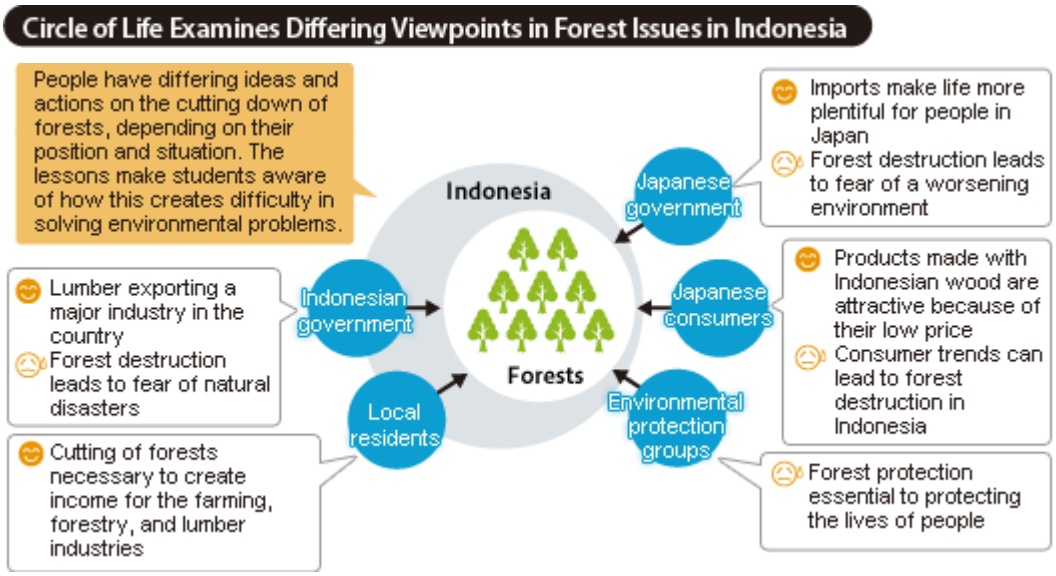
In the program, children do role-plays that make them think about the issue of cutting down trees in the forest from the perspectives of various people. Children learn that their plentiful lives in Japan are partly responsible for environmental destruction in other parts of the world, and they cultivate the ability to develop a solution while understanding that all players in an issue have differing viewpoints.

In a post-program survey of children, more than 90% responded that they would like to do whatever they can to solve environmental problems, and their comments included the following: "The world is more connected than I thought" and "I'm more interested in the environment and I want to save the Earth." This program has been successful in getting children to think of ways to earnestly tackle environmental problems on their own.

Worksheets like this raise children's environmental awareness



Daikin provides a variety of teaching materials using photos, graphs, and other visuals aids



What Our Stakeholders Are Saying

Message to Children from Global Corporation Daikin

Ryuichi Wada
Principal Mito Elementary School, Higashi-Osaka

It's impossible to be a global company these days without taking a global view and working to protect the environment. This program is opening the hearts and minds of today's children —those who will build the next generation—to the world around them. I really felt that these hands-on lessons inspired the children to take action. I am deeply grateful to Daikin.

Practical Lessons Raise Daikin Employees' Awareness

In addition to lessons taught by the school teachers, Daikin employees lead classes on request by the schools. The Daikin instructors apply for this job in-house and undergo training. Since the instructors are not environmental specialists but rather employees from marketing, production, and other departments, these teaching duties give them a chance to think about how their own jobs relate to the environment.

Daikin's next aim is to make an even more valuable program based on comments gathered from school teachers, students, and the Daikin instructors to help both children and employees raise awareness and take action.

What Our Stakeholders Are Saying

Through Teaching, We Learn

Tsutomu Yunoki
Osaka Service Station West Japan Service Department, After Sales Service Division

I taught the children that it is important to be motivated about the many things that they can do close to home to help protect the environment. I was extremely pleased when the children commented that it is important to care for the Earth. This program raised my own environmental awareness as well, and now in my daily work the environment has become a one of the central topics.

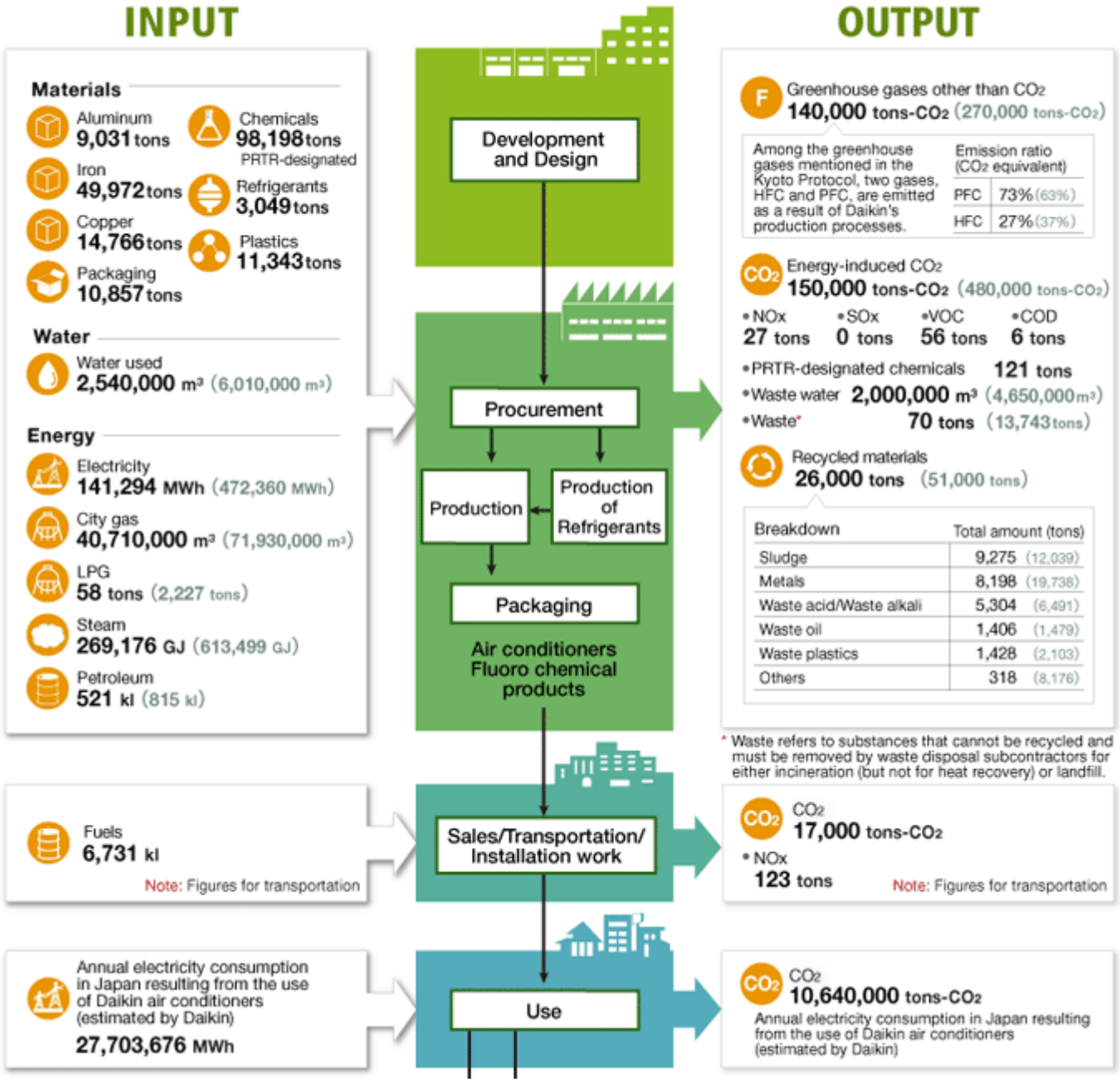
Environment

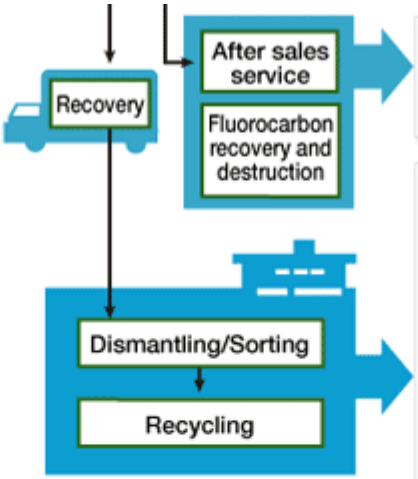
Reducing CO_2 and Fluorocarbon Emissions is a Top Priority

The Daikin Group focuses on reducing both fluorocarbon emissions generated during product manufacture and electricity used during air conditioner use, the major contributors to global warming.

Likewise, we strive to reduce environmental impact through the recovery and destruction of fluorocarbons during the processes of production, maintenance, and product disposal. In product development, we are shifting to refrigerant alternatives that do not deplete the ozone layer as we continue to work toward lessening the impact our business has on the environment.

(1) Data on this page is only from Daikin Industries in FY2010.
Figures in parentheses are global Group totals.





F Recovered fluorocarbons (At time of repair) **306 tons**

F Recovered fluorocarbons (At time of disposal) **39 tons**

F Recovered fluorocarbons (Electric appliances recycling) **145 tons**

Recycled materials **8,648 tons**

Breakdown	Total amount (tons)
Iron	3,700
Copper	726
Aluminum	546
Nonferrous metal/ Iron composite materials	2,929
Others	746

(2) OYL Group in FY2010 (for reference)

* FY2010 for OYL : Data for O.Y.L. Industries Bhd. and its subsidiaries, which the Daikin Group acquired in FY2006.

INPUT

Electricity	**97,507** MWh
City gas	**3,240,000** ㎥
LPG	**528** tons
Steam	**0** GJ
Petroleum	**1,437** kl
Water used	**630,000** ㎥

OUTPUT

Greenhouse gases other than CO_2	PFC	**0** tons-CO_2
	HFC	**5,000** tons-CO_2
Energy-inducedCO_2		**78,000** tons-CO_2
Waste water		**260,000** ㎥
Waste		**1,691** tons
Recycled materials		**19,000** tons

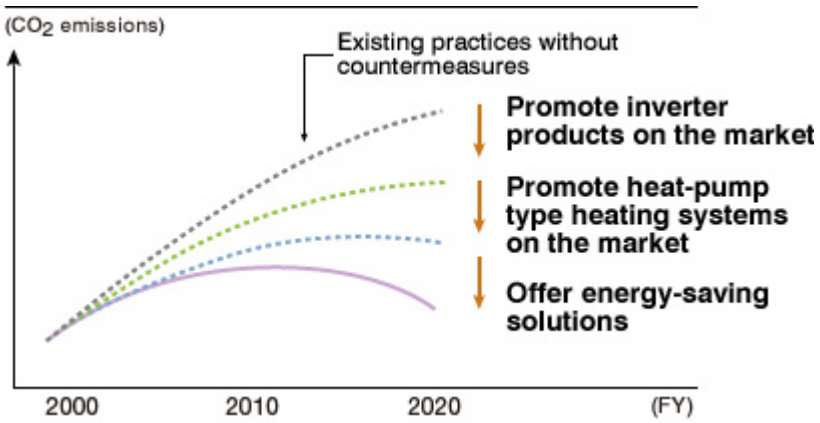
Achieving both environmental protection and economic growth will make Daikin Group a sustainable corporate group. We will realize this through the following three actions.

Providing the World with Products That Help Customers Reduce CO_2 Emissions

An air conditioner's life cycle shows that actual product use represents the greatest amount of energy use.

We help customers reduce CO_2 emissions with our energy-efficient products.

Vision Baseline Scenario of CO_2 Emissions from Product Use



Action Themes

Promote the use of inverter products offering both comfort and energy efficiency

Inverter air conditioner

Reduce CO_2 emissions by promoting the use of heat-pump type heating systems

"Eco-Cute" for residential use

"Daikin Altherma" hot water heating and interior heating systems

Offer energy-saving solutions

Air Conditioning Network Service System II

Develop future refrigerants

VRV using CO_2 refrigerant (Germany)

FY2010 Efforts

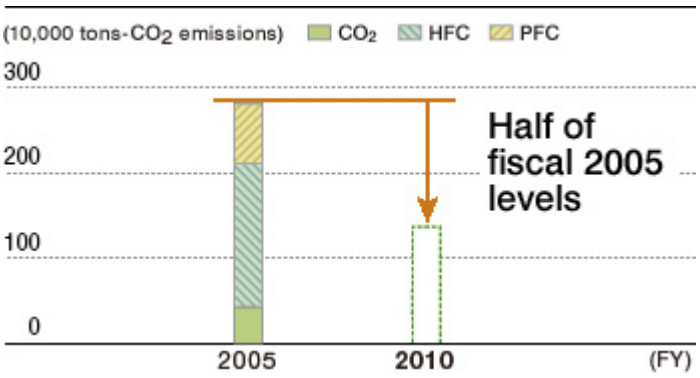
- Key Activities Feature 1: The Quest for Next-Generation Refrigerants (Page 42)
- Key Activities Feature 2: Solutions for Curbing Global Warming (Page 48)
- Low-Impact Products (Page 75)

Reducing Greenhouse Gas Emissions from Production

Greenhouse gas emissions from production processes represent a major impact of Daikin's business activities on the environment.

We aim to reduce fiscal 2010 greenhouse gas emissions from production processes to just half of 2005 levels (to less than 1.4 million tons).

Vision **Reduction in the Entire Group Greenhouse Gas Emissions**



Action Themes

Reduce CO_2 emissions from production

Improve production efficiency

FY2010 Efforts

- Low-Impact Production (Page 105)

Expanding a "Green Heart" *

The first step towards passing the abundance of nature on to future generations comes from cultivating a love of nature and putting this love into action.

We widely promote a "Green Heart" to communities and to future generations through contributions that meet the needs of each country and region.

* "Green Heart": think of the Earth and take care of the environment.

Vision Expanding a Green Heart

Action Themes

Reforestation and tree-planting

Reforestation project (Indonesia)

Environmental education

Environmental education (China)

FY2010 Efforts

- Environmental Communication (Page 147)
- Protecting Biodiversity (Page 152)
- Responsibility to Communities (Environmental Contributions to Society) (Page 225)

Reference

- Honors for Daikin (Page 32)
- Endorsement as an Eco First Company (http://www.daikin.com/csr/eco.html)

Environment

Results for the Environmental Action Plan 2010

Under the five-year FUSION 10 strategic management plan, which targeted fiscal 2010, the Daikin Group strove to develop and promote the use of environmentally conscious products and services on a basic policy of actively contributing to solving global environmental problems and expanding our business. Our environmental measures were conducted under our Environmental Action Plan 2010.

For details, see Environmental Action Targets and Achievements (Page 72)

1. Reducing Environmental Impact from Products

Five-Year Results

Promote and Expand the Use of Environmentally Conscious Products to Meet the Particular Needs of Each World Region

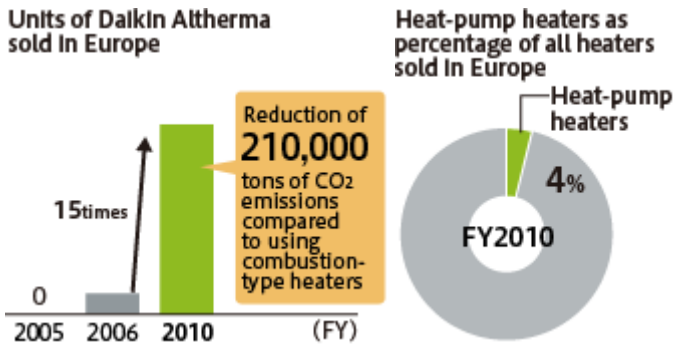
We have developed and provided air conditioner products and services that meet the environmental needs of each world region in terms of weather, culture, and economy.

Europe

Fifteen-Fold Increase in Heat-Pump[*1] Hot Water and Space Heating

We have successfully promoted the use of the Daikin Altherma hot water and space heating system, in the process contributing to the reduction of 210,000 tons of CO_2 emissions.

Proliferation Results



*1 Heat pump: A method for performing space heating and water heating by extracting and transferring thermal energy stored in the air (or water).

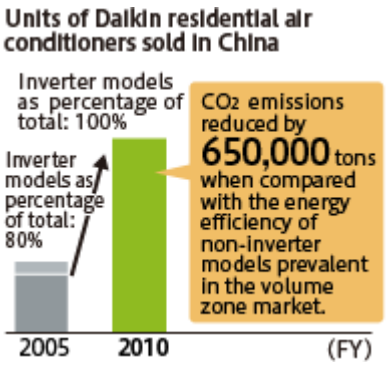
Promoting the Use of Heat-Pump Type Space and Hot Water Heaters (Page 86)

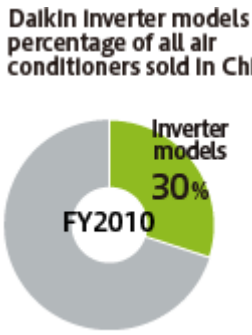
China

Promoting the Use of Affordable Inverter[*2] Products

The spread in use of inverter air conditioners reduced CO_2 emissions by 650,000 tons when compared with the energy efficiency of non-inverter models prevalent in the volume zone market.

Proliferation Results





*2 Inverter: Inverters are frequency conversion devices that enable the minute control of room temperature and thus reduce power consumption.

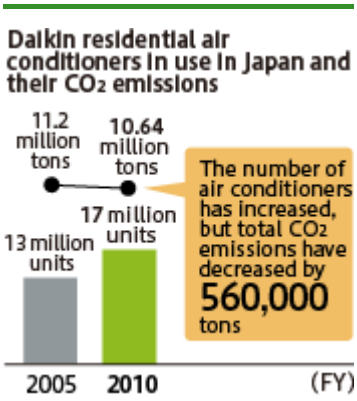
Promoting the Use of Inverter Products (Page 85)

Japan

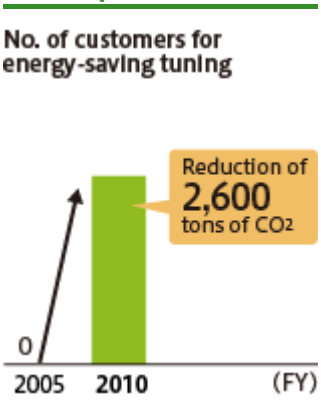
A New Approach to Energy Efficiency

Daikin has worked to raise the energy efficiency of equipment and spread the use of new energy-efficiency services.

Proliferation Results



Development Results

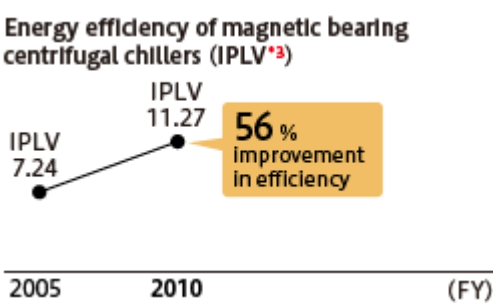


United States

Establishment of Applied Development Center Signals Start of Full-Scale Energy- Efficient Product Development

The Applied Development Center was established in fiscal 2009 to accelerate development of energy-efficient products.

Development Results



*3 IPLV: Integrated part load value. A measure of annual performance under conditions of actual use. The higher the value, the better the performance.

Future Targets

Promote the Use of Environmentally Conscious Products, Particularly in Rapidly Growing Developing Countries

Daikin will continue to provide air conditioning products and services that meet the environmental needs of each world region. Particularly in developing countries, which are growing fast but where increasing environmental impact is a problem, Daikin will provide products and technologies that contribute to economic progress yet still protect the environment.

Low-Impact Products (Page 75)

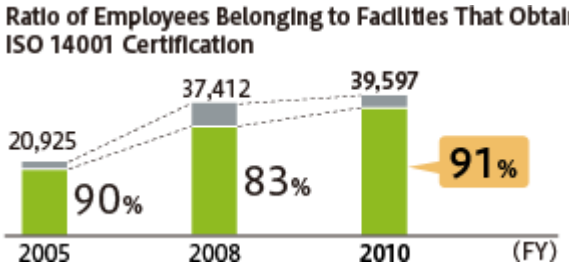
2. Reducing Environmental Impact during Production

(1) Management to Reduce Impact

Five-Year Results

Daikin Group's Global Integrated Management Moving Ahead

Daikin has been building and gradually implementing environmental management systems around the world. Currently 90% of all Daikin employees, including those in the OYL Group, which joined the Daikin Group in 2006, belong to facilities that have obtained ISO 14001 certification.



Future Targets

Managing the Setting and Progress of Environmental Targets for the Entire Daikin Group Including OYL

We will implement environmental management systems based on ISO 14001 at all worldwide production sites. We will monitor Group-wide progress towards this target, sharing information worldwide and stepping up activities.

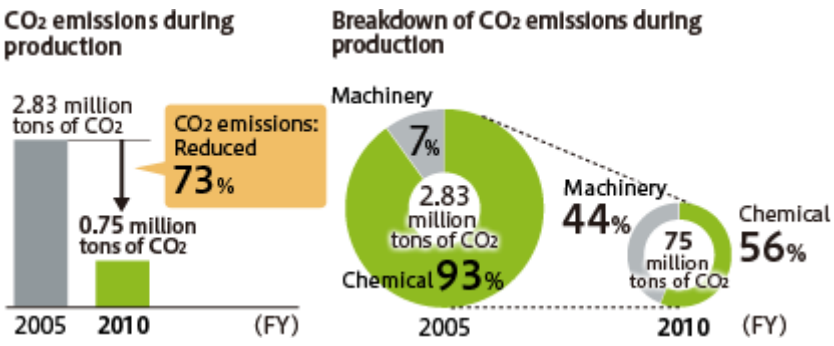
Environmental Management (Page 132)

(2) Impact Reduction Results

Five-Year Results

73% Reduction Against Fiscal 2005, Exceeding Target

In the Chemicals Division, we have done everything possible to recover and destroy fluorocarbons. As a result, we exceeded our target by reducing CO_2 emissions during production by 73% against fiscal 2005.



Future Targets

Reduce Emissions in Fiscal 2015 to One-Third of Fiscal 2005 Levels

Although Daikin business will expand in the coming five years, through energy efficiency measures and the recovery and destruction of fluorocarbons, we aim to reduce CO_2 emissions in fiscal 2015 to just one-third of fiscal 2005 levels.

Low-Impact Production (Page 105)

3. Expansion of Green Heart Efforts

Five-Year Results

Dramatic Expansion of Environmental Protection Activities in Which Group Employees Can Participate

Planting endangered species of trees (Thailand)

Protecting coral reefs (Thailand)

The Sakura Project (Shiga Plant)

Planting trees (Malaysia)

Future Targets

Conduct Environmental Activities Geared to Local Characteristics

Daikin will conduct activities geared to the characteristics and needs of worldwide bases and regions, in the process instilling people with a concern for nature that will carry on into future generations.

Environmental Communication (Page 147)

Environmental Action Targets and Achievements

Overview of Fiscal 2006-2010

Major Reduction of Greenhouse Gases during Production

During the five years starting in fiscal 2006, we built a global management system that includes ISO 14001 certification of major production sites.

To reduce the environmental impact of products, we achieved expanded sales of products with lower impact, such as energy-efficient air conditioners and heat-pump type space heaters, in more countries, and we continued to improve green procurement at overseas production bases.

To reduce environmental impact during production, we strove to reduce fluorocarbon emissions in production processes and cut energy-induced CO_2 emissions through improved production efficiency. As a result, we reduced CO_2 emissions by 73% over fiscal 2005.

In addition, we carried out environmental protection activities geared to the needs of each worldwide region and we were able to raise the environmental awareness of our employees.

■ Environmental Action Plan 2010[*1]

We have evaluated the results of FY2010 environmental conservation activities and expressed the achievement of each activity relative to our targets in three grades:

Outstanding Achievement Good Achievement Needs Improvement

Item		Objectives/Viewpoint	Target for FY2010	Results/Achievements in FY2010	Self-evaluation
Environmental management	Environmental Management System	Establish an Environmental Management System (EMS) at all group bases (including non-production bases) and have all group members operate under this EMS.	Have all production bases certified for ISO 14001.	Certification completed at all production bases.	
	Shared awareness	Improve knowledge of environmental issues among all group members.	Have all employees aware and taking action on their responsibilities to society.	All group employees in Japan took an annual e-learning course.	

Item		Objectives/Viewpoint	Target for FY2010		Results/Achievements in FY2010	Self-evaluation
Environmental communication	Information provision	Recognizing that accurate and impartial disclosure of information is a responsibility of corporate citizens, Daikin will gain the trust of customers and society.	Provide more information and a wider range of PR activities.		• Published annual Group report. • Published annual CSR Report in Europe, China, and ASEAN. • Published information on website.	
	Community and environmental contributions	Carry out environmental activities that help communities and society.	Carry out activities on a regular basis.		Conducted activities in different regions. Example: Tree planting by employees (Thailand), environmental lessons in schools (China, Japan)	
Product efforts (Air conditioning equipment)	Daikin Eco-Products (Air conditioners)	Reduce environmental impact from products by making more environmentally conscious products.	Make products achieving the new voluntary environmental standards account for at least 50% of products sold in Japan.		Eco-products accounted for 96% of all products.	
	Green procurement	Increase procurement from suppliers offering products manufactured with consideration for the environment.	Japan	Have at least a 95% green procurement rate.	99%	
			Overseas	Raise the green procurement rate.	China: 89%, Thailand: 97%, Other countries in Asia and Oceania: 85%, Europe: 82%, North America: 45%	
	Recovery and destruction of refrigerants	Prevent further depletion of the ozone layer and work to prevent global warming by encouraging the recovery of refrigerants on the market and reducing refrigerant emissions from active and used products.	Japan	Recover at least*2 90% of refrigerants from used products and products under repair.	Recovered 94% from used products. Recovered 89% from products under repair.	
			Overseas	Build system for recovering refrigerants.	Installed recovery equipment at all service stations.	

Item		Objectives/Viewpoint	Target for FY2010		Results/Achievements in FY2010	Self-evaluation
Production efforts	Green Heart Factory	Raise environmental performance of plants.	Make factories in Japan Green Heart Factories.		Factories in Japan expected to obtain Green Heart certification.	
	Reduction of greenhouse gas emissions	Reduce greenhouse gas emissions at plants for the entire Group.	Reduce greenhouse gas emissions by 50% against fiscal 2005.		73% reduction	
	Reduction in energy consumption	Reduce the energy consumption of the entire Daikin Group and decrease emissions of CO_2.	Japan	Reduce CO_2 emissions per sales by 15% compared to fiscal 2000.	34% reduction	
			Overseas	Reduce CO_2 emissions per sales by 10% compared to fiscal 2005.	9% reduction	
	Waste emissions	Reduce waste from every production base by promoting recycling and reuse, by eliminating disposal (zero waste emissions), and by landfill and incineration.	Japan	Maintain and improve zero waste achievements.	Maintained a 99.5% recycling rate.	
			Overseas	Improve the recycling rate (according to targets in each region).	Seven of 20 companies achieved zero emissions.	
	Chemicals management	Promote management of chemicals according to Daikin's guidelines for the management of chemical substances.	Japan	Reduce emissions of hazardous substances (PRTR substances) by 70% against fiscal 2005.	87% reduction	
			Overseas	Control the amount of hazardous substances released and handled.	Control carried out on a regular basis.	
Sales	Greater sales of products that contribute to reduced environmental impact	Increase the proportion of energy efficient air conditioners to reduce CO_2 emissions resulting from the operation of air conditioners.	• Increase sales of energy-efficient products. • Increase sales of heat-pump type heaters.		• Increased sales of inverter products in China. • Increased sales of heat-pump type heaters in Europe.	
Logistics	Reduction in CO_2 emissions resulting from transportation	Reduce CO_2 emissions by promoting efficiency in transportation.	Japan	Reduce CO_2 emissions per sales by 13% compared to fiscal 2005.	13.5% reduction	

*1 Excluding the OYL Group.
*2 Based on Daikin standards.

Environment
Low-Impact Products

**The Daikin Group is developing products with minimal environmental impact by raising energy efficiency, switching to refrigerants with the least possible burden on the environment, and making products easier to recycle.
We are also striving to reduce the impact that chemicals have on human health and the environment.**

Daikin Eco-Products

96% of Products Satisfy Strict Voluntary Standards for Daikin Eco-Products

We assess products starting from the planning and design stages to ensure that they are energy efficient and recyclable.

We have in-house standards for assessment criteria and products that achieve these standards are named Daikin Eco-Products. These Eco-Products account for an increasingly higher percentage of the products we sell.

Read more

(See page 78)

- Environmentally Conscious Design through Product Assessment
  - Product Assessment Items
  - Daikin Eco Products as Percentage of All Products
  - Voluntary Environmental Standards for Daikin Products (established 2001, revised 2007)
- Improving Energy Efficiency of Air Conditioners
  - Sample of LCA: Comparison of Life Cycle CO_2 Emissions(energy-induced CO_2)
  - Electricity Consumption and Energy Consumption Efficiency (residential air conditioners)
  - Electricity Consumption and Energy Consumption Efficiency (commercial air conditioners)
- Daikin Eco-Products

Promoting the Use of Inverter Products

2009 Joint Venture with Major Chinese Manufacturer to Tap World Inverter Product Market

The Daikin Group aims to provide more highly energy efficient inverter air conditioners worldwide and thus reduce the amount of CO_2 emissions from energy consumption during product use.

Read more

(See page 85)

- Inverter Technology
- Promoting the Use of Inverter Products
  - Inverter Air Conditioners as Percentage of all Room Air Conditioners in China

Promoting the Use of Heat-Pump Type Space and Hot Water Heaters

Promoting Heat-Pump Products in Space and Hot Water Heating Market

The Daikin Group is developing space and hot water heaters using highly energy efficient heat-pump technology. In heat-pump technology for air conditioning, heat is drawn from the air and transferred for use as cooling or heating. Compared to space or water heating methods that burn fossil fuels directly, it produces less than one-half the CO_2.

Read more

(See page 86)

- Heat Pump Systems for Space Heating and Water Heaters
- Promoting the Use of Heat-Pump Type Space and Hot Water Heaters
  - Features of the MEGA-Q
  - Comparison of Annual CO_2 Emissions: MEGA-Q Large-Scale Commercial Heat Pump Water Heating System versus Combustion-Type Boiler

Products That Help Customers Save Energy

Daikin Helps Customers Reduce CO_2 Emissions with Air Conditioners, Chemicals, and Oil Hydraulic Products

Room air conditioners, large commercial air conditioners, fluorochemical products, and oil hydraulic products-Daikin develops environmentally conscious products so it can offer complete packages for helping customers reduce their overall CO_2 emissions.

Read more

(See page 88)

- Air Conditioning Products
  - Air Conditioning Network Service System II
  - VRV Energy-Saving Tuning
  - DESICA Commercial Air Conditioning System
  - Freezing, Refrigeration and Air-Conditioning Heat Recovery System
  - Products Compliant with EU's ErP Directive
- Fluorochemical Products
  - ZEFFLE Infrared Reflective Coating
  - DAI-EL Fluoro TPV
- Oil Hydraulic Equipment
  - Energy-Efficient Hybrid Hydraulic Super Unit
  - AKZ9 Series Oil Cooling Unit
  - Hybrid Construction Machinery

Environmentally Conscious Fluorochemical Products

The Unique Characteristics of Fluorine are Applied in Fields Such as Fuel Cells and Solar Cells

Fluorine mainly bonds with carbon atoms to become compounds that are highly stable and have useful functions such as the ability to resist heat and repel chemicals.

Daikin uses the unique characteristics of fluorine to bring consumers a range of products that help protect the environment.

Read more

(See page 95)

- Fluorochemical Products That Contribute to Environmental Protection
  - Environmental Solutions Pioneered with Fluorochemical Products
  - Cross-section of three-layer fuel hose using fluoroelastomer
- Reducing PFOA Emissions

Low-Impact Refrigerants

Daikin is developing refrigerants that do not deplete the ozone layer and that have low global warming potential.

We can offer the most adequate refrigerant for each case, we are conducting R&D that will achieve practical use of everything from natural refrigerants to HFC fluorocarbons, which have a relatively low global warming potential.

Read more

(See page 97)

- Protecting the Ozone Layer
  - Switching to HFC Refrigerants Around the World
- Low-Impact Refrigerants
  - Daikin's Stance on the Environmental Impacts of Refrigerants

- See Key Activities of Fiscal 2010: The Quest for Next-Generation Refrigerants (Page 42)

3R & Repair

Designing Products that are Easy to Dismantle and Separate: Recycling Used Air Conditioners

The Daikin Group strives to use resources as effectively as possible by carrying out the 3Rs—reducing, reusing, and recycling—along with repairing under its 3R & Repair initiative.

We develop products that are smaller and lighter, and that use materials and designs that are easy to separate and recycle.

Read more

(See page 100)

- 3R & Repair
  - 3R & Repair: Approach
  - 3R & Repair: Effective Use of Resources
- Recycling
- Reducing
  - Amount of Packaging per Product (wood, cardboard, styrofoam, etc.)
- Reusing
- Repair
  - Daikin Service Network
- Recycling Residential Air Conditioners
  - Recycling of Residential Air Conditioners in FY2010 (Japan)

Environmentally Conscious Design through Product Assessment

Only Products that Pass 14 Assessment Items Make it to Market

Besides factors like performance and ease of use, the Daikin Group stresses environmental performance in product development. We strive to raise this environmental performance by incorporating product assessment in the planning and design stages for new products.

Product assessment consists of 14 assessment items that we strictly adhere to in developing products.

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

■ Product Assessment Items

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

For details on product assessment items, see the following website.(Page 82)

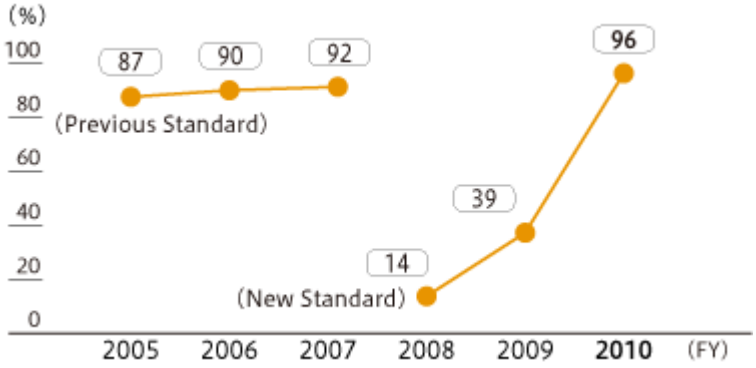
Products that Pass Voluntary Environmental Standards Designated as Daikin Eco-Products

We have voluntary environmental standards for assessment criteria with an especially large environmental impact, and we assess scores on the environmental impact of residential products and their packaging. Products that score 80 points or more are designated as Eco-Products, a category that accounts for an increasing percentage of our offerings: 92% in fiscal 2007.

In fiscal 2007, Eco-Products accounted for 92% of our products. That same year, to make products with even higher environmental performance, we revised our voluntary environmental standards by tightening criteria for global warming impact.

In fiscal 2010, 96% of our products achieved this strict new standard for Eco-Products.

Daikin Eco Products as Percentage of All Products



Note: We revised our voluntary environmental standards in fiscal 2008.

Voluntary Environmental Standards for Daikin Products (established 2001, revised 2007)

Products that score 80 points or more are designated as Eco-Products

			points
Product itself	Global warming prevention	Has added value in the form of energy- and resource-saving functions.	5
		Consumes less energy during product use.	25
		Consumes less energy in standby mode.	7
		During disassembly, no environmentally harmful substances leak and the product poses no danger to humans.	1
	Resource savings	Products are of reduced weight and size.	4
		Less refrigerant (HFC) is used; or refrigerant has a low global warming impact.	5
		Structure and assembly allow for easily disassembly by hand.	8
		Greater percentage of total product can be recycled.	5
		Uses easy-to-recycle plastic.	5
		Uses recycled plastic.	5
		Product has greater durability.	2
	Fewer hazardous substances	Contains no hazardous substances.	15
		Contains no PVC.	2
	LCA	Environmental impact in the product life cycle can be decreased.	5
Packaging	Resource savings	Packaging is lighter, smaller, and simpler.	4
	Fewer hazardous substances	There are no substances harmful to human health, and there are no substances that hinder efforts to properly treat and recycle materials.	2
		total	100

Improving Energy Efficiency of Air Conditioners

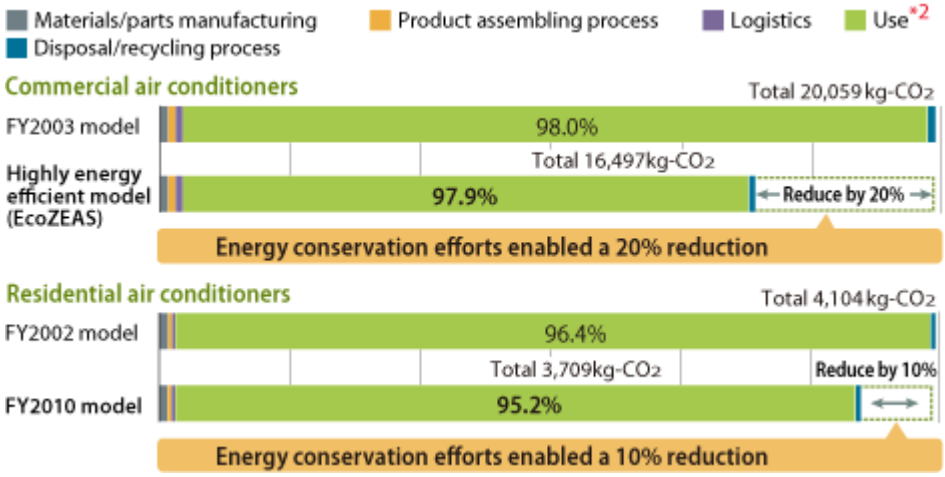
Improving Energy Efficiency to Achieve Fiscal 2010 Standards

In the life cycle of an air conditioner, from design and manufacture to use and disposal, the majority of the CO_2 that is emitted occurs during product use: over 90% in fact.

That is why when we revised our voluntary environmental standards in fiscal 2007, we tightened our criteria for energy efficiency in the product use stage in order to improve the energy efficiency of products.

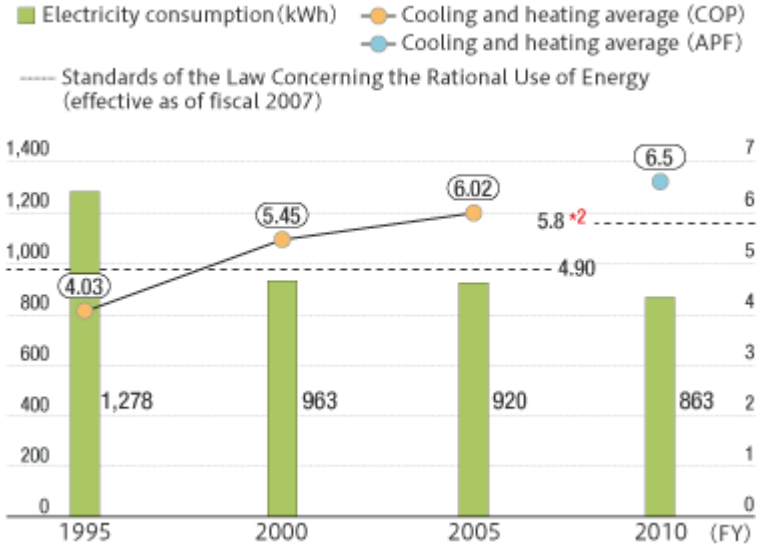
Sample of LCA: Comparison*1 of Life Cycle CO_2 Emissions(energy-induced CO_2)

More than 90% of the CO_2 emissions (energy-induced CO_2) during the life cycle of an air conditioner come during product use. That's why we put the majority of our efforts into making products more energy efficient.



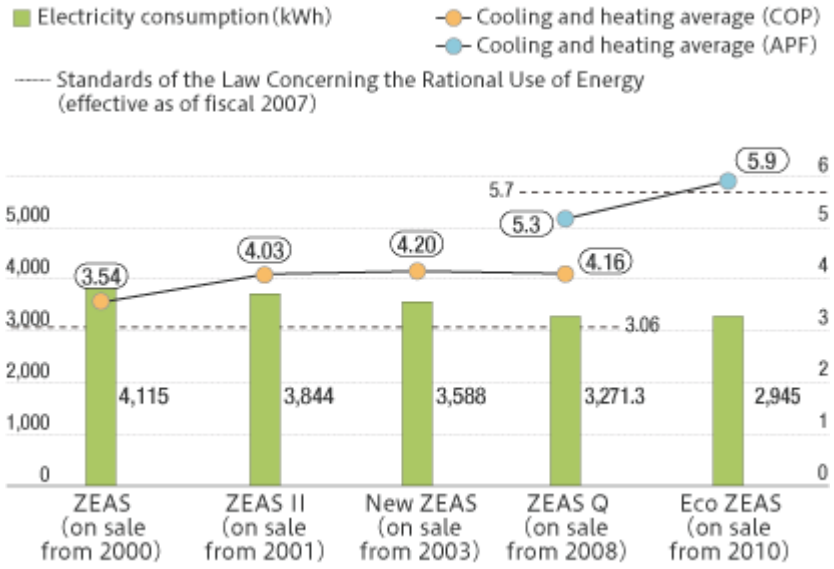
*1 Based on Daikin standards for 14-kW class commercial air conditioners and 2.8-kW class residential air conditioners.
*2 The seasonal power consumption is calculated in accordance with: The standard of the Japan Refrigeration and Air Conditioning Industries Association for commercial air conditioners. The Japanese Industrial Standards for residential air conditioners.

Electricity Consumption and Energy Consumption Efficiency (residential air conditioners)*1



*1 Calculated for Daikin 2.8-kW class air conditioners. Under JIS conditions.
*2 For products with prescribed measurements

■ Electricity Consumption and Energy Consumption Efficiency (commercial air conditioners)*



* Calculated for Daikin 14.0-kW class air conditioners. Under conditions of the Japan Refrigeration and Air Conditioning Industry Association.

In 2006, the Law Concerning the Rational Use of Energy was partially revised: residential air conditioners of 4.0 kW or smaller now have to achieve not only the COP standard values, but also APF standard values with fiscal 2010 as the target year.

* COP APF:
COP (coefficient of performance): The value of kW of cooling or heating capacity generated per 1 kW of power consumption. Calculated as follows: Cooling or heating capacity (kW) divided by electricity consumption (kW).
APF (annual performance factor): The ratio of the total heat quantity (Wh) required to cool and heat a room during both the cooling and heating period to the total power consumption (Wh) during the same period. This allows calculation of an efficiency figure that more closely approximates the figure during actual use.

TOPICS

Daikin Eco-ZEAS 80 Achieves Industry's Top APF

The Eco-ZEAS 80 energy-efficient inverter air conditioner was the first product in the industry to achieve the 2015 APF standard values under the Rationalization in Energy Use Law. It has sold briskly since its release in May 2010. We proceeded to improve the energy efficiency through measures including making the heat exchanger and compressor more efficient, and as a result we achieved the industry's top APF. A new version was released in April 2011.

This improved APF can result in annual CO_2 emission reductions of up to 80%*.

* Daikin calculations. Comparison of new product (with automatic filter cleaning function) and Daikin RYJ80F (released 15 years ago).

Daikin Eco-Products

Ururu Sarara

Daikin's Ururu Sarara residential air conditioner includes energy-efficient functions like a swing compressor and slick fin heat exchanger, allowing users to save up to 50% of seasonal power consumption compared to 11 years ago.

Product Assessment Items

	Assessment item	Assessment standard
01. Weight reduction of products	1-1 Weight reduction of product	Has product weight been reduced?
	1-2 Weight reduction of main materials and parts	Have main materials and parts been reduced, or been used in improved yield?
	1-3 Weight reduction of scarce materials	Have fewer scarce materials been used?
	1-4 Reduction of refrigerants, use of natural refrigerants	Has less refrigerant (HFC) been used, or has refrigerant with low GWP been used?
02. Use of recycled materials and parts	2-1 Use of recycled plastics	Have recycled plastics been used?
	2-2 Labelling use of recycled plastics	Have parts been labelled as using recycled plastics?
	2-3 Use of recycled parts	Have reused parts been used, and are these of standard quality?
03. Raise possibility of reuse of resources	3-1 Raise recycling ratio	Has the overall possible recycling ratio of the product been raised?
	3-2 Raise possibility of use of plastics	Have easy-to-recycle plastics been used?
04. Product life extension	4-1 Improve durability of products	Are products more durable?
	4-2 Improve durability of parts and materials	Have durable parts and materials been used?
	4-3 Improve ease of parts replacement	Does construction allow for easy consumables replacement, and is information provided on how to replace consumables?
	4-4 Make it easier to maintain and repair	• Have parts requiring maintenance and repair been clearly indicated? • Are parts common across products? • Does construction allow for easy maintenance and repair?
	4-5 Tell customers how to get longer use out of products	• Has information been provided to end users and repair outlets on how to get longer use out of products? • Have repair outlets been provided with information on repair diagnosis and repair measures, and safety?
05. Ease of collecting/transporting	5-1 Make work of collecting and transporting easier	• Have items been loaded evenly and balanced, and can collection and transport take place safely? • For heavy, bulky items, are handles and wheels properly positioned?
	5-2 More efficient loading when collecting and transporting	Is it easy to improve loading efficiency, and is there no danger of items falling off?

	Assessment item	Assessment standard
06. Ease of disassembly and separation of materials by hand	6-1 Make it easier to disassemble and separate items by hand	Does construction allow for easy removal of items to be disassembled and separated by hand?
	6-2 Make disassembly easier	• Are construction and assembly such that disassembly by hand is easy? • Are there fewHas compound material been reduced? screws that need to be removed during disassembly by hand? • Has information been provided that makes disassembly easy?
	6-3 Reduce compound materials	Has compound material been reduced?
	6-4 Use common materials across products	Have common materials been used across products?
	6-5 Label types of materials to make separation easier	Have plastic parts been properly labelled as such?
07. Ease of shredding/classifying for recycling	7-1 Make shredding easier	• Is shredding with a shredder easy? • Can products and parts fit into a shredder? • Has there been a check to ensure that there are no substances that may damage or dirty the equipment or the materials that will be reused?
	7-2 Make classifying easier	• Are there any foreign materials containing similar properties? • Have common materials been used across products?
08. Packaging	8-1 Reduce weight of packaging, simplify packaging	• Has packaging weight been reduced, and packaging simplified? • Is used packaging compact, or is it easy to take apart, collect, and transport?
	8-2 Make it possible to recycle more packaging	• Has the use of compound materials been reduced? • Is it easy to separate each type of material in compound materials? • Have common materials been used across products? • Has packaging reuse been considered?
	8-3 Reduce or eliminate hazardous or poisonous packaging materials	Has there been a check to ensure that there are no substances used that are harmful to human health, or that will hinder proper processing or recycling?
	8-4 Use recycled packaging materials	Has recycled packaging material been used?
	8-5 Have labelling identifying packaging materials	Does labelling identify packaging materials according to laws?
09. Safety	9-1 Improve safety in the production process	Is the production process safe?
	9-2 Improve safety in distribution	Is transportation safe?
	9-3 Improve safety during product use	Is it safe to use the product?
	9-4 Improve safety during servicing	Is product servicing safe?
	9-5 Improve safety during recycling	• Is it safe to recycle the product? • Is it safe to disassemble and separate the product by hand?

	Assessment item	Assessment standard
10. Environmental conservation capabilities	10-1 Ensure compliance with legal restrictions on environmentally harmful substances	Are amounts of environmentally harmful substances within legal limits?
	10-2 Remove environmentally harmful substances from products	• Are products free of prohibited substances on the list of designated chemical substances in the Green Procurement Guidelines (4th edition)? • Prohibited substances are (1) previous prohibited substances, F gas from foaming agents, (2) RoHS substances.
	10-3 Reduce PVC	Has the amount of PVC been reduced?
	10-4 Ensure environmental protection during recycling and disposal	• Has it been ensured that during disassembly, environmentally harmful substances will not leak or will not pose a danger to workers? • Has it been ensured that the recycling facilities will not be harmed in any way by the recycling process? • Have substances that may cause environmental impact during recycling or afterwards been reduced to the minimum? • Is it easy to remove parts containing environmentally harmful substances?
	10-5 Provide information to persons at all stages of the life cycle	• Have users been given important information at time of purchasing? • Have users and repair persons been informed of important points to keep in mind during product use, repair, and movement? • Does the user manual and other documents give users important points to keep in mind when disposing of product? • Can retailers, or those transporting, installing, or collecting products easily know important points to keep in mind during product collection and transport? • Are important points to keep in mind written on the product itself for those recycling and disposing of the product?
11. Energy and resource conservation in use	11-1 Include energy and resource saving functions	Are there energy and resource saving functions?
	11-2 Improve energy efficiency during use	Has the product been made more energy efficient during use?
	11-3 Reduce energy consumption in standby mode	Has the product been made more energy efficient in standby?
	11-4 Reduce amount of product consumables	Has the amount of consumables been reduced?
12. Disclosure of information	12-1 Label product, parts, user manual, packaging, etc.	Is labelling of product, parts, user manual, and packaging in line with labelling guidelines?
	12-2 Provide information on recycling and waste treatment	Are there sufficient documents (treatment manuals) with information on safety during processing so as to promote recycling and environmental protection?
13. Reduction in environmental impact in the manufacturing process	13-1 Reduce emissions from manufacturing	Has the amount of by-products (emissions from manufacturing) been reduced?
14. LCA	14-1 Determine the environmental impact at each lifecycle stage	Has environmental impact been determined for the material, production, transport, use, and disposal stages?
	14-2 Consider how to reduce environmental impact during the lifecycle	Is it possible to reduce environmental impact?

Low-Impact Products

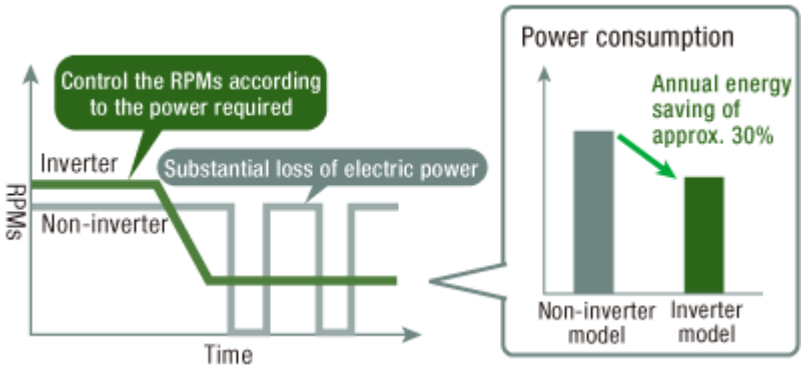
Promoting the Use of Inverter Products

Inverter Technology

Can Reduce Power Consumption by Approx. 30%

Inverters are frequency conversion devices that control electrical voltage, current, and frequency. Since inverter technology enables the minute control of room temperature, air conditioners equipped with inverters can reduce annual power consumption by approximately 30% compared to non-inverter models (Daikin estimate for residential air conditioners).

■ What is Inverter Technology?



Promoting the Use of Inverter Products

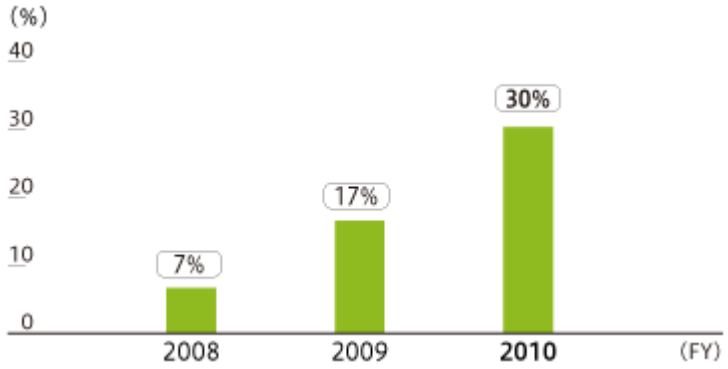
Manufacturing Low-Cost Inverter Products in China to Sell Worldwide

The Daikin Group aims to provide more highly energy efficient inverter air conditioners worldwide and thus reduce the amount of CO_2 emissions from energy consumption during product use. The motor rotation in an inverter type air conditioner is variably controlled, which reduces energy use by about 30% compared to non-inverter models. While most air conditioners in Japan today are inverter models, most in use outside Japan are non-inverter models.

Making inverter air conditioners more affordable is key to achieving their widespread use. To this end, in March 2009, Daikin Industries and major Chinese air conditioner manufacturer Gree Electric Appliances, Inc of Zhuhai established two joint venture companies to manufacture key components and molds for highly efficient, low-cost inverter air conditioners. The joint ventures have fused Gree's strength in production and procurement of raw materials and parts with Daikin's expertise in energy-efficiency technology to jointly develop low-cost air conditioners.

Manufacture of these products began in October 2009 and Daikin's aim is to tap markets where inverter products still have low market penetration.

■ Inverter Air Conditioners as Percentage of all Room Air Conditioners in China



Data released by research companies in China

Low-Impact Products

Promoting the Use of Heat-Pump Type Space and Hot Water Heaters

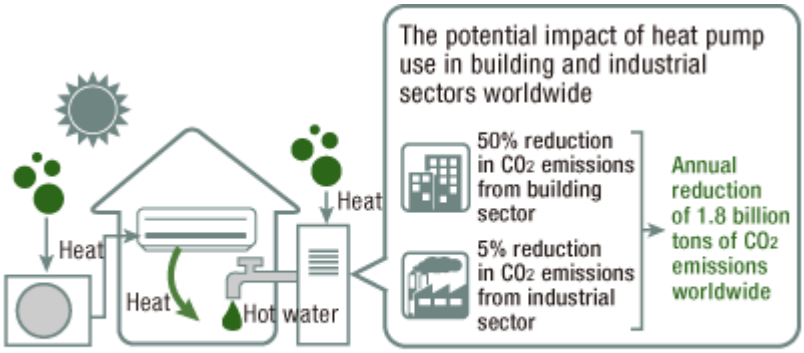
Heat Pump Systems for Space Heating and Water Heaters

Less than Half the CO_2 Emissions Compared to Burning Fossil Fuels

In the heat-pump method used in air conditioners and other products, thermal energy stored in the air or water is extracted and transferred to perform cooling and heating.

Compared to carrying out space and water heating using methods in which fossil fuels such as gas, oil, and coal are directly burned, heat pump systems emit less than half the CO_2.

■ The Heat Pump Mechanism



Solar energy stored in the air is collected using a heat pump and used for air conditioning and water heating.

(Source: International Energy Agency (IEA))

Promoting the Use of Heat-Pump Type Space and Hot Water Heaters

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

The Daikin Group is developing space and hot water heaters using energy-efficient heat pump technology. This technology, which is also used for air conditioning, involves drawing heat from the air and transferring it for use in cooling and heating. Compared to space or water heating methods that burn fossil fuels directly, it produces approximately one-third the CO_2.

The EU has set a target of having renewable energy such as wind and solar power account for 20% of the energy mix by 2020. In January 2009, heat pumps were recognized in the EU as technology that captures renewable energy and heat pump heaters are being recommended as part of this target. In 2006, the Daikin Group began selling a heat-pump type hot water heaters and heating system in Europe and we have been expanding the product lineup since then. With the opportunity provided by EU energy policy, Daikin will work to spread the use of heat pump products throughout the continent.

Increasing Sales in the Commercial Market for Products Including the MEGA-Q Large-Scale Heat Pump Hot Water System

The Daikin Group is developing space and hot water heaters for the commercial market as well using highly energy efficient heat-pump technology.

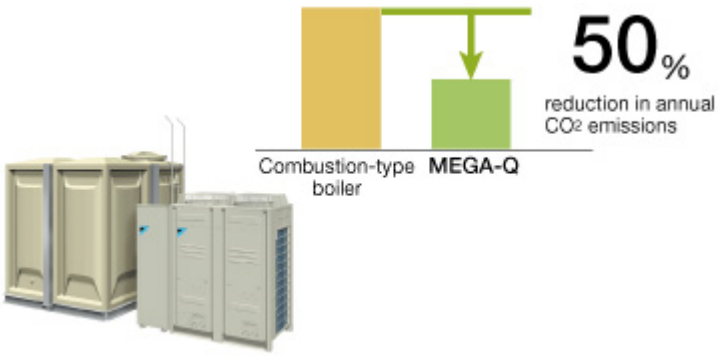
In Japan, the Eco-Cute heat pump hot water heater is becoming more prevalent. And in April 2009, we released a commercial heat pump water heating system (MEGA-Q) for large-scale facilities such as hotels and hospitals that can supply up to 120 tons of hot water a day while attaining about a 50% reduction in CO_2 emissions compared to combustion-type water heaters. It also allows running cost reductions of approximately 60%. As well, we are working to spread the use of the Danzen Heat system for commercial facilities.

We are contributing to energy efficiency by replacing combustion type water heaters with heat pump models.

Features of the MEGA-Q

- Latest energy-efficient technology enables dramatic reductions in CO_2 emissions and water-heating costs compared to combustion-type water heaters.
- With the ability to supply up to 120 tons of hot water a day per system, it is deal for large-scale facilities such as hotels, hospitals, and public care institutions.
- Because it gets it heat from a number of sources, there is minimized risk of hot water supply stoppage due to breakdowns and inspections. As well, with two compressors to one heat source, one compressor can break down but the other can still supply 50% of capacity.
- Because the heat source and heat exchange pump are compact, they require less space for installation than any competing product.
- With the (separately sold) operation data monitoring software installed in a computer and running in unison with the hot water system controller, customers can use their hot water use as a basis for storing just the right amount of hot water. This saves customers energy and money.

Comparison of Annual CO_2 Emissions: MEGA-Q Large-Scale Commercial Heat Pump Water Heating System versus Combustion-Type Boiler



Air Conditioning Products

Daikin Installs Power-Saving Control Center for Commercial Air Conditioner

With Japan facing the danger of an electricity shortage during the summer due to the effects of the March 2011 Great East Japan Earthquake, the government set a target of reducing electricity by 15% across the board in homes and the private sector.

In April, Daikin installed a power-saving control center for commercial air conditioners in the jurisdiction of Tokyo Electric Power Company (TEPCO). There are currently about 30 different measures for helping commercial air conditioners save power, with approximately 200 dedicated staff visiting customer sites to offer one or more power-saving measures (fee-based service).

The power-saving measures are a collection of those that had previously been offered by various Daikin divisions. From cleaning filters on interior units, to measures during operation—such as monitoring by customers, or remote monitoring by Daikin, to ensure energy-efficient control—a variety of measures can add up to energy savings between 20 and 30%. And these measures cover air conditioners of other manufacturers, not just of Daikin.

There are approximately 900,000 commercial air conditioners just in the jurisdiction of TEPCO (based on number of exterior units). If all of these were to adopt energy-saving measures, it would save between 500,000 and 1 million kW, the equivalent of the capacity of one nuclear reactor. In June, we also set up a power-saving control center as our West Japan base in the jurisdiction of Kansai Electric Power Company (KEPCO), thus allowing us to offering energy-saving measures across the country.

■ Example of power-saving service

- Air Conditioning Network Service System II (Remote monitoring and energy-efficient control system using network)
- Demand control (Set electricity so it does not exceed a pre-set amount)
- Ene-Cut (Sprinkle water on interior unit to save energy)
- ZEFFLE reflective coating (Eases burden on air conditioning)

Air Conditioning Network Service System II Remotely Monitors Building Air Conditioning and Suggests Ways to Improve Energy Efficiency

Air conditioning accounts for about 40% of the energy consumed by commercial buildings in Japan. Daikin strives to bring more energy-efficient air conditioners to market. But we also know that how these air conditioners are used can greatly affect the amount of energy consumed. That's why we offer the Air Conditioning Network Service System II to remotely support energy-efficient air conditioner operation.

This service started out as a maintenance function to monitor air conditioner operation in order to prevent malfunctions or breakdowns before they occur. But to add more value, we came up with a remote energy-saving tuning function, which keeps air conditioners at the most energy-efficient operation level by monitoring product use and weather conditions. This service was recognized for energy savings of up to 20% and reduction of CO_2 emissions and in December 2008 was awarded the Minister of the Environment Prize in the 5th Eco-Product Awards in Japan.

In March 2009, we added an energy saving improvement support function to the Air Conditioning Network Service System II. Using an online screen showing daily operational data of the air conditioning system in a customer's building, Daikin monitors operation in each room for four criteria that help avoid wasted energy: that rooms are not overheated or overcooled, that lights are turned off, that filters are properly cleaned, and that electricity use is not exceeding targets. Daikin then makes suggestions based on these.

Daikin Begins Service to Boost Energy Efficiency of Existing Building Air Conditioners VRV Energy-Saving Tuning

The Revised Rationalization in Energy Use Law went into effect in April 2010 in Japan, obligating small- and medium-size companies to report energy use and set non-binding targets for energy-saving measures.

In response, in September 2010 we initiated our VRV Energy-Saving Tuning service, which helps customers who have purchased Daikin building air conditioners we have been selling since before 2006 save energy. Customers don't need to purchase another air conditioner and tuning takes only a short time. And annual savings are up to 20%. Customers have praised this service, which keeps on saving energy for several years until customers upgrade to a new air conditioner.

Also as part of our total energy support, we have ENE-FOCUS, a system that allows companies with multiple buildings to efficiently manage their energy use and report to the government authorities in accordance with the Rationalization in Energy Use Law.

TOPICS

Carbon Credits for Customer CO_2 Reductions

Under an emissions trading system (Domestic Clean Development Mechanism*1) among companies in Japan, Daikin's Program-type (carbon credits are converted as needed) emission reduction project*2, the first of its kind in the commercial air conditioner field, was approved by the Domestic Credit Certification Committee of the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Ministry of Agriculture, Forestry and Fisheries.

Previously, small-scale Daikin customers could not take part in emission reduction projects. But under Daikin's program-type project, when customers install a store or office air conditioner (such as Sky Air), they can join the Daikin D-irect Club when they start Daikin D-irect service, a system for remote monitoring of air conditioning to save energy. So even small- and medium-sized enterprises (SMEs) capable of only small CO_2 emission reductions can join an emission trading scheme.

The credits generated are acquired for free by Daikin, which sells them to, for example, large corporations, and the profit from the sale is used for environmental protection activities such as reforestation, thus helping the CSR activities of member companies.

*1 Domestic Clean Development Mechanism: Certifies the greenhouse gas emissions reductions implemented by small and medium enterprises using technology and capital provided by large enterprises. With this, small- and medium-size companies (SMEs) (companies with no voluntary action plan) can incorporate ways to reduce CO_2 emissions, and large corporations (those with their own action plan) can buy the CO_2 reductions from the SMEs as emission credits.
*2 Program-type emission reduction project: Emission reductions are gathered from small companies and are converted to credits when they are needed.

■ Daikin D-irect Club

Companies that cannot participate in the Domestic Clean Development Mechanism (domestic emission reduction certification system) gather and put together their CO_2 emission reduction activities to create emission credits that go toward protecting the environment.

It's easy to take part in the Domestic Clean Development Mechanism: all an SME has to do is install new air conditioning or upgrade existing air conditioning in small buildings. This means they can do much more to help the environment.

The Daikin D-irect Club's emission reductions project was created as part of the Domestic CDM Promotion Support Project in Kansai Region operated by the Kansai Bureau of Economy, Trade and Industry (METI Kansai).

TOPICS

Daikin Helps Tokyo University Build System Showing Actual Flow of Energy

Daikin Industries is taking part in the Green University of Tokyo Project.

In May 2010, from a remote location Daikin Industries created a visual representation of the energy being used in campus buildings. Based on this, we determined how to make operation more energy efficient and together with Ubiteq, Inc. we developed a system for proving a CO_2 reduction model.

By integrating the building facilities network, including air conditioning, into an information network, it is possible to create a centralized information system that ties together building facilities and office equipment. Using this information, it is possible to determine where energy is being wasted inside the building, and to establish a system to help save energy.

The goal is to establish a model case that will result in a method for reducing CO_2 emissions from small buildings.

DESICA Commercial Air Conditioning System
Daikin Receives Award of Technology, 47th Society of Heating, Air-Conditioning, and Sanitary Engineers of Japan Awards

Conventional air conditioning systems use a single unit for controlling both temperature and humidity.

This makes it difficult to achieve the ideal balance of both, and it also wastes energy. But in the DESICA system, temperature and humidity are controlled by two separate units, thus achieving both energy efficiency and room comfort. It is about 20% more energy efficient than conventional systems. It was these benefits that earned the DESICA system the Award of Technology at the 47th Society of Heating, Air-Conditioning, and Sanitary Engineers of Japan Awards.

■ The DESICA Commercial Air Conditioning System

Freezing, Refrigeration and Air-Conditioning Heat Recovery System Daikin Receives Energy Conservation Center Chairman's Prize, 2009 Energy Conservation Awards

The Freezing, Refrigeration and Air-Conditioning Heat Recovery System for use in convenience stores and supermarkets is an integrated refrigeration, heating, and cooling system that is controlled by just one outdoor unit. Not only does it save space, but it also recovers heat from the freezing and cooling processes to heat the building interior. This leads to big energy savings: This system can save about 56% on annual energy consumption over conventional systems.

For its heat recovery technology and widespread use in convenience stores across Japan, the system won the 2009 Energy Conservation Awards.

2009 Energy Conservation Awards Director General Prize of Agency of Natural Resources and Energy

Daikin Develops Products Compliant with EU's ErP Directive

The ErP Directive sets eco-design requirements for energy-using products (since July 2005) and energy-related products (since November 2009). In 2013, it will include energy efficiency regulation values for air conditioning equipment up to 12 kW, meaning that products Daikin sells in Europe in future will have to comply with the ErP Directive.

Daikin has developed Seasonal Smart, commercial air conditioners for offices and retailers that satisfy the ErP Directive values. We released these in 2011, ahead of the start of the ErP regulation values in 2013.

In addition there are building-related regulations such as the European Energy Performance of Buildings Directive (EPBD Directive) that we are working to meet through our energy-efficient technologies.

TOPICS

European Net Zero Energy Project Begins

Daikin Europe N.V. has begun the European Net Zero Energy Project, an experimental cooperative project between industry and academia. As a first step, in July 2010, Daikin Europe, in cooperation with Zeller Group, a wholesaler of Daikin Airconditioning Germany, constructed a Net Zero Energy Office in northwest Germany (Herten) that features photovoltaic solar power generation and energy-saving Daikin products. The project received the Deutsche Kältepreis, an annual award for energy-efficient, future-oriented refrigeration and air-conditioning technology given by the German Ministry for the Environment, Nature Conservancy and Nuclear Reactor Safety (BMU).

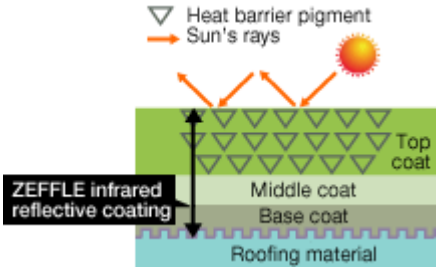
See Key Activities of Fiscal 2010: Solutions for Curbing Global Warming (Page 48)

An Easy to Install "Air Conditioner": ZEFFLE Infrared Reflective Coating Eases Air Conditioning Burden

Daikin developed ZEFFLE infrared reflective coating, a fluororesin-based paint that reflects the sun's infrared rays off building roofs. Compared to conventional paints, ZEFFLE reduces building roof surface temperature by as much as 15-20°C, thus keeping inside temperature down. It also reduces power consumption by approximately 15% to make a major contribution to saving energy in the summer.

ZEFFLE could almost be called a "easy-to-install air conditioner." Used in combination with an energy-efficient air conditioner, ZEFFLE can help reduce electricity consumption.

Besides the roof and outer walls of a building, ZEFFLE is effective in blocking heat and preventing weathering in other ways. For example, by applying it to water storage tanks such as those holding drinking water, it prevents the temperature from rising, thus maintaining sanitation. On water and ice storage tanks, it maintains the cooling effect and saves energy. As well, it is being used increasingly on the top deck of marine vessels to keep cargo space from heating up, and to prevent deterioration due to salt water and ultraviolet rays.



ZEFFLE Infrared Reflective Coating


Energy Award, 2009 Lloyd's List Global Awards

Fluoride Materials That Reduce Automobile Fuel Transpiration into the Atmosphere DAI-EL Fluoro TPV

Increasingly tighter restrictions are being placed on the transpiration into the atmosphere of VOCs (volatile organic compounds) contained in gasoline, which are one of the causes of air pollution from automobiles.

Daikin's fluorochemicals are resistant to heat and chemical penetration, and when used to make automobile fuel hoses and tubes can reduce the permeation of automobile fuel. Daikin's newly developed DAI-EL Fluoro TPV can reduce the permeation of automobile fuel to about one-twentieth compared to our previous fluoroelastomers. This is turn reduces transpiration into the atmosphere.

■ Fuel hose (inner layer is DAI-EL Fluoro TPV; outer layer is nitrile rubber)

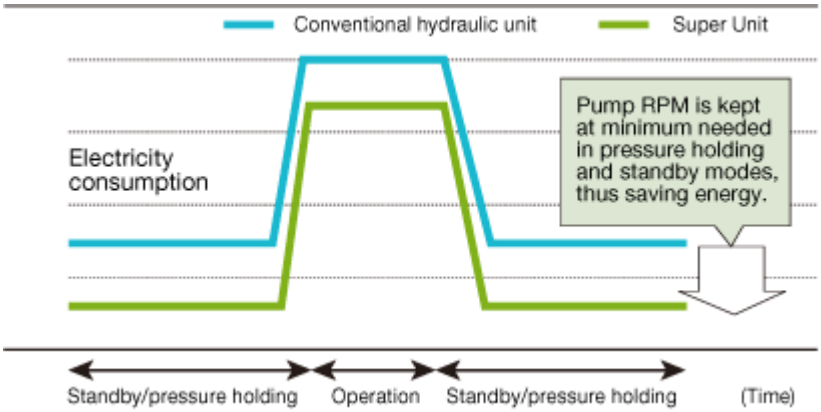
Energy-Efficient Hybrid Hydraulic Super Unit
Energy Savings and Lower CO_2 Emissions in Factories

Daikin also leads the industry in making energy-efficient hydraulic units for factory production lines.

The energy-efficient hybrid hydraulic Super Unit employs the same motor inverter technology that is used in Daikin's energy-efficient air conditioners. The Super Unit determines the load on the machine, depending on whether it is in standby, operation, or pressure holding mode, and electronically controls the pump at the necessary RPM. The result is energy savings of more than 50% in pressure holding mode (compared to Daikin piston pumps). For use on presses, molding equipment, and inspection devices, the Super Unit contributes to energy savings and lower CO_2 emissions.

The Super Unit is widely used on molding equipment around the world and is popular for its superior precision and energy efficiency. In January 2011, we established Daikin Device (Suzhou) Co., Ltd., an oil hydraulics sales company, to expand sales in this field.

■ Electricity Consumption of Super Unit and Conventional Hydraulic Unit



AKZ9 Series Oil Cooling Unit
Energy Efficiency, and One of Few Industrial Products Compliant with RoHS Directive

Industrial machinery gives off significant heat during operation. Eliminating this heat is crucial to a machines precision.

Daikin's oil cooling unit attaches to industrial machinery to cool the machinery's oil. The AKZ Series, released in 2010, is advanced industrial machinery that is certified for the EU's RoHS Directive. It is also 30% more energy efficient than previous products, and it uses HFC410, a refrigerant that has minimal environmental impact. Customers choose the AKZ9 for its high precision and superior environmental performance.

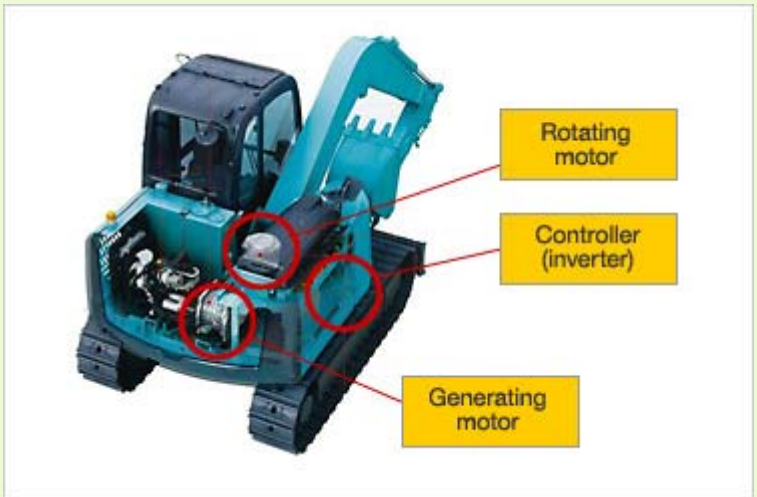
AKZ439 oil cooling unit

TOPICS

Daikin's Motor Inverter Saves 40% on Fuel in Hybrid Construction Machinery

Just as in the automobile industry, the field of construction machinery is moving towards hybrid motors. Backhoes have begun employing hybrid drive systems of engines and motors and Daikin provides the key parts for these systems.

In a hybrid backhoe, when the shovel circles around the chassis, the energy from this movement is stored in a battery, and this energy is supplied via the generating motor to assist the engine. This allows engines to be smaller and more fuel efficient. Daikin makes the rotating motor, which creates the rotating energy stored in the battery, the generating motor, which generates energy and assists the engine, and the controller for these.



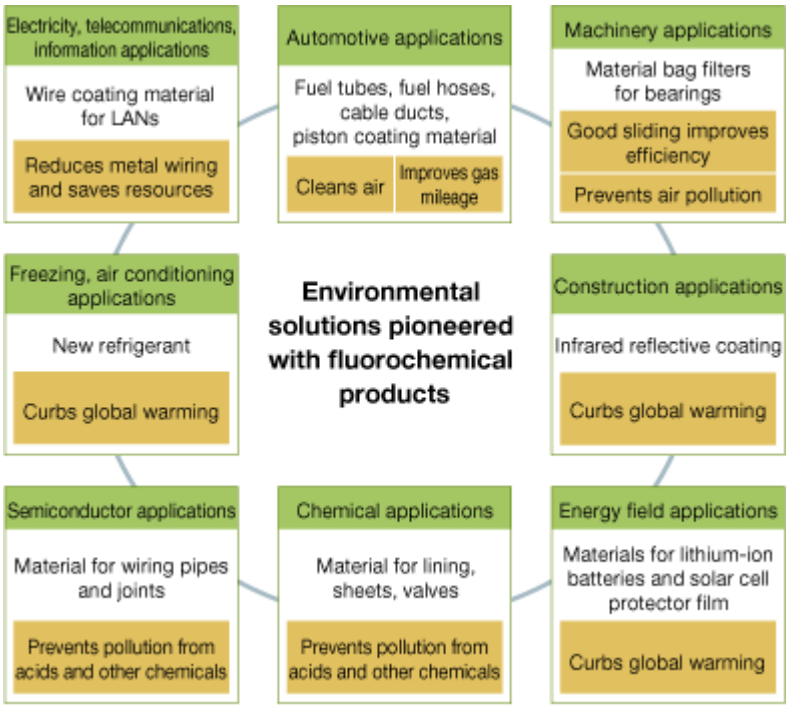
Fluorochemical Products That Contribute to Environmental Protection

Contributing to Environmental Protection in a Range of Areas

Fluorine mainly bonds with carbon atoms to become compounds that are highly stable and have useful functions such as the ability to resist heat and repel chemicals.

Daikin uses the unique characteristics of fluorine to bring consumers a range of products that help protect the environment.

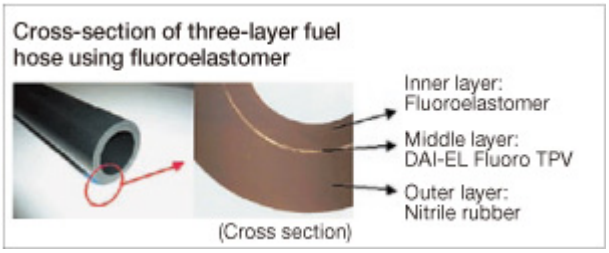
■ Environmental Solutions Pioneered with Fluorochemical Products



Fluoride Materials Reduce Permeation of Gasoline

Fluororesins and fluoroelastomers, which are used to make automobile fuel hoses, prevent leaking of VOCs (volatile organic compounds) and keep the permeation of gasoline at a low level even while the car engine is hot. Daikin's newly developed DAI-EL Fluoro TPV can reduce the permeation of automobile fuel to about one-twentieth compared to our previous fluoroelastomers.

■ Cross-section of three-layer fuel hose using fluoroelastomer



ZEFFLE Infrared Reflective Coating Eases Air Conditioning Burden

Applying Daikin's ZEFFLE infrared reflective coating to building roofs reflects the sun's infrared rays and keeps inside temperature down: this eases the burden on air conditioning. And by reducing the electricity used for air conditioning, it also contributes to preventing global warming.

For details, see Fluorochemical Products (Products That Help Customers Save Energy). (Page 92)

Contributing to the Energy Field Including Fuel Cells

Fluoropolymers are chemical resistant, heat resistant, and weather resistant, qualities that make them ideal for use as material in cutting-edge energy technologies such as fuel cells, lithium ion batteries, and solar cells.

For example, the fluororesin (ETFE) used for the surface protection film on solar cells has high light transmittance and lasts for more than 20 years under the sunlight. ZEFFLE is used for the rear surface film to contribute to a long service life for the solar cells.

Fluoride materials contribute to reduced environmental impact in a range of other applications as well. FEP fluororesins have superb flame resistance, which allows them to replace metal pipelines as covering for LAN wiring and thus save resources; and PTFE fluororesins prevent air pollution and save resources when used as highly efficient, long-lasting dust-collecting bag filters in incinerators and power stations.

Reducing PFOA Emissions

Gradually Reducing Emissions Towards Total Elimination by 2012

Daikin has set a target of totally eliminating its use of Perfluorooctanoic Acid (PFOA), a fluorochemical compound concerned to have environmental effects, by the end of 2012.

Daikin uses PFOA as a polymerization aid for some fluororesins and fluoroelastomers that are used in a wide range of fields including semiconductors, information and telecommunication, automotive, and aerospace. As well, minute quantities of PFOA are given off as a by-product in the production process of fluorochemical products that are applied to the surface of clothing and carpets to repel water and oil. While stable, it does not readily degrade in the environment, and if it is ingested by living organisms, it may remain for relatively long periods in the body. Therefore, in 2006 the U.S. Environmental Protection Agency announced the creation of the 2010/15 PFOA Stewardship Program. Daikin and seven other of the world's leading fluorochemical manufacturers are participating in this program. As a result of an in-house reduction program, Daikin is gradually switching to substitutes.

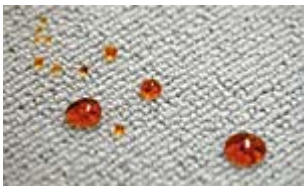
Besides reducing PFOA emissions, we are switching to polymerization aids as substitutes, and switching to products that do not give off PFOA as a by-product during production. As of the end of fiscal 2010, we have reduced our PFOA use by 95%.

Switching to a Polymerization Aid with Low Environmental Impact

As part of our efforts to achieve our reduction target, in 2008 we began switching to a polymerization aid with a lower environmental impact than PFOA. By the end of 2012 we will have switched to substitutes in all products where PFOA is used.

Developing Products That Don't Give Off PFOA in the Production Process

We developed water- and oil-repellent products (repellents) that effectively give off no PFOA during their production process and began selling these in 2007. By the end of 2012, all of the repellent products that we produce will give off no PFOA during their production.



Unidyne water and oil repellent

Low-Impact Refrigerants

Protecting the Ozone Layer

Switching to Substitute Refrigerants and Recovering Fluorocarbons

Refrigerant is used to transport heat between the interior and exterior units of an air conditioner. HCFC used to be the major refrigerant used, but in the 1980s experts suspected it was depleting the ozone layer, so under the Montreal Protocol developed nations agreed to completely phase out its production in developed countries by 2020. Daikin has for years worked to prevent ozone layer destruction by developing substitute refrigerants that do not deplete the ozone layer. In 1991 we began the first mass-production in Japan of HFC, a refrigerant with an ozone depletion potential of zero, and in 1995, we began selling air conditioners that use HFC as the refrigerant.

Besides switching to HFC refrigerants, we have also been working to ensure that there is no leakage into the atmosphere: we design and develop products that are easy to recover refrigerant and prevent its leakage, and we recover refrigerant during the manufacturing stage and product repair. In April 2002, we began a fluorocarbon recovery and destruction business in which we recover and properly dispose of refrigerants from used air conditioners.

For details, see Key Activities of Fiscal 2010: The Quest for Next-Generation Refrigerants. (Page 42)

Switching to Refrigerants with Zero Ozone Depletion Potential outside Japan

The Daikin Group is phasing out conventional HCFC refrigerants and switching to HFC, a refrigerant with an ozone depletion potential of zero.

Daikin sells only products using HFC in Japan and Europe. We were also the first company in China to offer HFC VRV, and we currently provide HFC residential air conditioners as well.

In Southeast Asia and other countries where HCFC air conditioners are the norm, we are offering HFC models (where possible given current infrastructure) and promoting their benefits.

Switching to HFC Refrigerants Around the World

Japan	The majority of air conditioners sold use HFC refrigerant
Europe	We sell only products using HFC
Australia	We sell products using HFC
U.S.	We sell products using HFC
China	We sell HFC VRV systems
Other parts of Asia, rest of world	We sell HFC VRV systems

Low-Impact Refrigerants

Research into a Wide Range of Next-Generation Refrigerants

Although HFC has an ozone depletion potential of zero, it contributes to global warming if released into the atmosphere.

The Daikin Group is conducting research aimed at achieving practical use of refrigerants that contribute less to global warming than HFC, currently the most widely used refrigerant.

Our research focuses not only on the direct effect of the refrigerant but also on the global warming impact throughout the entire lifecycle, including its energy efficiency during air conditioner use.

We are also making decisions based on all contributing factors: besides the environmental impact of refrigerants themselves, we look at safety factors like combustibility and toxicity, the cost of the refrigerant, and the cost of producing air conditioners that use the refrigerant.

Different characteristics are required of residential and large commercial air conditioners. The same goes for water/space heating equipment and freezing/refrigeration equipment. It is therefore important to choose the refrigerant that is right for the particular application.

So that we can offer the most adequate refrigerant for each case, we are conducting R&D that will achieve practical use of everything from natural refrigerants to HFC fluorocarbons, which have a relatively low global warming potential.

We are also providing opportunities for dialog at international conferences and trade shows in efforts to provide the public with information on the global warming impact of refrigerants and on what can be done to prevent this.

For details, see Key Activities of Fiscal 2010: The Quest for Next-Generation Refrigerants. (Page 42)

Daikin Develops World's First VRV Using CO_2 Refrigerant

In October 2008 at an exhibition in Germany, Daikin caused a sensation when it introduced the world's first VRV using CO_2 refrigerant. The VRV also received high praise at exhibitions that followed in Spain and France.

But because CO_2 refrigerant has a lower energy efficiency than HFC refrigerant, we are continuing to develop technologies to raise the energy efficiency.

We are continuing to search for other low global warming potential refrigerants besides natural refrigerants including CO_2, as well as develop air conditioners that can use them. Starting in fiscal 2009, we began such research and development under a project by NEDO (New Energy and Industrial Technology Development Organization) in Japan

VRV using CO_2 refrigerant (Germany)

Daikin's Stance on the Environmental Impacts of Refrigerants (Benefits Problems)

Refrigerants			ODP	GWP*1	Atmospheric life(years)	Flammability	Toxicity
Conventional refrigerants	HCFC22		0.055	1,500	12	Nonflammable	Low
Current refrigerants	HFC134a		0	1,300	14	Nonflammable	Low
	HFC410A		0	1,725	-	Nonflammable	Low
Future refrigerants	HFC32		0	650	4.9	Slightly flammable	Low
	HFO1234yf*2		0	4	11days	Slightly flammable	Low
	Natural refrigerants	CO_2 (carbon dioxide)	0	1	120	Nonflammable	Low
		Ammonia	0	0	0	Slightly flammable	Strong
		Propane	0	3	10	Highly flammable	Low

Refrigerants			Refrigerant characteristics	Daikin's stance
Conventional refrigerants	HCFC22		Production to be completely phased out in developed countries by 2020	All of the major models completed refrigerant switchover from HCFC to HFC
Current refrigerants	HFC134a		Currently in the process of replacing HCFC with this substitute	
	HFC410A			
Future refrigerants	HFC32		Has a low global warming potential for an HFC Slightly flammable	Seen as a possible refrigerant in the future
	HFO1234yf*2		Has a low global warming potential; can be used as a substitute for HFC134a	
	Natural refrigerants	CO_2 (carbon dioxide)	Has low energy efficiency for air conditioning systems	Put into commercial production as refrigerants for hot water supply units, for which performance is equivalent to that of conventional refrigerants
		Ammonia	An efficient refrigerant, but toxic and slightly flammable	Used for large refrigeration and air conditioning systems where strict control is possible, such as factories
		Propane	An efficient refrigerant, but highly flammable and thus susceptible to explosion	Technical development is needed to adopt as refrigerant for air conditioners in order to ensure safety

*1 Source: IPCC Second Assessment Report, other documents
*2 Reference value (HFO1234yf was not reported in the IPCC Second Assessment Report)

3R & Repair

Stressing Effective Use of Resources in Design

The Daikin Group strives to use resources as effectively as possible by carrying out the 3Rs-reducing, reusing, and recycling-along with repairing under its 3R & Repair initiative.

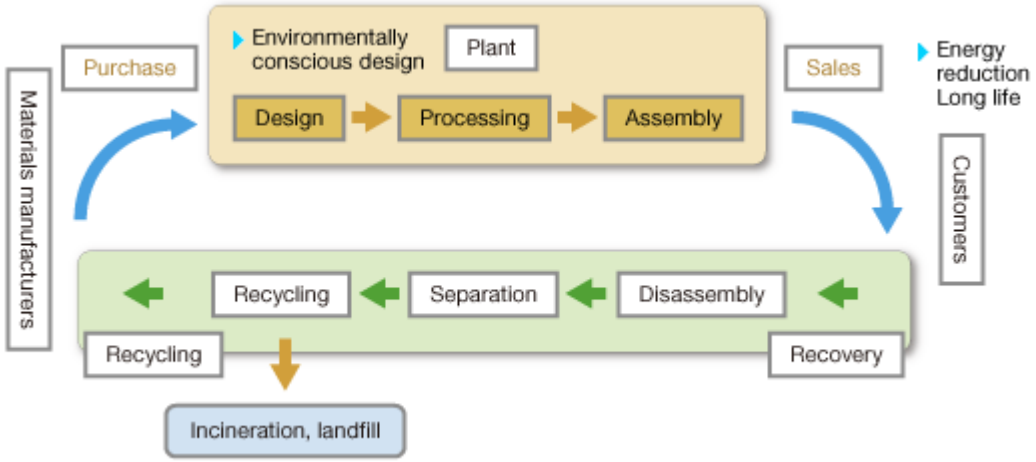
This initiative plays a key role in our product design and development. Based on product assessment, we design and develop products that are smaller and lighter, and that use materials and construction that make them easy to maintain, separate, and recycle.

Environmentally Conscious Design through Product Assessment (Page 78)

3R & Repair: Approach

Reduce	Make products smaller and lighter, Use recycled materials	
Reuse	Use parts from end-of-life products	
Recycle	Development	Design products that are easy to separate and recycle • Use plastics that are easy to recycle • Indicate the materials used • Construct products that are easy to disassemble
	After use	Recycle end-of-life products
Repair	Development	Design products that are easy to maintain
	After disposal	Have a repair support system that contributes to long-lasting products

3R & Repair: Effective Use of Resources



Recycling

Designing Products for Easy Disassembly

Product design stresses 3R & Repair based on product assessment. Since 1997, we have designed products so that their construction makes them easy to disassemble.

Reducing

Maker Smaller and Lighter Products that are Still Energy Efficient

Making products smaller and lighter means they will use fewer resources. When making air conditioners, we set weight reduction targets for both the entire product and its components. However, it is technically difficult to achieve this without sacrificing energy efficiency. If making it smaller and lighter means that it consumes more energy, then the product's environmental performance throughout the entire lifecycle has not yet been improved.

When the Daikin Group develops new products, we establish weight reduction targets for each product on the condition that the energy efficiency (COP) does not decrease.

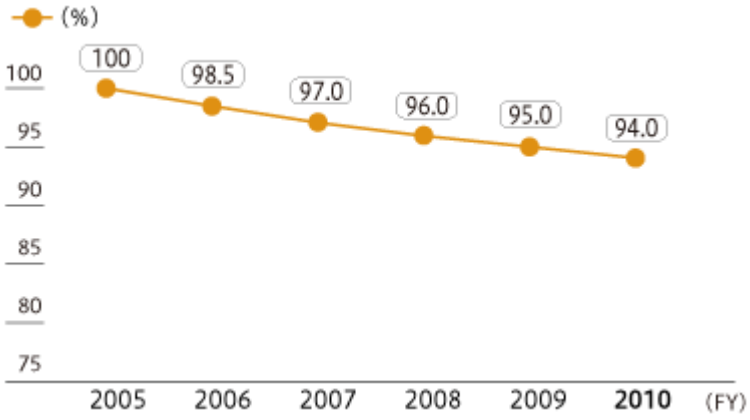
Product Packaging Weight Reduced by 6% Since 2005

We set a target of reducing the amount of packaging for air conditioning products by 6% in fiscal 2010 compared to fiscal 2005.

In fiscal 2010, our distribution and design divisions worked together to make products stronger and develop a new structure for packaging to reduce the amount of packaging. (For details, see Topics below.) We achieved our goal of a 6% reduction compared to fiscal 2005.

We will continue working to reduce packaging weight through measures including using new materials and devising better methods of package assembly.

Amount of Packaging per Product (wood, cardboard, styrofoam, etc.)



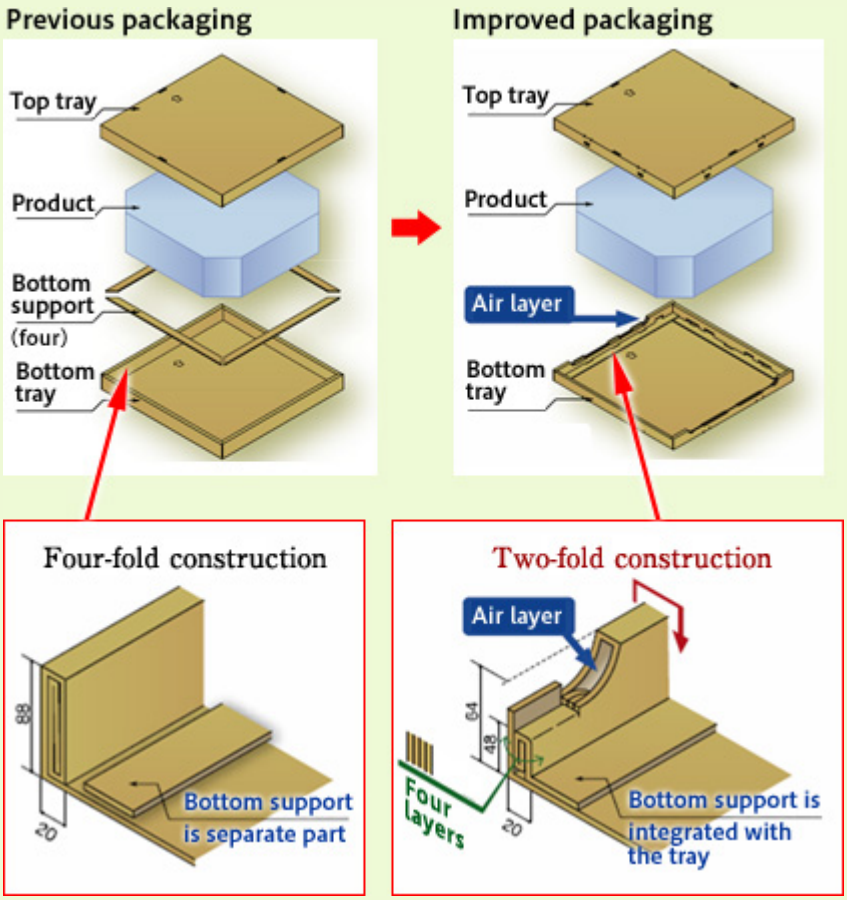
TOPICS

Make Products Stronger to Reduce Packaging Material by Approximately 13%

Conventionally, apart from the Styrofoam material four pillars were used in the packaging to protect the product from being crushed during storage. But by making the product itself stronger so that it can withstand external force, we eliminated the need for the pillars in the packaging and thus reduced packaging by approximately 13%. The number of parts also decreased from 18 to 10.

Layer of Air in Packaging Gives Shock-Absorbing Effect and Reduces Packaging Material by Approximately 35%

We came up with a new packaging shape in which the way the cardboard is folded creates a layer of air that absorbs impact. This reduced packaging weight by approximately 35% and made the assembly process shorter.



Increase Number of Products that Use Returnable Containers

In the Service Division, conventional wooden containers used to ship service parts overseas are gradually being replaced by returnable steel containers that can be used repeatedly.

In fiscal 2007, we began using these in Europe, and Thailand started the following year. Currently about 60% of products being shipped used these returnable containers, and this has saved us about 330 tons of wood.

In the Distribution Division, the import and transport of compressors and other distributed parts uses returnable palettes, and in the near future Europe and China bases will switch to returnable packaging.

Reusing

Repair and Reusing Parts that have Already Been Replaced

In the Daikin Group, we try to use resources efficiently. We take parts that have already been replaced and that contain multiple components, such as printed circuit boards, and we repair any malfunctions or replace the worn-out components. These parts (the printed circuit board, for example) are then tested for quality by ensuring that they are functioning properly and, with the customer's permission, are used as replacement parts when performing repair on a product.

Repair

Reinforcing the Global Repair System

Making products that last longer means that fewer resources are used. To this end, the Daikin Group is strengthening its repair system by establishing service outlets around the world to take 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, while 55 service outlets across the nation carry out product repair and maintenance. We will continue to strive for even greater customer satisfaction by improving the technical expertise and etiquette of our service engineers.

With Daikin picking up the pace of its overseas expansion in recent years, it is crucial that we strengthen our service network in each country. We have added service bases in countries like Spain, Singapore, and Italy through the integration of the service system of O.Y.L. Industries Bhd, which Daikin acquired in 2006. In North America and China, Daikin is working with O.Y.L company McQuay International to exchange employees and utilize networks so as to improve the service system.

■ Daikin Service Network

Recycling Residential Air Conditioners

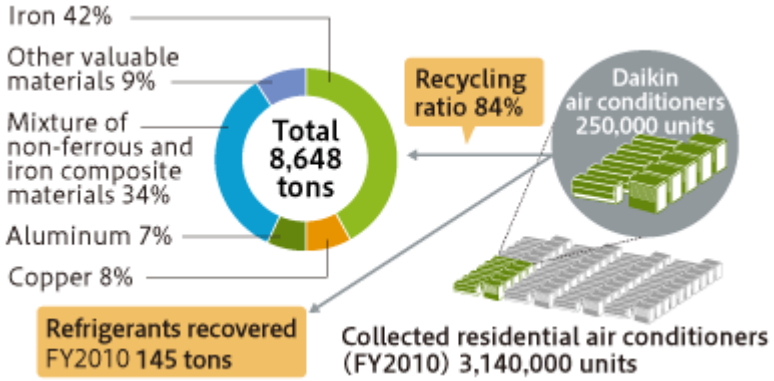
Daikin Achieves Recycling Ratio of 84%, Well above Obligations under Home Appliance Recycling Law

The Home Appliance Recycling Law obligates manufacturers to recycle at least 70% of the material from their own air conditioners as well as recover and then reuse or destroy refrigerants.

In fiscal 2010, the start of the eco-point system in Japan led to an increase in consumers making purchases to replace their old products. It also led to an increase in the amount of used residential air conditioners we recovered: 250,000 products totaling 8,648 tons, more than the previous year. The recycling ratio was 84% and the amount of refrigerants recovered was 145 tons.

In April 2011, we reduced the recycling fee to encourage more people to recycle their used products.

■ Recycling of Residential Air Conditioners in FY2010 (Japan)



Environment
Low-Impact Production

The Daikin Group strives to reduce environmental impact during production (including procurement and transportation). Besides making it a priority to reduce emissions of greenhouse gases during production, we do all we can to manage and reduce emissions of chemicals and reduce waste. We are also working to achieve targets that our manufacturing bases around the world have set for recovering and destroying fluorocarbon refrigerants during production process and during maintenance or final disposal of air conditioners.

Preventing Global Warming — Production, Transportation

Reduced Emissions to Half of Fiscal 2005 Levels Ahead of Schedule: Fiscal 2010 Emissions Down 73% Against Fiscal 2005

The Chemicals Division and machinery divisions of the Daikin Group emit during production four kinds of fluorocarbons (HFC, PFC, CFC, and HCFC) that are greenhouse gases. We therefore make it a top priority to reduce fluorocarbons by preventing their leakage during production processes and by recovering and properly destroying them.

We also reduce CO_2 emissions during production and transportation by introducing energy-efficient technologies and raising transportation efficiency.

Read more

(See page 108)

- Reducing Overall Group Greenhouse Gas Emissions
  - Greenhouse Gas Emissions for the Entire Group (during production)
  - Daikin Joins Japan's Voluntary Emissions Trading Scheme
- Reducing Fluorocarbon Emissions
  - HFC and PFC Emissions and Global Warming Impact
  - CFC and HCFC Emissions and Global Warming Impact
  - Inspecting for Refrigerant Leaks in the Air Conditioner Manufacturing Process
- Reducing Energy-Induced CO_2
  - Total CO_2 Emissions, CO_2 Emissions per Sales
- Reducing CO_2 Emissions during Transportation
  - CO_2 Emissions per Sales from Transportation (air-conditioning)
- Green Heart Factories
- Saving Energy at Overseas Bases

Recovering and Destroying Fluorocarbons from Customers' Air Conditioners

Proper Recovery of Refrigerants during Air Conditioner Disposal and Repair Prevents Release into the Atmosphere

To protect the ozone layer and help curb global warming, it is crucial that we prevent release of air conditioner refrigerants (fluorocarbons) into the atmosphere. The Daikin Group has a system for recovering and treating refrigerants so that they are not released into the atmosphere during the maintenance, upgrading, or disposal of air conditioners.

Daikin strives to prevent refrigerant emissions post-sales. We have a fluorocarbon recovery and destruction business in which we take requests from customers for refrigerant recovery.

Read more

(See page 115)

- Recovery and Destruction of Fluorocarbons from Customers' Air Conditioners
  - Efforts to Prevent Environmental Burden from CFC Emissions
  - Recovery and Destruction of Refrigerants
- Efforts in Japan
  - Unified Management System of Refrigerant Recovery and Destruction
  - Recovered Fluorocarbons (at time of repair and at time of disposal)
  - Types of Fluorocarbons Recovered during Maintenance (Japan)
  - Recycling System for Commercial Use Air Conditioners
- Efforts Overseas

Green Procurement

Picking Up the Pace of Overseas Green Procurement: 97% in Thailand, 89% in China, 82% in Europe, and 85% in Oceania

Whenever possible, the Daikin Group purchases only green parts and materials from suppliers and throughout the entire supply chain.

Since fiscal 2000, we have been urging our suppliers to comply with our Green Procurement Guidelines in order to conduct their business in an environmentally conscious manner.

*Green procurement rate: The percentage of our suppliers that have scored at least 82% on the green procurement survey.

Read more

(See page 119)

- Green Procurement
  - Green Procurement Rate (Japan)
  - Green Procurement Rate (%) by Region (Japan, overseas)
  - Overview of Green Procurement Guidelines, 5th Edition
- Compliance with Restrictions on Toxic Chemicals
  - Specified Chemical Substance List (for products)

Compliance with J-Moss

For Daikin room air conditioners, we report which of the six substances covered by J-Moss (the marking of presence of the specific chemical substances for electrical and electronic equipment) are contained in our products.

Read more

(See page 123)

- Compliance with J-Moss
  - Substances Contained in Room Air Conditioners

Management of Chemical Substances

Goal to Reduce PRTR Substances in Japan to Half of Fiscal 2005 Achieved in Fiscal 2007, Ahead of Schedule

The Daikin Group has voluntary restrictions that its uses to strictly manage the chemical substances used in production processes in the Chemicals Division. We set a goal of reducing emissions of PRTR (Pollutant Release and Transfer Registry) substances by 50% in fiscal 2010 compared to fiscal 2005. We achieved this goal as of 2007.

Read more

(See page 126)

- Management of Chemical Substances
  - Emissions of PRTR Substances (Japan)
  - Compilation of PRTR Substances in FY2010 (PRTR substances of which at least 1 ton was handled)

Reducing Waste and Water

Daikin Companies in Japan Achieve Zero Waste for General Waste. Eight Overseas Companies Achieve Zero Waste

All Daikin Group manufacturing bases in Japan have achieved zero waste for both industrial and general waste.

We are working to recycle waste and achieve zero waste throughout the entire Daikin Group worldwide: overseas, eight manufacturing subsidiaries including Daikin Fluorochemicals (China) have achieved zero waste.

Read more

(See page 128)

- Reducing Waste
  - Amount Disposed of and Amount Recycled (Japan)
  - Amount Disposed of and Amount Recycled (Overseas)
  - Recycling Efforts
- Using Water Resources

Reducing Overall Group Greenhouse Gas Emissions

Daikin Drastically Reduces Greenhouse Gas Emissions through the Recovery and Proper Destruction of Fluorocarbons

The Daikin Group emits two kinds of greenhouse gases: CO_2 from energy use, and fluorocarbons handled in the production processes.

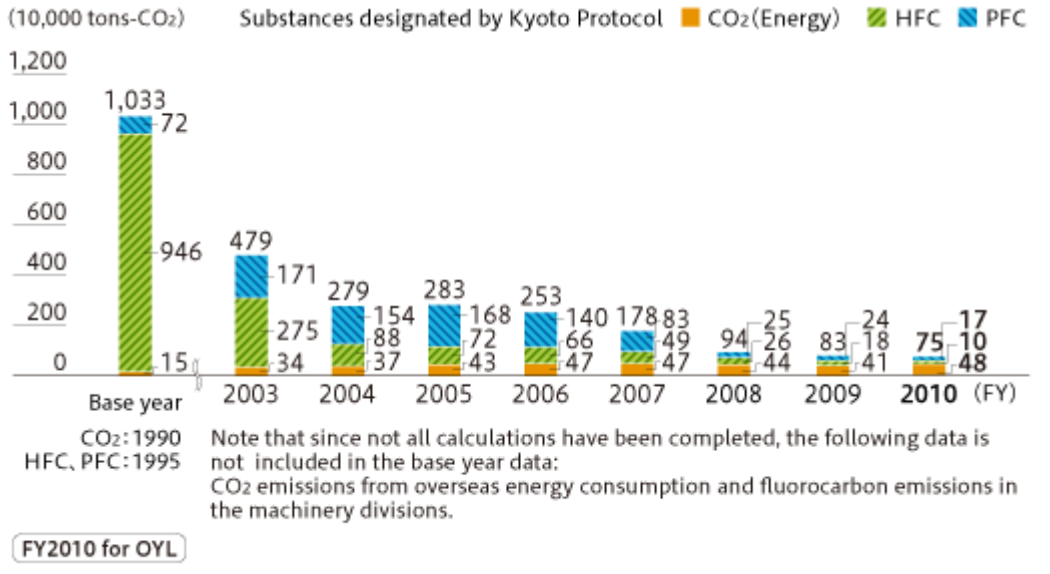
In 2001, the first year we began full-scale efforts to reduce greenhouse gas emissions, we made it a top priority to reduce emissions of fluorocarbons, which accounted for over 90% of all Group greenhouse gas emissions. We have worked to recover and properly destroy fluorocarbon gases that are a by-product of production processes of fluorochemical products and which account for more than 85% of our fluorocarbon emissions. As a result, fiscal 2005 greenhouse gas emissions during production were just one-third the level of the base year.

Fiscal 2010 Emissions Down 73% from Fiscal 2005

One of the key environmental targets of the fiscal 2005 FUSION 10 strategic management plan that was set in fiscal 2005 was to reduce fiscal 2010 greenhouse gas emissions to half of fiscal 2005 levels.

As a result of efforts towards this target, overall Group greenhouse gas emissions in fiscal 2010 were 750,000 tons-CO_2, down by 73% over fiscal 2005.

Greenhouse Gas Emissions for the Entire Group (during production)



Success in meeting Japan's 6% reduction target
The Daikin Group in Japan emitted 290,000 tons-CO_2 of gases designated by the Kyoto Protocol (CO_2, HFC, and PFC) in fiscal 2010, a reduction of 97% compared to the 10.33 million tons-CO_2 emitted in the base year of the Kyoto Protocol (FY1990 for CO_2, FY1995 for HFC and PFC).

Success in reducing gases not designated by the Kyoto Protocol
Although CFC and HCFC are not indicated by the Kyoto Protocol as targeted gases, the Daikin Group is working to reduce these emissions. In fiscal 2010, emissions of these two gases were 470,000 tons-CO_2.

TOPICS

Daikin Joins Japan's Voluntary Emissions Trading Scheme

In 2008, Daikin Industries participated in the Japanese government's Voluntary Emissions Trading Scheme. Under this scheme, participating companies commit to a certain reduction amount in their CO_2 emissions. The scheme also allows them to trade CO_2 emission quotas to meet their reduction targets.

Daikin Industries first committed to targets (reduction in CO_2 emissions per sales against fiscal 1990: 56% in fiscal 2008, 59% in fiscal 2009, and 59% in fiscal 2010) at its air conditioner plants (Shiga Plant, Sakai Plant) greater than the industry target (35% reduction in CO_2 emissions per sales against fiscal 1990). Actual CO_2 emission reductions in fiscal 2010 were 65%.

In fiscal 2010, the Chemicals Division (Yodogawa Plant, Kashima Plant, Soka Office) in Japan took part in the same scheme. Daikin committed to targets (26% reduction in CO_2 emissions per sales against fiscal 1990) greater than the target set by the Japan Chemical Industry Association (20% reduction in CO_2 emissions per sales against fiscal 1990). Actual CO_2 emission reductions were 30%.

Terminology

Kyoto Protocol

An international agreement under which developed countries are obligated to reduce overall greenhouse gases by at least 5% compared to 1990 between 2008 and 2012. It was passed in 1997 at the 3rd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in Kyoto. Greenhouse gases designated by the Kyoto Protocol are CO_2, methane, N_2O, and three CFC alternatives (HFC, PFC, and SF6). Major developed nations are obligated to reduce greenhouse gas emissions: Japan by 6%, the United States by 7% (although the United States has not ratified the Kyoto Protocol), and the EU by 8%. In March 2008, Japan's Cabinet approved a revised plan for targets that includes additional measures to improve the energy efficiency in the residential and construction sectors. The government is also aiming to achieve Japan's targets through revision of the Law Concerning the Promotion of the Measures to Cope with Global Warming.

Reducing Fluorocarbon Emissions

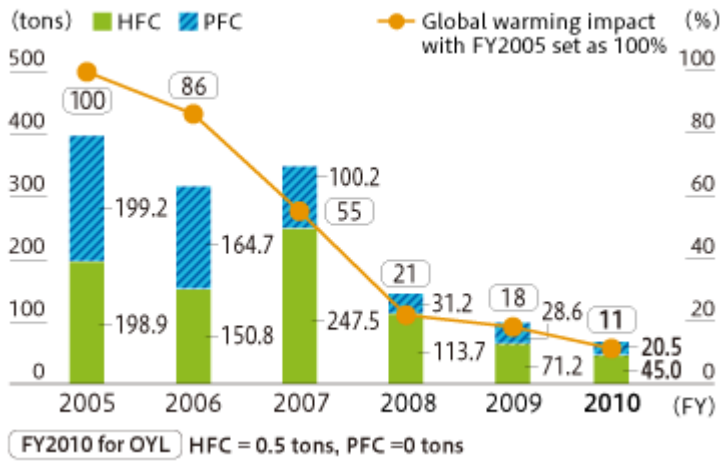
Greenhouse Gases HFC and PFC Reduced by 89% in Fiscal 2010 Against 2005

There are four kinds of fluorocarbons generated during Daikin's production processes: HFC and PFC, which are covered by the Kyoto Protocol, and CFC and HCFC, which are not. We have set reduction targets for each of these fluorocarbons.

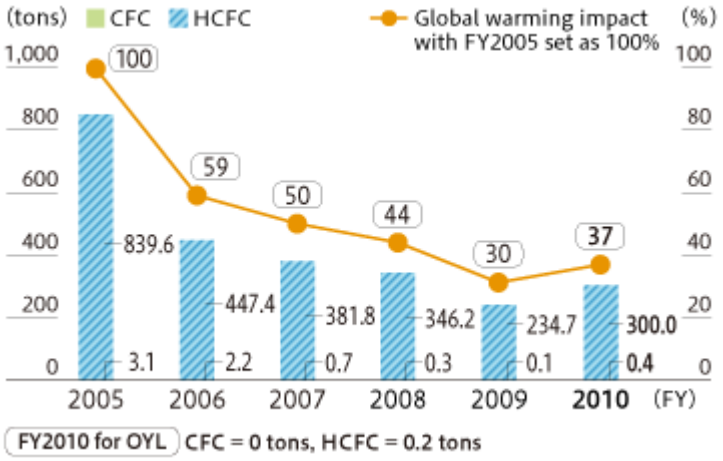
Fiscal 2010 emissions of the HFC and PFC covered by the Kyoto Protocol were 65 tons (270,000 tons CO_2 equivalent), an 89% reduction over fiscal 2005.

Fiscal 2010 emissions of CFC and HCFC were 1 ton and 300 tons respectively, a 64% decrease over fiscal 2005.

HFC and PFC Emissions and Global Warming Impact



■ CFC and HCFC Emissions and Global Warming Impact



Fluorocarbon Recovery Equipment Ensures Proper Destruction of Refrigerants (Chemicals Division)

The fluorocarbons emitted in the Chemicals Division are raw materials and by-products in the production of fluorochemical products. To prevent such emissions, we have been installing recovery equipment on production lines and properly destroying the fluorocarbon gases recovered. We also take the fluorite generated during the destruction process and use it as raw material for the production of fluorochemical products.

TOPICS

Establishing Facilities at Worldwide Bases for the Recovery and Destruction of Fluorocarbons in Production Processes

To reduce fluorocarbon emissions, the Chemicals Division has been establishing facilities since fiscal 2001 for the proper recovery and destruction of fluorocarbons during manufacturing processes.

In fiscal 2009, we built new recovery facilities at the Yodogawa and Kashima plants, and in fiscal 2010 we upgraded destruction facilities (special incinerator) at the Yodogawa Plant to ensure stable operation.

In countries in which we operate that have no fluorocarbon emission restrictions, we voluntarily recover gas and either destroy it at our factories or outsource destruction.

In December 2008, fluorocarbon destruction facilities that we built in Daikin Thailand were certified by the government and this site can now destroy fluorocarbons recovered at other group companies in Thailand.

Ensuring No Leaks When Filling Air Conditioners with Refrigerant (Machinery Divisions)

During the air conditioner manufacturing process, we do everything possible to ensure no refrigerants (HFC, HCFC) leak during filling. These measures include the following:

- We inspect all pipes for leakage before refrigerant filling.
- If operation inspections show that a product must be fixed, we do so after recovering all the refrigerant from it.
- We take every precaution possible during refrigerant filling to ensure there are no leaks.

Recovering refrigerant

All this and other related work is done by certified technicians according to maintenance manual procedures. Technicians also undergo training every year based on the manual.

TOPICS

Switching from HCFC to Helium Gas in the Inspection Process

To prevent refrigerant gas from leaking from air conditioners, all products are inspected for air-tightness during manufacturing using inspection gas.

For this inspection gas, the Daikin Group has gradually been switching from HCFC to helium, which does not deplete the ozone layer and is not a greenhouse gas. This means that even if a product is defective and leaks gas during inspection it will not harm the environment.

In the machinery divisions of the Daikin Group, where air conditioners are made, we have switched from HCFC to helium gas for inspections at 20 manufacturing bases around the world. With the switch to helium gas at the Sakai Plant in 2009, all Daikin plants in Japan no longer use HCFC as inspection gas.

Overseas, before the end of 2010, we phased out the use of HCFC at plants in Belgium, Thailand, and Shanghai and thus completed our switch to helium for inspection gas at worldwide production bases.

■ Inspecting for Refrigerant Leaks in the Air Conditioner Manufacturing Process

Daikin Industries carries out three inspections for refrigerant leaks during the residential air conditioner production process. This gives customers highly reliable products and prevents refrigerant emissions due to product defects.

1. Air-tightness and pressure resistance inspection
Before we insert refrigerant, we pump air at an extremely high pressure of 4.2 MPa to check for leaks at the welded sections, pipes, and other parts refrigerant passes through.

2. Gas leak inspection
After ensuring there are no leaks, refrigerant is sealed inside and a refrigerant detector is used to inspect all brazed parts.

3. Pre-delivery inspection
When the product is completed and packed, a refrigerant detector is once again used to ensure no refrigerant has leaked.

Reducing Energy-Induced CO_2

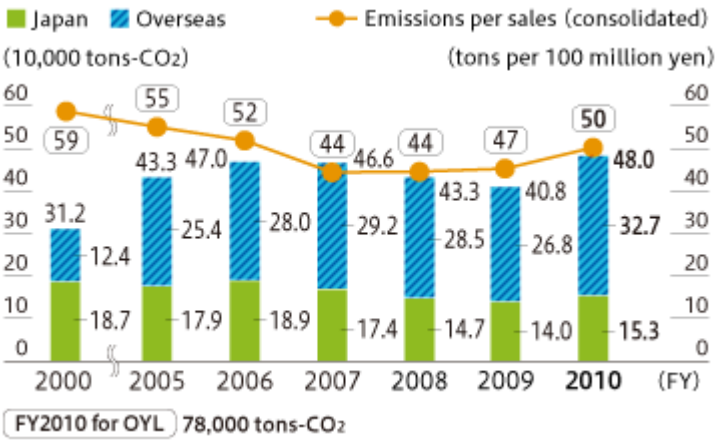
Rise in CO_2 Emissions per Sales Due to Increasing Production Volume and Exchange Rate Effects

In fiscal 2010, we made it a top priority to raise productivity and reduce energy loss. We reduced lead time to a minimum and boosted production efficiency in the air conditioner production process amidst increasing air conditioner demand due to a hotter-than-usual summer and Japan's eco-point system. In the Chemicals Division as well, the Production Innovation Project boosted efficiency and thus reduced energy loss.

However, with increasing production volume due to economic recovery, energy-induced CO_2 was up by 73,000 tons over fiscal 2009. Due to the high Japanese yen, the yen-equivalent sales overseas were down, and CO_2 emissions per sales were 6% higher than in fiscal 2009.

We will do everything possible to eliminate energy waste and introduce renewable energy and LED lighting.

■ Total CO_2 Emissions, CO_2 Emissions per Sales



Terminology

CO_2 emissions per sales
The amount of CO_2 emitted by net sales. The lower this figure, the less CO_2 a company emits per unit of production and thus the more efficiently that company can make products.

TOPICS

Reducing Energy Use by the Accumulation of Small Efforts

Daikin employees do every little thing possible in their daily work to contribute to energy-efficient operation. At the Sakai Plant, unnecessary lights are turned off and conveyor belts are only run when needed. As well, employees turn off office lights during lunch hour and shut down computers when they are away from their desks.

We also have energy efficiency patrols going through factories to ensure that no energy is being wasted.

Dedicated Employees Monitor Electricity to Prevent Unnecessary Operation

At the Sakai Plant, specific employees in charge of monitoring the operation of equipment wear name tags. To make this system easy to remember and clear to everyone, Daikin named it "SEE," which stands for Safety Environment Eco.

Report by Business Site (http://www.daikin.com/csr/environment/site_data/index.html)

Reducing CO_2 Emissions during Transportation

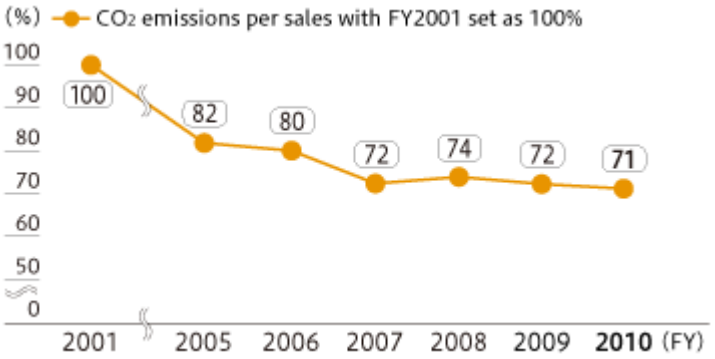
Increasing Direct Shipment Decreases CO_2 Emissions by 13.5% Over Fiscal 2005

Daikin Industries set a goal of decreasing CO_2 emissions (per sales) from transportation by 13% in fiscal 2010 compared to fiscal 2005, and efforts to this end have focused on switching from trucks to trains and ferries.

Since fiscal 2008, efforts have included direct delivery from factory to customer and direct shipping from overseas production sites to Japan to ensure the shortest possible transportation route.

The result was a 13.5% decrease in CO_2 emissions per sales over fiscal 2005 in the transport of air conditioning products.

■ CO_2 Emissions per Sales from Transportation (air-conditioning)



■ Reducing Other Environmental Impact during Transportation

- At manufacturing bases in Japan, we have replaced gasoline-powered forklifts for logistics with electric models.
- We are changing the layout of warehouses so that forklifts will drive shorter distances (and thus be driven less).
- We are introducing more natural-gas-powered and other low-pollution vehicles for company cars. As of fiscal 2009 there were 11 natural gas vehicles.
- All vehicles driving at manufacturing bases turn off their engines when not moving to reduce exhaust fumes.

Daikin Receives First Eco-Rail Mark Certification for Air Conditioning Products

In November 2010, Daikin Industries and five Daikin air conditioning products were certified for the Eco-Rail Mark from the Ministry of Land, Infrastructure, Transport and Tourism. This is the first time an air conditioning product has been certified for this system, which certifies products that travel solely on land or, if not, at least 500 kilometers on land and 30 percent or more of the goods are carried on railways.

Daikin will continue shifting more products to railway shipping.

Eco-Rail Mark

Green Heart Factories

Three Plants and Daikin Sunrise Settsu Designated as Green Heart Factories

Daikin Industries strives to make its plants more environmentally conscious through an in-house certification system called Green Heart Factories. Those that score at least 85 points out of 100 on five criteria including reduction of greenhouse gas emissions are designated as Green Heart Factories.

As of March 2011, Daikin Industries' plants (Shiga, Sakai, Yodogawa) and Daikin Sunrise Settsu have been designated as Green Heart Factories.

Green Heart Factory certificate

Saving Energy at Overseas Bases

Daikin Australia Wins ARBS 2010 HVAC Excellence Award

The Daikin Australia head office was introduced at the April 2010 ARBS HVAC exhibition, where it was awarded the ARBS 2010 HVAC Excellence Award for its environmental performance.

At the ARBS 2010 HVAC awards ceremony

The new office building adopts an innovative environmental design that achieves a 5 Star NABERS (National Australian Built Environment Rating System) rating. The award also recognizes the building for its Daikin VRV Heat Recovery System, which precisely monitors energy use and maintains the optimal indoor environment.

LEED® Gold Certification for Daikin-McQuay Applied Development Center in the United States

In December 2010, the Daikin-McQuay Applied Development Center in Minnesota earned LEED® Gold certification from the U.S. Green Building Council for its energy efficiency and green design.

At the awards ceremony

The facility was highly rated for a green design that includes major facilities equipped with an inverter air conditioning system, test equipment using heat recovery technology, and energy-efficient lighting. More than 90% of the center's energy is used for development testing (cooling and heating water, etc.), and 75% of this energy is recovered and reused to make the facility energy efficient.

For details, see Key Activities of Fiscal 2010: Solutions for Curbing Global Warming. (Page 48)

Daikin Takes Part in Government Energy-Reduction Project

Daikin Europe N.V. is participating in an energy-reduction project being carried out by the government of Flanders, Belgium. Between 2009 and 2013, based on an in-house energy-reduction plan, the company is striving to reduce its energy use through measures including converting equipment to inverters and recovering heat from test equipment.

Using Renewable Energy in Thailand

Daikin Thailand, a major plant in Southeast Asia, uses renewable energy, such as hydropower that utilizes the in-house cooling water, and wind and solar power, to provide electricity for equipment such as outdoor lighting.

Wind power built by employees

Hydropower utilizing cooling water from the plant

Recovery and Destruction of Fluorocarbons from Customers' Air Conditioners

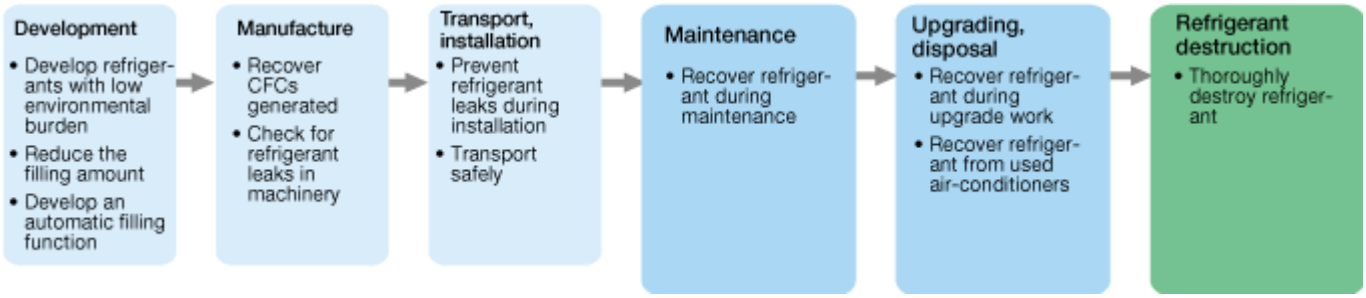
Thorough Recovery during Production, Maintenance, and Upgrading

The fluorocarbons used as refrigerants in air conditioners have a global warming impact that is approximately 2,000 times more than that of CO_2.

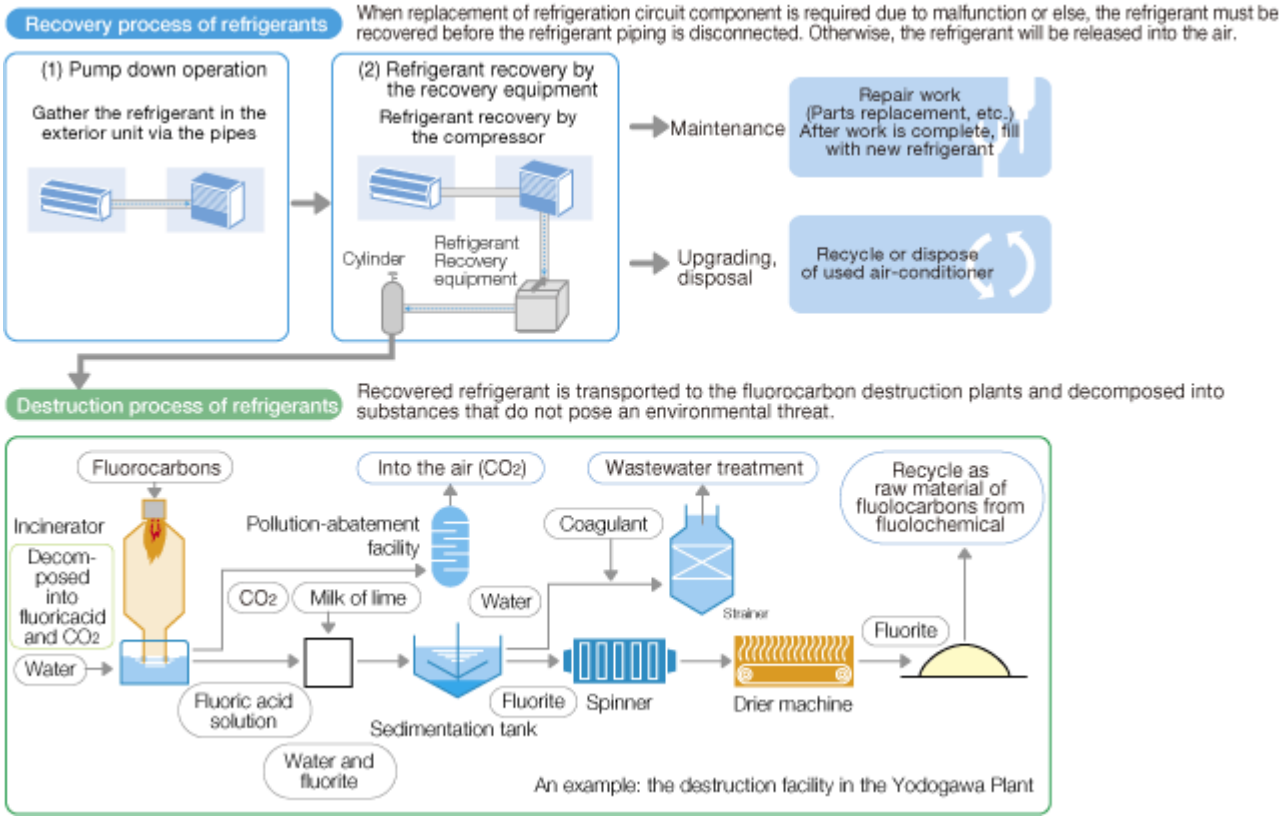
As an air conditioner manufacturer, Daikin has taken responsibility to prevent fluorocarbons from entering the atmosphere. We are also conducting research and development into refrigerants with a low global warming potential and preventing the release of refrigerants into the atmosphere during production and post-sales.

At all worldwide production bases, we recover and destroy refrigerants placed in air conditioners during testing and other processes. We also have destruction facilities in Japan and Thailand. During maintenance and upgrading of customers' air conditioners, the service or installation staff always start by thoroughly recovering the refrigerant.

Efforts to Prevent Environmental Burden from CFC Emissions



Recovery and Destruction of Refrigerants



Efforts in Japan

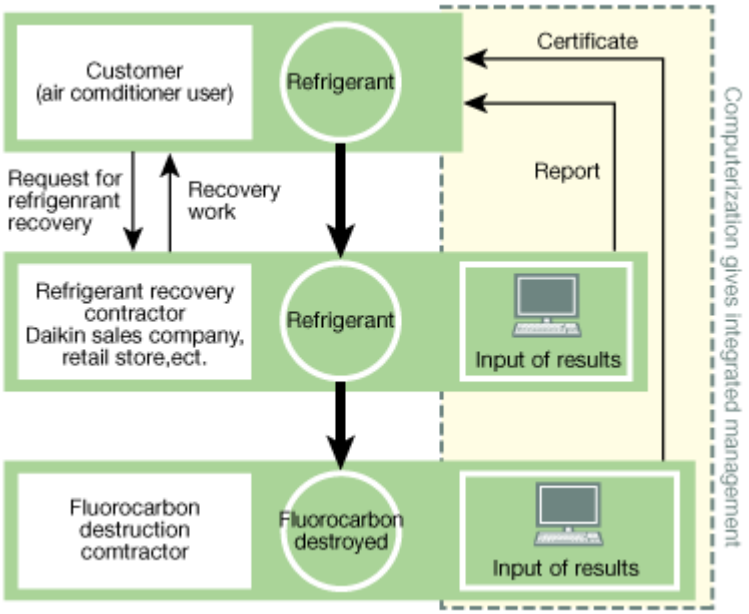
Refrigerant Recovery Network System

In Japan, we are thorough in our recovery of fluorocarbons (refrigerants) from commercial air conditioners. In September 2006, we created a network system for the integrated management of all information from recovery to destruction of refrigerants. By computerizing all previously written records, from amount of refrigerant recovered to amount destroyed, we have made it easier to accurately keep track.

The companies recovering and destroying the refrigerants add up the totals and these are reported annually to the prefectural governments in Japan. Because these reports can be generated from the system, these companies can work more efficiently.

■ Unified Management System of Refrigerant Recovery and Destruction

With each instance of refrigerant recovery, details such as the model of air conditioner and number of units, and the amount of refrigerant recovered, are entered into the electronic manifest. This makes it possible to get an accurate picture of the refrigerant recovery rate.



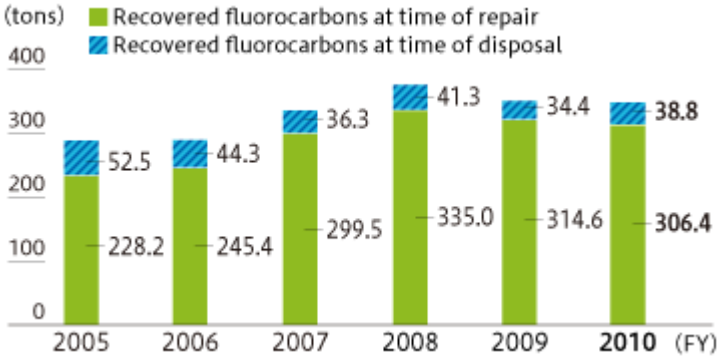
Taking Calls 24 Hours a Day, 365 Days a Year for Recovery and Destruction (Fluorocarbon Recovery and Destruction Business)

We take requests from retailers and other businesses for the proper recovery and destruction of refrigerants. The Daikin Contact Center takes calls all day, every day, and the recovered refrigerants are taken to our Yodogawa Plant, Kashima Plant, or one of the contracted destruction facilities around Japan where they are properly destroyed.

In fiscal 2010, 345 tons of fluorocarbons were destroyed.

Fluorocarbon destruction facilities (Yodogawa Plant)

■ Recovered Fluorocarbons (at time of repair and at time of disposal)

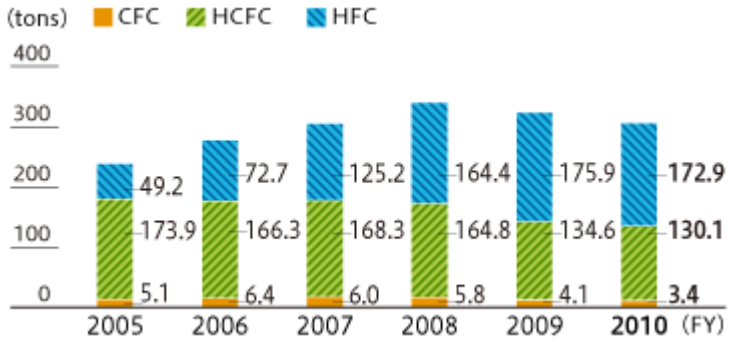


Maintenance Only After Thorough Recovery of Refrigerant

During the parts replacement that takes place during maintenance of air conditioners, refrigerant can leak out into the atmosphere. To prevent this, the Daikin Group has recovery equipment at service outlets across Japan that carry out such maintenance, and this equipment is used to recover refrigerant before any repair work begins.

In fiscal 2010, a total of approximately 306 tons of refrigerants were recovered at all service outlets.

Types of Fluorocarbons Recovered during Maintenance (Japan)



Training for Refrigerant Recovery Personnel

The recovery of refrigerants requires special knowledge and skills. Daikin Industries provides the necessary training for the sales, technical, installation, and service staff who will be recovering refrigerants.

After one of these training programs, the technician training course, participants take a final test and if they pass are registered as refrigerant recovery technicians by the Refrigerants Recycling Promotion and Technology Center. In fiscal 2010, 3,421 people, mostly from retailers and installers, passed the test. Of all those registered as refrigerant recovery technicians in Japan, 37.8% took the Daikin technician training course.

Training courses also include environmental education

Daikin Begins Certification System for Refrigerant Pipe Installation Technicians

On April 1, 2011, Daikin started a certification system for refrigerant pipe technicians, an in-house system for certifying that installers have outstanding knowledge, techniques, skills, and ethics. This is the first air conditioning pipe installation certification course among manufacturers.

Technicians certified for refrigerant recovery take the certification course, where they learn from Daikin employees with a wealth of experience and knowhow in advanced refrigerant pipe installation. The certified graduates of this course are outstanding technicians who ensure that no refrigerant leaks occur during pipe installation.

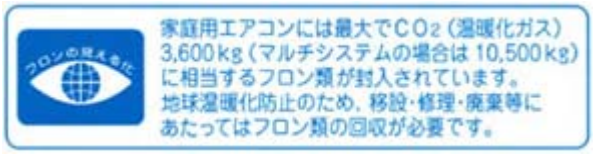
Visual Representations of Refrigerants in Refrigeration and Air Conditioning Equipment

The refrigerants used in refrigeration and air conditioning equipment are colorless, odorless, and tasteless gases that, although not harmful to humans, must be prevented from leaking into the atmosphere since these refrigerants have a great impact on global warming. In 2009, the Japan Refrigeration and Air Conditioning Industry Association announced a policy of displaying the effects of global warming caused by these refrigerants: a 'visualization' of their movement.

Since that time, the Daikin Group in Japan has placed stickers on its refrigeration and air conditioning equipment for the Japanese market that show that fluorocarbons are being monitored. These same stickers are placed on products made overseas for the Japanese market. As of March 2011, stickers were being placed on all relevant products.

We are improving the placement of stickers and designing products so that stickers are highly visible to end-users and installers and so that we can improve the recovery rate.

■ Fluorocarbon 'visualization' sticker (for indoor unit)

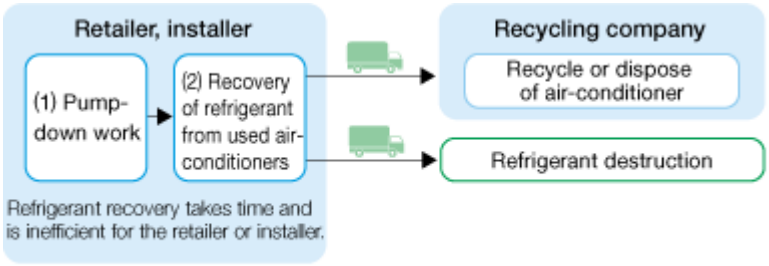


Recycling System for Commercial Use Air Conditioners Covering Multiple Regions, System Properly Recovers and Destroys Refrigerants

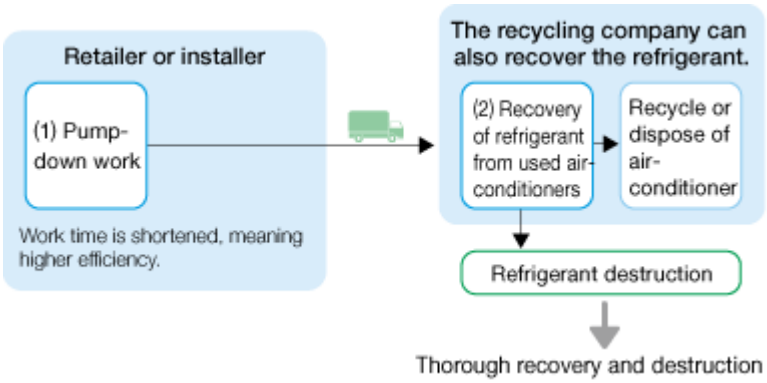
Under the Home Appliance Recycling Law, manufacturers are obligated to recover refrigerants, materials, and parts from used residential air-conditioners for recycling. But there is no similar law for commercial air-conditioners. For this and other reasons, manufacturers cannot get a clear picture of the recovery situation. While metallic materials are recycled, many manufacturers view recovery and destruction of refrigerants as economically unfeasible, which makes it difficult to build a system to do this.

Against this background, the Daikin Group is working with companies specializing in recycling, waste processing, and recovery and destruction of refrigerants in an effort to build a system for the proper recovery and destruction of refrigerants from commercial air-conditioners. This recycling system went into operation in fiscal 2004 in the Osaka, Chukyo, and Niigata districts of Japan and in fiscal 2005 in the Kyushu, Kanto, and Chugoku districts.

■ Conventional Disposal Process for Commercial Air-conditioners



■ New Recycling System



Efforts Overseas

Training Personnel in Refrigerant Recovery and Installing Recovery Equipment

At the Daikin Europe Academy, training is held to teach the knowledge and skills needed to carry out refrigerant recovery. Course content is also in line with the EU regulations to prevent the release of refrigerants into the atmosphere.

In China and other parts of Asia, all service bases have refrigerant recovery equipment. As we recover refrigerants, we remind customers how important this activity is to environmental protection, irrespective of the cost.

Green Procurement

Auditing Suppliers Based on Daikin's Green Procurement Guidelines

The Daikin Group established its Green Procurement Guidelines in fiscal 2000 and requires suppliers in Japan and overseas to abide by these in the procurement of materials and parts used in manufacturing.

Besides marking suppliers on environmental protection activities using a green procurement checklist, we also check their CO_2 emissions from energy use. Suppliers who fail to satisfy our green procurement standards are asked to make the necessary improvements. Suppliers to Daikin's Machinery Divisions and Chemicals Division undergo meticulous monitoring of compliance with consideration for their particular industry sector.

Production bases in Southeast Asia, China, Europe, and other world regions actively pursue green procurement. For example, bases in Thailand undergo audits and guidance based on a yearly plan.

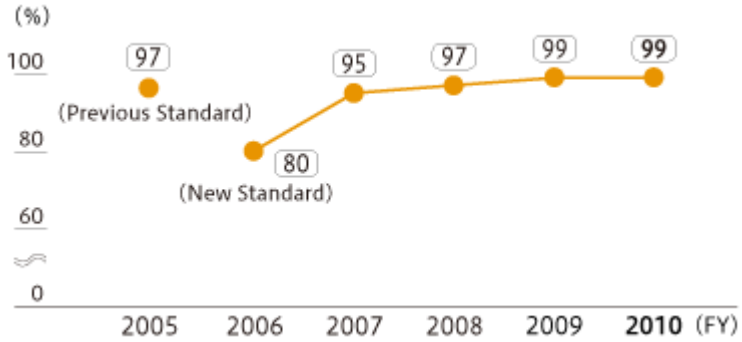
Striving for a Higher Green Procurement Rate

In fiscal 2010, Group companies in Japan had a green procurement rate of 99%. We also designated suppliers who scored 100 points on the survey as 'green suppliers'. Starting in fiscal 2011, we plan to set a minimum for the percentage of Daikin Industries' suppliers who are green suppliers. In fiscal 2010, green suppliers accounted for 72.5% of all our suppliers.

Green procurement briefing in Suzhou, China

Our air conditioner production bases in Southeast Asia, China, Europe, and Oceania also strive for green procurement. In fiscal 2010, green procurement rates were 97% in Thailand, 89% in China, 82% in Europe, and 85% in Oceania. In fiscal 2011 and beyond, we will seek even greater cooperation from suppliers as we strive to further raise the green procurement rate.

Green Procurement Rate (Japan)



■ Green Procurement Rate (%) by Region (Japan, overseas)

	Japan	China	Thailand	Other countries in Asia and Oceania	Europe	North America
FY2008	97	79	85	-	69	-
FY2009	99	89	97	85	63	-
FY2010	99	89	97	85	82	45

$$\text{Green procurement rate} = \frac{\text{Value of goods procured from suppliers who meet our assessment criteria}}{\text{Value of all goods procured}}$$

■ Overview of Green Procurement Guidelines, 5th Edition

Environmental Management Conditions for Suppliers

- Suppliers should have an ISO 14001-certified environmental management system
- Suppliers must themselves be carrying out green procurement
- Suppliers must have their own chemical substances management system

Product-Related Conditions

- Materials and parts delivered to Daikin should have no substances forbidden by Daikin
- Production processes should use no substances forbidden by Daikin
- Upon request, provide Daikin with information on the amount of chemicals contained, which part it is used in, why it is being used, and its toxicity.
- Voluntarily reduce the amount of chemicals for which Daikin requests reduction
- Reduce and optimize product packaging

Compliance with Restrictions on Toxic Chemicals

Establishing Standards for Managing Chemical Substances in Products

The Daikin Group has a list (shown below) of 30 substances not allowed in products, as well as SVHC (substances of very high concern) under the REACH Regulation, which will be added in future. Daikin requires suppliers to ensure that they comply with the Daikin Group Green Procurement Guidelines.

When the Green Procurement Guidelines were revised in October 2009, we updated the list of restricted substances and increased the number from 26 to 30.

■ Specified Chemical Substance List (for products)

Control levels	Substance name
Prohibited	Cadmium and cadmium compounds Hexavalent chromium compounds Lead and lead compounds Mercury and mercury compounds Tributyl tin oxide (TBTO) Tributyl tins (TBTs) compounds *1 Triphenyl tins (TPTs) compounds *1 Dibutyl tin compounds (DBTs) *1 Dioctyltin compounds (DOTs) *1 Polybrominated biphenyls (PBBs) Polybrominated diphenyl ethers (PBDEs) Deca-Bromodiphenylether (Deca-BDE) *2 Polychlorinated biphenyls (PCBs) Polychlorinated terphenyls (PCTs) *2 Polychloronapthalenes (C1=>3) Short chain chlorinated paraffins Perfluorooctane sulfonate (PFOSs) *3 F gas (HFC, PFC, SF6) *4 Asbestos Azocolourants and azodyes which form certain aromatic amines *5 Ozone depleting substances (other than HCFCs) *6 Radioactive substances Phenol,2-(2H-benzotriazol-2-yl)-4,6-bis(1,1-dimethylethyl) *2 Dimethlyfumarate (DMF) *7
Reduced	Vinyl chloride polymer (PVC) *8 Ozone depleting substances (only HCFCs)
Managed	Beryllium oxide (BeO) *2 Phthalates (DINP, DIDP, DNOP) *2 Perchlorates *2 Nickel and nickel compounds *9 Brominated flame retardants (other than PBBs, PBDEs, HBCDDs) Formaldehyde *2 EU REACH Regulation (SVHC: substances of very high concern) group (Prohibited materials specified by this guideline are excluded) *10

*1 The use of TBTs and TPTs is prohibited as of July 2010.
The use of DBTs will be prohibited as of January 2012 (January 2015 for certain substances).
The use of DOTs will be prohibited as of January 2012. However, only "Commodities that touch the skin" and "Two-component normal temperature silicone modules" will be prohibited.

*2 Materials added to JIG representation material (July 2009).

*3 The use of PFOSs is prohibited as of May 2009 under the POPs Agreement.
Prohibited as of April 2010 under Japan's Law Concerning the Evaluation of Chemical Substances (except for applications in semiconductors, etching, and business photographic film).

*4 The use of F gas (HFC, PFC, etc) is prohibited in one-component foams (except when required to meet national safety standards). (Banned in the EU starting in July 2008.) The use of F gas (HFC, PFC, etc.) is permitted for refrigerants.

*5 Limited to applications in azo dyes and pigments which constitute the specific amines defined by the German Consumer Goods Ordinance and which come into contact with the human body for long hours.

*6 The use of HCFC for the production of foams shall be prohibited, and the use as refrigerants for Japan and EU models shall also be prohibited.

*7 Use prohibited as of May 2009 (formerly used as a fungicide in leather products and furniture before being prohibited in the EU).

*8 There are fewer substances that can be used as PVC substitutes.

*9 In cases in which the nickel comes into contact with the human body for long hours.

*10 All SVHC (substances of very high concern) added in future shall be managed. Postscripts do not need to be added in future.

Daikin Group Worldwide Complete Registration for REACH

The REACH Regulation 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.

The Daikin Group companies share information through the REACH Liaison Conference in Japan and the REACH Shared Conference in Europe sponsored by Daikin Europe N.V. Daikin has built a system for the disclosure of substances of very high concern (SVHC) and has completed full registration in compliance with REACH.

Proper Management of All RoHS Directive Substances

The RoHS Directive (Restriction of Hazardous Substances Directive; full name is Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment) went into effect in July 2006, and restricts the use of six hazardous materials: lead, mercury, cadmium, hexavalent chromium, and two specified bromide fire retardants (polybrominated biphenyls (PBB) and polybrominated biphenyl ether (PBDE)). To this list, the Daikin Group added azo compounds to make seven substances that it prohibits in parts from suppliers. As of March 2006, Daikin had eliminated the use of all of these in relevant products for the European and Japanese markets.

If we suspect that RoHS substances are contained in parts, we examine them with a fluorescence spectrometer or conduct a survey of toxicity using the MSDS-Plus database. If necessary, we have analysis done by third-party institutions.

Daikin Eliminates Substances Ahead of the Chinese Version of RoHS

In March 2007, the Management Methods for Controlling Pollution Caused by Electronic Information Products Regulation (China RoHS) was enacted. This directive specifies the same six substances (lead, mercury, cadmium, hexavalent chromium, specified bromide fire retardants) designated by the European RoHS Directive.

Although the directive does not cover air conditioners, the products that the Daikin Group is selling in China do not contain RoHS substances. And we are gradually introducing products without these substances in Southeast Asia, where there are still no equivalent regulations banning their use.

And like in the EU, if we suspect that these substances are contained in parts, we examine them, for example, with an X-ray fluorescence spectrometer to determine the amount.

Determining Suppliers' CO_2 Emissions to Comply with the ErP Directive

November 2009 marked the start of the ErP Directive, which requires energy-using and energy-related products to incorporate eco-design.

To comply with this directive, Daikin's green procurement survey for suppliers determines energy-induced CO_2. Product assessment makes possible traceability through a system for determining CO_2-equivalent values by type of fuel and energy-based CO_2-equivalent values by country.

For details, see Products that Help Customers Save Energy in the section Low-Impact Products. (Page 91)

Compliance with J-Moss

We release information on the presence in our products of the six substances covered by J-Moss (the marking for presence of the specific chemical substances for electrical and electronic equipment). Daikin room air conditioners are covered by J-Moss.

Since 2001, Daikin has been determining and controlling chemical substances contained in products and we have stopped using substances specified under J-Moss. As a result, all models of our air conditioners (produced since July 2006) contain none of the substances exceeding the amounts under the standards.

We will continue to actively provide information about our environmentally conscious products so that we can offer customers a peace of mind when making purchases.

J-Moss

Also known as JIS C 0950, J-Moss is an abbreviation of "The marking for presence of the specific chemical substances for electrical and electronic equipment." J-Moss requires the labelling of electrical and electronic products containing six substances: lead, mercury, cadmium, hexavalent chromium, and two specified bromide fire retardants (polybrominated biphenyls (PBB) and polybrominated biphenyl ether (PBDE)). There are seven types of products covered: (1) personal computers, (2) unit air conditioners, (3) TVs, (4) electric refrigerators, (5) electric washing machines, (6) microwave ovens, and (7) clothes dryers.

Daikin Products

The substances contained in Daikin room air conditioners are shown on the table below. Note that the room air conditioners shipped in Japan starting in 2007 bear the Japan's Green Mark eco-label.

■ Substances Contained in Room Air Conditioners

Product type: Room air conditioner (interior/outdoor units) Model: All models produced since in July 2006 (see note 3).

Class	Chemical substance code					
	Pb	Hg	Cd	Cr(VI)	PBB	PBDE
Manufactured parts	○	○	○	○	○	○
Refrigerant system parts	N/A	○	○	○	○	○
Electrical/electronic parts	N/A	○	○	○	○	○
Compressor	N/A	○	○	○	○	○
Refrigerant	○	○	○	○	○	○
Accessories	○	○	○	○	○	○

JIS C 0950:2008

Note: 1 A " ○" symbol means that the substance contained does not exceed the allowable amount under the standard.
Note: 2 N/A means the substance is "not applicable" for labelling.
Note: 3 Models designated below.
Indoor unit: Wall mount, embedded ceiling cassette (single flow, double flow), embedded wall, built-in amenity, floor standing
Exterior unit: For the following: Pair type, System Pack, Multi-Split System, Wide Select Multi, Equipped with Hot Water Floor Heating function

Overview of J-Moss

Under Japan's Law for the Promotion of Effective Utilization of Resources, relevant equipment must meet J-Moss standards.
J-Moss (JIS C 0950)

The marking for presence of the specific chemical substances for electrical and electronic equipment

The marking for presence of the specific chemical substances for electrical and electronic equipment

Gist of the Standards

Indicating on labelling which of the specified chemical substances are contained in electrical and electronic equipment is meant to achieve the following:

- Management of chemical substances will be improved in all stages of the supply chain and life cycle.
- End consumers can easily understand the substances contained.
- It will lead to more effective use of resources and less impact on the environment.
- Spread the use of electrical and electronic equipment in which substances are properly controlled.

Products Covered

(1) Personal computers, (2) Unit air conditioners, (3) TVs, (4) Electric refrigerators, (5) Electric washing machines, (6) Microwave ovens, (7) Clothes dryers

Specified chemical substances

Chemical substance	Code	Standard for % by weight
Lead	Pb	0.1
Mercury	Hg	0.1
Cadmium	Cd	0.01
Hexavalent chromium	Cr(VI)	0.1
Polybrominated biphenyls	PBB	0.1
Polybrominated biphenyl ether	PBDE	0.1

Content Labelling

If the content of the specified chemical substance exceeds the standard values, its content must be indicated on the product itself, the packaging, and on catalogs and other documentation. This information must also be put on the company's Web site.

The content of some of the chemical substances does not need to be indicated on the labelling, and other chemical substances do not need to be indicated on labelling if they are below the standard value. However, these must still be shown on the company's Web site.

Label indicating substances contained in product

Green Mark Labelling

Electrical and electronic equipment whose content of the specified chemical substances does not exceed the standard values may bear Japan's Green Mark eco-label on the conditions stated in the Guidelines for Using the Green Mark for Specified Chemical Substances in Electrical and Electronic Equipment.

Green Mark

Note: The Guidelines are recognized by the following groups.
Japan Electronics and Information Technology Industries Association (JEITA)
Japan Electrical Manufacturers' Association (JEMA)
Japan Refrigeration and Air Conditioning Industry Association (JRAIA)

Management of Chemical Substances

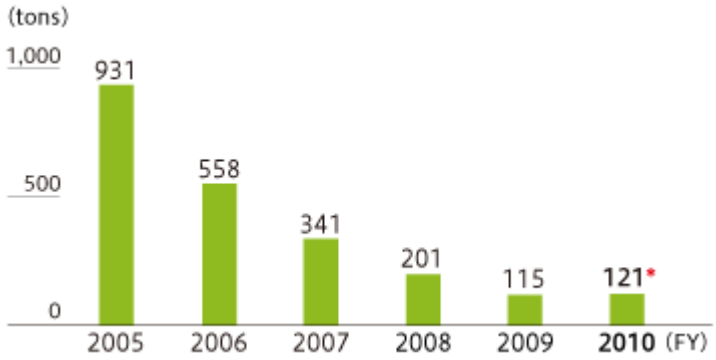
Compliance with the PRTR Law

The Daikin Group set a target of reducing PRTR substances by 50% in fiscal 2010 compared to fiscal 2005, and in fiscal 2007 we achieved this, three years ahead of schedule. We have continued to reduce these substances.

When Japan's PRTR Law was revised in October 2009, a large number of chemicals were added to the list of restricted substances. Daikin thus set a target of reducing fiscal 2010 emissions to no more than 270 tons. Actual emissions in fiscal 2010 were 100 tons, far exceeding our target.

To continue reducing the amount of PRTR substances, besides restricting the amounts we release into the environment, we are looking into ways we can replace the substances with less harmful substitutes.

Emissions of PRTR Substances (Japan)



Note: Under revisions to the Pollutant Release and Transfer Register Law (effective October 1, 2009), the number of designated substances increased from 354 to 462.

Terminology

PRTR Law (Pollutant Release and Transfer Register (PRTR) Law)
Enacted in Japan in 1999, the PRTR Law is a legal framework in Japan for the calculation and publicizing of the amounts of certain hazardous chemical substances that are emitted or transferred as waste into the environment (air, water, and soil) or into public sewage systems. Other countries have similar regulations. The PRTR Law was revised in 2009.

■ Compilation of PRTR Substances in FY2010
(PRTR substances of which at least 1 ton was handled)

FY2010						
	Substance name	Amount emitted(tons)			Amount transported (tons)	
		Air	Public waterways	Soil	Waste	Sewage
104	Chlorodifluoromethane (also called HCFC-22)	50.61	0.00	0.00	4.48	0.00
186	Dichloromethane (also called methylene chloride)	47.60	0.00	0.00	0.01	0.00
103	1-chloro-1,1-difluoroethane (also called HCFC-142b)	12.00	0.00	0.00	0.00	0.00
392	Normal hexane	3.66	0.00	0.00	1.30	0.00
300	Toluene	3.36	0.00	0.00	0.04	0.00
105	2-Chloro-1,1,1,2-tetrafluoroethane (also called HCFC-124)	1.40	0.00	0.00	0.00	0.00
80	Xylene	0.91	0.00	0.00	0.07	0.00
127	Chloroform	0.80	0.00	0.00	0.03	0.00
53	Ethylbenzene	0.24	0.00	0.00	0.00	0.00
374	Hydrogen fluoride and other water-soluble salts	0.23	0.00	0.00	110.00	0.00
13	Acetonitrile	0.01	0.00	0.00	0.92	0.03
232	N,N-dimethylformamide	0.00	0.00	0.00	3.30	0.00
28	Allyl alcohol	0.00	0.00	0.00	1.60	0.00
407	Polyoxyethylene alkyl ether (those whose alkyl group carbon number is between 12 and 15, or compounds of these)	0.00	0.00	0.00	120.00	0.50
4	Acrylic acid	0.00	0.00	0.00	21.00	0.00
20	2-aminoethanol	0.00	0.00	0.00	5.13	0.00
31	Antimony and antimony compounds	0.00	0.00	0.00	4.80	0.00
408	Polyoxyethylene octyl phenyl ether	0.00	0.00	0.00	3.70	0.03
336	Hydroquinone	0.00	0.00	0.00	3.10	0.00
439	3-methylpyridine	0.00	0.00	0.00	1.90	0.00
1	Water soluble lead compounds	0.00	0.00	0.00	0.93	0.14
453	Molybdenum and molybdenum compounds	0.00	0.00	0.00	0.02	0.00
413	Phthalic anhydride	0.00	0.00	0.00	0.01	0.00
416	Methacrylic acid, 2-ethylhexyl ester	0.00	0.00	0.00	0.00	0.00
71	Ferric chloride	0.00	0.00	0.00	0.00	0.00
149	Carbon tetrachloride	0.00	0.00	0.00	0.00	0.00
240	Styrene	0.00	0.00	0.00	0.00	0.00
395	Water-soluble salts of peroxodisulfuric acid	0.00	0.00	0.00	0.00	0.00
Total		121	0	0	282	1

Reducing Waste

Definition of the Daikin Group's Zero Waste

The Daikin Group's zero waste goal is an effort to landfill or incinerate (but not for heat recovery) less than 1% of all waste from production processes overseas (0.5% in Japan) and to recycle at least 99% overseas (99.5% in Japan).

Seven Overseas Production Subsidiaries Achieve Zero Waste

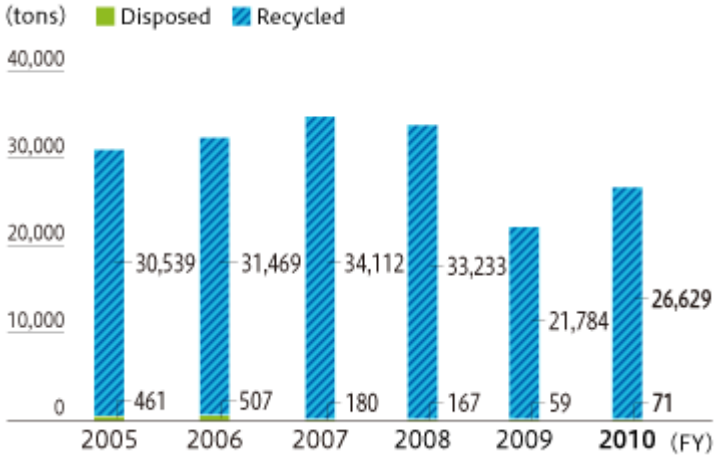
By fiscal 2005, all Daikin Group manufacturing bases in Japan had achieved zero waste (at least a 99.5% recycling ratio) and have maintained this ever since.

Overseas production bases have been working to reduce waste and as of the present, seven overseas production subsidiaries, including Daikin Thailand and Daikin Europe, have achieved zero waste (at least a 99% recycling ratio). Other overseas production bases are working to reduce waste generated and achieve zero waste through measures including raising the recycling ratio.

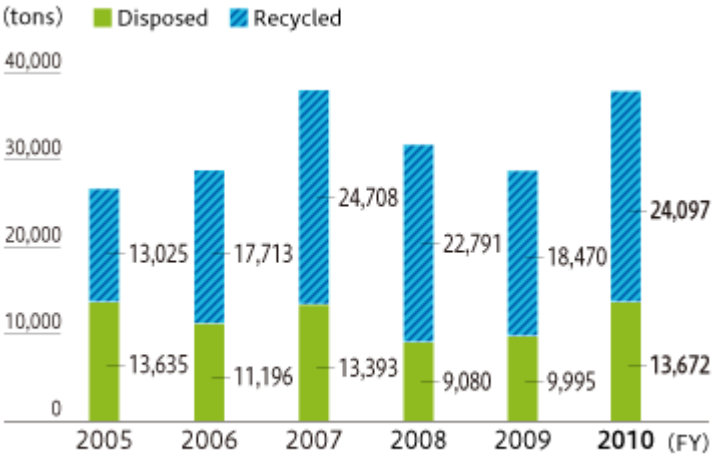
Note: Zero waste is defined as a recycling ratio of at least 99.5% in Japan and at least 99% overseas.

Separating garbage in efforts to achieve zero waste (Daikin Thailand)

■ Amount Disposed of and Amount Recycled (Japan)



■ Amount Disposed of and Amount Recycled (Overseas)



FY2010 for OYL OYL Disposed 1,691 tons, Recycled 18,662 tons

TOPICS

Belgium: Returnable Packaging

At the end of fiscal 2010, Daikin Europe N.V. switched from cardboard boxes to foldable plastic boxes for product packaging. Besides allowing more packages to fit into delivery trucks, this plan has also reduced the amount of packaging material needed.

Thailand: Recycling Grinding Sludge

Daikin Compressor Industries Ltd. (DCI; head office: Thailand), the manufacturing base for compressors for residential air-conditioners, mixes the sludge from grinding and the cutting debris from casting, dries the mixture out, compresses it, and recycles it as casting material.

Japan: Recycling Wooden Palettes

The Shiga Plant has been procuring an increasing amount of materials and parts from overseas and these have been accompanied by an increasing number of pallets.

The plant tried to figure out how to recycle these pallets and came up with the idea of making them into charcoal, which is now used as deodorizing agent in the deodorizing equipment on painting lines.

Absorption deodorizer

Crushing wooden palettes

Making charcoal (activated charcoal)

TOPICS

The Accumulation of Small Efforts Gives Birth to New Recycling Ideas

Daikin employees do every little thing possible in their daily work to reduce the amount of waste generated. The Sakai Plant reuses buffer material in product packaging. The Shiga Plant has reduced the amount of wood waste by 75% by reusing this valuable resource whenever possible. It also has reduced the amount of sludge requiring processing by reducing the water content following water treatment. We are also planning new efforts such as separating plastics so as to make greater use of recycled materials. We plan to spread these efforts out to other air conditioner manufacturing bases.

The Chemicals Division, meanwhile, incinerates waste on site to create raw materials that can be used.

Report by Business Site (http://www.daikin.com/csr/environment/site_data/index.html)

Using Water Resources

Proper Water Use through Regular Monitoring

At our plants, we periodically repair and patrol equipment that uses water in the production processes. We also measure the amount of water used and try to reduce the per-unit amount used.

And we try to reuse waste water so that we can reduce the amount we discharge into the environment.

We compile data on amount of water used and emitted as waste water.

Environmental Impact: The Big Picture (Page 63)

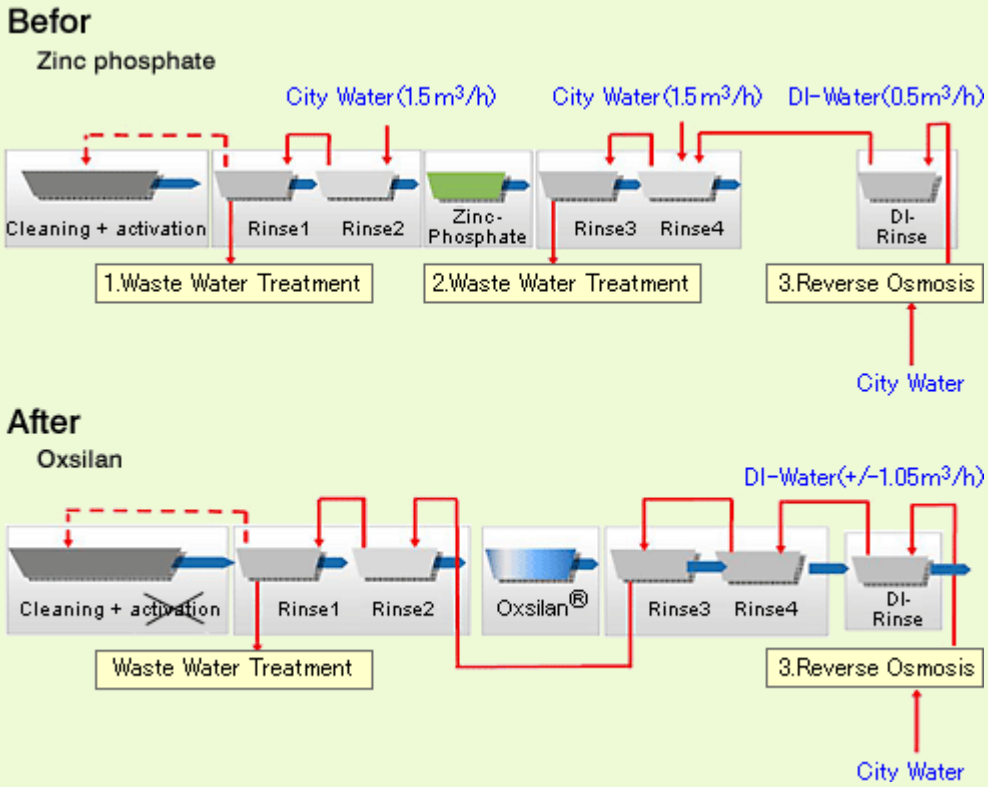
Each plant measures the substances contained in waste water.

Report by Business Site (http://www.daikin.com/csr/environment/site_data/index.html)

TOPICS

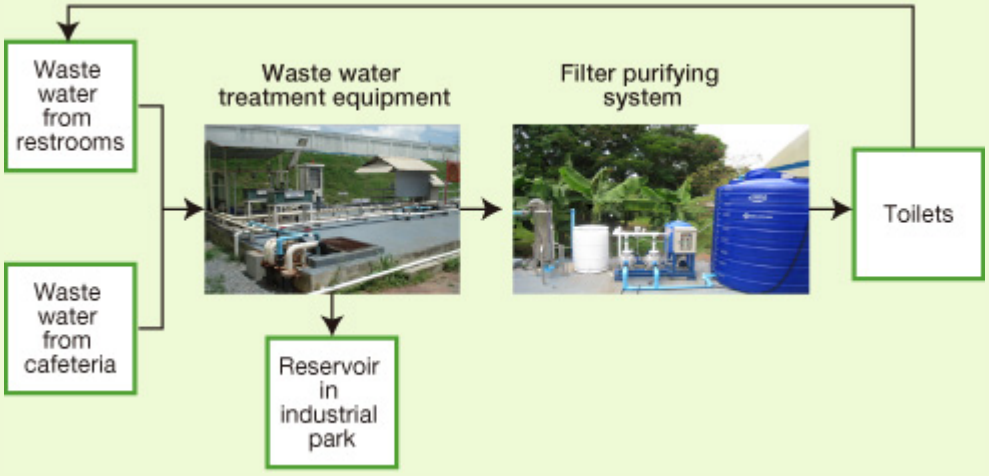
Belgium: Metal Treatment Process Altered to Reduce Cleaning Water Use by 70%

In October 2010, Daikin Europe N.V. changed its washing process for metal plates. Changing the chemicals used allowed the washing water to be reused, cutting use of clean water by 70%.



Thailand: Reusing Waste Water from Employee Areas

Daikin Compressor Industries Ltd. (Thailand) (DCI) has installed a new filter system on the water treatment equipment for waste water from the cafeteria and restrooms. This waste water can be made as clean as industrial-use water and is used for the company toilets.



Environment
Environmental Management

We are striving to strengthen environmental audits, eliminate environmental risks, and provide environmental education with the aim of establishing the integrated group environmental management system.

Environmental Management System

ISO 14001 Certification at All the Major Bases around the World

A common goal of the entire Group is to build and operate ISO 14001-based environmental management systems (EMS) that will boost our environmental activities.

In Japan, all Daikin bases and subsidiaries come under an integrated EMS. We are currently working to establish an EMS that encompasses the systems at all worldwide bases.

The creation of environmental management systems is also proceeding at companies in the OYL Group, which joined the Daikin Group in 2006.

Read more

(See page 134)

- Environmental Management System
  - System Driving Environmental Management
  - Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification
  - Daikin bases certified for ISO 14001 (Japan, overseas)
- Global Environmental Meetings

Environmental Audits

Internal Auditors Conduct Strict Audits

The Daikin Group has regular annual environmental audits: internal audits by Daikin itself and audits by third-party certification institutes. These help us check and constantly improve the functioning of our systems.

Read more

(See page 138)

- Environmental Audits
  - FY2010 Report from Audits

Environmental Risk Management

Audits and Regular Disaster Drills Reduce Environmental Risk

A company-wide internal environmental auditing team carries out regular legal audits once a year to ensure environmental risk is kept to a minimum.

If any accidents or calamities should occur, manufacturing bases and production subsidiaries are prepared to deal with the problem thanks to regular disaster drills for all employees.

Read more

(See page 139)

- Environmental Risk Management
- Monitoring Environmental Standards
- Measures for Soil and Groundwater Pollution
- Storage and Treatment of PCBs
  - Daikin's Storage of PCBs

Environmental Accounting

In FY2010, we spent 21% more on research and development related to energy efficiency and refrigerants

Environmental accounting gives a quantitative representation of the costs and effects of environmental measures and constitutes an important item of environment information. As well, it is a tool for managing the overall environmental impact of our global group and for coming up with the most efficient and effective ways to reduce this impact.

Read more

(See page 142)

- Environmental Accounting
  - Accounting Method
  - Breakdown of Environmental Conservation Costs (% of total)
  - Cost of environmental conservation
  - Effects of environmental conservation
  - Economic benefits of environmental conservation efforts (monetary benefits)

Environmental Education

E-learning Boosts Environmental Awareness

The Daikin Group has a variety of environmental education programs that get employees to take action by deepening their understanding of things like environmental management systems and Daikin's effect on the environment.

Part of this education is done via e-learning over our intranet for employees in Japan.

Read more

(See page 145)

- Environmental Education
  - FY2010 Environmental Education (All Daikin Group Companies in Japan)

Environmental Management System

Creating Integrated Group Environmental Management

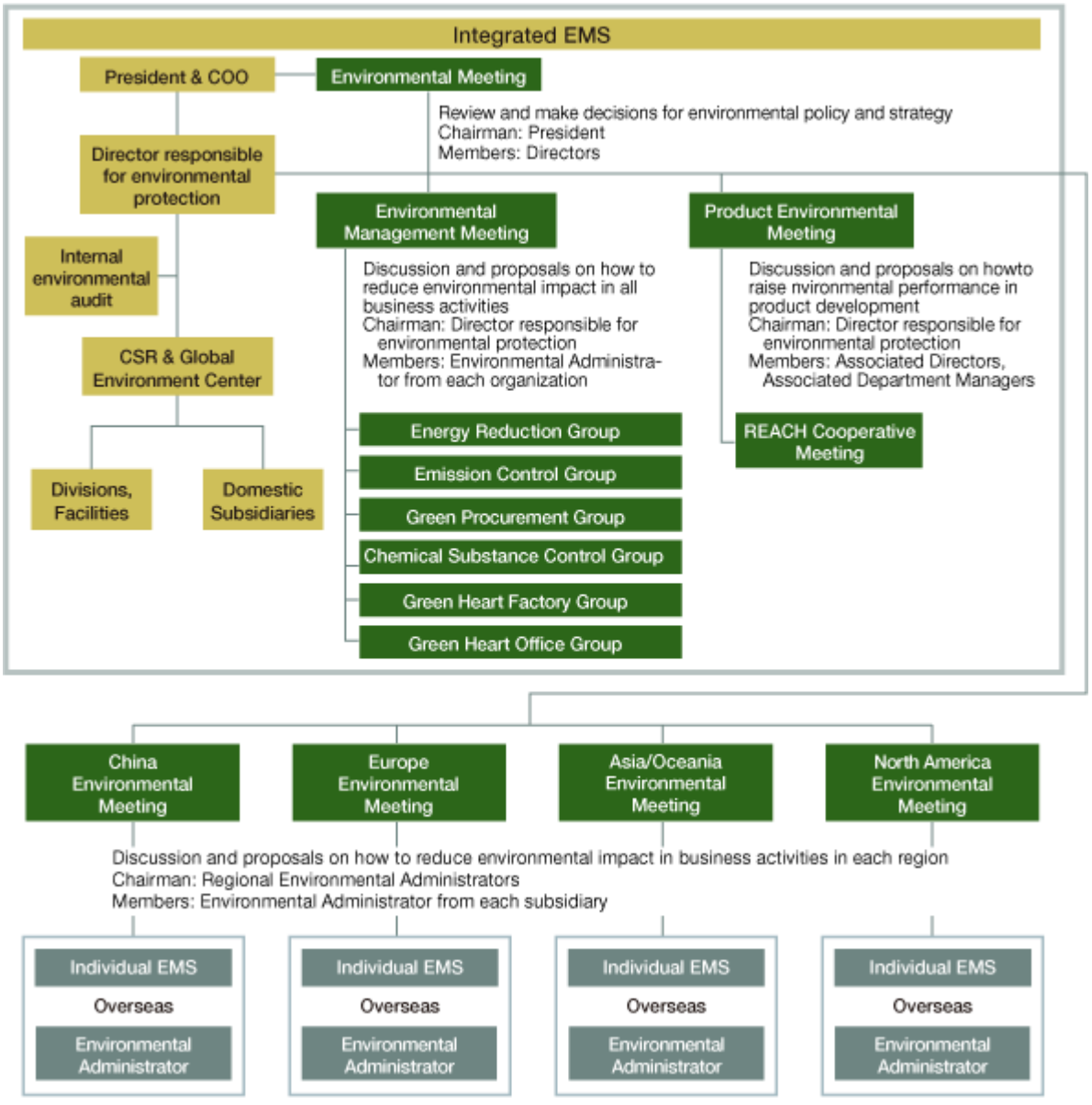
The diagram below shows the organization for the Daikin Group's environmental management system (EMS).

Overseas, environmental meetings are held once a year in each of four regions (Europe, North America, China, and Asia/Oceania). Besides sharing Group policy and medium and long-term targets, these meetings allow attendees to share a variety of information with the aim of achieving an integrated group environmental management system.

The creation of environmental management systems is also proceeding at companies in the OYL Group, which joined the Daikin Group in 2006.

We are currently in the process of formulating a medium- and long-term environmental action plan for fiscal 2011 and beyond. The OYL Group will be included in this plan and will conduct environmental management based on the Daikin Group's targets.

■ System Driving Environmental Management



Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification

Environmental Protection Integral to Business: Building an Integrated EMS

In 1996, individual production bases in the Daikin Group in Japan began creating and operating their own EMS for the sake of environmental protection. Sites created and operated their own EMS based on the characteristics of their business and regions because at that time environmental protection was mainly aimed at preventing pollution such as air and water pollution.

But as society underwent changes, Daikin realized that environmental protection activities are an integral part of its business and management. In 2002, Daikin came out with a policy that advocated the integration of environmental and business activities and the full-fledged pursuit of environmental management. In order to incorporate measures that would make this policy common to the entire Group, the individual EMS of the various bases and subsidiaries had to be consolidated into an integrated EMS.

We thus began creating an EMS that would integrate the bases and subsidiaries (including non-production bases and subsidiaries), and in March 2004 all bases and subsidiaries (including non-production bases) in Japan received integrated certification for ISO 14001. This has given us a system for conducting environmental management across the entire group in Japan, including non-production bases such as sales companies.

Global Environmental Meetings

Boosting Environmental Action by Sharing Information and Discussing Challenges

To ensure the continuous improvement of the Daikin Group's environmental management, environmental meetings are held once a year in four regions (Europe, North America, China, and Asia/ Oceania). These meetings allow attendees to share Group policy and medium and long-term targets, as well as a variety of other valuable information.

An environmental meeting in Europe

Daikin Bases Certified for ISO 14001 (Japan)

1996: Daikin Industries Group in Japan*

* Sakai Plant certified in October 1996. Certification followed at Daikin Industries' bases and domestic manufacturing subsidiaries. In March 2004, certification for the Daikin Industries Group in Japan was upgraded to integrated certification.

ISO 14001 Certification for Overseas Subsidiaries (as of March 2011)

Date	Subsidiary certified
Sep. 1997	Daikin America, Inc.
Feb. 1998	Daikin Industries (Thailand) Ltd.
Feb. 1998	Daikin Europe N.V.
Nov. 2001	Xi'an Daikin Qing'an Compressor Co,. Ltd.
Nov. 2001	Daikin Air-Conditioning (Shanghai) Co., Ltd.
Jun. 2002	Daikin Fluoro Coatings (Shanghai) Co,. Ltd.
Nov. 2002	Daikin Air-Conditioning (Shanghai) Co., Ltd., Huizhou Branch
Jan. 2004	Daikin Airconditioning (Thailand) Ltd.
Jan. 2004	Daikin Chemical Netherlands B.V.
Jan. 2004	Daikin Airconditioning Germany GmbH
Jun. 2004	Daikin Airconditioning Spain S.A.
Dec. 2004	Daikin Airconditioning France S.A.S.
Dec. 2004	Daikin Compressor Industries, Ltd.
Jan. 2005	Siam Daikin Sales Co.,Ltd.
Jan. 2005	Daikin Airconditioning Central Europe
Feb. 2005	Daikin Airconditioning Poland Sp. zo.o
Feb. 2005	Daikin Airconditioning Italy S.p.A
Mar. 2005	Daikin Trading (Thailand) Ltd.
Mar. 2005	Daikin Airconditioning (Singapore) Pte. Ltd.
Apr. 2005	Daikin Asia Servicing Pte. Ltd.
Apr. 2005	Daikin Airconditioning Belgium N.V.
Dec. 2005	Daikin Airconditioning U.K., Ltd.
Dec. 2005	Daikin Device (Suzhou) Co., Ltd.
Jan. 2006	Daikin Chemical France S.A.S.
Jun. 2006	Daikin Industries Czech Republic s.r.o.
Jul. 2006	Daikin Fluorochemicals (China) Co., Ltd.
Sep. 2006	Daikin Motor (Suzhou) Co., Ltd.
Oct. 2006	Daikin Australia Pty., Ltd.
Dec. 2006	Daikin Airconditioning India Pvt. Ltd.
May 2007	Daikin (China) Investment Co., Ltd.
Aug. 2007	Daikin Airconditioning (Malaysia) Sdn., Bhd.
Aug. 2007	Daikin Airconditioning (Hong Kong) Ltd.
Nov. 2007	Daikin Air-Conditioning Technology (Shanghai), Ltd.
Dec. 2007	Daikin Air-Conditioning Technology (Beijing), Ltd.
Dec. 2007	Daikin Air-Conditioning Technology (Guanghou), Ltd.
Jan. 2008	Cri-Tech Inc.
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Shanghai Branch
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Beijing Branch

Date	Subsidiary certified
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Guangzhou Branch
Mar. 2008	Daikin America, Inc. (Orangeburg)
Jun. 2008	Daikin Chemical Europe GmbH
Jul. 2008	Daikin Device Czech Republic s.r.o.
Sep. 2008	Daikin Airconditioning Portugal S.A.
Jan. 2009	Daikin Airconditioning Greece S.A.
2009	Daikin Air Conditioning South Africa
2009	Daikin Klima Pazarlama Co., Ltd.
Jul. 2010	Daikin Refrigeration (Suzhou) Co., Ltd.
Mar. 2011	Daikin Airconditioning Netherlands B.V.

ISO14001 Certification for OYL Group Companies

Date	Company certified
Nov. 2004	Shenzhen McQuay Air Conditioning Co., Ltd.
Mar. 2007	OYL Technology Sdn. Bhd.
May 2007	McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.
Jul. 2007	PT. OYL Sentra Manufacturing
Dec. 2007	O.Y.L. Manufacturing Co. Sdn. Bhd.
Jan. 2008	AAF (Shenzhen) Co., Ltd.
Jan. 2008	AAF (Suzhou) Co., Ltd.
Jun. 2008	McQuay Suzhou
Nov. 2008	OYL Research & Development Centre Sdn Bhd
Jan. 2009	American Air Filter Manufacturing Sdn Bhd
Mar. 2009	OYL Steel Centre Sdn Bhd
Jun. 2009	OYL Condair Industries Sdn Bhd
Aug. 2009	J&E Hall Refrigeration Sdn Bhd
Jan. 2010	J&E Hall Limited (United Kingdom)
Jan. 2010	McQuay Italia S.p.A.(Italy)
Jan. 2010	McQuay (Faribault)
Jan. 2010	McQuay (Owatonna)
Jan. 2010	AAF (UK)-Ltd
May 2010	McQuay (Dayton)
Oct. 2010	AAF Internation sro (Slovakia)
Nov. 2010	McQuay (Auburn)
Jan. 2011	AAF-International B.V. (The Netherlands)
Mar. 2011	AAF (Wuhan) Co., Ltd.
Mar. 2011	AAF (Columbia)

Environmental Audits

Audit by Internal Auditors and Third-Party Institutes

Daikin Group companies in Japan certified for the integrated EMS undergo regular annual environmental audits performed by internal auditors and third-party certification institutes. This lets us know if our EMS is working as it should and helps us improve.

During audits performed in fiscal 2010 by third-party certification institutes, auditors found five areas in which improvement was needed. However, auditors also praised Daikin for an improved environmental performance without sacrificing the business environment.

■ FY2010 Report from Audits

	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non-conformance	0	0
Minor non-conformance	43	0
Items improved	219	5

■ Violations

FY2010	Details
No violations	There were no violations of environmental laws or regulations

Training Internal Auditors

There are currently 67 internal auditors undergoing training and skills improvement at the Daikin Group in Japan. New and experienced auditors work in pairs so as to pass on skills from one generation to the next. Internal auditors also improve their skills through training once a year.

Environmental Risk Management

Auditing and Improving Compliance with Environmental Laws and Regulations

Once a year, the Daikin Group in Japan has company-wide environmental auditing teams conduct audits to check for legal compliance and ensure there are no environmental risks.

We have systems in place that allow us to minimize environmental damage if there should be an accident or calamity at the production site of Daikin or a subsidiary.

We also maintain close relations with neighborhood associations through factory tours and other activities so that we can have a joint system of emergency measures with local communities.

Drill to practice putting up an emergency oil fence (Shiga Plant)

Report by Business Site (http://www.daikin.com/csr/environment/site_data/index.html)

Regular Emergency Drills Keep Daikin Ready Joint System of Emergency Measures with Local Communities

We have systems in place that allow us to minimize environmental damage if there should be an accident or calamity at the production site of Daikin or a subsidiary. The Chemicals Division and machinery divisions created the Disaster Prevention Manual, which details how to deal with emergencies like chemical and oil leaks. The manual is the basis for regular emergency drills. In fiscal 2009, we held regular drills that prepare us for emergencies such as oil leaks.

In fiscal 2010, we held regular training to be prepared for emergencies like oil leaks and disasters such as earthquakes and fires.

In the Air Conditioning Manufacturing Division, we have a business continuity plan (BCP) so that we can get our company up and running in case there is an earthquake or other disaster. Employees are given Daikin's Action Guide in Case of Earthquake. There are also designated employees who will lead emergency measures in case of a disaster.

We are currently revamping our disaster measures based on our experience during the Great East Japan Earthquake in March 2011.

Disaster prevention drill (Yodogawa Plant)

Emergency training to deal with water quality emergency (Sakai Plant)

Daikin's overseas manufacturing bases hold drills to ensure safety and security at all times.

Daikin Fluoro Coatings (Shanghai) Co., Ltd. holds drill in preventing chemical leaks

Daikin Industries (Thailand) Ltd. holds a disaster prevention drill

Daikin Motor (Suzhou) Co., Ltd. holds drill in dealing with oil leaks

For details on earthquake measures, see Compliance and Risk Management System in the CSR Management section of the website. (Page 27)
Response to the Great East Japan Earthquake (Page 36)

Close Communication with Communities to Prepare for Emergencies

We place the utmost priority on ensuring the safety of residents living near our plants. Particularly with regards to facilities like our Yodogawa Plant, which is located in a residential area, we use risk assessment to eliminate as much risk as possible. We also strive to keep the public informed based on the principles of responsible care*1.


Plant tour for local residents (Yodogawa Plant)

At the Shiga Plant, we use MSDS*2 for the handling of chemicals, no matter little of it there may be, while seeking ways to provide the public with information.

We conduct regular exchanges with neighborhood community associations near our plants through plant tours and other activities, and we establish systems of communication with these bodies so that both Daikin and the surrounding communities are prepared for emergencies.

*1 Responsible care: An initiative by the chemical industry in which companies strive to improve their environmental, safety and health performance in all stages from development and production to distribution, use, and final consumption of chemicals. It also covers disclosure of the results of these efforts in order to keep the public informed.
*2 MSDS (Material safety data sheet): A sheet given to customers along with shipped products that explains how to safely handle and use the products.

For details on Daikin's efforts to create a relationship of trust with communities, see A Good Corporate Citizen in the Responsibility to Local Communities section of the website. (Page 227)

To Totally Eliminate PFOA Emissions in Fluorochemical Products by 2012, We are Accelerating the Switch to Substitutes

The Daikin Group is working towards its target of totally eliminating the use of PFOA (a fluorine compound that persists indefinitely in the environment) by 2012. PFOA is used in the production of fluorochemical products and is present in minute quantities in some products.

For details, see Reducing PFOA Emissions (Page 96)

Monitoring Environmental Standards

Strict Management at Manufacturing Bases Exceeds Legal Restrictions

The Daikin Group controls air and water pollution, as well as noise and vibration, using voluntary standards that are stricter than national and local government standards. We have set control values at approximately 60% of legal standards, and we regularly measure our various environmental impacts and work to either prevent or decrease them.

Monitored environmental data for Daikin Industries' four manufacturing bases is on the Daikin Web site.

Report by Business Site (http://www.daikin.com/csr/environment/site_data/index.html)

Measures for Soil and Groundwater Pollution

Groundwater Cleanup Continues at Kashima Plant

In 2000, the concentration of organic chlorine-based compounds in groundwater at the Kashima Plant was found to exceed environmental standards. We therefore removed and cleaned the contaminated soil, pumped out and cleaned the groundwater, and took precautions to prevent pollution from spreading to outside the plant and to remediate all types of pollution.

Thanks to continuous cleaning of the groundwater, the concentration of pollutants decreased. We will continue these cleanup efforts to bring the levels down to within environmental standard values.

Report by Business Site (http://www.daikin.com/csr/environment/site_data/index.html)

Storage and Treatment of PCBs

Implementing Strict Management and Disposal of Equipment Containing PCBs

Daikin abides by national laws in properly managing equipment containing PCBs (polychlorinated biphenyls). We have already begun disposing of some of this equipment through early registration with the Japan Environmental Safety Corporation (JESCO) and based on a JESCO PCB disposal plan.

In fiscal 2009, the Sakai Plant disposed of two condensers. In fiscal 2011, the Shiga Plant is planning to dispose of five condensers. Because JESCO does not yet have a disposal plan for ballasts, these will be disposed of sometime after fiscal 2013.

■ Daikin's Storage of PCBs

Plants and products stored	Items disposed of (item and cost*1)		Disposal plan (cost is approximated)		
	FY2009	FY2010	FY2011	FY2012	FY2013 and on
Shiga Plant 5 condensers, 126 fluorescent ballasts			3 condensers (approx. 1.8 million yen)		2 condensers, 126 ballasts (approx. 5 million yen)
Sakai Plant 2 condensers, 4 ballasts, 36 liters of additional insulating oil	2 condensers (1.16 million yen)				4 ballasts, 36 liters of insulating oil(approx.100,000 yen)
Yodogawa Plant, Kashima Plant 6 transformers*2, 12 condensers, 476 ballasts				12 condensers (approx. 17 million yen)	6 transformers (approx. 16 million yen), 448 ballasts (approx. 15 million yen)

*1 Cost is approximated, includes costs to recover, transport, and dispose of PCBs.
*2 In fiscal 2010, PCB was found to be contained in minute quantities.

Environmental Accounting

Daikin's Environmental Accounting Philosophy

Daikin believes that environmental accounting, a measure of the cost and effectiveness of environmental efforts, is a vital part of the environmental information we provide, as well as an important tool in our environmental management.

Environmental accounting is thus the basis for the Daikin Group's efforts to most effectively and efficiently lessen the worldwide environmental impact of its worldwide business activities.

FY2010 Environmental Accounting Figures

Total environmental protection costs in FY2010 were ¥19.1 billion (investment in equipment: ¥3.6 billion; expenses: ¥15.5 billion), up 21% over the previous year. Research and development costs accounted for 86% of this.

For the air-conditioner business, we focused our R&D efforts on developing technologies for energy efficiency and refrigerants. Amidst rising concern about global warming, we have been developing basic technologies and equipment in a number of areas including inverters for improving air conditioner energy efficiency and heat pumps for use in space and water heating.

Accounting Method

The costs and effects of Daikin's environmental efforts were calculated based on the Environmental Accounting Guideline 2005 released by Japan's Ministry of the Environment.

Costs of Environmental Conservation

Expenses include labor costs but not depreciation expenses for investment in facilities. The expenses not full allocated to environmental protection were proportionally divided and totaled according to a relevant Daikin standard.

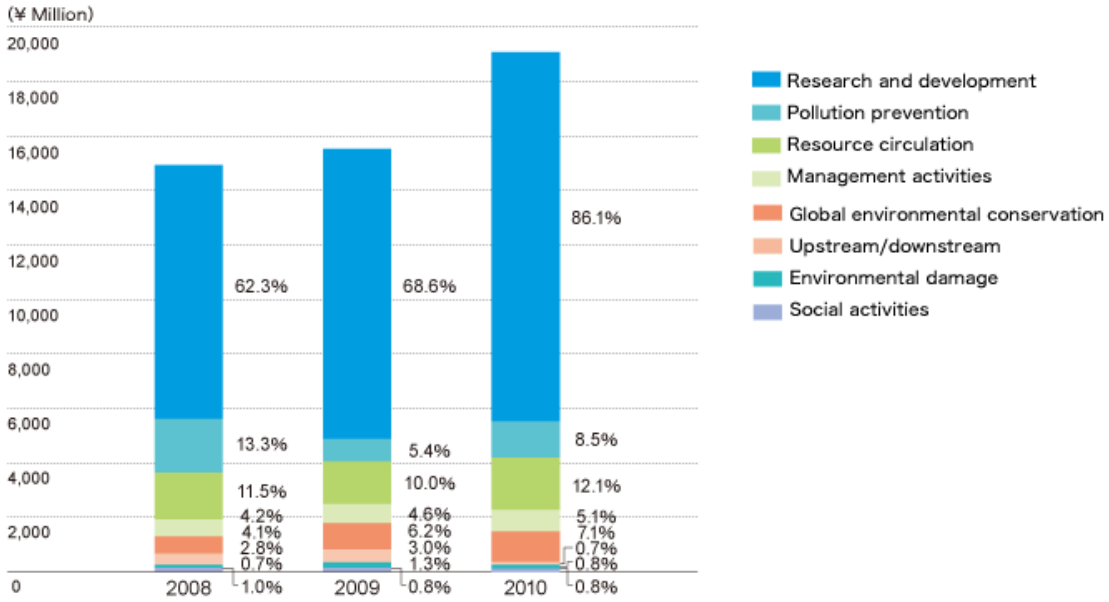
Effects of Environmental Conservation

Please see the relevant page for details of each item.

Economic Benefits of Environmental Conservation Efforts

The environmental conservation effects and economic benefits were calculated by comparing the adjusted output to the previous fiscal year.

Breakdown of Environmental Conservation Costs (% of total)



Environmental Accounting in Internal Management

For some time now, we have been working to incorporate environmental accounting into our internal management. Currently, the level of investment in environmental protection and investment efficiency are assessed against trends, other companies, and other divisions in our company. The results are used to develop methods for making investment decisions. By prioritizing our environmental protection efforts, the worldwide Daikin Group can achieve more efficient use of environmental investment and more efficiently reduce environmental impact.

As part of these efforts, we are considering introducing an integrated assessment index for environmental impact; and material cost accounting, which we use to assess the cost of things like materials used and energy lost in production processes.

■ FY2010 environmental costs

(¥ million)

Cost of environmental conservation					
Category	Major activities	FY2009		FY2010	
		Amount of equipment invested	Expenses	Amount of equipment invested	Expenses
Cost in business area		810	2,600	985	3,372
1. Pollution prevention	Introduction, maintenance, and management of pollution prevention facilities/equipment, expenses for measurement/analysis of air pollution control, water pollution control, vibration, and noise.	239	611	372	967
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	511	469	566	551
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	60	1,520	47	1,855
Upstream/downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	28	446	0	104
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	24	705	26	771
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	2,185	8,602	2,579	10,959
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	0	122	1	126
Environmental damage	Costs for purification of polluted groundwater and soil.	0	205	0	133
Total		3,047	12,680	3,590	15,466
Total of investment in facilities within the period			28,400		28,800
Total of investment in R&D activities within the period			28,200		30,800

Effects of environmental conservation				
Effects			FY2009 figures	FY2010 figures
Effects corresponding with costs within business area	1. Effects of the resources used for business activities	Energy consumption	-65,315 tons-CO_2	97,483 tons-CO_2
		Reduction in water consumption	-1,173,562m^3	2,543,323m^3
	2. Effects against environmental impacts and waste resulting from business activities	Reduction in NOx emissions Reduction in SOx emissions Reduction in VOC emissions Reduction in fluorocarbon emissions Reduction in total COD of drain water	-54 tons 1 tons 8 tons 53 tons -202 tons	38 tons -5 tons 6 tons 110 tons 340 tons
		Reduction in waste materials	-2,738 tons	497 tons
Effects to upstream/ downstream costs	Effects associated with benefits and services that are calculated and based on business activities	Number of residential air conditioners collected Amount of fluorocarbons recovered Amount of packaging material recycled	170,000 units 349 tons 129.0 tons	250,000 units 345.2 tons 145.6 tons

(¥ million)

Economic benefits of environmental conservation efforts (monetary benefits)			
Effects		FY2009	FY2010
Profit	Profit from sale of recycled waste	328	621
Reduction in expenses	Reduction in energy expenses resulting from energy conservation efforts	30	515
	Reduction in waste disposal expenses resulting from resource conservation or recycling resources	20	-363

Environmental Education

Environmental Education that Leads to Employee Awareness and Action

Be it through educational or on-the-job opportunities, the Daikin Group promotes employee awareness of how our business affects the environment to encourage employees to take positive action for its preservation.

In Japan, we hold e-learning on the intranet once a year in order to enhance employees' understanding about the environmental issues most important to Daikin. We have an in-house environmental newsletter that introduces actions that each company division are taking. The intranet and Daikin newsletter also provide the useful tips to reduce the environmental impact at home such as how to save electricity and water usage.

Employees Take Eco-Action for World Environment Day

To coincide with World Environment Day on June 5, since fiscal 2008, Daikin has had a range of environmental activities at the company and employees' homes.

In fiscal 2010, 10,775 employees, or about 98% of all employees, took part. Daikin managed to reduce CO_2 emissions by 3.8 tons through activities including eco-driving (driving at a constant speed, stepping lightly on the accelerator pedal), setting air conditioning 1 degree higher than usual, using less paper, and leaving the company at the end of the official working day and turning off all lights and air conditioning.

■ PR and educational tools to raise employees' environmental awareness

In-house environmental newsletter

E-learning textbook

■ FY2010 Environmental Education (All Daikin Group Companies in Japan)

The Daikin Group in Japan conducted the following company-wide education. Individual company divisions also conducted their own educational activities.

Name of activity	Personnel involved	No. of times held
Environmental e-learning	All employees	Once
With the goal of raising environmental awareness and knowledge, participants learn about a wide range of environmental issues, especially those directly related to Daikin's business, such as global warming and ozone layer depletion, as well as new environmental topics each year that are relevant and current. In fiscal 2010, besides chemical substances, we continued the study of biodiversity (begun in fiscal 2009) to understand how it relates to Daikin, since in 2010 COP10 (Tenth Meeting of the Conference of the Parties to the Convention on Biological Diversity) was held in Nagoya.		
Environmental managers education	Environmental managers	Twice
In fiscal 2010, we started lectures for newly appointed environmental managers. Through lectures and workshops, participants deepened their understanding of the workings and rules of the company-wide EMS, environment-related legal systems, and the roles and authority of the managers in Daikin's environmental system. Experienced environmental managers underwent training to re-aquaint themselves with the issue of roles and authority, and also held discussions on improving leadership abilities.		
Briefings on legal matters ① Education on waste management law ② Education on fluorocarbons recovery and destruction law	Managers and other heads of relevant work areas	Held at four sites (Nagoya, Osaka, Fukuoka, Tokyo)
① Participants learn the main points of managing waste so that they can raise their competence in dealing with waste management law (making contracts with subcontractors for waste disposal, creating waste manifests). ② Participants learn the main points of fluorocarbons recovery and destruction so that they can raise their competence in dealing with flurocarbons recovery and destruction law (creating a log that tracks the fluorocarbon).		

Environment
Environmental Communication

The Daikin Group holds environmental seminars and education for children on a regular basis. This allows us to reflect what our stakeholders are saying in our business activities and to expand green hearts (think of the Earth and take care of the environment).

Environmental Forums and Exhibits

Daikin Joins Environmental Exhibits

Daikin strives to educate the public by holding environmental seminars on energy, climate, and other issues closely tied to our business, and by taking part in exhibits of environmentally conscious products. We also release information to the community on the environmental impact of our business activities.

Read more

(See page 148)

- Environmental Forums and Exhibits
- Daikin Cooperates in Formation of Environmental Policy
- Daikin Environmental Report
- Environmental Ads

Environmental Education and Awareness Activities

Daikin Holds Circle of Life Environmental Education Program for Elementary Schools in Fiscal 2010

The Daikin Group conducts environmental education and awareness activities around the world with the aim of helping children develop better understanding about environmental issues and thus better able to lead future generations.

Read more

(See page 150)

- Efforts Overseas
- Efforts in Japan
- Employees' Daily Efforts

Environmental Forums and Exhibits

Exchanging Opinions on Key Issues at Air Conditioner Forum

Since 1995, the Daikin Group has held air conditioner forums where Daikin and noted names in the field exchange opinions on the future of air conditioning. With Daikin's rapid business expansion worldwide, we began holding forums in fiscal 2007 in Europe and soon after in China, North America, and Southeast Asia as well.


Air conditioner forum in the United States

Our most pressing task is to shift to next-generation refrigerants to meet the deadline for regulations calling for developing countries to freeze their consumption and production of HCFCs by 2013. A pressing worldwide task is energy management that gives better energy efficiency of building equipment such as air conditioners. In fiscal 2010, companies in the Daikin group around the world exchanged opinions on ways to carry out these tasks.

Daikin Joins Environmental Exhibits

To let as many people as possible know what Daikin is doing for the environment, we take part in exhibits and trade fairs around the world, and we hold environmental seminars for experts in construction and other industries.


Seminar on indoor air environment and energy efficiency (Brazil)

Environmental building design is an important issue today, and the Daikin Group holds environmental seminars for people in the architecture field whenever it takes part in international trade shows.

In November 2010, Daikin joined a trade show in Brazil, a country experiencing rapid economic growth but at the same time a worsening environment. In conjunction with this trade show, Daikin Industries held a seminar focusing on indoor air environment and energy efficiency.

Daikin Cooperates in Formation of Environmental Policy

Daikin Provides Opportunities to Discuss Next-Generation Refrigerants on an International Level Towards Selection of Ideal Refrigerants

Emerging nations are studying which refrigerants should replace HCFC in accordance with the Montreal Protocol's restrictions on ozone-depleting substances.

Daikin is the only air conditioner manufacturer that also makes refrigerant, and we aid in the selection of appropriate refrigerants by creating opportunities for academic societies and industry organizations to gather and exchange ideas and opinions.

We take every opportunity to discuss the selection and application of next-generation refrigerants: at international conferences and exhibits in the vast market of China, as well as in Europe, the U.S., and around Asia, we discuss topics like refrigerant trends and efforts to reduce emissions with members of the United Nations and administrative organizations in countries around the world.

For details, see Key Activities of Fiscal 2010: The Quest for Next-Generation Refrigerants. (Page 42)

Daikin Environmental Report

Reports Published in Japan and Other World Regions

Since 1998, Daikin Industries has published an environmental report (now called the Corporate Social Responsibility Report) to inform all stakeholders of the Daikin Group's environmental philosophy and eco-actions. We supplement these reports with more detailed information on our Web site.

Our overseas Group companies also publish environmental reports once a year. There are versions for Asia and Oceania, Europe, and China.

Asia and Oceania

Europe

China

Environmental Ads

Environmental Protection Information through Ads on Trains and in Newspapers

Daikin Industries has ads on public transport and in newspapers dealing not just with products but also reporting on world topics like environmental protection and air conditioning trends.

■ Series of Daikin environmental ads above doors of trains

Ads introduce environmental technology by using information on air conditioning from around the world.

■ Ads in the *Nihon Keizai Shinbun* (Japan Economic Journal) and the *Yomiuri Shimbun*: Renewable energy—solar

Newspaper ads introduce heat-pump technology, which uses renewable energy.

Efforts Overseas

Employees at China Bases Hold Children's Environmental Seminars

The Daikin Group in China runs environmental seminars for elementary school students. Acting as instructors, Daikin employees use original teaching materials and games to help children learn the importance of the environment and what they can do every day to protect it.

After these seminars were started by Daikin Air Conditioning Technology (Beijing) Co., Ltd. in fiscal 2005, they spread to sites in Shanghai and Hangzhou in fiscal 2006. In fiscal 2009, we used our product showrooms to hold seminars on Daikin's energy-efficient technologies and products, and approximately 700 elementary school students attended.




Seminar for elementary school children at a showroom in Hangzhou

Efforts in Japan

Daikin Develops Circle of Life Program to Teach Elementary Students About Biodiversity

Daikin and international NGO Conservation International have developed a biodiversity education program for elementary schools called Circle of Life. Conservation International is also Daikin's partner in a reforestation project in Indonesia.

In the program, children use worksheets that prompt them to think for themselves about the environment, and they carry out role-plays on deforestation in which they take the roles of the various people with conflicting views on the forest and its uses.


Students role-play in a forestry issues discussion

Teachers at the schools taking part in the program gave glowing reports: "We became more familiar with the problem of deforestation in Indonesia and the students are more aware of what they can do," "The program taught us much about Indonesia, and it allowed us to see the problems from the point of view of people living there. Now I want to help the students to think about what they can do."

Since April 2010, Daikin has been providing schools all over Japan with free teaching materials and as of the end of March 2011, 34 schools had taken part in the program. We have also sent instructors to lead lessons at 10 schools.

- See Key Activities of Fiscal 2010: Raising Environmental Awareness. (Page 59)
- See The Circle Of Life (available in Japanese only) (http://www.daikin.co.jp/csr/edu/index.html)

Daikin Website Offers Enjoyable Way to Raise Environmental Awareness

The Daikin Industries website shows visitors how to use air conditioning in an economical, environmental friendly way, and teaches about the environmental issues Daikin faces. The site offers an enjoyable way for people of all ages to learn about the relation between air conditioners and the environment.

Employees' Daily Efforts

Eco Activities Earn Employees Right to Join Commemorative Tree-Planting Event at Shiga Plant

The Sakura Project was started in fiscal 2009 at Daikin Industries' Shiga Plant to raise employees' daily environmental awareness.

Under this project, employees assess their own environmental protection activities, and points are awarded based on community volunteer work, and environmental protection at home and in the workplace. The 40 groups with the highest number of points earned the right to participate in the planting of 40 sakura (cherry) trees to commemorate the 40th anniversary of the Shiga Plant.

We also donated mature sakura trees to Kusatsu City, and we are planning to provide a new public park that will both make our plant greener and beautify the community.

In May 2010, the Shiga Plant and Kusatsu City, where the plant is located, signed an agreement on joint environmental protection under which Daikin will continue the Sakura Project and Kusatsu City will promote the project on its website and at various events.

Planting cherry trees

The group of 40 employees who earned the right to plant cherry trees

- For details, see Report by Business Site (Shiga Plant). (http://www.daikin.com/csr/environment/site_data/shiga.html)

Environment
Protecting Biodiversity

Because we are aware that our contribution to global warming is the greatest factor affecting biodiversity, we do everything we can to reduce the greenhouse gases from our business activities. We also strive to protect and rejuvenate forests that are home to various forms of life so that these forests can absorb more CO_2 and preserve a habitat for living organisms.

Protecting Biodiversity

Maintaining and Rejuvenating Ecosystem Balance

The Daikin Group works to maintain balance in the world's valuable nature and ecosystems so that we can help bring back the abundance of the natural world.

The Daikin Group's laboratories and recreational facilities contain areas for growing rare plants, and we work with botanists in protecting these. We also work to protect biodiversity in the forests of Indonesia and in Shiretoko, a World Nature Heritage site in Japan.

Read more
(See page 153)
- Basic Policy of Protecting Biodiversity
- Efforts in Nature Preservation Areas
- Efforts at Bases

Biodiversity Awareness

Teaching Children the Importance of Biodiversity

Besides supporting employees in their volunteer work to protect biodiversity, the Daikin Group places great importance on providing information and education to the general public.

Daikin Industries developed the Circle of Life environmental education program for elementary school students, which focuses on biodiversity based on Daikin's reforestation efforts in Indonesia. In April 2010, we began providing schools around Japan with teaching materials free of charge.

Read more
(See page 157)
- Supporting Children's Education

Protecting Biodiversity

Basic Policy of Protecting Biodiversity

Protect and Rejuvenate the Gifts of Nature

The Daikin Group's business is possible thank to the blessings of biodiversity. At the same time, the environmental impact of our business has direct and indirect effects on the habitats and ecosystems of living things and can result in the loss of biodiversity. We use resources like water, wood, and paper, we emit chemicals into the air, water, and soil, and we consume mineral resources (metallic ores, fluorites, etc.). The greatest impact we have on the environment is our contribution to global warming through the use of energy and the emission of fluorocarbons.

We thus strive to curb global warming in all our business activities and maintain ecosystem balance to help rejuvenate the abundance of nature.

In the countries and regions in which we do business, we work with governments, residents groups, NGOs, and NPOs in efforts including the protection and rejuvenation of nature and the creation of new forests on our premises. We offer support to the employees who are conducting these activities, and we strive to provide information and education to the general public.

The ideas stated here form our Basic Philosophy on Protecting Biodiversity, which we established in September 2010.

■ Basic Philosophy on Protecting Biodiversity

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

Thinking Behind Our Basic Philosophy (established September 2010)

Our society is built upon the many blessing 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

In Business

- Reduction of Greenhouse Gas Emissions throughout Our Business Activities
- Reduce greenhouse gas emissions throughout our entire business activities, including product development and production, transportation, sales, service, and the supply chain.

Outside of Business

Protection and Rejuvenation of the Blessings of Nature

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

Efforts in Nature Preservation Areas

Daikin Agrees to Support Environmental Protection on the Shiretoko Peninsula

In July 2011, Daikin Industries, the Shiretoko Nature Foundation, and the towns of Shari and Rausu signed an agreement to protect the wilderness of the Shiretoko Peninsula, a UNESCO World Heritage Site. The Shiretoko 100m^2 Movement*1 is the first national trust*2 activity in Japan. As part of this, Daikin and the other parties to the agreement have a project to restore a dilapidated riparian forest of mainly Japanese Judas tree and create a river flowing through a tunnel of greenery. Since it is important to restore the spawning grounds of the humpbacked and chum salmon, and increase the number of salt-water trout, a fish peculiar to this region, we are trying to improve the environment of the river.

We are aiming to work with the local community on a number of practical initiatives, including the creation of measures to ensure people and brown bears live in harmony, flora and fauna surveys, and field surveys of brown bear movement.

*1 Shiretoko 100m^2 Movement: This was Japan's first national trust movement, started in 1977 to protect pioneering lands in Hokkaido's Shiretoko Peninsula from development. The movement calls for donations to purchase 100-m^2 tracts of land (8,000 yen each).
*2 National trust movement: To protect nature from overdevelopment, citizens from near and far donate money to purchase land for preservation.

■ Wild animals in Shiretoko


Brown bears


Yezo deer


Steller's sea eagle


Trout

■ Dilapidated riparian forest (in a section of the Shiretoko 100m^2 Movement, Iwaobetsu River Basin, Hokkaido)

Working to Rejuvenate Forests in Indonesia

Since June 2008, Daikin Industries has been working with international NGO Conservation International on a reforestation project in Gunung Gede Pangrango National Park in Java Island to rejuvenate the forest and its ecosystems.

This national park is covered with valuable tropical forests that are home to many unique species designated as endangered. But in the last several decades, it has suffered serious damage as land is cleared for agriculture and people cut down trees to support their lifestyle. The aim of this project is to protect the remaining forest by planting local species of trees and providing residents with environmental education, thus contributing to the rejuvenation of forests that benefit both people and the environment. Together with local residents, about 200 hectares of land have been reforested as of 2011. The next target is for the rejuvenation of 100 hectares of forest by 2014.

The reforestation project is an effort conducted in unison with Daikin customers.


Survey of endangered species


Environmental education for residents

See Reforestation in Indonesia.
(http://www.daikin.com/csr/environment/reforestation/index.html)

Efforts at Bases

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

Daikin Ales Aoya in Tottori Prefecture, Japan is a center for the training of employees who will be active on the world stage.

Bird's-eye view of Daikin Ales Aoya

The facility is located at Idegahama, a beach known for its 'whistling sand'. The area is home to a typical coastal vegetation ecosystem: starting from the beach, one can see annual grass give way to perennial grass, and short trees gradually give way to taller trees. However, this coastal vegetation has been rapidly disappearing in the last decade or two.

When we built this facility here, we began to not just protect these rare beaches and dunes, but also bring back the nature that had been lost so that this coastal ecosystem could once again return to its natural state. We began by surveying the region's vegetation to get a detailed understanding of the geography. Based on this, we made a proposal to plant vegetation. After implementation, we had advice from experts in the monitoring and fostering of the vegetation.

Monitoring vegetation

Certificate showing that Daikin is one of 100 top companies contributing to biodiversity

In fiscal 2010, the third year of the project, seedlings proliferated from the seeds and cuttings of samples taken at the site and surrounding areas were reintroduced as part of ongoing efforts to rejuvenate the forests and vegetation of the beach. For these efforts, in October 2010, Daikin was selected for inclusion in the list of 100 top companies contributing to biodiversity, sponsored by the Organization for Landscape and Urban Green Architecture.

To restore coastal forests, a fence was constructed to protect the seedlings from salt air and sand

Daikin Ales Aoya also acts as a multi-purpose training facility, and this project will serve to raise environmental awareness of employees coming here.

■ Species on the endangered lists of Tottori Prefecture and the national government

Beachwort

Siberian sea rosemary

Scutellaria strigillosa

Heteropappus hispidus

These species are effective at resisting invasive species and are important to protecting beach vegetation

At Recreational Facility in Nagano, Protecting Vegetation and Scenery

Daikin Industries' recreational facility in Nagano Prefecture is located in Chino, 1,500 meters above sea level on the Tateshina Plateau, and on the slope of the Yatsugatake Mountains, one of the few volcanic areas in Japan.

The mountain streams and vegetation are preserved in their natural state

The large wingnut trees are a rare sight

The facility is surrounded by rich nature including the evergreen needle-leaf forests stretching from the alpine belt to the subalpine belt, as well as woods of Erman's Birch and Quercus crispula. The water in these forests becomes spring water that flows into swamps. A particularly interesting feature are the wingnut trees, which are rare in the surrounding resort areas. Daikin is working to preserve these unique trees and the scenery they provide.

Supporting Children's Education

Daikin Develops Circle of Life Program to Teach Elementary Students About Biodiversity

Daikin and international NGO Conservation International have developed a biodiversity education program for elementary schools called Circle of Life. Conservation International is also Daikin's partner in a reforestation project in Indonesia.

The program focuses on Daikin's reforestation efforts in Indonesia. The lessons keep children interested and eager as they take part in role-playing and other activities that teach them how changes in ecosystems affect their lives and how their lives in Japan are related to the world's environmental problems.

The course covers four lessons in the classroom, and schools can request to have extra lessons taught by Daikin employees.

Since April 2010, Daikin has been providing schools all over Japan with free teaching materials and as of the end of March 2011, 34 schools had taken part in the program. We have also sent instructors to lead lessons at 10 schools.

Daikin hopes that this program provides an opportunity for young people, the environmental protectors of tomorrow, to act to solve environmental problems with the realization that the Earth is theirs to protect.

For details on the Circle of Life environmental education program, see the following website.

- See Key Activities of Fiscal 2010: Raising Environmental Awareness. (Page 59)
- See The Circle Of Life (available in Japanese only)（http://www.daikin.co.jp/csr/edu/index.html）
- Reforestation in Indonesia (http://www.daikin.com/csr/environment/reforestation/index.html)

History of Environmental Activities

	Daikin Group	Air Condtioning Divisions(Japan)	Chemicals Division(Japan)
1970s	Environmental Pollution Control System established Environmental Pollution Control Committee established Environmental Pollution Control Regulations enacted Environmental Month started		
1980s	Daikin Group Environmental Control Committee established Daikin Group Environmental Management Regulations enacted Began dealing with fluorocarbon problem		
1991			Began HFC mass-production
1992	Director responsible for environmental protection and Global Environment Dept.established		
1993	Actions Principles on Environmental Protection enacted Environmental Action Plan enacted		
1994	Began building environmental management system		
1995	Environmental audits launched	Released chiller using HFC refrigerant Air conditioner forums launched	Ceased production of CFC
1996	Acquired ISO 14001 certification in all Daikin Industries production bases in Japan		
1997	Began working towards ISO 14001 certification in overseas production bases		
1998	First Environmental Report published	Released Super Inverter 60 ultra-energy-efficient commercial air conditioner Released HFC multi-purpose air conditioner for buildings, HFC residential air conditioners	
1999	Environmental accounting introduced, Environmental Meetings launched		Established fluorocarbon destruction facilities

	Daikin Group	Air Condtioning Divisions(Japan)	Chemicals Division(Japan)
2000	Start of green procurement	Released Super Inverter ZEAS ultra-energy-efficient HFC air conditioner	
2001	Environmental Action Plan 2005 enacted Achieved zero waste emissions in Daikin Industries production bases in Japan (machinery divisions) Environmental Meetings held in four regions (Europe, the United States, China, Asia-Oceania)		
2002	Environmental Philosohy enacted	Began fluorocarbon recovery and destruction business Completed Conversion to HFC refrigerant for all major products (in Japan)	
2003	Aquired integrated ISO 14001 certification in Daikin Group in Japan		
2004	Achieved zero waste emissions in all Daikin Industries production bases in Japan		
2006	Environmental Action Plan 2010 enacted	Released heat pump-type hot water heaters and heating systems in 2006 in Europe	
2007		Air conditioner forums held in Europe and the United States	
2008	Formulated the latter half of the FUSION 10 strategic management plan, which stresses proactive contribution to solving environmental problems, as well as business expansion	Started Re: AIRCON Project for reforestation in Indonesia Released world's first VRV system using CO_2 refrigerant Air conditioner forum held worldwide (Europe, the United States., Japan)	
2009		Air conditioner forum held in China	
2010	The entire Daikin Group in Japan achieved significantly greater greenhouse gas reductions than its target	Air conditioner forum held in Asia-Oceania	

Responsibility to Stakeholders

Responsibility to Stakeholders

Customers

- Product Quality and Safety
- Customer Satisfaction
- Protecting Customer Information

Daikin's main responsibilities

Daikin products such as air conditioners, fluorochemical products, and hydraulic equipment are used by families and industries around the world. We provide products and services that anticipate society's needs. We believe these products must satisfy customers with safety and high quality.

Opportunities to express opinions and make requests

- Daikin Contact Center
- Customer satisfaction questionnaires
- Support seminars for dealers
- Service engineer offers helpful extra information during maintenance calls (the "five-minutes of extra care standard")

Employees

- Employee Evaluation and Treatment
- Workplace Diversity
- Work-Life Balance
- Labor Management Relations
- Occupational Safety and Health
- Fostering Human Resources
- Respect for Human Rights

Daikin's main responsibilities

Approximately 40,000 employees work at Daikin bases around the world. The growth of our employees—who sustain our business—is the growth of the Daikin Group. We stress fairness of opportunity and reward for all employees, regardless of age, sex, or nationality in order to make the most of their diverse abilities. We create an environment where they can work in safety and health, and consider their work-life balance.

Opportunities to express opinions and make requests

- Interviews based on employee self-assessments
- Labor-management council meetings, labor union council meetings
- Group Management Meeting

Business Partners

- Philosophy on Suppliers
- Working Closely with Suppliers
- Green Procurement Guidelines

Daikin's main responsibilities

The supply chain is made up of not only suppliers from whom we directly procure raw materials and parts but also those suppliers further upstream. We build a relationship of mutual growth and prosperity by communicating frequently and continuously with suppliers in order to ensure product quality and safety. A prerequisite to this is fair and honest business dealings.

Opportunities to express opinions and make requests

- Meetings for suppliers
- Award ceremonies for suppliers
- Technology discussions, quality and safety gatherings
- Quality and environmental audits
- Help Line for Corporate Ethics

Shareholders and Investors

- For Shareholders
- Information Disclosure Policy

Daikin's main responsibilities

We operate on capital provided by approximately 40,000 shareholders. We make the best use of capital to achieve solid profitability and a firm financial base to maximize corporate value and meet shareholder and investor expectations with stable dividends. We provide the necessary information promptly and continuously interact with shareholders and investors.

Opportunities to express opinions and make requests

- Ordinary General Meeting of Shareholders
- Briefings on financial results, briefings for investors
- Annual Report, business reports
- Information on Web site
- Inquiries by telephone and Internet

Communities

- Promoting Art and Culture
- Promoting Sports
- Contributing to Education
- Environmental Contributions to Society
- A Good Corporate Citizen —Activities in Each Community

Daikin's main responsibilities

At bases in more than 38 countries, we have a strong desire to form lasting bonds with local communities and economies and make a positive contribution as good corporate citizens. We contribute to regional industry and economy through our business, and ensure that our bases are safe and open to local communities. We encourage each Daikin base to think and take action that contributes to the community.

Opportunities to express opinions and make requests

- Public liaison person at each Daikin base
- Informing local community of emergency disaster drills
- Factory tours for local citizens
- Participation in local groups
- Involvement in local events

Environment

Daikin's main responsibilities

We strive to reduce greenhouse gas emissions in all business activities to achieve our most important mission: curbing global warming. We are also promoting our "green heart" philosophy to communities and to future generations through environmental protection activities.

Opportunities to express opinions and make requests

- Environmental seminars, environmental exhibitions
- Various forms of environmental PR
- Environmental education
- Green procurement briefings

Responsibility to: Customers

With the world's leading technologies in air conditioning and fluorochemicals, the Daikin Group meets society's needs for safe products that offer peace of mind. We also ensure customer satisfaction with advanced support systems.

Product Quality and Safety

Strict Design Review Ensures Safety: Our Top Priority for Customers

Our responsibility goes beyond simply satisfying customers; we believe that we also have a duty to society to offer products and services that are safe, high quality, and environmentally conscious.

Quality is a top priority during the development and production stages in our Air Conditioning Manufacturing Division and Chemicals Division, both of which have obtained the ISO 9001 (quality management system) certification. We also provide customers with the information they need to use our products safely.

And we continue to gather information on products in use in the market so we can improve their quality.

Read more

(See page 165)

- Product Quality and Safety Policy
- Product Quality Management Structure
  - Quality Control System
  - Quality Control Process
- Cooperation with Suppliers
- Employee Education
- Improving Quality During Development
  - Development Process Raises Quality
- Handling Product Accidents
- Product Safety Voluntary Action Guidelines
- Disclosing Product Information
- Introduction of Universal Design
  - Example of Universal Design

Customer Satisfaction

"Giving the Best Possible After Sales Service (Speed, Accuracy, and Friendliness)" is Our Basic Policy to Pursue Customer Satisfaction

The Daikin Contact Center is open 24 hours a day, every day of the year to take repair requests and offer technical advice. We are also rapidly working on further enhancement of after sales service around the world for handling customer inquiries and thus achieve a service system geared to customer needs.

The many opinions and requests received by the center are reflected in our product development and service so that we can stay one step ahead of customer needs.

Read more

(See page 172)

- Customer Satisfaction Policy
- Customer Response and Support System
  - Daikin Global Service Network
- Conduct of Customer Surveys
- Using Customer Opinions
  - Number of Inquiries to the Contact Center (Japan)
- Employee Education
- Support for Dealers
- Training for Distributors

Protecting Customer Information

Protecting Customer Information in Every Way

We established the Personal Information Protection Rules and Guidelines to properly protect and manage the range of customer information that we gather through repair requests and other means. Each division and group company has a personal information manager and carries out a variety of employee education on personal information.

Read more

(See page 178)

Customers

Product Quality and Safety

Product Quality and Safety Policy

We Operate under the Belief that Customers Are Buying Quality

With this in mind, we strive to stay ahead of customer needs by providing high-quality products and services based on our corporate policies of "Absolute Credibility", "Enterprising Management", and "Harmonious Personal Relations".

Our quality control is based on the idea that the added value we give to products is quality, and that this quality is what customers are buying. And each Daikin employee constantly puts quality ahead of everything else.

■ Daikin Group service quality policy

The ultimate in quality service through speed, accuracy, and good manners

1. Offer service that meets customer needs while complying with laws
2. Establish quality targets and revise these as necessary
3. Continuously improve the effectiveness of our quality management system

Product Quality Management Structure

Establishing an ISO 9001-Compliant Quality Assurance System

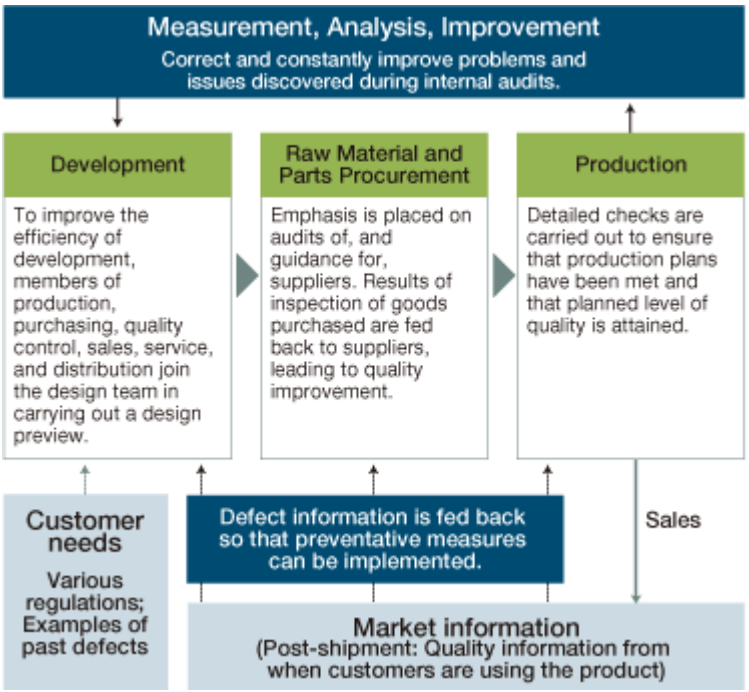
Company divisions build ISO 9001-compliant quality assurance systems so that they can maintain our high levels of product quality and ensure proper management of each department, such as development, materials and parts procurement, and production. We are also improving quality at our contract manufacturers.

Each division is audited twice a year so that we can assess our quality situation and if necessary further improve it.

Based on our annual Daikin Group policy, each division formulates its key quality measures and targets, which are used to create a detailed quality program (fiscal year action plan) for all stages including design and development, materials and parts procurement, and production.

■ Quality Control System

■ Quality Control Process



Cooperation with Suppliers

Efforts with Suppliers to Raise Product Quality and Safety (Responsibility to Business Partners) (Page 207)

Employee Education

We Hold Daily Meetings to Raise Quality Awareness

The Daikin Group has numerous ways to educates employees in quality. Since 2004, the 19th of every month has been quality day, when each workplace in the Air Conditioning Manufacturing Division holds discussions on ways to improve quality.

Since November 2008, each division has held 10-minute daily quality meetings. These meetings are now an established way of keeping employees thinking of new ways to pursue quality and sharing up-to-date information of quality matters.

Improving Quality During Development

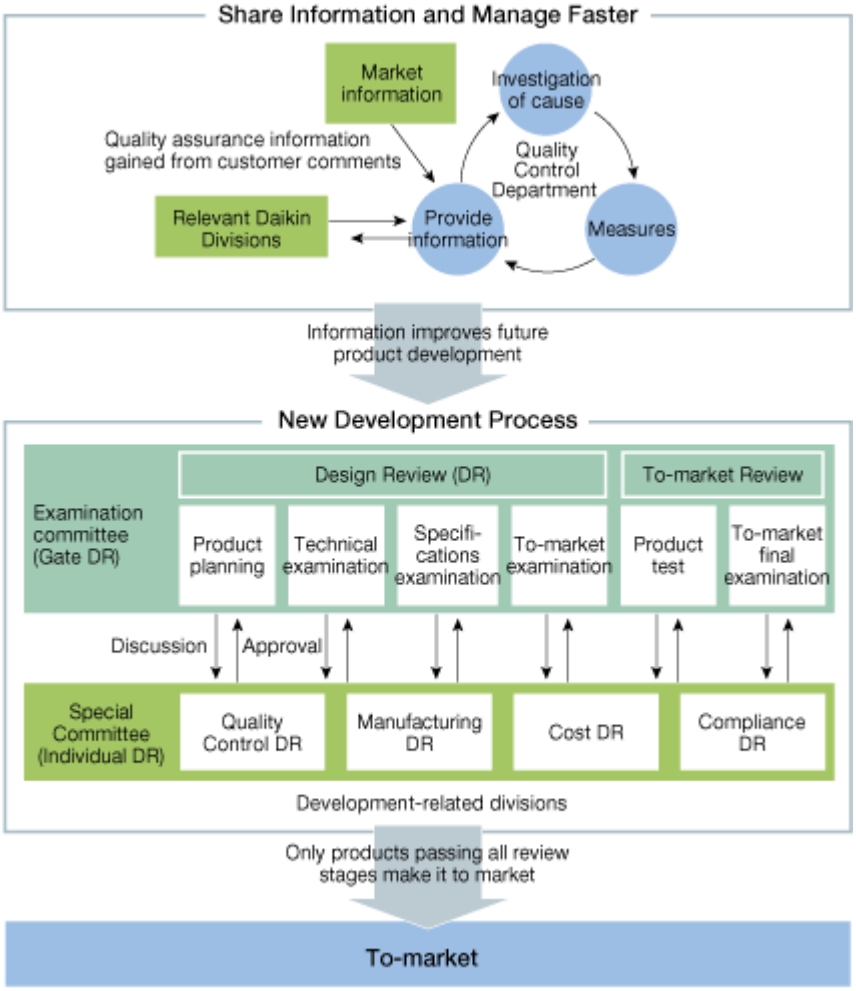
Only Those Products That Pass Our Strict Design Review for Product Safety Are Manufactured

In fiscal 2005, the Air Conditioning Manufacturing Division reformed its development process with a stricter, more segmented design review (DR)*. First, the personnel in charge of the relevant divisions inspect the proposed products for conformity to Daikin standards using the four criteria of an individual design review (DR): product quality, monotsukuri (the art of manufacturing), cost-effectiveness, and compliance. Products that pass the individual DR are then subject to a gate DR: six stages of design reviews and to-market reviews by top management. Only those that pass all reviews make it to market. In August 2006, we further raised our product safety standards and now conduct reviews to ensure that products are absolutely safe to use and problems with previous models have been fixed.

Our next goal is to make even safer and higher quality products by ensuring that our development process detects problems and solutions early on and helps us predict potential problems during product use.

* Design review:
  In a process involving the entire Daikin organization, products under development are assessed for quality of design and all other processes leading up to product realization. Only those that pass each stage can move forward.

■ Development Process Raises Quality



Handling Product Accidents

Protocol for Promptly Handling Product Accidents

Daikin products are designed based on quality standards and design standards that ensure that, even if users err in operating the 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 also place top priority on detecting product problems before they lead to a major accident. When the cause of a minor accident is discovered, we determine whether this could also cause a major accident and we reflect this into the development of future products.

Some Recalled Air Conditioner Had Not Been Inspected or Repaired

Daikin Industries recalled air conditioners manufactured between January 1995 and March 1998 (for free inspection and repair). But although the products had supposedly been inspected and repaired, there was fire damage inside one of the recalled outdoor air conditioner units in November 2009. An investigation into the cause revealed that a worker at a repair outlet labeled some units as repaired when in fact they had not been.

The products that had been in the care of this worker were once again inspected and repaired, and Daikin questioned all repair outlets to ensure there were no other such instances. As well, all repair staff were given exhaustive training in the repair work protocol and exactly what is involved in repair.

We will review our management systems so that we can offer customers an even higher quality of service.

- See (available in Japanese only)
  (http://www.daikin.co.jp/taisetsu/2010/100209/index.html)

Some Air Purifiers Recalled for Free Inspection and Repair

Three models of residential air purifiers manufactured by Daikin Industries between August 2006 and July 2009 presented the danger of giving off smoke or fire due to a problem with the electric dust collecting section. And air purifiers with humidifying and dehumidifying functions manufactured between August 2007 and January 22, 2010 could possibly give off extreme heat if foreign particles became attached to the dehumidifying element.

Daikin informed customers of the models in questions through press releases and announcements in the mass media, and Daikin engineers conducted inspections and repairs free of charge.

Free Inspection and Repair
Customers owning the models in question should phone this number.
0120-330-696 (24 hours a day, every day; toll free in Japan only)

- For details on free inspections and repairs, see (available in Japanese only)
  (http://www.daikin.co.jp/taisetsu/2010/100409/index.html)

Product Safety Voluntary Action Guidelines

The Daikin Group (hereinafter, "the Group") believes that its most important management task is to provide products that satisfy customers from the standpoint of our customer when designing and making products that have a high level of safety and quality. To this end, we have formulated the following basic policies on product safety in efforts to provide ever-greater levels of safety and quality in products.

1. **Legal Compliance**
   The Group shall observe the Consumer Product Safety Law 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 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 in laws and regulations within the company on product safety. We also shall regularly monitor work to ensure product safety is being achieved.

Disclosing Product Information

Air Conditioning Business: Providing Information that Prevents Accidents from Product Degradation

The Consumer Product Safety Law 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 home page also provides consumers with information including product model numbers and year of products already on the market. In April 2009, the Ministerial Ordinance of technical standards for the Electrical Appliance and Material Safety Law went into effect. We abide by this ordinance by placing labels on our residential air conditioners and ventilation fans (which are covered by this law) that state the duration of product use.

In Japan, about one-third of the product accidents are the result of improper product operation. Therefore, to prevent accidents, we believe it is important to provide customers with accurate, easy-to-understand information on using products. The Air Conditioning Division conducts product labeling in compliance with industry guidelines, such as the Guidelines for Labeling Household Products for Safe Use (4th edition, revised March 2009), published by the Association for Electric Home Appliances, and the Revisions Labeling Procedures (March 2010), published by the Japan Refrigeration and Air Conditioning Industry Association.

* Failsafe:
  Checks and measures are in place to ensure safety in case of a breakdown of mechanisms or systems.

TOPICS

The Eco-Cute "Easy User Guide Operation Manual" Won the Excellence Award in the Japan Manual Contest 2009

In the Japan Manual Contest 2009, the "Daikin Eco-Cute Easy Guide" won an Excellence Award in the Sheet Manuals/Package Manuals category.

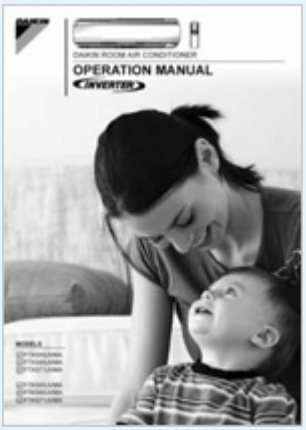
Why the Eco-Cute Easy User Guide Won

- The guide uses illustrations of the actual operation panel so users know exactly what buttons to press.
- The simple color coding makes it easy for any family member to learn how to use the Eco-Cute in a hands-on manner.

TOPICS

Daikin Operation Manuals Have Been Recognized by STC

The operation manual for household room air conditioners made for use in other countries was recognized in the 2010 STC-ETC Technical Publication and Online Communication Competition for being easy to read and easy to understand.



Operation manual included with product

Note: STC = Society for Technical Communication; a global NGO for research into technical communications, established in 1953.

Chemicals Business: Holding Workshops on Fluorochemical products

While the fluorochemical products produced by the Chemicals Division are highly advanced and highly functional materials, pressing them can sometimes require specialized methods. Not only do representatives of the Technical Service Department visit our customers to explain about our products, but we also conduct customer-oriented training seminars, titled "the Fluorine Classroom," to explain about the special properties of fluorine materials and the guide them on the manufacturing process using the facilities and equipment available to the company.

Our website includes the material safety data sheet (MSDS) and technical documents, as well as information on how to spot imitation products and precautions regarding the return of high pressure gas cylinders.

Introduction of Universal Design

Developing Products that Anyone Can Use Easily

Daikin incorporates universal design (UD) into product development to enable even the elderly and physically disabled to operate products with ease.

In fiscal 2007, we teamed up with NPO Universal Design of Citizen Network to offer training in universal design. In this training, engineers learn the principles of universal design through discussions with general customers and participation in activities mimicking the challenges facing the physically disabled.

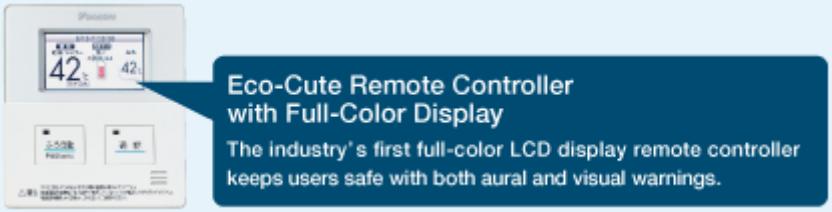
In April 2009, our product developers held discussion sessions with NPO Universal Design of Citizen Network to discuss the Eco-Cute heat pump water heater, and the results of these talks are now reflected in new product development. Universal design is central to the concept of *monotsukuri* (the art of manufacturing), because it involves designing a product so that everyone, no matter what their age or physique, can use it with ease. We are continuing steady efforts in universal design training so that the concept becomes second nature to all engineers.

Example of Universal Design

Simpler Remote Controller Makes the Most of the Energy Efficiency of the Eco-Cute Heat Pump Water Heater

Introduced in February 2010, the "Daikin Eco-Cute X-Series" has energy efficiency among the highest in the industry as well as an eco-confirmation function that helps users operate the product in the manner that is most energy efficient for their operating conditions. The display on the remote controller shows helpful advice and the effects of energy saving functions.

This remote controller boasts the industry's first full-color display, which enables any user to easily understand and operate the product. For example, when the Eco-Cute is dispensing hot water, red lettering warns users of this high temperature. This means users get both aural and visual information and are thus doubly safe in product use.



TOPICS

Braille Easy-Operation Guide

So that the visually impaired can also use our air conditioning units, Daikin Industries has braille easy-operation guides explaining the basic points of operating our air conditioners, which we offer free of charge.

An audio version of this simple operation guide is also available on CD, and can be ordered through our website.

Customer Satisfaction Policy

Creating New Value by Anticipating the Future Needs of Customers

Our group philosophy states that our mission, and the essence of our existence, is to identify and realize our customers' future needs and dreams, even those that they themselves may not yet be aware of. We believe that providing high quality products, materials, and service will not only improve convenience and comfort for customers, but will also increase the level of customer satisfaction.

Based on these principles, each division of Daikin Group formulates its policies according to the particular needs and circumstances of customers in order to improve customer satisfaction.

The Air Conditioning Division's customers are end users and distributors. The division's basic policies for ensuring customer satisfaction are "stay ahead of customers' needs and present new products suggested by the sales division" for end user satisfaction, and "stay ahead of the times and one step ahead of our competitors by offering a tailored solution" for the satisfaction of distributors.

The After Sales Service Division of the Air Conditioning Division, which bears responsibility for product maintenance, has the basic policy of "the ultimate in quality service through speed, accuracy, and good manners" and is working to increase the skills of its service engineers and raise the level of their response to customers.

The Chemicals Division has identified "improvement of quality," "stable supply," "appropriate cost," and "response to needs (development of new products)" as the main points to increase customer satisfaction, and aims to gain greater trust and satisfaction from customers by continually assessing information regarding the level of customer satisfaction and making improvements accordingly.

Customer Response and Support System

Air Conditioning Division: Building a Worldwide Customer Support System

The Daikin Contact Center is open 24 hours a day, every day of the year to take repair requests and offer technical advice to customers around the world. We are striving to enhance its service quality to ensure customers are satisfied with the responses they get from the Contact Center.


Shanghai Service Center

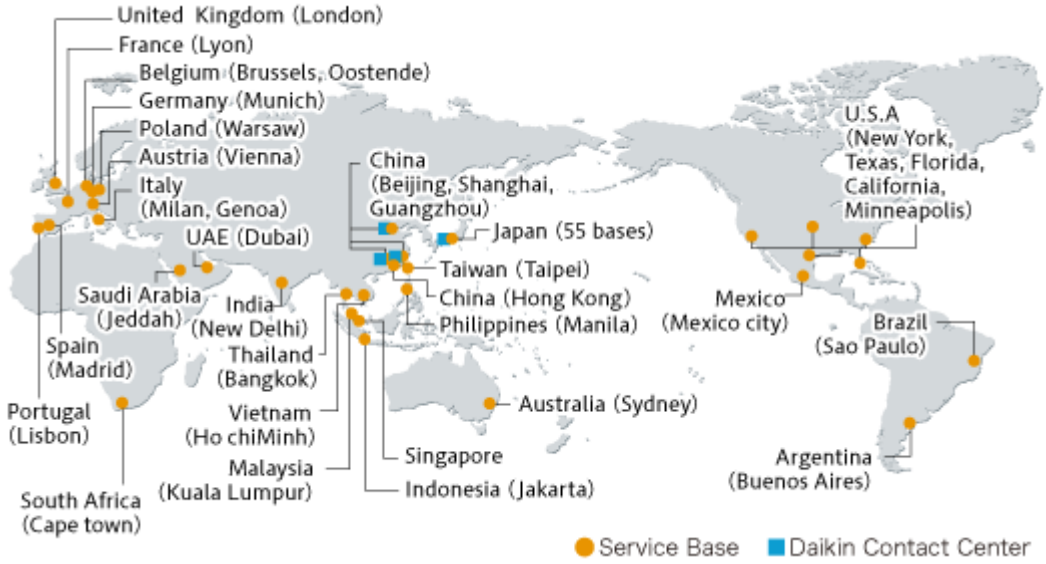
With more and more of Daikin's product sales occurring outside of Japan, we must offer top after-sales service capable of meeting the increasing demands of an ever widening customer base. That means taking our basic service quality policy—speed, accuracy, and good manners—to other countries by using the meticulous service know-how we have built up in Japan to satisfy the need for quality that is common to people around the world.

We have increased the number of service bases in countries like Spain, Singapore, and Italy through the integration of the service system of O.Y.L. Industries Bhd, which Daikin acquired in 2006. In North America and China, employees at O.Y.L company McQuay International are trained in Daikin's service quality management system to ensure the highest level of quality.

In 2010, we established support systems in Brazil and Mexico.

We will continue to enhance customer satisfaction in after sales service by establishing customer contact centers at all service bases and offering local language support.

■ Daikin Global Service Network



Chemicals Division: Providing Information Through Various Forums

As the products of the Chemicals Division are materials from which the products of customer businesses are manufactured, inquiries about these chemical products come mainly from industry researchers and developers. Firstly, the sales representative of Daikin Industries acts as a contact and responds to inquiries in cooperation with the divisions of technical service, research and development, and quality assurance, To further strengthen trust between our company and customer businesses, we hold yearly exchange meetings between top-level personnel, such as the "Difreon Gas Meeting" and the "Gratitude-to-Customers Meeting".

Gratitude-to-Customers meeting

Also, to help our customers benefit more from the products and technology of Daikin Industries, we hold a twice-yearly study seminar on fluorochemical products directed toward media outlets, by which we provide information to our customers.

Conduct of Customer Surveys

Customer Surveys Go Towards Improving Products and Services

Daikin Group divisions conduct customer surveys to enhance customer satisfaction. By constantly surveying and analyzing the voice of customers, we can further boost the quality of our service.

The Air Conditioning Sales Division includes a questionnaire with products that allows us to determine customer needs and levels of satisfaction, and also includes a questionnaire on its home page to collect user opinions about our products.

The After Sales Service Division conducts annual surveys to determine the level of customer satisfaction with our after-sales service. As a result of efforts to complete repairs in a single visit, improve repair techniques through training, get better at dealing with customers and make other such improvements, all under our slogan of "Customer first," we have been able to gradually improve customer satisfaction since fiscal 2007.

In the Chemicals Division, we distribute questionnaires once a year that help us boost customer satisfaction. Customer opinions are analyzed and appropriate measures are created. The results of the fiscal 2010 survey showed that as customer demand for products picked up significantly, there was increased customer expectation regarding product delivery. Thus, we will continue to make a concerted effort to respond rapidly to inquiries regarding product delivery, to improve the level of customer satisfaction.

TOPICS

High Appraisal for Customer Satisfaction

- Daikin Third in 2010 Nikkei Business Ranking of After-Sales Service in Residential Air Conditioner Category
- Daikin Second in Ranking of Manufacturer Air Conditioner Repair During Summer Peak (according to RIC, publisher of home electronics magazines).
- Daikin Australia Awarded the Most Satisfied Customer Award in the 2010 Canster Blue air conditioner survey

Using Customer Opinions

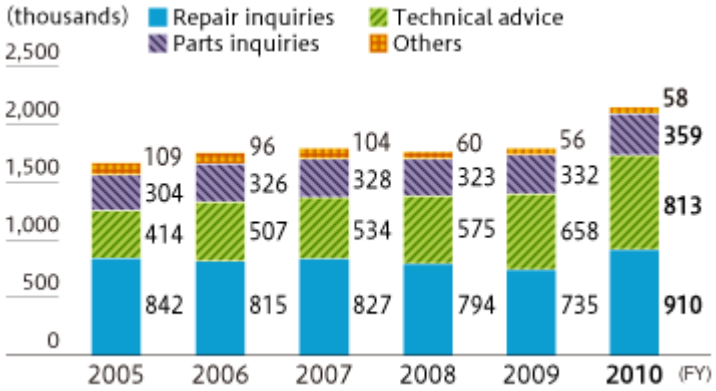
Customer Inquiries Used in Improving Products and Developing New Ones

We have implemented a system for recording all telephone requests and complaints from customers in a database. Information regarding the opinions and requests that sales representatives obtain from customers is shared among the Quality Division and relevant departments, who investigate causes and establish countermeasures to improve products and services.

The 500,000 or so technical inquiries that the Contact Center gets from customers each year enable us to make early detection of issues we face in the market and hold clues to product improvement. The information obtained from customer inquiries, including common key words and their frequency, are stored in a database that is shared with the relevant Daikin divisions and used to solve potential quality problems.

Information in the database is also used in the planning of new products. To stay one step ahead with products that meet customers' underlying needs, we explore new product concepts from customers.

■ Number of Inquiries to the Contact Center (Japan)



Employee Education

Year-Long Training and Service Competitions Among Daikin Bases

The Daikin Group strives to improve the quality of service by teaching employees the necessary knowledge and techniques.

Besides basic training in service quality, a variety of training courses and license-certification course are offered to each management level and job description.

The After Sales Service Division has the year-long "Service University" training program. Just like in university, participants can choose the courses right for their job. They also have regular tests to ensure they are retaining what they have learned.

At service bases across Japan, teams are created that compete against each other in the annual Service League tournament. There, teams are quantitatively judged and awarded on the speed, accuracy, and good manners that constitute our after sales service policy. This makes for a fun way to raise our ability to offer customer satisfaction.

Skills and Customer-interaction Training for Service Engineers

Service engineers' individual technical expertise is crucial to providing quality service.

Since fiscal 2006, we have been holding workshops and giving technical assessment tests to all service engineers. Our rule is that service engineers must be certified with a minimum level of skill before they can do repair work alone. To further improve their abilities, since fiscal 2008 we have been holding training for chief engineers and we currently have 830 employees who have passed our chief engineer test. We also provide similar training for engineers at dealer ships.

To help service engineers better deal with customers, in fiscal 2007 we started working with outside experts to hold service etiquette classes.

We will continue to give our service engineers the technical skills and people skills they need to make Daikin No. 1 in service in the eyes of customers.

Training for Distributors (Page 176)

The Chemicals Division: Sharing Broad Knowledge About Product Features and Their Target Fields, Etc.

The sales representatives of the Chemicals Division need to listen to researchers and product developers of customer businesses about the product functions they seek and offer them the ideal products for their needs. In order to optimize product functions in accordance with the circumstances of customer businesses, it is essential to have diverse knowledge of such things as processing methods, amount of additives, and temperatures.

For this purpose, the Chemicals Division holds regular meetings covering business, research, and manufacturing to share not only business information, but also knowledge regarding products. The Division also makes opportunities for the sharing of superior business skills within the Division, and makes use of the "Fluorine Classroom" customer education program as an opportunity for personnel to educate themselves and deepen their knowledge.

The Chemicals Division will continue to train personnel so that they acquire a deep knowledge on the use fluorine in various business situations.

Support for Dealers

Providing Solution Sales Support for Distributors Via Our Website and Other Means

The Air Conditioning Division provides distributors with solution sales support. Through our website, distributors have constant access to technical information and 10 years of information on all products, as well as software for making product and service estimates and for making CO_2 reduction calculations and other energy- and cost-related calculations.

The site is also optimized for use with a mobile phone, so distributors can access it while they are out visiting a customer. They can also create proposals easily with their mobile phones.

We encourage distributors acquire the Eco Test certification (Certification Test for Environmental Specialist), as do members of Daikin's sales divisions. In this way, we help them become more eco-wise and strengthen their consulting ability.

We also publish information journals to provide specialists and dealerships with useful information such as company profiles, market trends, installation case studies, and explanations of industry laws.

In May 2009, we formed the existing technical support departments into the Customer Support Center. Our aim was to strengthen technical capabilities in solution sales by such efforts as development of various support software, support for development of environmental business, and energy solution sales support.

In April 2011, we made consolidations among our 20 sales companies throughout Japan to form 10 consolidated companies, and strengthened our distributor support system. The "Cyber Support System" of our Customer Support Center offers solution sales support for distributors 24 hours a day, 365 days a year.

Training for Distributors

51 Courses Available for Acquiring Air Conditioning Skills

Daikin Industries has five training centers around Japan where we hold a variety of courses so that distributors can learn design, installation, and service techniques. The Tsukuba Training Center in Tsukuba City, Ibaraki Prefecture, also contains the Solution Plaza where distributors can first observe the latest models before undergoing the relevant training. With the goal of offering customers service that is practical, easy to understand, and pleasant, the center uses the latest simulation machinery to offer realistic practice, as well as electronic blackboards and videos teaching materials, along with a range of other state-of-the-art teaching aids.

Tsukuba Training Center

Electronic blackboards

Training for distributors includes systematic step-up training to improve trainees' levels, solution training that helps distributors meet their customers' needs, and certification classes. There are a total of 51 courses.

From fiscal 2011, we commenced the Service Diagnostics Advanced Course, and to meet the broad needs of our distributors, we also introduced two more new courses and renewed four previous courses.

Environmental Solutions Training

To promote efforts in solving environmental problems, we are conducting five courses in environmental solutions.

Starting in fiscal 2008, we have been distributing eco-booklets to trainees in all courses. The eco-booklets contain general knowledge on global warming and ozone layer destruction, handling fluorocarbons, and steps to preventing global warming, which is expanded on in the courses to raise awareness of the importance of environmental protection.

In fiscal 2010, we conducted the Environmental Solutions Proposal Seminar for promotion of environmental business activities, through which we helped 3,098 personnel in the 931 distributor subsidiaries of our 20 sales companies to gain a deeper understanding of the revised Energy Saving Act law and subsidies.

eco-booklet

Protecting Customer Information

Personal Information Managers and Thorough Employee Education

The Daikin Group is entrusted with a range of customer information including data on repair requests. Because we consider it an important responsibility to protect this information, we have established the Personal Information Protection Rules and Guidelines, and each division and Group company has a personal information manager.

Our Compliance Action Guidelines state our policy of properly handling personal information, which we implement through company-wide education and training aimed at the highest level of personal information security.

The After Sales Service Division, in particular, takes extensive measures to prevent leakage of customer information, as it handles personal information, such as maintenance requests from customers, on a daily basis.

■ Measures for Information Protection

FY	Approach
2005	• Encrypting of all information on PCs and recording media that is taken off company premises • Locking of PCs in company offices
2006	• Special tools for employees to properly erase data on PCs that will be discarded • Tools for encrypting all attachments to email going outside the company.
2008	• Remote locking function for mobile phones

Responsibility to: Employees

The Daikin Group's management are people-centered in the belief that people are the source of a company's competitiveness. We believe in the unlimited potential of every person and that the sum of the potential and talent of our diverse people forms the pillars of our company operations. By integrating the characteristics and ideas of our diverse range of employees, we can energize our company and strengthen our competitiveness. The Daikin Group is striving to build new corporate value through a strategy of management diversity.

Please refer to collected performance data related to responsibility to employees.

Data (Page 243)

Employee Evaluation and Treatment

Fairness of Opportunity and Reward

The Daikin Group offers "fairness of opportunity and reward": a workplace where employees are rewarded for putting their motivation to work and taking every opportunity for success.

Read more

(See page 182)

- Employee Evaluation and Treatment Policy
- Employee Evaluation and Treatment
- Job Placement

Workplace Diversity

A Workplace Where Everyone Can Contribute

The Daikin Group believes it is our people who make us competitive. A company can only grow stronger by having a diverse range of employees—men and women of all ages, nationalities, races, and levels of occupational experience—working within an organization that is conducive to mutual understanding of one another's distinct values and that allows everyone to shoot for a lofty goal.

Our Group Compliance Guidelines state that while respecting diverse values and approaches to work, we shall mutually accept our respective differences, act in harmony, gather the abilities we possess, and strive to be a Group in which each member expresses his or her ambitions and then takes bold actions with great passion and perseverance to realize those ambitions.

Read more

(See page 183)

- Workplace Diversity Policy
  - Employee Composition (Daikin Industries only)
- Putting More Women into Management Positions
- Hiring Women
  - Number of Women Periodically Hired; Percentage of All Employees (Daikin Industries only)
- Re-employment of Retired Employees
  - Number of Re-employed Workers & Rate of Re-employment (Daikin Industries only)

- Employment of People with Disabilities
  - Number of Disabled People Employed (Daikin Industries and domestic group companies)
  - External Awards
- Promotion of Local Personnel at Overseas Bases
- Diversity Education for Employees

Work-Life Balance

Full Range of Childcare Leave and Childcare Support Systems

Daikin Industries stresses a work life balance for employees. We have a range of work systems that allow employees to work flexible duties and flexible schedules.

The company has established an action plan for helping employees with children continue both work and home duties with peace of mind and has been certified as a company complying with the Law for Measures to Support the Development of the Next Generation. We have been particularly active in urging male employees to take advantage of our systems for childcare leave and childcare support.

Read more

(See page 189)

- Work-Life Balance Policy
- Helping Employees Match Work Schedule with Lifestyle
  - Number of Employees Leaving, Employee Turnover (Daikin Industries only)
- Support for Childcare
  - Number of Employees Taking Leave Before and After Child Birth and Number Taking Childcare Leave (Daikin Industries only)
  - Details of Second Action Plan
- Support for Family Care
  - Number Taking Family Care Leave (Daikin Industries only)
  - Other Employee Benefit Systems (some are abridged)

Labor Management Relations

Frank Exchanges of Opinion Create Favorable Labor-Management Relations

Daikin Industries 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.

Read more

(See page 192)

- Labor Management Relations Policy
- Respecting the Rights of Workers
- Dialog with Employees

Occupational Safety and Health

Keeping the Workplace Safe and Employees Physically and Mentally Fit

The Daikin Group's Group Compliance Guidelines state our top priority of ensuring a safe, healthy workplace where employees can work in peace of mind. To achieve this, we constantly strive to create a "zero accident" workplace where Daikin employees and subcontract employees work safely, both for their own sake and to instill a feeling of safety in the minds of residents around our factories.

Read more

(See page 193)

- Occupational Safety and Health Policy
  - Frequency Rate, Severity Rate (Daikin Industries only)
  - Number of Accidents Resulting in Time off Work (Daikin Industries only)
- Occupational Safety and Health Management Structure
  - System for Occupational Safety and Health
- Employee Education and Training
- Employee Health Management
- Mental Health
- Shortening Working Hours
  - Percentage of Employees Taking All Paid Leave (Daikin Industries only)
  - Average Hours of Overtime per Employee (Daikin Industries only)

Fostering Human Resources

Training Employees to Take the World Stage

The Daikin Group philosophy states that the cumulative growth of all group members, regardless of nationality or company, serves the foundation for the group's development. Based on the belief that people grow through work experience, the Daikin Group develops employee capabilities through on-the-job training (OJT)*1. We also supplement this with off-the-job training (Off JT)*2, such as the Daikin Leadership Development Program for next generation executives, the Daikin Business School (D-BS) for executive management candidates of overseas bases. We also provide opportunities for independent learning through language training and correspondence courses.

*1 OJT: Employees learn and acquire the skills, knowledge, and degree of commitment required of their positions while performing their jobs.
*2 Off JT: Employees study outside of their workplaces in order to acquire the knowledge and skills needed for their jobs.

Read more

(See page 198)

- Philosophy
- Education Systems
  - Education System
- Passing on Skills
- Passing on Skills at Overseas Bases
- Fostering Young Engineers and Technicians
- Spurring the Creation of Intellectual Property
  - Number of Patent Applications (Daikin Industries only)

Respect for Human Rights

Basic Policy of Respect for Human Rights and Diversity, and Compliance with Labor Laws

Daikin Industries does all it can in educating employees about human rights so that we can establish a corporate group free of discrimination where everyone's rights are respected.

Read more

(See page 31)

Employee Evaluation and Treatment Policy

The Daikin Group 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

Pursuing Fairness of Opportunity and Reward

In fiscal 2001, we 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. Employees are also evaluated based on their level of contribution to company successes and to the organization as a whole.

In 2002, this compensation system was extended to include Daikin Group companies in Japan. We are planning to create unified worldwide guidelines that cover our philosophy of performance-based pay and detail how job results should be reflected in pay. This will give the entire Group a fair, credible compensation system.

TOPICS

Daikin Europe Selected as a Top Employer

Daikin Europe N.V. was chosen one of the Top Employers* of 2010 for its outstanding human resource systems. Recognized for its working conditions, evaluation systems, and programs for employee education and training, Daikin Europe received its sixth selection in a row.

Top Employers

* Top Employer: An award sponsored by CRF International, a company conducting research into the best practices in human resources around the world.

Job Placement

Creating Opportunities to Understand Employee Circumstances

Whenever possible, Daikin Industries talks with employees and assigns them to departments and sections where they want to work.

All new employees are interviewed to determine their hopes and desired area of work in order to ensure they are placed in the most appropriate jobs.

Every year, employees fill out their own record of work, which includes a column for free comments about health, family, and job positions desired. When we consider transferring an employee, we look at these comments and talk to them in efforts to ensure, whenever possible, that their job desires and 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 will continue to build rewarding workplaces for our employees by matching their dreams and goals with those of Daikin.

Employees

Workplace Diversity

Workplace Diversity Policy

The Daikin Group believes it is our people who make us competitive. A company can only grow stronger by having a diverse range of employees—men and women of all ages, nationalities, races, and years of experience in the company—working within an organization that is conducive to mutual understanding of one another's distinct values and that allows everyone to shoot for a lofty goal.

Our Group Compliance Guidelines state our aim of becoming a group is passionate, strong, and forward-thinking and in which there is respect for a diverse range of values and work philosophies, and in which employees respect their differences and cooperate to pool their strengths so that each person can achieve his or her dream.

The Daikin Group's employee make-up is becoming increasingly diverse, with a greater number of non-Japanese and women in our ranks. Since introducing our rehiring system in 1991, we have been making greater use of Daikin's experienced retirees.

■ Employee Composition (Daikin Industries only)

	The end of March 2007		The end of March 2008		The end of March 2009		The end of March 2010		The end of March 2011	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Number of employees	6,245	695	6,360	816	6,452	868	6,558	897	6,717	961
Average range of services (years)	19.0	12.0	19.0	12.0	18.9	12.0	17.9	10.8	17.1	9.96
Average age	42.2	34.3	41.9	32.9	41.6	32.8	41.8	33.6	41.8	34.2
Number of managers	958	9	969	12	925	13	886	14	936	16
Number of board members	41	1	41	1	47	1	45	1	44	1
Number of foreign nationals		27	28	12	28	12	27	16	30	21

Note: Number currently employed

Putting More Women into Management Positions

Steady Progress in Promoting Women to Managerial Positions

Daikin Industries strives to create identical working conditions for men and women because our goal is to use the talents of both sexes to the fullest. In 2001, we eliminated the barrier between general clerical work and management track jobs so that female employees have more career possibilities. We have also systematically increased the number of female managers from two in fiscal 2001 to 16 in fiscal 2010.

We will continue to take measures, such as changing workplace attitudes about women taking a key role in company management and formulating strategies to raise career awareness among female employees, so as to encourage more ambitious and talented women to play a bigger part in company management.

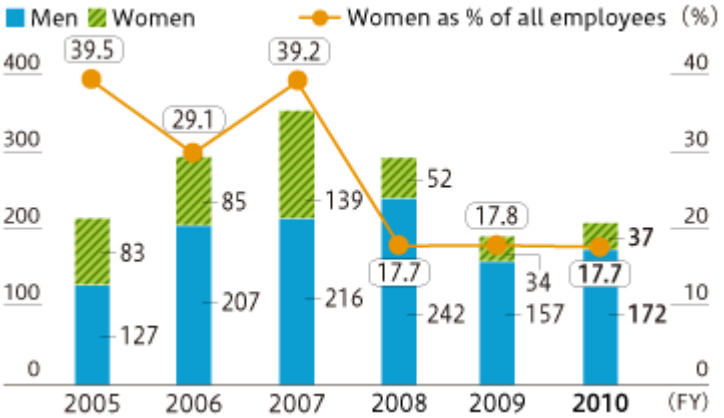
Hiring Women

Increasing Percentage of Female Employees

As of March 2011, women accounted for 12.5% of all employees of Daikin Industries, an increase of 0.5% over 2010.

In the past, job applicants for technical and skills positions were mostly men, which kept the ratio of female employees low. We therefore set a goal of achieving the national average, 12%, for female employees as a percentage of total by fiscal 2009. As a result of proactive efforts to hire women, we achieved this goal in 2008, a full year ahead of schedule.

■ Number of Women Periodically Hired; Percentage of All Employees (Daikin Industries only)



TOPICS

Hosting the 7th Women's Networking Forum

In August 2010, a total of eight companies, including Daikin Industries, hosted the 7th Women's Networking Forum. The purpose of the forum was to establish a women's network extending beyond our own company whereby women in the industry will be encouraged to be proactive in further advancing their personal skills and leadership abilities, which will also benefit the organizations they are a part of. There were approximately 500 attendees from 56 companies, including about 40 of our own personnel.

The Woman's Networking Forum

Following an interview-style key-note address entitled "Self-leadership: taking action for my organization's future and my own," participants then spilt into separate groups to discuss various topics of interest, such as "leadership that involves an organization," "off-site meetings for those with subordinates," and "considering the optimal balance between work and child-rearing." The participants were able to share their day-to-day concerns and strengthen connections through these workshops.

Re-employment of Retired Employees

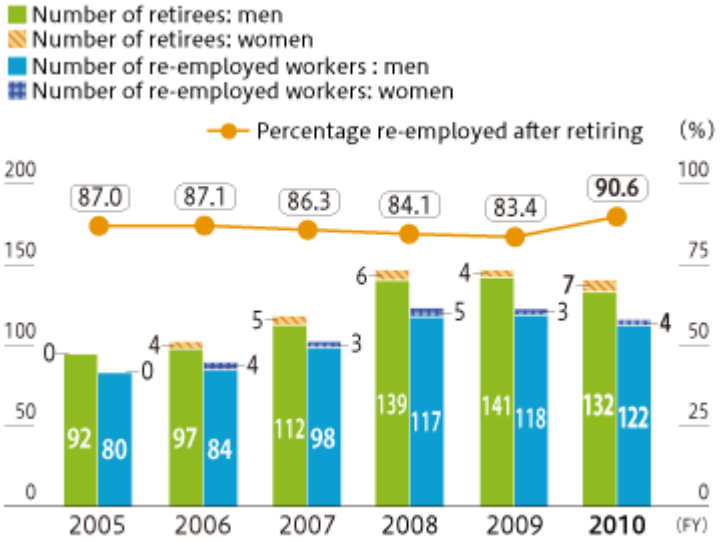
Re-employment System Makes the Most of Experienced Employees

In 2001, Daikin became one of the first companies in Japan to introduce a re-employment system in which retirees wishing to participate can work until they are 65, thus providing an opportunity for them to make the most of their skills and knowledge. Since introducing this system, over 100 have been re-employed each year. In fiscal 2010, there were 535 retirees working under this system at Daikin. Fourteen of these re-employed veterans have been assigned to overseas posts so that they can impart their superior skills and know-how to our bases in other countries.

In fiscal 2006, all group companies in Japan introduced this re-employment system to comply with Japan's Revised Law Concerning Stabilization of Employment of Older Persons. Those applying for this system may work until they are 65, with their working hours and pay scale decided on by labor and management.

The contribution of these experienced workers is becoming more important with Japan's declining birthrate and aging population. We plan to place these workers in positions that are best for them by considering their requests and expertise and by having them consult with their superiors.

■ Number of Re-employed Workers & Rate of Re-employment
(Daikin Industries only)



■ History of Daikin's Re-employment System

1979	Retirement age extended from 55 to 60.
1991	Introduction of re-employment system for employees up to 63.
2001	Age raised from 63 to 65.
2004	Senior Skill Specialist contract employee system introduced.
2005	Experience worker revitalization project started.
2006	System introduced at Daikin Group companies in Japan in 2006.

Employment of People with Disabilities

Hiring More People with Disabilities across the Entire Group

The Daikin Group strives to hire the disabled based on its policy of providing opportunities for disabled people to grow personally and make contributions to society through production activities.


Daikin Sunrise Settsu (Japan)

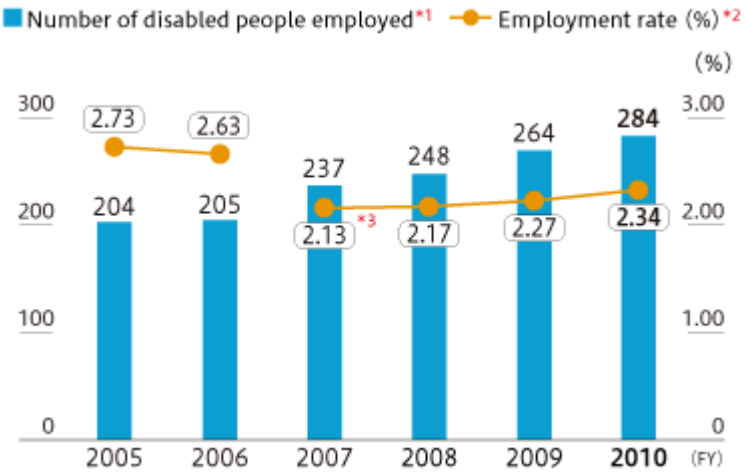
In 1993, based on the Act on Employment Promotion etc. of Persons with Disabilities, Daikin Industries established Daikin Sunrise Settsu Co., Ltd., a cooperative venture with the Osaka Prefecture and Settsu City governments.

This venture gives people with disabilities greater opportunity to make the most of their skills at workplaces designed specifically with employment of the disabled in mind. Including the employment of disabled persons at many group companies and expanding employment of disabled persons at special subsidiary companies, we are increasing the disabled employment ratio for Daikin Group as a whole. In June 2009, Daikin Sunrise Settsu's new plant was established as another step in hiring more disabled. The duties of these employees have also expanded from the processing and assembly of machine parts and the manufacture of chemicals, to computer assisted design and the publication of documents.


New plant of Daikin Sunrise Settsu

Disabled persons form the nucleus of the workforce at the company, and as of March 2011, the company has 89 disabled employees who work side-by-side with able-bodied fellow workers.

■ Number of Disabled People Employed
(Daikin Industries and domestic group companies*3)



*1 Legally, 1 severely disabled person employed is counted as 2 disabled persons.
*2 Employment rate = number of disabled persons employed / number of persons employed.
*3 Disabled employment rate for only Daikin Industries until FY2006 and for the entire Daikin Group from FY2007.

■ The Slogans of Daikin Sunrise Settsu

1. Creating economic independence through individual effort and teamwork
2. Contributing to personal growth and community development through manufacturing
3. Creating a company in which employees, their families, and the region can take pride

External Awards

- "Model Improved Workplace Employing People with Disabilities," sponsored by the Japan Organization for Employment of Persons with Disabilities with the support of the Ministry of Health Labour and Welfare First Place Award (Labour Minister's Award, 1998) Outstanding Achievement Award (2002, 2003) Encouragement Prize (2005)
- First Asahi Corporate Citizenship Award (2004)
- "Businesses and Individuals that Provide Employment Opportunities for People with Disabilities" Ministry of Health, Labour and Welfare Award (2009, 2010)

TOPICS

Daikin Sunrise Settsu Receives the Minister of Health, Labour and Welfare Award for the 2nd Time in Two Years

Kinmaru Goto, plant manager of Daikin Sunrise Settsu Co., Ltd. (in Osaka Prefecture), received the Fiscal 2010 Minister of Health, Labour and Welfare Award for "Businesses and Individuals that Provide Employment Opportunities for People with Disabilities".

The award is intended to arouse enthusiasm and an independent work spirit among disabled persons and also deepen the interest and understanding of businesses and the public in disabled employment. It is awarded to workplaces that actively hire a high number of disabled employees or individual disabled workers who demonstrate exemplary performance as professionals.

Plant Manager Goto was honored as an individual contributing to the advancement and stability of employment for the disabled. Besides efforts in hiring the disabled at Daikin Sunrise Settsu's Co., Ltd., the award was also the result of Goto's work educating the public about hiring the disabled. Following President Yoshio Ohtake's reception of the award last year, this is the second time in 2 years that Sunrise Settsu has been thus honored.

Plant Manager Kinmaru Goto Receives the Minister of Health, Labour and Welfare Award

Daikin Sunrise Settsu Certified as a Leading Company That Promotes the Employment of People with Disabilities by Japan's Health, Labour and Welfare Ministry

In March 2009, Daikin Sunrise Settsu Co., Ltd. was certified as a "Leading Company That Promotes the Employment of People with Disabilities" by Japan's Health, Labour and Welfare Ministry. This certification came after Daikin Sunrise Settsu passed minimum standards under a certification system for companies that are run by the Japan Association of Employers of persons with Severe Disabilities, which is under authorization of Japan's Health, Labour and Welfare Ministry. Certified companies may use the "Heartful Ribbon Mark" issued under this system.

Heartful Ribbon Mark

Daikin Named Certified Disabled Training Center in Shanghai

Using the experience of Daikin Sunrise Settsu Co., Ltd. in Japan, Daikin Air Conditioning Systems (Shanghai) Co., Ltd. has expanded its hiring of the disabled. Companies in Shanghai must have disabled account for at least 1.6% of their workforce. As of the end of March 2011, Daikin Shanghai had 63 disabled employees working on lines and in offices, accounting for 9.22% of all employees.

In July 2006, the Shanghai Federation for the Handicapped certified the company as a vocational training center for the handicapped.

Production line run by disabled employees at Daikin Air-Conditioning (Shanghai)

In 2005, Daikin Shanghai established a product packaging assembly line operated by the many disabled the company hired that year. This line was separated from the current production line in order to ensure the safety of the workers. As the company improved its work environment and these employees gradually improved their skills, they began working more and more with other employees. And like all other employees, the disabled are compensated based on an evaluation of their performance.

Promotion of Local Personnel at Overseas Bases

Promotion of Local Management at Overseas Bases

Daikin Group is pushing forward the localization of management at overseas bases and is actively encouraging the promotion of local personnel to managerial positions.

In 2004, we started the Daikin Business School (D-BS), a training seminar for cultivating personnel to take on the tasks of local management. In fiscal 2009, we formulated a training plan to identify and cultivate prospective managers throughout the entire Group, and have since been carrying out staff appointments and training on a carefully planned basis.

In fiscal 2010, we promoted 11 local personnel to executive positions in Europe, China, other parts of Asia, and Oceania.

Diversity Education for Employees

Training Japanese Employees for Work at Overseas Bases

Daikin Industries has a variety of training for Japanese employees who will be working at overseas bases so that they are able to respect the values of local employees and communicate with them properly.

This training has two goals. One is to improve understanding of the situation in the appointed region or country, the thinking and values of the people there, and the main considerations when doing business there. And because the Japanese employee will often be a manager, the other goal is to teach that person about Daikin's basic stance on personnel and labor matters, particularly cultural differences that could be important when evaluating employees.

In 2009, 21 Daikin employees bound for bases in the United States learned about current affairs and day-to-day personnel and labor matters in that country, while five Daikin employees appointed to bases in China learned the essentials of doing business in that country. In 2010, training is being held for 27 Daikin employees heading for Mexico, Brazil, and other Latin American countries so that they can understand the intricacies of the culture and customs of these countries.

Work-Life Balance Policy

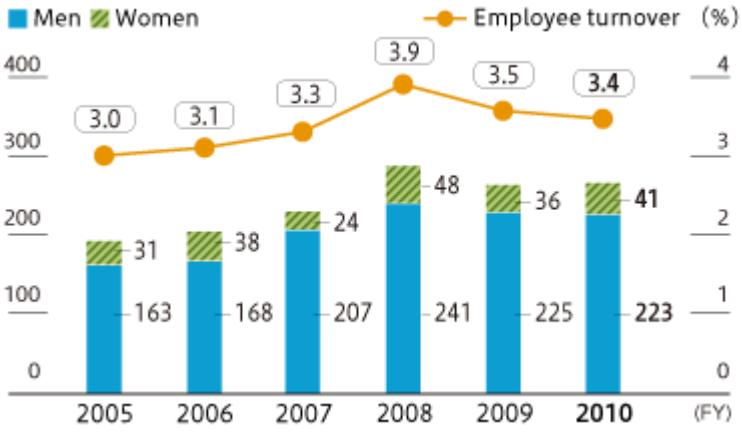
Daikin Industries stresses a work life balance for employees. We have a range of work systems that allow employees to work flexible duties and flexible schedules. The company has established an action plan for helping employees with children continue both work and home duties with peace of mind and has been certified as a company complying with the Law for Measures to Support the Development of the Next Generation. We have been particularly active in urging male employees to take advantage of our systems for childcare leave and childcare support.

Helping Employees Match Work Schedule with Lifestyle

Flex Time and Discretionary Work System Allow Employees to Continue Working

To allow this diverse range of employees to work under flexible conditions and working hours, we introduced the flex time system in 1991. In 2001, we introduced a discretionary work system in use in the R&D department and other company departments to accommodate the needs of employees with specialized duties such as those involved in planning, proposals, and surveys related to company operations.

Number of Employees Leaving, Employee Turnover (Daikin Industries only)



Thanks to these efforts to give employees flexible working conditions and working hours, Daikin has an employee turnover of just 3.4% (including mandatory retirement age employees): this is far below the average of 16.4% for all industries in Japan (according to a 2009 survey by Japan's Ministry of Health, Labour and Welfare).

Support for Childcare

A Company Conducive to Both Working and Raising Children

Daikin Industries strives to create an environment where employees can continue their jobs even after having children.

In March 2007, we were certified for compliance with the Law for Measures to Support the Development of the Next Generation after reaching the targets of our first action plan. Our second action plan started in April 2007 with a number of support efforts.

One of these introduced in June 2007 was a childcare support system under which parents working overtime or taking business trips, or taking care of sick children, were eligible to receive financial aid from the company to cover part of the expenses such as babysitters. In fiscal 2010, 40 employees took advantage of this system.

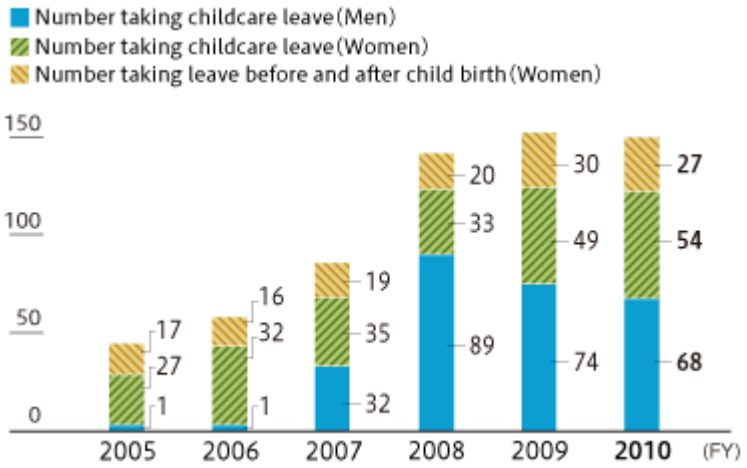
Daikin Group companies in Japan are also doing all they can to help employees raise their children. Daikin Group maintains a short-hours work system for employees with pre-school children, and many Group companies allow employees with pre-school children to choose from a variety of work systems such as a staggered or flexible work schedule or short hours.

68 Male Employees Take Childcare Leave

Daikin Industries encourages male employees to take extended leave for childcare and aims to create a work environment in which male employees feel comfortable taking childcare leave. We have revised our childcare leave systems so that more men could take childcare leave. This was an important part of the company's second action plan based on the Law for Measures to Support the Development of the Next Generation. The changes allow men with at-home spouses to take childcare leave until the child is 1 year old (compared to until eight weeks previously) and to take childcare leave twice (compared to once previously).

As a result of our efforts to promote awareness and use of the childcare leave system among our employees, 68 men took childcare leave in fiscal 2010.

■ Number of Employees Taking Leave Before and After Child Birth and Number Taking Childcare Leave (Daikin Industries only)



Daikin Industries achieved the targets of its first action plan based on the Law for Measures to Support the Development of the Next Generation. For this, the company was certified by the Osaka Labour Bureau.

Symbol Showing Certification as a Company Supporting Employees Childcare Efforts

■ Details of Second Action Plan

- **Childcare flextime system extended for longer period**
  Flexible working hours may now be used by parents of children still in elementary school (previously only for parents of preschool children).
- **New plan established to provide financial assistance for childcare expenses.**
  Parents working overtime or taking business trips, or whose children are sick, can choose to receive childcare services, with each family eligible to receive up to 200,000 yen a year in financial aid.
- **More men encouraged to take childcare leave.**
  We publicized changes to the system that make it easier for men to take childcare leave.
- **Conference held on best balance of work and family.**
  Information exchange conference allowed participants to share how best to balance work and family.
- **Efforts made to shorten working hours**
  We obligated employees to leave work at closing time at least once a week and prohibited them from coming to work on their days off.

■ Support Systems for the Balance of Work and Family

1992	Introduction of childcare leave system and shortened working hours for parents.
2005	First action plan based on the Law for Measures to Support the Development of the Next Generation.
2007	Achievement of goals of first action plan. Creation of second action plan (implementation period: March 2007-March 2012).
2010	Reassessment of childcare leave and family care leave in accordance with the revised Child Care and Family Care Leave Act

Support for Family Care

Family Care Leave and Shortened Working Hours

Daikin Industries is doing all it can so that employees can take leave to care for their family when necessary, with minimal stress, and therefore create an environment in which employees can continue working for Daikin under these circumstances.

■ Number Taking Family Care Leave (Daikin Industries only)

Under our family care leave system, employees can take leave up to a maximum of 365 days for each family member who requires care, once for each time that member's condition becomes such as to require care. Under our system for adjustment of working hours for family care, employees can opt to work a staggered or flexible work schedule or shorter hours (six hours per day) up to a maximum of 365 days for each family member who requires care.

In fiscal 2010, we reappraised the policy on child and family care leave in response to the revision of the Child Care and Family Care Leave Act in June, and included short-term care leave, whereby employees may take up to 5 days leave each year if needed to care for 1 family member, or up to 10 days leave for 2 or more family members.

■ Other Employee Benefit Systems (some are abridged)

Pension	Defined contribution pension	
Paid leave	Seniors' leaves system	The employee gets three days of paid leave between the month the employee turns 55 and retirement age.
	Participation in Japan Overseas Cooperation Volunteers	Employees may be allowed to take time off work for this.

Employees

Labor Management Relations

Labor Management Relations Policy

Daikin Industries 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, 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 certain employees, everyone at Daikin Industries is a union member. 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 2010, there were 22 such meetings held at the head office. Branch office meetings are also held when necessary. Employee working conditions and status are matters discussed between labor and management, with results of these discussions promptly reported to employees of the various divisions.

Respecting the Rights of Workers

Specification in Work Regulations and Agreements and Publicizing of Respect for Workers Rights

At Daikin Industries, 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.

To ensure understanding of workers' rights, 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.

Dialog with Employees

Hearings for Employees to Improve Working Conditions

Daikin Industries has about 10 hearings a year with at least 2% of its employees (approximately 160 employees). Salary negotiations are held between labor and management with consideration for factors including company performance, operational issues, world trends, and the work of the labor union. Interviewing each employee based on these factors results in that person receiving a salary that both sides agree is fair under the circumstances.

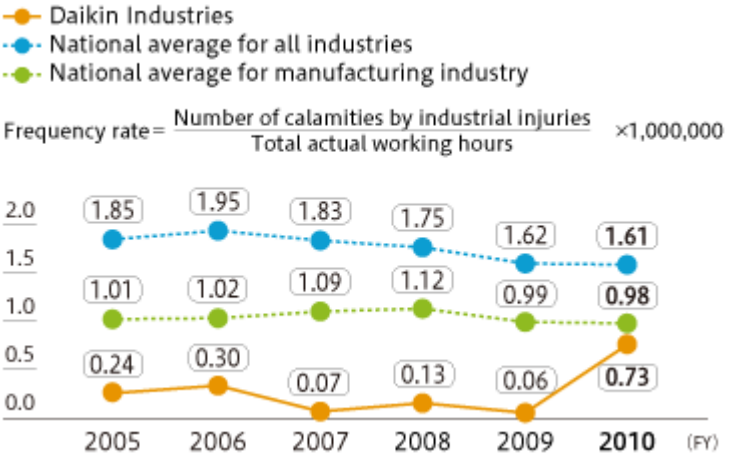
Besides salary, employees are also given hearings when there are matters to report from the company, such as new fiscal year policies, budget and performance reports, and a message from the president at bonus time. Other ways that we hold dialog with employees include meetings between managers and their workers during announcement of annual targets and employee evaluations. Listening to frank employee opinions ensures that we can continuously improve labor-management relations.

Occupational Safety and Health

Occupational Safety and Health Policy

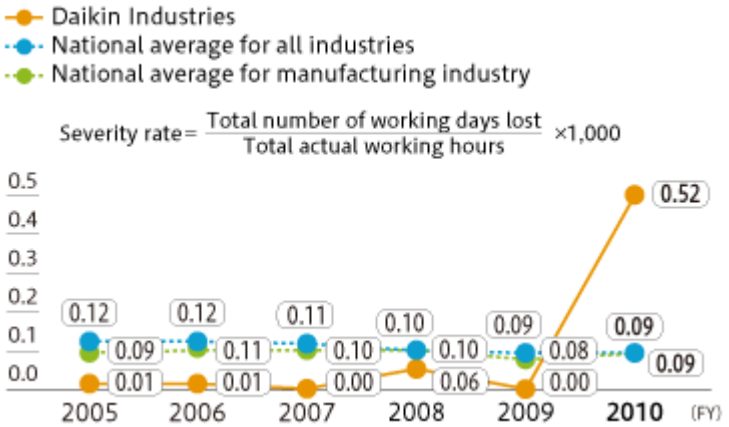
The Daikin Group's Group Compliance Guidelines state our top priority of ensuring a safe, healthy workplace where employees can work in peace of mind. To achieve this, we constantly strive to create a "zero accident" workplace where Daikin employees and subcontract employees work safely, both for their own sake and to instill a feeling of safety in the minds of residents around our factories.

Frequency Rate[*1] (Daikin Industries only)



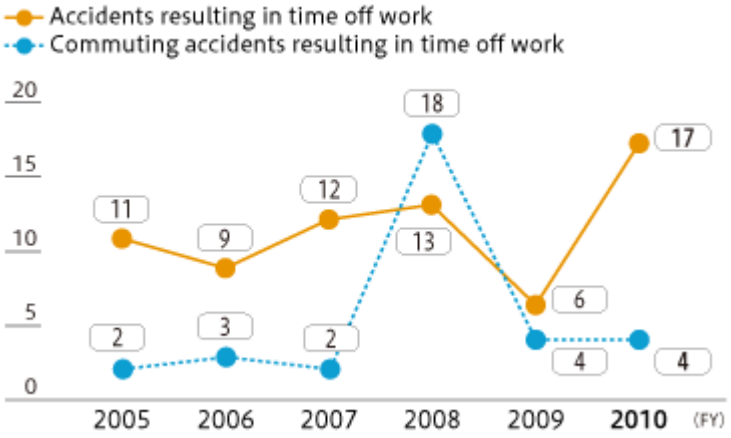
*1: This shows the frequency of work-related calamities, expressed in number of casualties for every 1,000,000 working hours.

Severity Rate[*2] (Daikin Industries only)



*2: This shows the severity of the calamity, expressed in man-days lost per 1,000 hours worked.

■ Number of Accidents Resulting in Time off Work (Daikin Industries only)



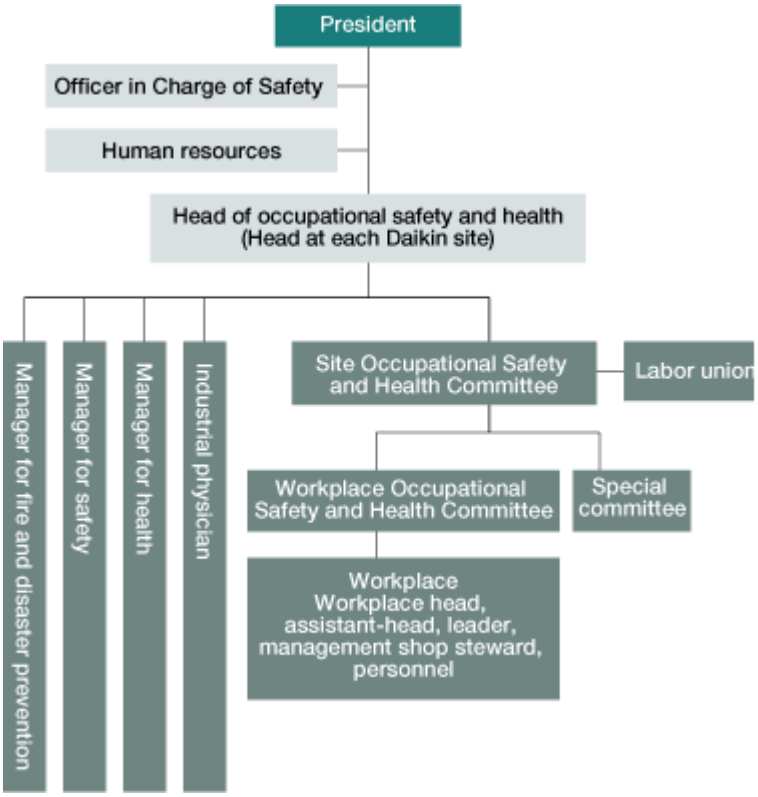
Occupational Safety and Health Management Structure

Occupational Safety and Health Committee at Each Daikin Site Leads Safety and Accident-Prevention Efforts

The chart below shows the Daikin Group's system for occupational safety and health and security. An Occupational Safety and Health Committee at each Daikin site leads efforts through the creation of voluntary annual policies and slogans.

These committees also ensure the safety of facilities and prevent accidents through risk assessments, conduct site patrols to make sure rules are being followed, and raise employee safety awareness through hand-on workshops. The committees also send members to other sites to exchange safety information with committee members there.

■ System for Occupational Safety and Health



Employee Education and Training

Raising Safety Awareness through Danger Prediction Drills

Each site of Daikin Industries conducts courses and training in occupational safety and health.

Special training is offered to licensed operators of equipment such as presses and forklifts. We also have danger prediction drills for all employees as well as employees of on-site partner companies with the aim of eliminating human error.

We also carry out near-miss educational activities to prevent accidents during work commutes and raise traffic safety within the premises.

Ensuring Plant Safety for Business Partners (Responsibility to Business Partners) (Page 208)

TOPICS

Daikin Airconditioning Singapore Given High Appraisal for Occupational Health and Safety Activities

In September 2010, Daikin Airconditioning (Singapore) Pte. Ltd. was awarded a 5-star rating, the highest possible, in the Singapore government's BizSAFE program for promoting health and safety in the workplace. Under this program, a business must first obtain approval according to both the local safety standards (SS506) and the international standards (ISO18001) and is then ranked according to the level of implementation of occupational health and safety measures and risk management.

bizSAFE

Daikin Airconditioning (Singapore) Pte. Ltd. organized a safety committee that meets monthly to discuss and solve occupational health and safety issues. In fiscal 2010, the company held its first safety exhibition, which was attended by approximately 90 employees and 58 subcontracting service companies.

Employee Health Management

Supporting Employee Health through Checkups and Counseling

Daikin Industries strives to maintain employees' health by providing all employees with semi-annual health checkups, as well as semi-annual special checkups for those engaged in specialized work.

Employees who are found to have problems are put under the direct guidance of the company health clinic, while employees with lifestyle-related diseases are taken care of by a public health nurse and nutritionist. We are trying to provide more opportunities for the employees themselves to use this health and nutrition advice for their own self improvement.

Employees working excessive hours are checked by an industrial physician, and if the employee needs special attention, he or she and his or her superior will receive guidance from the physician.

We also work to increase employees' health awareness by holding seminars on preventing metabolic syndrome and lifestyle-related diseases, and providing information designed to reduce smoking among employees.

Mental Health

Awareness of Individuals and Organizations Dealing with Mental Health Issues and Provision of Specialist Care

Daikin Industries 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 health care measures are implemented at all bases: self-care, care by managers, care by dedicated in-house staff, and care by dedicated outside staff.

Specialized staff work closely with each workplace to create a working environment conducive to mental and physical well-being. Industrial physicians provide mental health checkups to employees who are transferred and to newly hired employees after three months, as well as to employees who questionnaires have showed are facing problems. We also have once-a-year mental health lectures for managers.

Shortening Working Hours

Shortening Work Hours by Obligating Employees to Leave at Closing Time and by Boosting Work Efficiency

Since fiscal 2003, as an initiative to eliminate long working hours, Daikin Industries has obligated employees to leave the office at closing time once a week and prohibited employees from coming to work on their days off (unless absolutely necessary and approved by the department head).

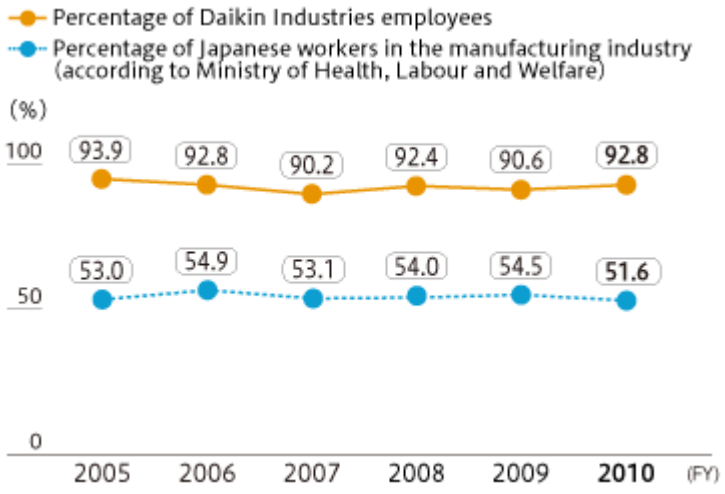
In this way, we are making a concerted effort to improve both work rule compliance and work efficiency. Yearly plans are made for each employee's duties and working hours, and to ensure that work and personnel management are in line with the plans, checklists are filled out to manage daily work.

Furthermore, by implementing a planned 5-day paid work leave system and establishing 3 days of general paid leave, we aim to promote respect for work-life balance and a more vibrant work environment.

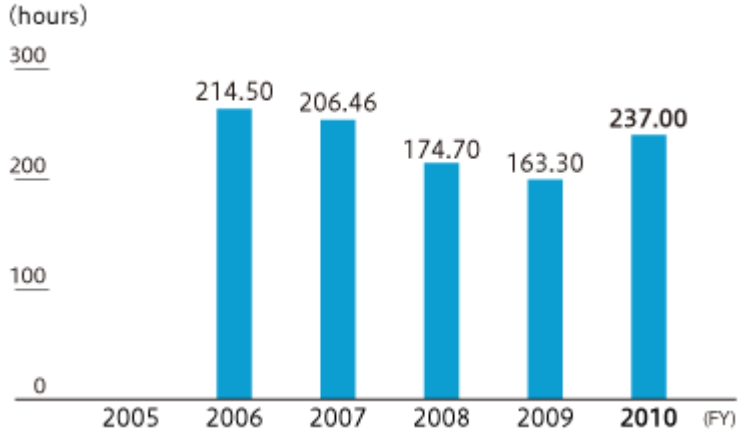
In fiscal 2009, we introduced a work attendance tracking system that enables us to easily comprehend the day-to-day circumstances of employee overtime and paid leave use. This system has advanced employee workload control by managers and boosted the use of paid leave among employees.

We will continue to do everything we can to shorten working hours and boost work efficiency.

■ Percentage of Employees Taking All Paid Leave (Daikin Industries only)



■ Average Hours of Overtime per Employee (Daikin Industries only)



■ Measures to reduce working hours

1. **Daily management of operations**
   Self-checks and mutual-checks using checklists.
2. **Raising awareness and changing company culture**
   Managers lead the way by not working on days off or late at night. Change from calculating working hours by month to calculating by week in order to more quickly adjust work plans and work load. Workplaces voluntarily establish their own rules regarding working for especially long hours.
3. **The 5 Rules**
   Ensure that employees leave work at closing time once a week. Nobody works on days off. Do not allow employees to work excess hours. Do not make employees do unpaid overtime. Late night work is prohibited. Each department sets its own maximum permitted work time.
4. **Clarify management of operations**
   Implement a work attendance system.
5. **Set goals to improve productivity and work efficiency in each division**

Employees

Fostering Human Resources

Philosophy

The Daikin Group believes that practicing the principle of "People-centered Management" is essential to the growth of the group. Our philosophy states that the cumulative growth of all group members, regardless of nationality or company, serves as the foundation for the group's development. Based on the belief that people grow through work experience, the Daikin Group develops employee capabilities through on-the-job training (OJT)*1.

We also supplement this with off-the-job training (Off JT)*2, such as the Daikin Leadership Development Program for training executives who can work at the front line of global business operations, the Daikin Business School for executive management of overseas bases. We offer provide opportunities for independent learning through language training and correspondence courses.

*1 OJT: Employees learn and acquire the skills, knowledge, and degree of commitment required of their positions while performing their jobs.
*2 OFF-JT: Employees study outside of their workplaces in order to acquire the knowledge and skills needed for their jobs.

Education Systems

Raising up Personnel through Work Experience to Take the World Stage

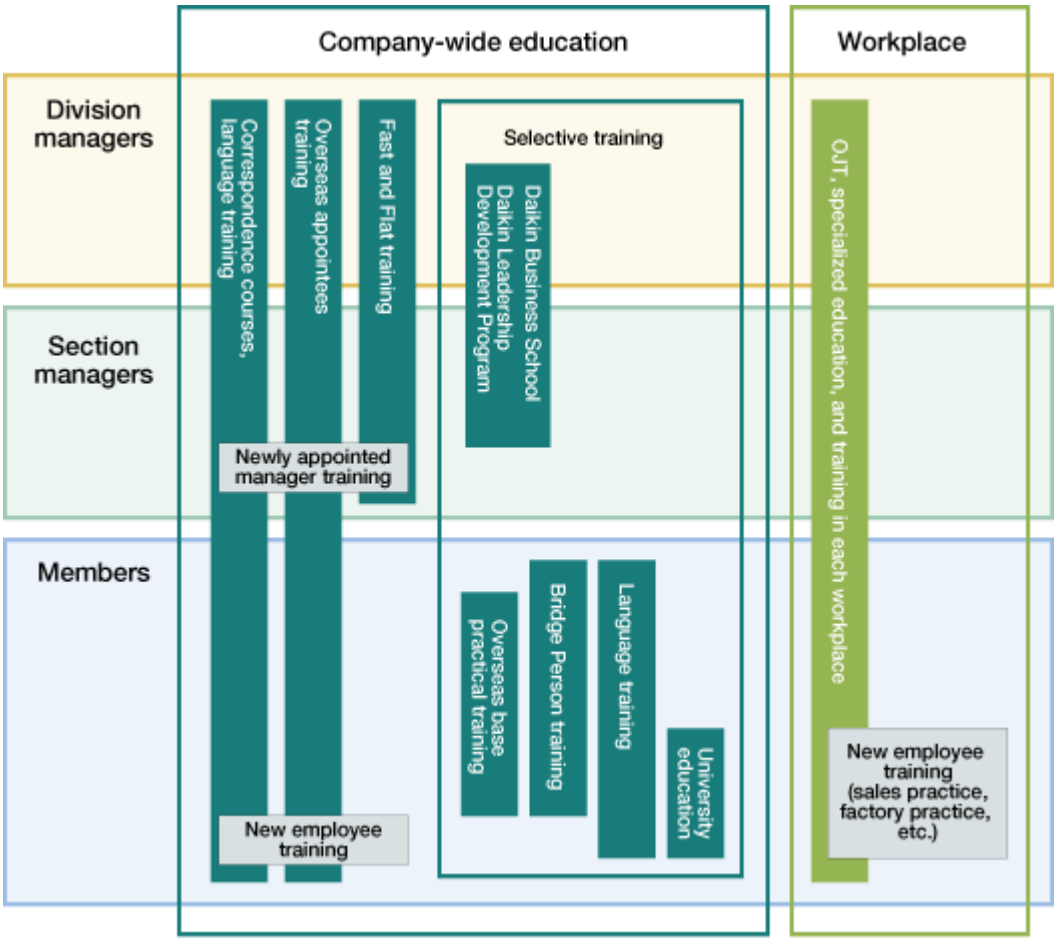
With the Daikin Group's business spreading worldwide, it is crucial that we train people to be leaders with the management skills to guide employees with a diverse range of values in a common direction. To this end, in May 2008, we established the Daikin Ales Aoya Global Training Center in Tottori Prefecture, Japan. Here, new intensive courses for all worldwide Daikin employees are geared to the changing needs of the times, such as Skills Leader Training for people leading our overseas production bases, and Bridge Person Training for people who will promote understanding and practice of the Group Philosophy worldwide. In fiscal 2010, over 10,000 employees made use of the training center.

Starting from fiscal 2011, under the "FUSION 15" strategic management plan for 2015, we are implementing a variety of measures to boost human resources and facilitate mutual communications between the headquarters and branch offices, such as greater global recruitment, career path structuring, inter-regional and international deployments, and creation of competitive assessment and reward systems.

Daikin Ales Aoya Global Training Center

Bridge Person Training

■ Education System



New Employee Training

The goal of new employee training is to foster business people capable of frankly expressing their own opinions and communicating with people with differing opinions. Trainees learn what it takes to be a company employee, and about the past, present, and future direction of the Daikin Group. There are also five days of English-language training as part of efforts to help new employees become global citizens and understand other cultures.

New employees also spend five nights and six days at the Daikin Ales Aoya global training center in Tottori Prefecture, Japan. There, hands-on, participatory training has new employees holding discussions and practicing concepts focusing on Daikin's People-centered Management and how to become an ideal employee.

Fast and Flat Training

This training focuses on improving the levels of leadership demonstrated by managers based on Daikin's concept of People-centered management. It is to facilitate Fast and Flat management of people and organization appropriate to each workplace.

Overseas Base Practical Training

To ensure we have internationally minded employees who can lead our global business in future, we send young employees (who have been with Daikin between two and nine years) to work at overseas bases for two years. Unlike other Daikin employees working overseas, these people make the most of their time in a foreign country, as they learn the practical side of all aspects of business by working with local dealers, suppliers, business partners, and universities, and acquiring firsthand the job skills and knowledge they need and learning about local cultures.

This program started in 1999 and as of the end of fiscal 2010, 93 employees had taken part.

Bridge Person Training
This training gives participants the work knowledge, experience, and networking and people skills that will make them a bridge between overseas bases and their Daikin divisions in Japan. Trainees learn to improve communication skills in English, and to gain a deeper understanding of foreign culture and Daikin Group's Philosophy.

This training began in 2008 and by the end of fiscal 2010, 51 employees had completed it.

Study Trips in Japan
Daikin sends young employees in Japan to universities such as Toyota Technological Institute and the International University of Japan in order to improve their technological skills, widen their perspective, and build human resource networks. There are currently six Daikin employees studying at Toyota Technological Institute.

Daikin Leadership Development Program, Daikin Business School
Both the Daikin Leadership Development Program and the Daikin Business School foster the next generation of Daikin Executives; the former is for managers in Japan while the latter is for local nationals who are managers at Daikin's overseas bases. Centered on Our Group Philosophy, the program turns out executives who can lead and manage their company for the common good of the entire Daikin Group.

Passing on Skills

Meister and Expert Systems Foster a New Generation

In 2001, Daikin Industries introduced a system to pass on advanced skills to young workers. This system ensures that we give the next generation of technical leaders the advanced skills that form the foundation of manufacturing.

In the air conditioning divisions, workers with advanced skills are designated as "Meisters". As of March 2011, there are 18 designated "Meisters" in the skill areas of brazing, lathing, sheet metal working, arc welding, die making, and tooling. These Meisters teach their skills at Daikin bases worldwide, thus fostering future engineers and technical leaders.

The Chemicals Division has since 2006 had a system to designate Experts, who pass their advanced skills on to others. As of March 2011, there are five designated Experts working in plant operations.

Passing on Skills at Overseas Bases

Fostering Global Trainers to Play Active Roles Around the World

Starting in 2002, Daikin Industries began designating distinguished veteran technicians as "Meisters" and sending them overseas to help raise the skill levels at overseas Group production bases. However, due to a lack of personnel to provide technical support for manufacturing at overseas bases, in April 2010 we established a new trainer system to foster future Meisters. Under this system, there are 3 categories of trainer—global trainers, regional trainers, and base trainers—and there are currently nine personnel undergoing this training.


Global skills training

In fiscal 2009, we started the Global Trainer Program in which foreign employees assigned to take up technical leader posts at their bases receive technical training in Japan from Meisters. Under this system, participants who have obtained technical skills return to the Daikin base in their own countries to provide technical leadership for their colleagues. As of fiscal 2010, a total of 16 technicians from foreign bases have participated in the Global Trainer Program.

We will strengthen technical support at foreign bases by advancing personnel training and increasing the number of qualified trainers to achieve globally consistent quality at the increasing and expanding bases in developing countries.

Fostering Young Engineers and Technicians

Experienced Workers Pass On Techniques and Skills

Since 1994, the Shiga Plant of Daikin Industries has worked to boost the level of its manufacturing by having a Kaizen Team of experienced workers lead training for young employees in the production division. The system began with training for mid-level employees but now focuses on passing on skills and techniques to young employees. As of fiscal 2010, a total of 96 employees have taken this training.

During the four-to-six-month training, each young employee is led by two or three experienced workers. Participants get practical work in the main aims of the particular session, taking classroom lectures in subjects like electrical circuitry, as well as applied learning in sheet metal working, arc welding, and circuitry.

While young workers pick up technical knowledge, they get a chance to interact with experienced workers, which help young workers develop a sense of professionalism.

TOPICS

Daikin Airconditioning Singapore Becomes an Approved Training Organization

In August 2010, Daikin Airconditioning (Singapore) Pte. Ltd. established a framework agreement with the Singapore government's Workforce Development Agency (WDA) for conducting a training program as an Approved Training Organization (ATO). A budget has been set aside for the company's government-approved training program that includes government grants for administrative costs and tuition for two years.

Daikin Airconditioning (Singapore) Pte. Ltd. will conduct vocational education, as the only government-approved training facility in the process industry.

Explanatory pamphlet for government-approved courses

Spurring the Creation of Intellectual Property

Two Systems Stimulate Creation of Intellectual Property

Daikin Industries has two systems for stimulating employees' motivation to invent and for spurring the creation of intellectual property.

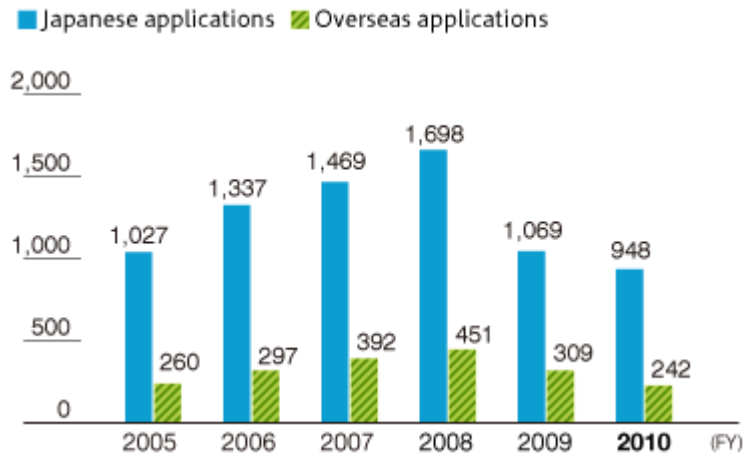
The first is the Compensation System for Employee Inventions, a system in which Daikin pays employees for inventions created on the job that result in patent applications as well as successful uses of the patent. In fiscal 2010, Daikin compensated employees for 1,095 patent applications (submitted before the end of March 2010) and 467 successful uses of the patent (investigated in fiscal 2009 and paid in fiscal 2010). The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. In fiscal 2010, we awarded incentive bonuses to the creators of 84 patents.

These systems have been gradually taking root and employees are increasingly interested in discoveries and patents. However, we cannot say that there has been an increase in number of patent applications or the number of patents in force (early incentive bonuses). In fiscal 2010, due to the decrease in air conditioning patent applications in fiscal 2009, development leaders and members of the Intellectual Property Department got together to follow-up on the progress of key development themes on a monthly basis and promptly submit new ideas.

We will strive to enhance intellectual property management in order to increase both the number and quality of patent application, and we aim to devise ways to stimulate enthusiasm for inventions in a wider range of fields, as well as create a system of rewards that appropriately compensate employees for their success.

We are also addressing possible incentives for outstanding activities such as the building up of patent portfolios and for outstanding inventions produced at overseas bases.

Number of Patent Applications (Daikin Industries only)



Responsibility to: Business Partners

The Daikin Group strives to build a relationship of trust with its suppliers. Through a synergistic relationship, both sides seek to meet each other's expectations for the sake of mutual growth and progress. To achieve this, we do our utmost to conduct fair and open dealings, and we constantly communicate with suppliers to ensure ever-improved quality and safety.

Philosophy on Suppliers

Open to All Suppliers of Any Nationality, Size, and Experience

In choosing our suppliers, we have an open-door policy, based on our Purchasing Policy, in which potential business partners, whatever their nationality, can view our requirements for quality, cost, and delivery on our website before submitting a bid.

Read more

(See page 204)

- Philosophy on Fair Dealings
  - Purchasing Philosophy and Purchasing Policy
- Fair Dealings Management Structure

Working Closely with Suppliers

Growing and Evolving with Suppliers

We take every opportunity for communicating with suppliers so that we can develop a relationship of mutual understanding and trust.

In order to grow and evolve with suppliers, we help them build management systems offering better product quality and safety, hold meetings jointly with suppliers where both sides can solve key problems, and offer training for employees of distributors.

Read more

(See page 206)

- Ensuring Legal Compliance in the Entire Supply Chain
- Helping Suppliers Build Quality Management Systems
- Raising Product Quality and Ensuring Safety Together with Suppliers
  - Helping Suppliers Improve Quality
  - ZD Activities with Suppliers
- Business Partners Contribute to Plant Safety
- Building a Relationship of Growth

Green Procurement Guidelines

Guidelines Require Suppliers to Carry Out Environmental Management and Chemical Substances Management

Daikin's Green Procurement Guidelines went into effect in fiscal 2000 to help our suppliers procure green parts and materials. These guidelines are consulted during the procurement stage in Japan, China and Southeast Asia, and the EU.

Read more

(See page 209)

Business Partners

Philosophy on Suppliers

Philosophy on Fair Dealings

Dealings Based on Our Purchasing Policy

The Daikin Group has a Purchasing Policy that is the basis for fair dealings with suppliers.

■ 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 society useful products.
- **Observe laws, and maintain confidentiality**
  Observe laws on business dealings and respect the spirit of these laws.

Fair Dealings Management Structure

Giving All Suppliers an Equal Opportunity through an Open Door Policy

The Daikin Group has an open door policy on choosing suppliers in which we welcome bids from any company, regardless of nationality, size, or years in business.

In our air conditioning business, information on product specs, desired quality and cost, and delivery times is posted on our website in order to achieve equality of opportunity. All companies satisfying our criteria become eligible to do business with us.

In our chemicals business as well, we do business with any supplier meeting our criteria for quality, price, and delivery time.

Regular Assessment of Suppliers to Review Business Relationship

Before starting business dealings in the Daikin Group, we ensure potential partners understand our Purchasing Policy, and we assess them on consistent standards. After business dealings begin, we conduct assessments based on ISO 9001 and then review the business relationship accordingly.

In the air conditioning business, before we start transactions with new suppliers, we use the Supplier Assessment Standard Sheet to judge companies based on their administration, quality, price, delivery, and environmental measures. Besides ensuring that suppliers are in compliance with laws, we assess them in CSR aspects such as voluntary efforts to improve labor and environmental matters. Suppliers continue to be assessed every year based on our Assessment System for Continuation of Business. We also create standards and rules for qualitative assessment criteria so that we are able to make quantitative judgments. The assessment criteria themselves are also reviewed to keep up with the changing times.

In the chemicals business, we assess new and existing suppliers based on ISO 9001, and we use as many criteria as possible in order to evaluate our suppliers fairly: this includes discussing business with the supplier using multiple Daikin representatives, and making regular visits to the supplier.

Based on such assessments, in fiscal 2010 we began dealings with 20 new suppliers in the chemicals business.

Ensuring Legal Compliance in the Entire Supply Chain

Helping Suppliers Achieve Compliance

The Daikin Group strives to achieve legal compliance throughout the supply chain by helping suppliers abide by laws.

In the air conditioning business, we raise supplier awareness through written requests for legal compliance and meetings five times a year at which we introduce case studies. When renewing agreements with suppliers, those that fail to meet our standards are asked to write up plans for improvement, which we follow up on. We believe it is important to constantly assess suppliers throughout the year to ensure that they are making improvements.

We also provide environmental support information on a special website for suppliers.

In the chemicals business, we carry out surprise spot audits. We know that we must continue to work with suppliers in order to further eliminate excessive and unfair labor and to ensure human rights are respected.

Ensuring Compliance with the Subcontract Act

Japan's Subcontract Act covers about 3,000 Daikin Industries' suppliers and subcontractors.

Our Subcontract Act Compliance Guidelines ensure that all Daikin divisions are in compliance with the Act in respect to matters such as prompt payment. All divisions are made constantly aware of the importance of compliance through both in-house and third-party seminars.

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 and, if necessary, implement assistance measures such as relaxation of payment methods.

Helping Suppliers Build Quality Management Systems

Helping Suppliers Obtain ISO Certification

Daikin Industries' Green Procurement Guidelines state that suppliers must be ISO 14001 certified. And to promote more complete quality management systems, we provide the latest information on environment-related laws, and we request our primary suppliers, as well as their suppliers, to conduct green procurement and build a chemical management system.

The Chemicals Division requests that its suppliers obtain ISO 14001 certification, and it offers a range of advice on building quality management systems, improving production processes, and streamlining the organization so that suppliers can also obtain ISO 9001 certification.

- See Green Procurement (Low-Impact Production) (Page 119)
- See Green Procurement Guidelines (Page 209)

Raising Product Quality and Ensuring Safety Together with Suppliers

Suppliers Take Part in Quality Improvement Conferences, Receive Quality Guidance

Suppliers are indispensable to our goal of providing customers with reliable products. Daikin strives to raise quality by working closely with its suppliers.


Supplier Quality Conference

In our air conditioning business, we hold briefings to enlist the help of suppliers in improving quality and achieving zero defects. To this end, the Air Conditioning Manufacturing Division and the Global Procurement Division hold the monthly Supplier Quality Conference, where we assess and analyze the quality of parts we purchase and, when necessary, request that suppliers report on improvement efforts at quality improvement announcement meetings and quality improvement proposal meetings. We even go so far as to visit their factories to offer assistance.


Annual Quality Forum

In our chemicals business, we hold an annual quality forum for sharing Daikin quality policies and giving suppliers a chance to report on their quality improvement activities. We also conduct quality audits at suppliers to ensure they are conducting measures to maintain and improve quality. And we hold technical exchange meetings, where Daikin and engineers at our suppliers work to jointly solve quality issues.

We will continue to strengthen communication with suppliers to ensure our products are of the highest quality.

Helping Suppliers Improve Quality

Air Conditioning Division

Supplier meetings	Daikin Industries' policy and progress are explained and legal compliance is stressed through model examples. (4-5 times/year)
Supplier Quality Conference	Parts we purchased are inspected each month for defects and quality improvement measures carried out. (Each month)
Quality improvement announcement meetings, quality improvement proposal meetings	Suppliers with quality problems must report on improvement measures. (In fiscal 2010, five quality improvement announcement meetings were held for a total of 53 companies and 12 quality improvement proposal meetings were held for 113 companies.)
Quality audits	Auditing institution conducts regular external audit, and internal audit are conducted jointly in the Air Conditioning Manufacturing Division and at suppliers.
Visits to suppliers	Purchasing managers and officers, and executives visit suppliers.

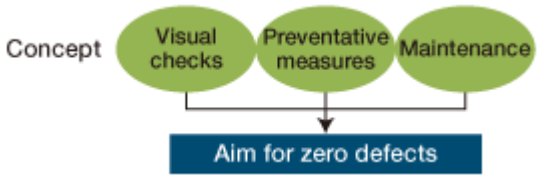
Chemicals Division

Quality Forum	Introduction of Daikin Industries' quality policy, defect rate and quality cost of purchased goods, quality differences among companies, and activities aimed at improving quality. (Once a year, approx. 60 companies took part.)
Technical exchange meeting	Daikin Industries and engineers at suppliers work together to solve quality issues. (Two companies took part.)
Quality audits	Suppliers who provided defective products underwent audits based on ISO 9001. (Conducted at 25 companies.)
Other	Distribution of in-house magazine, holding of workshops on methods for analyzing quality improvement.

Aiming for Zero Defects through ZD Activities

Since fiscal 2007, the Air Conditioning Division has been working with suppliers taking part in the Supplier Quality Conference in an initiative called ZD (zero defect) activities. The goal is to achieve zero defects through 3S (visual checks), preventative measures (look for potential problems in production processes), and prevention of reoccurring problems (through regular maintenance). In fiscal 2010, we expanded the ZD initiative to include overseas companies.

ZD Activities with Suppliers



As of fiscal 2010, 18 suppliers were taking part in ZD activities, which, combined with the Supplier Quality Conference, contributed to an approximately 60% drop in defects between fiscal 2005 and 2010.

Business Partners Contribute to Plant Safety

Providing Business Partners Working in Daikin Plants with Safety Information and Conducting On-Site Patrols

Daikin Industries asks for business partners' cooperation in making plants safer.

There are many employees of business partners working in Daikin plants, so it is essential we provide them with information and guidance on safe work practices and conduct safety patrols of the plants.

With so many vehicles entering and exiting plants, safe driving is crucial. At the Yodogawa Plant and Kashima Plant, for example, an accident with the chemicals produced there could mean disaster. That's why we hold regular driving safety seminars for delivery vehicle drivers to teach them traffic rules and promote safe driving.

In fiscal 2010, the Air Conditioning Division held two supplier meetings for raising awareness of safety. In the Chemicals Division, we held safety workshops attended by approximately 400 drivers.

Building a Relationship of Growth

Communication is Key to Building Understanding and Trust

The Daikin Group takes every possible opportunity to communicate with suppliers and promote mutual understanding and trust.

In the Air Conditioning Division, global purchasing officers, the head of the Global Procurement Division, and managers regularly visit suppliers for exchanges with their counterparts. Other ways we promote communication include supplier meetings, goodwill gatherings, and award ceremonies to recognize supplier achievements.

Workshop for dealers of the Oil Hydraulics Division

The Chemicals Division fosters good relations through the Quality Forum. It also has employees in charge of dealing with suppliers in five areas: main raw materials and auxiliary materials, packaging materials, equipment, outsourcing, and general purchasing. These employees work regularly and closely with suppliers to gather information and exchange opinions on issues including technology, quality, and price. As a result of this dialog, we have succeeded in achieving stable procurement of key material such as hydrogen fluoride, and solved the problem of defects occurring during polyethylene molding.

Quality Forum sponsored by the Chemicals Division

Green Procurement Guidelines

Helping Suppliers be Legally Compliant

In fiscal 2000, the Daikin Group established the Green Procurement Guidelines, and it has been promoting environmental management throughout the entire supply chain in order to provide more environmentally responsible products.

At our major manufacturing bases in Japan, China, and Southeast Asia, we help suppliers abide by the Green Procurement Guidelines and inspect products from our suppliers to determine the chemical substances they contain.

To help suppliers comply with laws and regulations, we hold meetings to explain environmentally related laws and how the Daikin Group abides by these, and release information on our Web site.

In October 2009, we published the 5th edition of the Green Procurement Guidelines, which includes an updated list of restricted chemical substances.

Overview of the Green Procurement Guidelines (PDF file)

Guidelines　PDF Data (150KB) (Oct.2009 revised)
(http://www.daikin.com/csr/social/supplier/guidelines.pdf)

Green Procurement Inspection List　PDF Data (55KB)
(http://www.daikin.com/csr/social/supplier/inspection.pdf)

You need the Adobe Reader application, offered by Adobe Systems Incorporated, to read PDF files. If it is not installed in your computer, please download an appropriate version of the application according to the model and specifications of your computer.
Download Adobe Reader

Responsibility to: Shareholders and Investors

Besides stressing CSR as part of its management, the Daikin Group strives to improve financial performance to maximize corporate value. Raising corporate value helps us meet shareholder and investor expectations and leads to further growth for our company.

For Shareholders

DOE of Plus 2.0% Means Stable Dividends

To offer shareholders and investors higher stock prices and stable dividends, we strive to make the best use of capital to achieve solid profitability and a firm financial base.

Read more

(See page 211)

- Maximizing Corporate Value
  - Fiscal Year End Stock Prices
  - Operating Income Margin
  - Daikin Included in SRI Fund Indexes
- Distribution of Profit
  - Dividends
  - Dividends to Shareholders Equity
- Respect for Exercising Voting Rights
  - Voting Rights Exercised
  - Breakdown of Shareholders

Information Disclosure Policy

Constant Efforts to Disclose Information, Including 300 Seminars a Year

The Daikin Group takes increasing responsibility to release information on its business situation promptly and properly. We are particularly diligent about being transparent with our shareholders and investors.

Read more

(See page 214)

- Philosophy
- Disclosing Information in a Fair and Timely Manner

Maximizing Corporate Value

Aiming for Increased Income and Profit Despite the Cloudy Economic Outlook

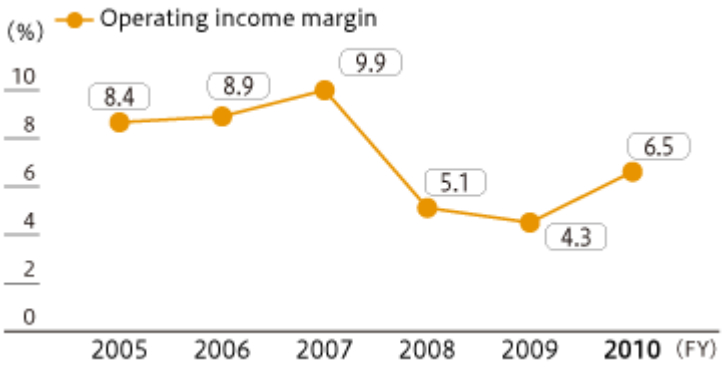
The Daikin Group works to boost business performance and raise corporate value in order to meet the expectations of shareholders, investors, and other stakeholders. To this end, we stress free cash flow (a management indicator that can be said to be the source of corporate value), boost earnings, and reduce accounts receivable and inventory.

With the world economy on the road to modest recovery in fiscal 2010, Daikin worked to expand business in China and other emerging countries, increase sales of energy-efficient products a step ahead of the competition in Europe and North America, and maximize advantages in Japan such as the hot summer and the eco-point system for appliance purchases. Meanwhile, we offset disadvantages, like increasing raw materials costs and an unfavorable exchange rate due to a strong Japanese yen, by strengthening our management structure through overall cost-cutting. As a result, net sales were 1.603 trillion yen, up 13%, and group operating income was 75.5 billion, up 71%.

The economic outlook for fiscal 2011 is cloudy, what with high raw material costs, an unfavorable exchange rate due to the strong yen, power shortages due to the Great East Japan Earthquake, and sluggish consumer spending. However, we plan to start full-fledged entry into the mass consumer markets in emerging countries, step up environmentally related business, and come out with more energy-efficient products and services to help reduce energy consumption in response to the power shortages following the earthquake. In all, through the revamping of fixed costs and other measures we aim to continue boosting profitability so that we can increase income and profit. We believe that this year will take us further along the path to sustainable growth. It will be a year that the entire Daikin Group comes together to accelerate efforts to success as we start the FUSION 15 strategic management plan.

■ Fiscal Year End Stock Prices

■ Operating Income Margin



TOPICS

Daikin Included in SRI Fund* Indexes

Daikin Industries has been selected for the ninth year in a row for inclusion in the Dow Jones Sustainability Indexes, which comprise approximately 300 leading companies worldwide selected through evaluation based on economic, environmental, and social criteria.

Daikin has also been selected for the Morningstar and other SRI* (socially responsible investing) funds.

* SRI Fund: SRI funds are made up of companies that, in addition to being rated as financially sound, demonstrate outstanding environmental protection and social responsibility in areas such as legal compliance and the promotion of human rights.

Silver Class Rating for Daikin in SAM's Corporate Sustainability Assessment

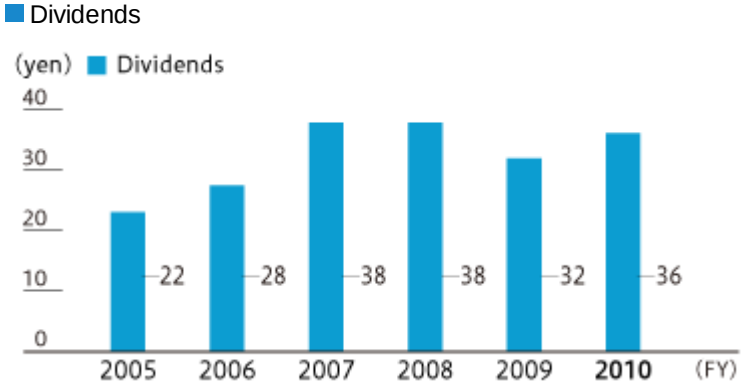
Daikin Industries underwent a corporate sustainability assessment conducted by Sustainable Asset Management (SAM), a Swiss asset management company, and was given a Silver Class rating. SAM ranks companies into Gold Class, Silver Class, or Bronze Class based on criteria including economic, environmental, and social sustainability.

In fiscal 2010, SAM evaluated 2,500 companies in 58 sectors, with 272 selected (including 41 Japanese companies). In the Industrial Engineering sector, in which Daikin is classified, seven companies achieved the Silver Class and eight companies achieved the Bronze Class. Daikin Industries was the only Japanese company among these 15.

Distribution of Profit

Deciding Dividends according to Profits Based on Stability

By setting a target of maintaining at least a 2.0% ratio of dividends to shareholders equity, we strive to pay stable dividends that take into account a range of factors including consolidated performance, financial situations, and capital needs. The dividend for fiscal 2010 is expected to be 36 yen, up 4 yen from the previous fiscal year.



With regard to internal reserves, we will allot them to strategic investments aimed at strengthening the management structure, accelerating the development of global business, promoting the development of environmentally conscious products, achieving business expansion, and improving competitiveness.

■ Dividends to Shareholders Equity

Respect for Exercising Voting Rights

Helping More Shareholders Exercise Voting Rights

To ensure that shareholders have more time to consider new proposals before voting at the Ordinary General Meeting of Shareholders, we send announcements of the meeting a week earlier than is legally required. To remedy the discrepancy in information available in Japan and other countries, we translate announcements of shareholder meetings into English and send these to overseas institutional investors, and we have an English version of our website.

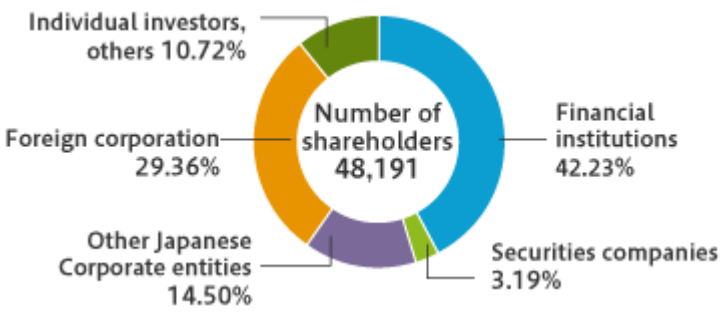
Since fiscal 2003, we have striven to get as many shareholders as possible to exercise their voting rights by allowing voting over the Internet. This means that those who cannot attend meetings in person can still exercise their voting rights by personal computer or mobile phone. In fiscal 2006, we adopted a platform for exercising voting rights, which made it even easier for institutional investors to vote.

As a result of these efforts, the percentage of voting rights exercised reached 79.49% in fiscal 2010. The number of votes cast over the Internet also increased to 1,012,927 in fiscal 2010 (998 shareholders).

■ Voting Rights Exercised

	Voting rights exercised	Votes cast over the Internet	Shareholders voting online
FY2007	81.72%	903,216	691
FY2008	85.43%	864,879	926
FY2009	81.50%	897,490	779
FY2010	79.49	1,012,927	998

■ Breakdown of Shareholders (March 31, 2011)



Philosophy

Daikin Industries places the utmost importance on its responsibility of providing stakeholders with timely, proper information disclosure. In particular, we believe it is our duty to raise management transparency by disclosing information to shareholders and investors in every possible way. To this end, we have a Disclosure Policy that stipulates standards and methods for information disclosure.

In accordance with our Disclosure Policy and the Tokyo Stock Exchange's standards for timely information disclosure, we use our website, news organizations, and the TD-NET online system provided by the Tokyo Stock Exchange to disclose information on recalls, the occurrence of loss on valuation of securities, and decisions such as the establishment of sales companies. As well, for product, technical, and other information that we decide must be made public, we do so after consultation between the relevant company divisions.

Disclosing Information in a Fair and Timely Manner

Maximizing Information Disclosure through Briefings and Our Website

Daikin Industries conducts a range of IR activities aimed at improving understanding in areas like our company's current state and management philosophy for shareholders and investors.

For analysts and institutional investors, we hold interim and end-of-year financial performance briefings, and conference calls every first and third financial quarter. As well, we visit and hold talks with institutional investors in Japan and other countries. In fiscal 2010, we spoke with investors on nearly 300 occasions through business briefings, factory tours, and face-to-face meetings.

End-of-year financial performance briefing for analysts and institutional investors

We try to provide a wealth of information on the IR site of our home page and disclose information—including documents required by law such as securities reports and documents related to our business performance—in a prompt, fair, and timely manner. Our top executives also strive to relay firsthand company philosophy and direction in as many ways as possible.

The opinions from shareholders and investors are reflected in our management.

In fiscal 2010, the Tokyo Branch appointed an IR manager in charge of media relations, and this allowed us to better meet the information needs of institutional investors.

We will continue to conduct dialog with all investors, and we are planning to provide personal investors with IR information through more comprehensive website pages specifically for shareholders and investors.

Responsibility to: Communities

Employees are front and center in community service that covers arts and culture, human resource development, and environmental protection. We strive to provide each region with the support it needs.

Promoting Art and Culture

Daikin Supports National Museum of Art

Established to promote art and culture, the Daikin Industries Foundation to Promote Modern Art supports a wide range of activities including exhibitions by the National Museum of Art, lectures, academic research, and publications. Overseas as well, we support local culture through the sponsorship of music festivals and other events.

Read more

(See page 217)

- Policy on Contributing to Furthering Art and Culture
- Supporting Art and Music
  - National Museum of Art, Osaka
  - Daikin Supports the Kansai Philharmonic Orchestra
  - Other Organizations Supported by Daikin Industries

Promoting Sports

Daikin Employees Run Golf Tournament and Foster Future Golfers

With the aim of deepening relations between Okinawa and mainland Japan, every spring we sponsor the Daikin Orchid Ladies' Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour.

Held in conjunction with the tournament is the Orchid Bounty Foundation, which collects donations to support local arts, culture, and education.

Read more

(See page 219)

- Policy on Promoting Sports
- Daikin Orchid Ladies' Golf Tournament

Contributing to Education

Support Education for Youth

The Daikin Group, through its local companies, supports education for youth by donating financial aid and offering technical courses.

Read more

(See page 221)

- Policy on Contributing to Education
- Efforts in Japan
  - Other Educational Activities in Japan
- Efforts Overseas
  - Other Education Efforts Overseas

Environmental Contributions to Society

Employees Worldwide Volunteer to Plant Trees

Daikin Industries works with the NGO Conservation International in a new reforestation project in Indonesia. Daikin overseas group companies also conduct their own tree-planting activities in efforts to contribute to the absorption of CO_2.

Read more

(See page 225)

- Policy on Environmental Protection
- Efforts in Japan
- Efforts Overseas
  - Other Tree-Planting Activities Overseas

A Good Corporate Citizen—Activities in Each Community

Employees Will Continue to Be Front and Center by Listening to the Needs of the Community

We want to be a good corporate citizen by being keen to the problems of the communities we operate in and conducting activities that lead to solutions.

Employees at regional Daikin bases have planned ways to interact with local communities. Employees will continue to be front and center by listening to the needs of the community: this will make Daikin a known and trusted member of local society.

Read more

(See page 227)

- Philosophy
- Supporting Employment of People with Disabilities
- Building Trust with Communities
  - Correspondence between Company Sites and Local Community Members
  - Safety and Disaster Prevention at Plants (Japan)
  - Contributing to Local Safety (Japan)
- Interactions with Local Communities (Japan)
  - Local Cleanup Activities (Japan)
- Interactions with Local Communities (Overseas)
  - Aiming to Take Root in China
  - Regional Independent Activities (Overseas)
- Charitable Activities
  - Donations in FY2010 (Daikin Industries only)
  - Aid for Victims of Natural Disasters in FY2010
  - Helping the Needy

Communities

Promoting Art and Culture

Policy on Contributing to Furthering Art and Culture

Established to promote art and culture, the Daikin Industries Foundation to Promote Modern Art supports a wide range of activities including exhibitions by the National Museum of Art, lectures, academic research, and publications. Overseas as well, we support local culture through the sponsorship of music festivals and other events.

Supporting Art and Music

The Daikin Industries Foundation to Promote Modern Art

The world's outstanding artistic and cultural works transcend national borders. Daikin is committed to bringing the joy of these works, and the creativity they inspire, to a wider audience. This desire has compelled Daikin to focus on promoting art and music.

In March 1996, Daikin Industries established the Daikin Industries Foundation to Promote Modern Art to mark the company's 70th anniversary on October 25, 1994. In the foundation's first year, Daikin Industries donated ¥200 million for the basic fund, followed by another ¥200 million after three years. With another donation of ¥100 million in 2004, Daikin's 80th anniversary, total founding so far amounts to ¥500 million yen.

The foundation supports a wide range of projects designed to teach art appreciation, such as exhibitions at the National Museum of Art, Osaka (NMAO), lectures, publications, surveys, and research. Our goal is to contribute to the revitalization of culture and art in our home territory of Osaka by promoting museum activities.

■ National Museum of Art, Osaka (4 Nakanoshima, Kita-ku, Osaka, Japan Museum director: Toshio Yamanashi)

Established in 1977 in Expo Park, Suita, NMAO was established to collect, preserve, and research works of art in order to contribute to Japanese art and spotlight its relationship to art worldwide.

Beloved as Osaka's only national museum, the NMAO was relocated to Nakanoshima in November 2004 due to aging of its former facilities. All the exhibition halls are located below ground in a temperature- and humidity-controlled environment. The new museum contains 13,487 square meters of floor space.

The museum strives to represent new artistic trends by presenting exhibits focusing on modern art. In recent years, it has hosted a wide range of educational projects for both adults and children. It clearly plays an important role in promoting the Japanese art world.

Daikin Supports the Kansai Philharmonic Orchestra

Daikin Industries supports the Osaka-based Kansai Philharmonic Orchestra. Formed in 1970, it became a specified nonprofit corporation in 2003. The orchestra is an integral member of local society, giving community concerts at its practice hall and hiring as many local musicians as possible.

Daikin has supported the Kansai Philharmonic Orchestra and since 2007 Daikin CEO Noriyuki Inoue has been a director on the orchestra's committee.

Kansai Philharmonic Orchestra

Other Organizations Supported by Daikin Industries

- New National Theatre, Tokyo
- National Museum of Ethnology
- Kaitokudo
- Kyoto National Museum
- Osaka Wasso Cultural Exchange Association
- EU-Japan Fest
- Keio University 150th Anniversary Commemorative Ceremony
- Ogura Hyakunin Isshu Project
- Osaka City Dome Co., Ltd. (contribution)
- Kansai Science City and Higashiosaka-Osaka Yumehanna Cooperative Project
- Musée d'Orsay, Royal Museums of Fine Arts of Belgium, and Shōsōin Exhibitions
- Takarazuka Vega Music Competition
- Japanese Red Cross Society, Osaka Chapter
- Midosuji Illumination

Policy on Promoting Sports

With the aim of deepening relations between Okinawa and mainland Japan, every spring we sponsor the Daikin Orchid Ladies' Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour.

Daikin Orchid Ladies' Golf Tournament

Daikin Hosts the "Ever Onward With Okinawa" Tournament with the Vision of Boldly Taking on the Future, Together With Okinawa

In order to expand the circle of interaction among people through sports, Daikin Industries sponsors the Daikin Orchid Ladies' Golf Tournament, a pro event. Our hope is that our promotion of sports will contribute to the advancement of life in Okinawa.

The Daikin Orchid Ladies' Golf Tournament was inaugurated in 1988 as the opening round of the Japan Ladies' Pro Golf Tour. As its sponsor, Daikin contributed the slogan "Ever Onward With Okinawa," indicating our desire to join with Okinawa in boldly addressing the challenges of the future.


A number of participants in the amateur tournament have gone on to take part in the pro tour

Local Amateur Golfers Invited to Participate in Daikin Orchid Ladies' Golf Tournament

The Daikin Orchid Ladies' Golf Tournament was created to help develop and revitalize the Okinawa golf scene. It has been an open tournament since 1997, giving Okinawa's amateur golfers the chance to compete with top professional players. Those aspiring to play in the tournament proper must first qualify in the Daikin Orchid Ladies' Amateur Golf Championship, which has been the proving ground for many professional female golfers active today such as Ai Miyazato, Shinobu Moromizato (Daikin Industries' pro), and Mika Miyazato.


InBee Park was the winner of the tournament's 24th edition

Bridging Okinawa and the Mainland

The pro and amateur tournaments and the pre-tournament festival enable representatives of local and mainland businesses to interact in an informal setting and gain a better understanding of each other's perspectives. This has led to the emergence of the Okinawa Konwakai, an organization created to consider future development in Okinawa. The association organizes a variety of vibrant activities that include forums and presentations on how to promote and develop Okinawa.

Local Volunteers Contribute to a Successful Tournament

Local volunteers from the city of Nanjo can be counted on to provide their invaluable time and labor to help run the tournament. Launched in 1997, the volunteer program now brings together more than 400 local volunteers every year. In appreciation of their efforts, Daikin donates books to the local Tamashiro Junior High School every year.

The Orchid Bounty Foundation Supports the Culture and Sports of Okinawa

All competitors in the professional and amateur tournaments provide their assistance by raising money through the "Orchid Bounty" fundraiser. These funds, augmented by donations from the sponsors, are used to aid the development of Okinawa prefecture, the tournament venue. Specifically, funding is provided to public organizations and individuals promoting artistic, cultural, sporting, and educational activities.

In 2011, Orchid Bounty donated ¥6 million to a total of 12 organizations and individuals, bringing the total contributions since 1995 to ¥97.4 million.

Local Junior High School Students Invited to Watch Tournament

Many students from the local Tamashiro Junior High School are invited to watch the tournament every year. This gives the students a valuable opportunity to learn about and experience the joy of golf. Japan LPGA Chairperson Hisako Higuchi gives a briefing to the students before the event. By getting a close-up look at the demanding world of the professional golfer and seeing how a professional tournament is run, the students get a firsthand view of the amazing world of professional sports.

Policy on Contributing to Education

The Daikin Group, through its local companies, supports education for youth. By donating financial aid, offering technical courses, and conducting grass-roots activities, we seek to cooperate with and gain the trust of local communities.

Efforts in Japan

Participation in Local Education Programs

From fiscal 2010, the Daikin Industries Kashima plant has been conducting educational presentations at local elementary schools. By demonstrating chemical experiments using fluorine for senior students, the instructors help the children to appreciate the enjoyment of chemistry and how technological advances benefit their daily lives.

Other Daikin production bases around Japan, meanwhile, invite elementary school students for factory tours, which are highly rated by both the school children and their teachers.

- Environmental Education and Awareness Activities (Page 150)

Daikin Develops the "Circle of Life" Free Environmental Education Program on Biodiversity for Elementary School Children

Daikin Industries, in cooperation with NGO Conservation International, our partner in reforestation activities in Indonesia, has developed an environmental education program called "Circle of Life," to teach elementary school children about biodiversity.


Classroom lesson from Daikin employee

Circle of Life is a partner program to the Children's Eco-Club, an initiative of Japan's Ministry of the Environment. The basic program consists of four lessons given by a school teacher, but if the school desires, Daikin also sends one of its employees to provide additional education.

Starting in April 2010, elementary schools across Japan receive free learning materials for this program. By the end of March 2011, 34 schools had participated in the program, and we had sent educational speakers to 10 schools.

- See Key Activities of Fiscal 2010: Raising Environmental Awareness (Page 59)
- "Circle of Life" Environmental Education program (Japanese version only) (http://www.daikin.co.jp/csr/edu/index.html)

Other Educational Activities in Japan

Site	Activity	Overview, results
Sakai Plant	Support for the Sakai Rugby School 	The Kanaoka Factory lends its field three times a month to the Sakai Rugby School. In fiscal 2010, about 130 elementary and junior high school rugby players took part.
	Factory tours to educate local elementary school students about working society 	In fiscal 2010, 364 students from three schools took tours.
Shiga Plant	Factory tours to educate elementary schools in the city about local industry 	In fiscal 2010, 156 students from one school took tours.
	Daikin field opened to the public	Daikin opened up its field to the public to use for baseball, pitch-and-putt golf, softball, and other activities.
	Others	Daikin invited children from day care centers to see the cherry blossoms in the plant's front garden. The tennis courts and other facilities were opened to the public.
Yodogawa Plant	Kendo Training Hall for Children	Classes were held three times a week, with 10 students each time.
	Factory tours for local elementary schools 	In fiscal 2010, 148 students from two schools took tours.
	Yodogawa Plant field opened to the public (Contract with governments of Osaka Prefecture and Settsu City)	On weekends, the field was opened for the general public to use. The new field was open for use by the sports clubs of Osaka Prefectural Settsu High School.
Kashima Plant	Daikin employees give lessons at local elementary schools	In the autumn of 2010, students in the upper grades did experiments on fluorochemicals.
Soka Station	Activities plaza of the field opened to the public	On weekends and holidays, children and teenagers used the field for sports, while the activities plaza was used for pitch-and-putt golf.
Tsukuba Training Center	Support for junior high school field trips 	Daikin gave lessons at schools focusing on how air conditioners cool the air and the effect that substances have on global warming. In fiscal 2010, 25 students from one school took lessons.

Efforts Overseas

Daikin Supports Air Conditioner Technical Training in Singapore

Daikin Air Conditioning (Singapore) Pte. and the Singapore government jointly developed a training program for the air conditioning industry and has been certified by the government as the training institute at which the program will be run.

Because Singapore previously had no government-certified, licensed programs for the air conditioning industry, Daikin Industries developed and implemented the framework and training program for such certification, in the process helping both the government and industry.

Providing Thai Students with Education and Job Prospects

Daikin Industries (Thailand) Ltd. runs a program in which outstanding students from impoverished regions who cannot afford to attend university receive two years of education at a junior college of technology and, for those interested, a guaranteed job with Daikin upon completion. So far, 38 have completed the program and are working mainly at manufacturing jobs.

Also under this program, young employees of Daikin Industries (Thailand) Ltd. eager to gain new knowledge are given the chance to take two years off work to get an education.


Lecture for students


Practicing on a production line


Graduation ceremony

Co-sponsorship of Air Conditioning Technology Contest in China

Starting in fiscal 2010, Daikin (China) Investment Co., Ltd. now co-sponsors the "Daikin Air Conditioning Cup" Chinese Air Conditioning University Student Contest. The purpose of the contest is to foster the human resources who will carry the future of the air conditioning industry in China.

In fiscal 2010, over 700 students submitted essays and other works on the theme of CO_2 reduction and eco-technology. The company's deputy managing director Akitada Kudo, acted as a judge in the competition finals, and technicians from the company's R&D center presented lectures on the latest energy-efficient environmental technology.


University students who participated

Other Education Efforts Overseas

Managed by	Activity name	Overview	No. of participants	Duration
Daikin Europe N.V. (DENV)	Internship program	DENV sponsored internships in human resources, sales, and IT-related divisions for graduate students in economics and engineering.	27 per year (average)	
Daikin Device Czech Republic, s.r.o. (DDC)	Factory tours	Under the 'My choice, my future' program supported by the European Social Fund, DDC gave factory tours for 45 students.	45	Jan. 2011 - June 2012
	Overseas internship program	Accepted two foreign students under an international internship program run by the NPO AIESEC.	2	Sept. - Nov. 2011
Daikin Industries (Thailand) Ltd. (DIT)	Scholarships 	DIT has a training program for its employees and students of technical high schools in northeast Thailand.	16 (1 employee, 15 students)	May 2008 - May 2010
	Children's Day 	Every year on Children's Day (second Saturday of January), DIT invites local children to an event at the company.	2,570	Jan. 8, 2011
Daikin Compressor Industries Ltd. (DCI)	Long-term internship program	In 2007, DCI signed an agreement with a technical high school for long-term internships in the northeast of the country, where job opportunities are few. The students took a 8-month course to help them become machine engineers.	70	8 months
Daikin (China) Investment Co., Ltd. (DIC)	4th Daikin Air Conditioning Cup student technical contest	Cooperated in a contest for university students sponsored by the China Refrigeration and Air-Conditioning Industry Association.	More than 700	July 2010
O.Y.L. Manufacturing Company Sdn. Bhd. (OYLM)	Internship program	Took in local students on internship program.	35 in 2010, 7 in 2011 (as of April)	3 - 5 months
McQuay International	Internship program	Offered a four-year technical internship program.	2	

Policy on Environmental Protection

Daikin Industries works with the NGO Conservation International in a new reforestation project in Indonesia. Daikin overseas group companies also conduct their own tree-planting activities in efforts to contribute to the absorption of CO_2.

Efforts in Japan

Sakai Plant in Tree-Planting at Forest of Coexistence

On reclaimed land in District No. 7-3 of Sakai City, Osaka Prefecture, about 100 hectares of forest have been planted for the Forest of Coexistence, an effort to renew forest land and create a habitat for a variety of life. As of the end of March 2010, about 12,000 seedlings had been planted in an approximately 18,000m^2 area.

Certificate of appreciation from Sakai City

The goal is to take this reclaimed land—built from a bitter legacy of 30 years of industrial waste— and give it life by making it into an urban environment where a range of life forms can thrive. In April 2009, the first Forest Day was held with participation from citizens of Osaka Prefecture.

A number of employees from Daikin Industries' Sakai Plant took part as volunteers, and the company received a letter of thanks from the Sakai municipal government.

Sakai's "Cool City Sakai" initiative is its proclamation to create a low-carbon metropolis, and Daikin has been on the executive committee since 2009. Our goal is to work with local NPOs, citizens' groups, and the government as a good corporate citizen of Sakai.

Efforts Overseas

Indonesia: Promoting Reforestation (Re: AIRCON Project)

Daikin Industries works with the Indonesia Ministry of Forestry and the NGO Conservation International in a reforestation project in which seedlings are raised and planted in a national park in Indonesia.

Daikin Air Conditioning Reforestation Project (Re: AIRCON Project)
(http://www.daikin.com/csr/environment/reforestation/index.html)

Italy: Tree-Planting to Absorb CO_2 from Business Activities

Daikin Airconditioning Italy S.p.A (DACI) has taken part in the Impatto Zero Project since 2005. The project calls on Italian companies and organizations (over 500 are taking part so far) to plant enough trees to absorb the CO_2 that they emit through their business activities.

Since 2005, DACI has planted trees in national parks in Costa Rica and Italy over an area of approximately 2.3 km^2.

DACI took this project one step further in fiscal 2007 by pledging to plant enough trees to absorb the CO_2 emitted as a result of using the Ururu Sarara residential air conditioners purchased by DACI customers in Italy.

Thailand: Planting Mangrove Trees

Daikin Compressor Industries Ltd. (DCI) plants mangrove trees. Mangroves prevent shoreline erosion and coastal flooding, purify the seawater, and provide a home to a variety of marine life and thus protect biodiversity of the ocean. But mangroves around the world have been cut down in recent years to make way for human development. DCI has been planting mangrove trees since 2007 and in fiscal 2010 planted more than 8,000 trees.

In DCI's home of Amata City, the company has been striving to reduce the environmental impact of its plant operations by taking part in city-sponsored tree-planting projects as well as tree-planting projects on Mother's Day and Father's Day.

Thailand: Planting Endangered Tree Species

From fiscal 2009, Daikin Industries (Thailand) Ltd. has been planting endangered species of trees on the grounds of the Kaset Suwan Temple (Wat Kaset Suwan) about 100 km away from the company plant. In fiscal 2010, approximately 250 trees were planted, making about 700 in total since the project began.

Planting endangered species of trees

This new forest will be used as a nature classroom for children and as a meditation spot for the monks.

Other Tree-Planting Activities Overseas

Protecting coral reefs (Siam Daikin Sales Co., Ltd.)

Planting trees (Daikin Trading [Thailand] Ltd.)

Planting trees (OYL Manufacturing)

Philosophy

We want to be a good corporate citizen by being keen to the problems of the communities we operate in and conducting activities that lead to solutions.

Employees at regional Daikin bases have planned ways to interact with local communities. Employees will continue to be front and center by listening to the needs of the community: this will make Daikin a known and trusted member of local society.

Supporting Employment of People with Disabilities

Promoting Employment of People with Disabilities across the Entire Group

The Daikin Group strives to hire the disabled based on its policy of providing opportunities for disabled people to grow personally and make contributions to society through production activities.

In 1993, Daikin Industries established Daikin Sunrise Settsu Co., Ltd., a cooperative venture with the Osaka Prefecture and Settsu City governments. Disabled persons form the nucleus of the workforce and the company has operated profitably.

For more information, please see Employment of People with Disabilities (Responsibility to Employees) (Page 186)

Building Trust with Communities

Responding Sincerely to Opinions from Local Communities

Each company site has an office or 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 and receive any community complaints.

Designees at each company site look into complaints and suggestions from local community members and, if necessary, discuss them to the relevant departments of the Headquarters, and then make a sincere effort to respond.

■ Correspondence between Company Sites and Local Community Members

Site	Type of Correspondence
Sakai Plant:	• Group meeting with local community association (once yearly) • Community interactions via municipal government, police, fire departments, and labor standards office • Participation in the Sakai City environmental executive committee • Hosting "Senboku Shodo Network" ("Shodo Osaka" regional division) community cleanup projects and co-sponsoring area-adoption 10th anniversary event
Shiga Plant:	• Local community association board factory tour • Visits to local businesses and neighboring community association boards • Interactions with relevant public offices and affiliated organizations (attendance at general meetings and board meetings with the municipal office, police, fire departments, and other related departments)
Yodogawa Plant:	• Local community association board factory tour and group meeting (once yearly) • Exchange with local community association (4 times a year) • Topic-based group meetings with municipal government, police, fire departments, and labor standards office, etc. • Providing human resources and other assistance for various local community activities
Kashima Plant:	• Community residents & administrative board factory tour • Attendance at enterprise association administrative board meetings
Soka Station:	• Meetings and talks with municipal government and nearby neighborhood associations • Participation in the Soka City Environmental Committee • Participation in fire department, police, and industry associations

A Safe Plant Open to the Community

The Daikin Group does all it can to make its plants safe 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.

In particular, we make safety a top priority at the Yodogawa Plant, a chemical production facility located in a residential area. Through efforts such as risk assessment and near-miss training, we strive to eliminate the potential causes of disasters and accidents. We hold disaster prevention drills three times a year in cooperation with local authorities, and we have protocols for informing the authorities of any emergencies.

At the Sakai Plant, in addition to talks with the local community association once a year, we are in close contact with the municipal government, police, fire fighting bureau, and labor standards office to maintain interactions with the local community and establish the Sakai Plant as a safe factory.

At the Kashima Plant, which is located within an industrial complex, we engage in emergency drills and disaster prevention workshops together with other companies within the industrial complex.

At the Soka Station, Daikin works towards safety and peace of mind for residents through activities with the local traffic safety association and crime prevention association.

The Shiga Plant conducts regular emergency drills within the plant and also participates in the regional Fire-fighting Games and Comprehensive Disaster Management Training Corporate Games.

Disaster Preparedness and Disaster Prevention Drills

The Daikin Group has measures in place should there ever be a natural disaster. Besides providing its factories as evacuation shelters in the event of a disaster, Daikin companies have supplies of food, water, and emergency equipment. Also, Daikin factory employees participate in joint emergency training activities with local fire departments, police, and industry groups.

At the Sakai Plant, which is located by the sea, we have established codes of practice in case of tidal waves and tsunami. Furthermore, the plant has conducted nighttime drills in emergency contact, early response, and evacuation for night-shift work stations.

The Shiga Plant has entered an agreement with the local government to provide aid such as participating in fire-fighting operations should a disaster occur. In the event of a disaster, the plant will dispatch its industrial medics and its fire brigade and will open its factory grounds as evacuation sites.

At the Yodogawa Plant, we reinforced buildings to withstand a magnitude 6 earthquake and secured factory shelving and other furnishings to prevent overturning, thereby protecting employees and minimizing the impact damaged facilities would have on surrounding residents. We also have safety confirmation systems that can confirm the whereabouts and safety of all employees on-site within 20 minutes. At the Kashima Plant, a typhoon measures conference meets when storms are approaching to come up with ways to ensure safe plant operation and temporary shut-down.

The Soka Station, Soka City, and five neighboring communities signed an agreement to cooperate in preparing for natural disasters, in which all parties come up with measures to implement immediately following a major earthquake. An expert panel of the Central Disaster Management Council of the Japanese government's Cabinet Office recognized the Soka Station as an outstanding example of a corporation acting as a bridge between local citizens and local government in supporting disaster relief. The Soka Station was also cited as an outstanding example at a United Nations conference on international disaster strategy in fiscal 2008.

Donations for the Great East Japan Earthquake (Page 36)

Participation in Volunteer Fire Fighting and Organizing a Regional Emergency Response Fire Brigade to Respond to Disasters by (Yodogawa Plant)

Thirteen employees at the Yodogawa Plant are taking part in fire-fighting activities as volunteer fire fighters for Settsu City, comprising a "special firefighting team". Unlike full-time firefighters who are on call all day, every day in case of fires, members of the Settsu City volunteer fire unit are locals who have other jobs. This means these people cannot always get away from their day jobs to fight fires. In response, Settsu City introduced fire departments with separate functions so that more personnel would be available on weekdays. Daikin and two other companies in Settsu with fire engines are taking part.

Joined the special firefighting team of Settsu City

As of January 2010, in the event of a major fire outbreak within the Setsu region, Daikin fire fighters drive fire engines to the scene and provide support under the direction of the Settsu City Fire Department. This is the first time in Japan that a corporate fire fighting unit is using its fire engines to help fight fires nearby, and it is drawing the attention of other local governments around the country.

Also, Daikin has organized a regional emergency response fire brigade to be ready to respond in the event of a disaster. There are 140 local employees enrolled in this volunteer fire brigade, and in the event of an emergency, those who are at their residences or at work or otherwise available can form a response team as occasion demands.

Safety and Disaster Prevention at Plants (Japan) (Page 234)

Contributing to Local Safety (Japan) (Page 236)

Interactions with Local Communities (Japan)

Deepening Interactions with Local Communities

Daikin realizes the importance of interacting with local residents as a member of the community. In 1973, Daikin became one of the first companies to create a Local Community Section within its organization, through which it has been deepening interactions with local communities. The Local Community Section has now been constructively dissolved, and instead, each company plant makes efforts to interact directly with local communities.

Daikin's goal is to be a good corporate citizen that creates closeness among all people and works with communities in order to enrich lives and lifestyles. We will continue to value our relationship with nearby citizens and strive to be a company known and loved for its contributions to society.

Also as part of efforts to be a trusted and valuable member of society, we hold factory tours, summer festivals, and other events to promote communication and understanding between Daikin and communities.

Deepening Community Relations at the Summer Bon Dance Festival

Daikin Festival (Daikin America)

The Daikin-sponsored traditional Bon dance festival is a major event attracting large crowds of locals every summer. Employees make the most of this chance to bring joy to citizens in this corporate-sponsored traditional Japanese event. It has become such a successful example of corporate citizenship that it has been reported in news around the world.

The Bon dance festival began in 1971 as a social gathering for young employees of our Yodogawa Plant, and later expanded into a program open to the community and eventually grew to encompass the entire area. Today, the event attracts 25,000 participants and has evolved into one of Japan's largest corporate-sponsored Bon dance events. It is now established as a much-anticipated major summer event in the region. The 39th Yodogawa Plant Bon dance festival in fiscal 2010 was an enjoyable event for employees and local community members, with such highlights as an eco-candle display created by neighborhood children's groups, and hip-hop dance routines performed by neighborhood children.

Special Guests, Setsu City Mayor Kazumasa Moriyama and Osaka City Mayor Kunio Hiramatsu, applauded the festival as an event that links community and industry.

Bon dance community festivals are held at all Daikin bases in Japan. At the event at the Sakai Plant, local citizens' groups have stalls selling food and other goods. Locals take center stage as performances by high school brass bands and elementary school traditional dance troupes liven the proceedings. At the Shiga Plant, 7,800 local residents and industry associates participated in the festival. At the Kashima Plant, local taiko (Japanese drum) groups perform to help keep this traditional art alive. At the Soka Station, approximately 4,000 residents participate in the festival every year. Employees within the Tokyo Branch area apply to work at the Bon dance festival and gain valuable experience in dealing with the public.

The Bon dance has also spread to Daikin's overseas bases: employees at our bases in the United States (Daikin America), China (Daikin Shanghai), and Belgium (Daikin Europe) organize Bon dance events for locals.

At Daikin Europe, local members of the taiko (Japanese drum) team delighted about 2,000 locals with a spirited performance of this traditional art. The Decatur Plant of Daikin America in Alabama holds a festival intended to introduce more people to Japanese culture. For this event, the plant distributes specially designed traditional Japanese happi coats (anglicized as "happy coats"). Participants also enjoy the food stalls selling delicacies such as yakisoba and takoyaki. Now a major event attracting 10,000 visitors, the festival gains in popularity every year thanks to its friendly, welcoming atmosphere.

By introducing people to Bon dance and other interesting and fun aspects of Japanese culture, such events help residents near Daikin bases understand our corporate culture and philosophy.

Support for Rugby School

"All for one, and one for all." This indomitable spirit, typical of rugby players, carries lessons that Daikin seeks to impart to children. With this in mind, Daikin, the City of Sakai, the Sakai Higashi Police Department, Seikeikai Hospital, and Nippon Steel collaborated in 1987 to launch Sakai Rugby School. Daikin supports the rugby school's activities through provision of a playing field and other means.

At the three monthly practices at the Kanaoka playing field, the children's cheering reflects discipline combined with fun. The Sakai Rugby School is among the toughest competitors in its games against other schools.

Kendo Training Hall for Children

The Kendo Training Hall for Children opened in 1975 for elementary school children living near the Yodogawa Plant. The goal of the school is to promote health through the martial art of kendo. Daikin employees who hold kendo rankings (dan) provide the instruction. When the school opened, expectations were exceeded when 108 children applied. Clearly, the school has been well received by local residents.

In 1983, a new school —more than double the size of the original— was completed. Named "Yushinkan" by then-president Minoru Yamada, the school has since helped many young local kendo enthusiasts gain skills in this outstanding sport. Excited young voices can often be heard within its walls.

Conducting Neighborhood Cleanup and Tree-planting Activities

Daikin Industries (Thailand) Ltd. beach cleanup activity

Employees at the Daikin plants in Yodogawa, Shiga, Sakai, and Kashima regularly pick up litter and pull up weeds in the surrounding areas.

The Yodogawa Plant has a monthly litter pickup involving approximately 100 employees, and approximately 30 employees takes part in a yearly cleanup of local ditches in efforts to beautify the area around the plant. At the Shiga Plant, employees join in local neighborhood cleanups four times a year, and in fiscal 2010, employees planted 40 cherry trees within the factory grounds. The plant also donated six mature cherry trees to Kusatsu City. Through these activities, the plant is helping to create a greener environment.

At Daikin Industries (Thailand) Ltd., 42 employees participated in a beach cleanup activity in December 2010.

Local Cleanup Activities (Japan) (Page 238)

Conducting Factory tours

We open our plants to the community by conducting tours for the local community association and elementary school children.

In fiscal 2010, Sakai Plant conducted factory tours for 364 students of three elementary schools. The Yodogawa Plant conducted factory tours for 148 students of two elementary schools, which were extolled by the teachers, who remarked that the children were delighted to see a model car running on fuel-cell batteries and an experiment in which a liquid substance transform into a white powder. The Shiga Plant also conducted tours for 156 students of one elementary school in Kusatsu city, for which the students sent letters of appreciation.

We will continue to conduct such tours at each of our factories.

Interactions with Local Communities (Overseas)

Aiming to Take Root in China

On the occasion of the Daikin Group's 10th anniversary of business in China in 2005, full-fledged social contribution activities were begun in earnest with the aim of making Daikin a locally rooted company. Daikin aims to contribute in the three areas of social welfare, education, and environment.

Examples of Contributions

1. Social welfare contributions
   Established a division in the plant in Shanghai to employ mainly people with disabilities for the purpose of furthering employment of the disabled.
2. Education contributions
   Created the Daikin Future Air Grand Prize to further air-conditioning technology and foster human resources in China.
3. Environmental contributions
   As a dedicated air-conditioner manufacturer, Daikin is active in creating standards related to the environment, energy conservation, and air-conditioners

Other Regional Independent Activities

A factory tour for high school students (Daikin Industries Czech Republic s.r.o.)

A factory tour (Daikin Compressor Industries, Ltd.)

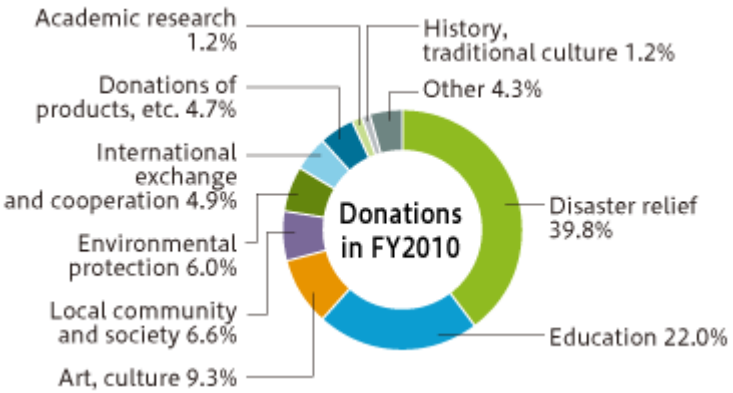
Regional Independent Activities (Overseas) (Page 240)

Charitable Activities

Donating to a Range of Causes: Art, Culture, Sport, Education, Etc.

The Daikin Group donates money to numerous arts, culture, sports, and educational programs as part of its social contribution efforts. Besides donating on a regular basis for the promotion of culture and sports in Okinawa and the Daikin Industries Foundation to Promote Modern Art, we have in recent years been giving more to international exchange and cooperation causes as we strive to contribute to societies around the world.

Donations in FY2010 (Daikin Industries only)



Daikin Aids Victims of Natural Disaster

Daikin Group gives donations to help victims and contribute to restoration following earthquakes and other natural disasters.

■ Aid for Victims of Natural Disasters in FY2010

Quinhai Earthquake in China
In April 2010, the Daikin Group (Daikin Industries, along with group companies in China including Daikin [China] Investment Co., Ltd. and McQuay Air Conditioning) donated a total of 1.25 million yuan (approximately $184,500) to earthquake relief through the Shanghai Red Cross and other organizations.

Thailand Northeast and Central Floods
In October 2010, Daikin Compressor Industries, Ltd. and Daikin Trading Thailand, Ltd. donated aid supplies to areas affected by flooding and water damage due to torrential rainfall in northeast and central Thailand.

New Zealand Christchurch Earthquake
In March 2011, Daikin Industries and Daikin Australia, Ltd. donated a total of ¥15 million through the Japanese Red Cross and Australian Red Cross.

Great East Japan Earthquake
In March 2011, Daikin Group donated ¥100 million and aid supplies (600 industrial air purifiers, 500 far-infrared heaters) (total value: ¥300 million), and assisted in environmental improvements at evacuation shelters and medical facilities, etc.
Daikin also delivered donations from employees to the disaster areas.

Helping the Needy

McQuay International (U.S.) has a charity program in which employees and their families make donations to the needy in their communities.

Over 200 employees and their family members took part in a program to donate Christmas presents to the needy.

Donating food for needy families. Food items donated by employees were distributed to more than 1,000 people.

■ Safety and Disaster Prevention Activities at Plants (Japan)

Site		Activity	Overview, results
Support for firefighting	Sakai Plant	Formation of in-house firefighting unit	The plants formed an in-house firefighting division, and in each division a firefighting unit was formed.
	Shiga Plant	Formation of in-house firefighting unit	The plants formed an in-house firefighting division, and in each division a firefighting unit was formed.
	Yodogawa Plant	Joined the special firefighting team of Settsu City 	Thirteen employees from the Yodogawa Plant joined the special firefighting team of Settsu City, which is the first of its kind in Japan. Since January 2010, in the case of a large fire in the Settsu area, the Yodogawa Plant firefighters drive their fire engine to the scene and help under the guidance of the Settsu City Fire Department.
	Tokyo Office	Formation of in-house firefighting unit	A firefighting unit was formed in each division, and these are overseen by the Health and Safety Committee.
Communication with neighboring companies and residents	Sakai Plant	Cooperation with neighboring companies	The Sakai Plant is a member of an association of 17 companies in the Sakai and Senboku waterfront areas for disaster prevention. The association has an emergency communication network and meets regularly for various drills.
	Shiga Plant	Formation of a rescue support system for local disaster victims	Daikin helps the local government to rescue disaster victims. The plant is provided for use as an emergency shelter for nearby residents (for example, the field is opened up to the public).
	Yodogawa Plant	An emergency rescue team was formed	There are 140 employees living nearby who are registered. When necessary, a team is gathered by rounding up employees either from their homes or workplace.
	Kashima Plant	Communication with neighboring companies	To administrate local matters, Daikin joins with local companies to be the contact point for local government and citizens.
	Soka Station	Regional disaster agreement	An agreement for made between the Soka Station, Soka City, and five neighboring towns. These three groups have agreed to work together regularly on plans to implement after major earthquakes occur.
	Tsukuba Training Center	Cooperation with neighboring companies	The center is a member of an association of companies in the local industrial park, which shares information on topics like environmental promotion, fire prevention, and blood donation activities.

Site		Activity	Overview, results
Use equipment during disasters, and secure supplies for emergencies	Sakai Plant	Secure supplies for emergencies	Secured emergency supplies such as water, food, and fire prevention equipment.
		Lend equipment to disaster relief	Daikin is registered as a corporate supporter of firefighting activities. (In emergencies, Daikin lends equipment like forklifts.)
		Evacuation training drills	Employees working night shifts conduct drills in emergency communication, initial response, and evacuation.
	Yodogawa Plant	Use of equipment during disasters, and secure supplies for residents for emergencies 	The plant makes effective use of site equipment (fire engines, firefighting equipment; sends employees as well). Sufficient supplies have been set aside for all local residents in case of a major earthquake. Emergency materials and equipment are placed in all major buildings.  At a meeting during a factory tour, participants confirm that there are enough emergency supplies stored
	Shiga Plant	Secure supplies for emergencies	Emergency supplies are stocked (megaphones, flashlights, food and water, etc.).
	Tokyo Office	Secure emergency supplies, hold evacuation training drills	Emergency supplies are stocked (megaphones, flashlights, food and water, etc.); these are inspected regularly.
Earthquake measures	Sakai Plant	Measures against tidal wave and tsunami Earthquake reinforcement and evacuation training drills	Established code of conduct for tsunami disaster response, and secured emergency supplies. All buildings on-site have been inspected for earthquake resistance. Reinforcement work is proceeding as planned. Evacuation training drills were held.
	Shiga Plant	Make buildings earthquake-proof, hold evacuation drills	All buildings on-site have been inspected for earthquake resistance. Building structures are being reinforced. Fiscal 2009 drills were held in June, September, and November. Evacuation training drills were also held.
	Yodogawa Plant	Make buildings earthquake-proof	In fiscal 2009, buildings were reinforced to withstand a magnitude 6 earthquake, which can endanger employees and nearby residents. Shelves in the factory were secured to prevent them from falling over.
Typhoon measures	Kashima Plant	Meeting on typhoon measures	A meeting was held to examine measures to take in case of a typhoon. Preventative measures were drawn up for safe operation or stoppage of machinery.
Safety confirmation system	Yodogawa Plant	Safety confirmation system	A system was established that can confirm the safety of employees approximately 20 minutes after a disaster occurs. Emergency materials and equipment for searching and restoration are placed in all major buildings.
	Tokyo Office	Safety confirmation system	Established a system for confirming the safety of employees after a disaster occurs.

Contributing to local safety (Japan)

Site	Activity	Overview, results
Head Office	Support for local safety activities	Daikin worked with the Kinki Regional Police Bureau in a safety patrol campaign. Took part in the Sonezaki traffic safety association.
Sakai Plant	Support for local safety activities	Daikin took part in the North Sakai Police Crime Prevention Committee and the North/West Sakai Traffic Safety Association.
	Children's protection shelter	The Sakai Plant is registered as a place children can take sanctuary from threats.
	Disaster training	Took part in disaster prevention drills sponsored by an association of companies in the Sakai and Senboku waterfront areas for disaster prevention.
Shiga Plant	Disaster training	Disaster training was held once a year for the plant grounds and employee dormitory; fire hydrant usage competition held (July); plant disaster training held (June, November); evacuation training for earthquakes held.
	Participation in the Fire Prevention Association	The Shiga Plant took part in a disaster prevention training convention in unison with the fire department.
	Participation in local safety activities 	In October, the Shiga Plant took part in a firefighting competition. In November, it took part in joint disaster training for private companies.
	Letter of agreement signed for support of fire prevention in case of disaster	Under this agreement, the Shiga Plant will dispatch industrial physicians and its in-house fire-fighting unit, and offer the plant as an evacuation shelter.
Yodogawa Plant	Special firefighting team of Settsu City	Thirteen employees from the Yodogawa Plant joined the special firefighting team of Settsu City, which is the first of its kind in Japan. Since January 2010, in the case of a large fire in the Settsu area, the Yodogawa Plant firefighters drive their fire engine to the scene and help under the guidance of the Settsu City Fire Department.
	Joint disaster training held (with participation of local fire and police departments) 	Control damage, confirm people's safety (evacuation), hold earthquake training, hold disaster training (3 times a year) Installed breathing apparatus, held fire hydrant usage competition (once a year).
	Participation in local safety activities	Participated in disaster training held by Osaka Prefecture and Settsu City (once a year). Took part in nighttime patrols. Took part in nationwide awareness activities for fire prevention (in spring and autumn). Took part in nationwide traffic safety campaign.
	Held safety seminars	Held driving safety seminars for suppliers (stressed on-site road safety; twice a year). Invited police officer to give employees driving safety seminar (once a year)
	Children's protection shelter	The Yodogawa Plant is registered as a place children can take sanctuary from threats.

Site	Activity	Overview, results
Kashima Plant	Disaster training	Held disaster training (twice a year), joined fire hydrant usage training (once a year)
	Participation in local safety events 	Joint disaster training was held with the fire department as part of cooperation among companies in the industrial park (once a year). As part of cooperation among companies, once-a-year training was held with firefighters, labor board personnel, and police officers as instructors. The goal was to raise safety and disaster awareness.  Rescue training Participation in disaster training events with the fire department, labor board, and police department.
	Safe driving course held	Police officers were invited to be instructors at a traffic safety training conference (once a year) to help drivers improve their road manners.
	Campaign to stop drunk driving over the winter season.	Traffic safety committee members handed out drunk driving leaflets urging people to follow the rules.
	Held Safe Work Environment Day	Activities were held to raise awareness about safe driving and operation of forklifts and company cars (May 2009).
Soka Station	Contest to prevent accidents and abide by rules of the road	The Soka Plant took part in a rules-of-the-road contest held annually by the Police Department. (August 2009 - January 2010).
	Disaster training	Held disaster training with five neighborhood associations. (April 2010; approx. 500 participants)
Tokyo Office	Participation in meeting of Tokyo Metropolitan Police Department to prevent organized crime.	The Tokyo Office took part in scheduled meetings and training sessions, as well as responded to various requests.
	Participation in local disaster training	Joined in planning and implementation of disaster training sponsored by the fire and disaster prevention association of the JR Shinagawa East Building.

Local Cleanup Activities (Japan)

Site	Activity	Overview, results
Sakai Plant	Continued participation in "Adopt a Road" cleanup initiative 	Under Sakai City's public cleanup campaign, employees took turns cleaning up the streets once a month. The area around the plant and nearby sidewalks were cleaned. At the Kanaoka Plant, employees planted greenery nearby and cleaned up the streets, and employees of the waterfront plants picked up litter on the median dividing the main street.
	Use of E3 bio-gasoline 	Company cars were used in a trial sponsored by Osaka Prefecture.
	Anti-noise measures	Employees patrolled the plant at night to ensure there was no disturbing noise or vibration that would disturb nearby residents. When the sound-proof wall was erected, to make the structure less imposing, a sound-proof glass wall was put up at strategic points, and trees were planted.
	Tree-planting	Employees took part in tree-planting in a seaside district to plant 10,000 trees in the Forest of Coexistence.
	Aesthetic measures	To improve the view from the adjacent high-rise apartment building, the plant roof had its rust removed and was painted.
Shiga Plant	Weeding and cleanup	Employees removed weeds that had spread to adjoining public roads and picked up litter.
	Cleanup 	Litter was picked up around the plant (4 times a year).
	Greenery enhancement 	Weeding, flower planting, and care for the cherry trees was carried out. To mark the Shiga Plant's 40th anniversary, in fiscal 2010, 40 cherry trees were planted on the premises and cherry trees were donated to Kusatsu City.
Yodogawa Plant	Cleanup 	Areas around the site cleaned up (once a month). Employees took part in cleanup of local waterways (once a year). Area around main and west gates (near bus stops) was cleaned up (everyday).
	Aesthetic improvement of urban area	Sponsored a 'tulip art' event in Settsu.

Site	Activity	Overview, results
Kashima Plant	Cleanup around the plant 	Cleanup staff were sent out (twice a month), cleanup days of plant held (once a month), meeting of activity managers held (once a year).
	Took part in cleanup of industrial park along with other companies	The association of 24 companies in the industrial park held a cleanup twice a year.
Soka Station	Was Yashio City representative at Soka City environmental conference	

Regional Independent Activities (Overseas)

Overseas bases in the United States, China (Shanghai), and Belgium are carrying on the tradition of Daikin in Japan by holding a bon dance festival. Employees plan and run the entire event, and participants include not only employees and their families but customers of affiliates and local residents. Besides strengthening bonds among employees, the bon dance festival brings Daikin closer to its affiliates and the local community.

Each Daikin base also conducts its own unique social contribution activities and community exchange initiatives.

Site	Activity	Overview, results
Daikin Europe N.V.	Donation for Great East Japan Earthquake	50,000 euros was donated through the International Red Cross in March 2011.
	Donation for folded cranes	Employees and their families made origami folded paper cranes and donated 1 euro for each crane.
Daikin Industries Czech republic s.r.o. (DICz)	Blood donation activities	DICz employees gave blood a total of 80 times in 2010 and for this company was recognized by the city of Pilsen.
	Family Day 	To recognize employee efforts and strengthen relationships, employees' families and friends were invited for a factory tour and other attractions.
Daikin Australia Pty. Ltd. (DAS)	Donations for Christchurch earthquake and Queensland flood	In January 2011, employees and the company made a monetary donation.
	Collecting donations	DAS took part in charity events (Morning Tea, Movember, and Jeans for Genes) supporting cancer and gene research, and patients.
	Sponsorship of local events	Support for sports promotion event, 'Smiling for Smiddy'; camp for children with cancer, 'Camp Quality'; and children's hospital through Cancer Council of Australia.
Daikin Device Czech Republic, s.r.o. (DDC)	Donation of used PCs	Donated 26 PCs to six schools in Brno City.
	Sponsorship of local events	Made donations to cultural events and festivals in Brno City.
Daikin Industries (Thailand) Ltd. (DIT)	Blood donation activities 	Took part in two blood donor clinics a year to support the Red Cross.
Daikin Fluorochemicals (China) Co., Ltd. (DCC)	Donations to charity	Donated 200,000 won to local disabled groups.
Daikin (China) Investment Co., Ltd. (DIC)	Concert held at Shanghai Expo 	In October 2010, Daikin Week was held at the Japan Industry Pavilion: a concert was held that brought together talented young musicians from Japan and China. An audience of about 8,000 attended.

Site		Activity	Overview, results
Daikin Chemical Europe GmbH (DCE)		Sports promotion 	Made donations to local school sports activities.
Daikin Chemical Netherlands B.V. (DCN)		Support for health activities	Sponsored a quarterly publication on rheumatism, donated coloring books to a children's hospital.
O.Y.L. Manufacturing Company Sdn. Bhd. (OYLM)		Open house 	In October 2010, the company held an open house with events for 1,700 guests including employees, their families, and orphans. A donation was made to an orphanage.
McQuay International	Owatonna Plant	Supported kid's safety camp	Donation to camp at which children learn bicycle safety, how to prevent injuries, and how to safely use electricity, fire, and water. Employees volunteered as camp coordinators. In June 2010, 50 employees took part.
	Faribault Plant	Provided operational funds to the River Bend Nature Center.	Donation to youth program at the River Bend Nature Center in Minnesota. The money is used for education on environmental protection and for facilities operation. In March 2011, $250 was donated.
	Staunton Plant	Took part in the Heart Walk.	In September 2010, 20 employees took part in this event sponsored by the American Heart Association to support research into heart disease.
		Took part in the Salvation Army Angel Tree Program.	Similar to Toys for Tots, this program provides needy families with Christmas presents.
	Plymouth Office	Volunteered for People Serving People. 	McQuay employees volunteered for People Serving People, a program for assisting homeless families.
	Service Division	Conducted maintenance of appliances.	In September 2010, low-income seniors and the disabled were provided with free cleaning, inspection, and maintenance of their appliances.
		Made donation to a charity organization.	A total of $5,600 was donated to hospitals, schools, and other institutions.

Site		Activity	Overview, results
McQuay International	Owatonna Plant, Faribault Plant	Took part in Toys for Tots. 	Employees took part in Toys for Tots, a nationwide program sponsored by the U.S. Navy in which presents are given to children whose families cannot afford Christmas presents. Employees donated $355 and dolls.
	Faribault Plant, Staunton Plant, Service Division	Made donation to food bank.	Employees donated to a range of food bank programs, which support needy families with food donations.
	Faribault Plant, Staunton Plant	Took part in blood donor clinic.	Employees donated blood at blood donor clinics.

Data

Pages focusing on environmental performance information and social performance indicators can be found here.

Companies covered by data:

D Daikin Industries JG Including group in Japan

OG Overseas group companies only

OJG Including group companies in Japan and overseas

Quality & Customer Satisfaction

■ Number of Inquiries to the Contact Center JG

(thousands)

	2005	2006	2007	2008	2009	2010
Repair inquiries	842	815	827	794	735	910
Technical advice	414	507	534	575	658	813
Parts inquiries	304	326	328	323	332	359
Others	109	96	104	60	56	58

■ Number of Compliance Violations, Countermeasures JG

FY2010	Details
0	No laws or regulations were broken

Low-Impact Products

■ Materials Used JG

(tons)

	2005	2006	2007	2008	2009	2010
Iron	69,888	65,585	69,178	57,512	40,637	49,972
Copper	14,397	22,172	24,358	18,684	15,698	14,766
Aluminium	10,771	15,314	16,797	13,319	8,962	9,031
Refrigerants	4,165	4,228	4,254	3,711	2,872	3,049
Plastics	8,626	11,552	13,712	13,928	9,147	11,343
Chemicals (PRTR-designated)	14,967	140,212	132,743	102,322	92,325	98,198
Packaging	8,767	11,613	9,778	9,644	7,579	10,857

■ Recycling of Residential Air Conditioners JG

		2005	2006	2007	2008	2009	2010
Residential air conditioners collected by 4 major manufacturers (including Daikin) (units: 1,000)		1,990	11,620	1,890	1,970	2,150	3,140
Residential air conditioners collected by Daikin only (units: 1,000)		120	120	130	140	166	249
Amount recycled (tons)		5,508	5,218	4,702	5,294	5,927	8,648
Recycling ratio (%)		83	84	84	85	84	84
(Breakdown)	Iron (%)	40	49	47	44	42	42
	Copper (%)	7	9	9	8	8	8
	Aluminium (%)	6	7	6	8	7	7
	Mixture of non-ferrous and iron composite materials (%)	26	28	31	32	34	34
	Other valuable materials (%)	5	7	7	8	9	9
Refrigerants recovered (tons)		72	69	76	85	100	145

■ Daikin Eco Products as Percentage of All Products JG

(%)

	2005	2006	2007	2008	2009	2010
Daikin Eco Products	87（Previous Standard)	90	92	14 (New Standard)	39	96

Note: We revised our voluntary environmental standards in FY2008.

Low-Impact Production

FY2010 for OYL : Data for O.Y.L. Industries Bhd. and its subsidiaries, which the Daikin Group acquired in FY2006.

1) Greenhouse Gas Emissions

■ Greenhouse Gas Emissions for the Entire Group (Production) OJG

(10,000 tons-CO_2)

	Base year*	2005	2006	2007	2008	2009	2010	OYL2010
CO_2 (Energy)	15	43	47	47	44	41	48	7.8
HFC	946	72	66	49	26	18	10	0.5
PFC	72	168	140	83	25	24	17	0
Total	1,033	283	253	178	94	83	75	8.3

* CO_2: 1990, HFC and PFC: 1995

Note that since not all calculations have been completed, the following data is not included in the base year data: CO_2 emissions from overseas energy consumption and fluorocarbon emissions in the machinery divisions.

■ HFC, PFC Emissions and Global Warming Impact OJG

(tons)

	2005	2006	2007	2008	2009	2010	OYL2010
HFC	198.9	150.8	247.5	113.7	71.2	45.0	0.5
PFC	199.2	164.7	100.2	31.2	28.6	20.5	0
Global warming impact with FY2005 set as 100% (%)	100%	86%	55%	21%	18%	11%	-

■ CFC, HCFC Emissions and Global Warming Impact **OJG**

(tons)

	2005	2006	2007	2008	2009	2010	OYL2010
CFC	3.1	2.2	0.7	0.3	0.1	0.4	0
HCFC	839.6	447.4	381.8	346.2	234.7	300.0	0.2
Global warming impact with FY2005 set as 100% (%)	100%	59%	50%	44%	30%	37%	-

■ Total CO_2 Emissions **OJG**

(10,000 tons-CO_2)

	2000	2005	2006	2007	2008	2009	2010	OYL2010
Japan	18.7	17.9	18.9	17.4	14.7	14.0	15.3	-
Overseas	12.4	25.4	28.0	29.2	28.5	26.8	32.7	7.8
Total	31.2	43.3	47.0	46.6	43.3	40.8	48.0	7.8

■ CO_2 Emissions per Sales **OJG**

(tons per 100 million yen)

	2000	2005	2006	2007	2008	2009	2010
Emissions per sales (consolidated)	59	55	52	44	44	47	50

■ CO_2 Emissions per Sales from Transportation (Air-conditioning) **D**

(%)

	2001	2005	2006	2007	2008	2009	2010
CO_2 emissions per sales with FY2001 set as 100%	100	82	80	72	74	72	71

■ Recovered Fluorocarbons (at time of repair and at time of disposal) **D**

(tons)

	2005	2006	2007	2008	2009	2010
Recovered fluorocarbons at time of disposal	52.5	44.3	36.3	41.3	34.4	38.8
Recovered fluorocarbons at time of repair	245.4	245.4	299.5	335.0	314.6	306.4

2) Energy Consumption

■ Energy Consumption **D**

	2005	2006	2007	2008	2009	2010
Electricity (MWh)	161,289	172,376	162,628	145,850	133,472	141,294
City Gas (m^3)	42,420,000	43,300,000	45,000,000	37,240,000	35,660,000	40,705,739
LPG (tons)	0	0	131	0	45	58
Steam (GJ)	305,396	353,382	334,637	256,617	235,670	269,176
Petroleum (kl)	471	496	459	471	547	521

3) Green Procurement

■ Green Procurement Rate (Japan) **JG**

(%)

	2005	2006	2007	2008	2009	2010
Green procurement rate	97 (Previous Standard)	80 (New Standard)	95	97	99	99

■ Green Procurement Rate by Region*1 **OJG**

(%)

	2005	2006	2007	2008	2009	2010
Japan	97	80	95	97	99	99
Thailand	-	-	-	85	97	97
China	-	-	-	79	89	89
Europe	-	-	-	69	63	82
Other countries in Asia and Oceania	-	-	-	-	85	85
North America	-	-	-	-	-	45

*1 Green procurement rate=
Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured
*2 New standard starting in fiscal FY2006

4) Water

■ Water Used **OJG**

(10,000 m3)

	2005	2006	2007	2008	2009	2010	OYL2010
Japan	354	337	326	292	302	254	-
Overseas	323	331	334	323	302	347	66
Total	677	668	660	615	604	601	66

■ Waste Water **OJG**

(10,000 m3)

	2005	2006	2007	2008	2009	2010	OYL2010
Japan	305	272	247	219	206	200	-
Overseas	260	276	288	268	238	265	29
Total	565	548	535	487	444	465	29

5) Water Pollutant and Air Pollutant Emissions

■ Water Pollutant Emissions **D**

(tons)

	2005	2006	2007	2008	2009	2010
COD	17	17	14	12	7	6

■ Water Pollutant Emissions **JG**

(tons)

	2005	2006	2007	2008	2009	2010
COD	17	18	15	13	9	6

■ Water Pollutant Emissions **OG**

(tons)

	2005	2006	2007	2008	2009	2010
COD	881	909	992	925	928	978

■ Air Pollutant Emissions **D**

(tons)

	2005	2006	2007	2008	2009	2010
NOx	44	53	49	49	63	27
SOx	0.8	0.5	0.4	0.4	0.0	0.0
VOC	294	306	132	43	32	56

■ Air Pollutant Emissions **JG**

(tons)

	2005	2006	2007	2008	2009	2010
NOx	44	54	50	50	63	27
SOx	0.8	1.2	1.4	1.3	0	0
VOC	298	311	137	48	35	59

■ Air Pollutant Emissions **OG**

(tons)

	2005	2006	2007	2008	2009	
NOx	84	98	82	78	55	100
SOx	36	42	20	10	6	14
VOC	406	439	304	184	105	133

6) Chemical Substance Emissions

■ Release of Substances Designated by PRTR Law **D**

(tons)

	2005	2006	2007	2008	2009	2010
Release of substances designated by PRTR Law	931	558	341	201	115	121*

Note: Under revisions to the Pollutant Release and Transfer Register Law (effective October 1, 2009), the number of designated substances increased from 354 to 462.

■ Compilation of PRTR Substances (PRTR substances of which at least 1 ton was handled) JG

2010					
Substance name	Amount emitted (tons)			Amount transported (tons)	
	Air	Public waterways	Soil	Sewage	Waste
Chlorodifluoromethane (also called HCFC-22)	50.61	0.00	0.00	4.48	0.00
Dichloromethane (also called methylene chloride)	47.60	0.00	0.00	0.01	0.00
1-chloro-1,1-difluoroethane (also called HCFC-142b)	12.00	0.00	0.00	0.00	0.00
Normal hexane	3.66	0.00	0.00	1.30	0.00
Toluene	3.36	0.00	0.00	0.04	0.00
2-Chloro-1,1,1,2-tetrafluoroethane (also called HCFC-124)	1.40	0.00	0.00	0.00	0.00
Xylene	0.91	0.00	0.00	0.07	0.00
Chloroform	0.80	0.00	0.00	0.03	0.00
Ethylbenzene	0.24	0.00	0.00	0.00	0.00
Hydrogen fluoride and other water-soluble salts	0.23	0.00	0.00	110.00	0.00
Acetonitrile	0.01	0.00	0.00	0.92	0.03
N,N-dimethylformamide	0.00	0.00	0.00	3.30	0.00
Allyl alcohol	0.00	0.00	0.00	1.60	0.00
Polyoxyethylene alkyl ether (those whose alkyl group carbon number is between 12 and 15, or compounds of these)	0.00	0.00	0.00	120.00	0.50
Acrylic acid	0.00	0.00	0.00	21.00	0.00
2-aminoethanol	0.00	0.00	0.00	5.13	0.00
Antimony and antimony compounds	0.00	0.00	0.00	4.80	0.00
Polyoxyethylene octyl phenyl ether	0.00	0.00	0.00	3.70	0.03
Hydroquinone	0.00	0.00	0.00	3.10	0.00
3-methylpyridine	0.00	0.00	0.00	1.90	0.00
Water soluble lead compounds	0.00	0.00	0.00	0.93	0.14
Molybdenum and molybdenum compounds	0.00	0.00	0.00	0.02	0.00
Phthalic anhydride	0.00	0.00	0.00	0.01	0.00
Methacrylic acid, 2-ethylhexyl ester	0.00	0.00	0.00	0.00	0.00
Ferric chloride	0.00	0.00	0.00	0.00	0.00
Carbon tetrachloride	0.00	0.00	0.00	0.00	0.00
Styrene	0.00	0.00	0.00	0.00	0.00
Water-soluble salts of peroxodisulfuric acid	0.00	0.00	0.00	0.00	0.00
Total	121	0	0	282	1

7) Waste

■ Amount Recycled and Amount Disposed of (Japan) JG

(tons)

	2005	2006	2007	2008	2009	2010
Disposed	461	507	180	167	59	71
Recycled	30,539	31,469	34,112	33,233	21,784	26,629

■ Amount Recycled and Amount Disposed of (Overseas) OG

(tons)

	2005	2006	2007	2008	2009	2010
Disposed	13,635	11,196	13,393	9,080	9,995	13,672
Recycled	13,025	17,713	24,708	22,791	18,470	24,097

8) Calculation Standard

■ Calculation Standard

Item		Indicator	Calculation method
During production	Greenhouse gas emissions	CO_2 emission coefficient for electricity use	Japan Eco-Action 21, formulated by Ministry of the Environment in 1998
			Overseas Japan Electrical Manufacturers Association.
		CO_2 emission coefficient for energy use	Japan Eco-Action 21, formulated by Ministry of the Environment in 1998
			Overseas Eco-Action 21, formulated by Ministry of the Environment in 1998
		CO_2 Emissions per Sales	Japan CO_2 emissions/japan consolidated sales
			Overseas CO_2 emissions/overseas consolidated sales

Environmental Management

FY2010 for OYL : Data for O.Y.L. Industries Bhd. and its subsidiaries, which the Daikin Group acquired in FY2006.

■ Report from Audits JG

	2006		2007		2008	
	Problems found from internal environmental audits	Problems found by third-party certification institutes	Problems found from internal environmental audits	Problems found by third-party certification institutes	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non-conformance	1	0	0	0	0	1
Minor non-conformance	95	0	56	4	31	8
Items improved	226	5	192	46	111	71

	2009		2010	
	Problems found from internal environmental audits	Problems found by third-party certification institutes	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non-conformance	3	0	0	0
Minor non-conformance	99	1	43	0
Items improved	214	10	219	5

■ Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification OJG

(%)

	2005	2006	2007	2008	2009	2010	OYL2010
Japan	100	100	100	100	100	100	-
Overseas	82	85	95	99	99	96	73

■ Number of Compliance Violations, Countermeasures OJG

FY2010	Details
0	No laws or regulations were broken

Employees

1) Number of Employees, Hiring, etc.

■ Employee Composition (Data for Daikin Industries) (Note: Number currently employed) D

	As of end of March 2007		As of end of March 2008		As of end of March 2009	
	Men	Women	Men	Women	Men	Women
Number of employees	6,245	695	6,360	816	6,452	868
Average range of services (years)	19.0	12.0	19.0	12.0	18.9	12.0
Average age	42.2	34.3	41.9	32.9	41.6	32.8
Number of managers	958	9	969	12	925	13
Number of board members	41	1	41	1	47	1
Number of foreign nationals	27		28	12	28	12

	As of end of March 2010		As of end of March 2011	
	Men	Women	Men	Women
Number of employees	6,558	897	6,717	961
Average range of services (years)	17.9	10.8	17.1	9.96
Average age	41.8	33.6	41.8	34.2
Number of managers	886	14	936	16
Number of board members	45	1	44	1
Number of foreign nationals	27	16	30	21

■ Employee Make-up by Region OJG

	2006		2007		2008	
	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees
Daikin Industries (Only)	1	5,646	1	5,979	1	6,186
Domestic Group (Excluding Daikin Industries)	46	4,214	45	4,231	40	4,432
China	25	7,476	28	8,387	31	10,551
Southeast Asia, Oceania	41	6,902	41	7,619	41	8,298
Europe, Middle East, Africa	53	5,234	48	5,799	61	6,006
North and South America, Other	25	4,008	30	4,285	29	4,423
Total	191	33,480	193	36,300	203	39,896

	2009		2010	
	Number of companies	Number of employees	Number of companies	Number of employees
Daikin Industries (Only)	1	6,379	1	6,553
Domestic Group (Excluding Daikin Industries)	42	4,665	40	4,593
China	31	10,072	30	11,434
Southeast Asia, Oceania	40	7,968	35	8,714
Europe, Middle East, Africa	58	5,654	56	5,798
North and South America, Other	27	4,136	30	4,477
Total	199	38,874	192	41,569

■ Number of Employees Leaving, Employee Turnover D

	2005	2006	2007	2008	2009	2010
Men	163	168	207	241	225	223
Women	31	38	24	48	36	41
Employee turnover	3.0%	3.1%	3.3%	3.9%	3.5%	3.4%

■ Number of Women Periodically Hired; Percentage of All Employees D

	2005	2006	2007	2008	2009	2010
Men	127	207	216	242	157	172
Women	83	85	139	52	34	37
Total	210	292	355	294	191	209
Women as % of all employees	39.5%	29.1%	39.2%	17.7%	17.8%	17.7%

2) Occupational Safety and Health

■ Frequency Rate* D

	2005	2006	2007	2008	2009	2010
Daikin Industries	0.24	0.30	0.07	0.13	0.06	0.73
National average for all industries	1.85	1.95	1.83	1.75	1.62	1.61
National average for manufacturing industry	1.01	1.02	1.09	1.12	0.99	0.98

Note: This shows the frequency of work-related calamities, expressed in number of calamities for every 1,000,000 working hours.
Frequency rate = Number of calamities by industrial injuries / Total actual working hours × 1,000,000

■ Severity Rate* D

	2005	2006	2007	2008	2009	2010
Daikin Industries	0.01	0.01	0.00	0.06	0.00	0.52
National average for all industries	0.12	0.12	0.11	0.10	0.09	0.09
National average for manufacturing industry	0.09	0.11	0.10	0.10	0.08	0.09

Note: 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 of actual working hours × 1,000

3) Re-employed Workers

■ Number of Re-employed Workers D

	2005		2006		2007	
	Men	Women	Men	Women	Men	Women
Number of retirees	92	0	97	4	112	5
Number of re-employed workers	80	0	84	4	98	3
Percentage re-employed after retiring	87.0%		87.1%		86.3%	

	2008		2009		2010	
	Men	Women	Men	Women	Men	Women
Number of retirees	139	6	141	4	132	7
Number of re-employed workers	117	5	118	3	122	4
Percentage re-employed after retiring	84.1%		83.4%		90.6%	

4) Disabled People Employed

■ Number of Disabled People Employed* JG

	2005	2006	2007	2008	2009	2010
Number of disabled people employed*1	204	205	237	248	264	284
Employment rate*2	2.73%	2.63%	2.13%*3	2.17%	2.27%	2.34

*1 Legally, 1 severely disabled person employed is counted as 2 disabled persons.
*2 Employment rate = number of disabled persons employed / number of persons employed
*3 Disabled employment rate for only Daikin Industries until FY2006 and for the entire Daikin Group from FY2007

5) Work-Life Balance

■ Leave Before and After Child is Born, Childcare Leave, Leave Taken by Men and Women D

		2005	2006	2007	2008	2009	2010
Number taking leave before and after child is born	Women	17	16	19	20	30	27
Number taking childcare leave	Men	1	1	32	89	74	68
	Women	27	32	35	33	49	54

■ Number Taking Family Care Leave D

		2005	2006	2007	2008	2009	2010
Number taking family care leave	Men	1	3	0	0	0	4
	Women	0	0	1	0	0	0

■ Number of Accidents Resulting in Time Off Work D

		2005	2006	2007	2008	2009	2010
Number of accidents resulting in time off work	Accidents resulting in time off work	11	9	12	13	6	17
	Commuting accidents resulting in time off work	2	3	2	18	4	4
Frequency Rate		0.24	0.30	0.07	0.13	0.06	0.73
Severity Rate		0.01	0.01	0.00	0.06	0.00	0.52

■ Percentage of Employees Taking All Paid Leave D

(%)

	2005	2006	2007	2008	2009	2010
Percentage of Daikin Industries employees	93.9	92.8	90.2	92.4	90.6	92.8
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	53.0	54.9	53.1	54.0	54.5	51.6

6) Patent Applications

■ Number of Patent Applications

	2005	2006	2007	2008	2009	2010
Japanese applications	1,027	1,337	1,469	1,698	1,069	948
Overaseas applications	260	297	392	451	309	242

Shareholders and Investors

■ Consolidated Sales by Business Segments

(%)

	2005	2006	2007	2008	2009	2010
Air Conditioning/Refrigeration Equipment	80.9	82.5	87.7	88.1	88.7	86.6
Chemicals	13.5	12.8	9.0	8.5	8.4	9.9
Oil Hydraulics, Defense Systems and Others	5.5	4.7	3.3	3.4	2.8	3.5

Consolidated Sales by Region

(%)

	2005	2006	2007	2008	2009	2010
Japan	53.6	48.5	35.7	39.6	37.6	38.5
China	18.1	19.8	24.1	23.8	14.1	15.7
Asia and Oceania					12.8	14.0
Europe, Middle East, and Africa	22.6	25.8	27.5	25.0	22.4	19.3
The Americas and Others	5.7	5.9	12.7	11.6	13.1	12.4

Net Sales

(¥ billion)

	2005	2006	2007	2008	2009	2010
Consolidated	792.8	911.7	1,291.1	1,202.4	1,024.0	1,160.3
Non-consolidated	435.2	454.1	499.2	424.9	365.4	426.7

Total Assets

(¥ billion)

	2005	2006	2007	2008	2009	2010
Consolidated	719.4	1,161.4	1,210.1	1,117.4	1,139.7	1,132.5
Non-consolidated	499.2	791.7	786.4	766.7	783.2	772.5

Ordinary Profit

(¥ billion)

	2005	2006	2007	2008	2009	2010
Consolidated	68.2	78.3	121.7	52.0	43.8	74.8
Non-consolidated	32.1	34.1	38.2	(5.2)	15.0	34.2

Fiscal Year End Stock Prices

(yen)

	2005	2006	2007	2008	2009	2010
Fiscal year end stock prices	4,120	4,100	4,290	2,680	3,825	2,491

Dividends

(yen)

	2005	2006	2007	2008	2009	2010
Dividends	22	28	38	38	32	36

Breakdown of Shareholders

	2005			2006		
	Number of voters	Shares held	As % of all shareholders	Number of voters	Shares held	As % of all shareholders
Financial institutions	135	115,193,006	43.7%	149	118,319,706	44.8%
Securities companies	56	3,520,930	1.3%	64	7,155,113	2.7%
Other corporations	310	30,070,360	11.4%	342	36,054,260	13.7%
Foreign corporation	417	96,628,254	36.6%	409	83,444,832	31.6%
Individuals, other	10,590	18,401,423	7.0%	14,116	18,840,062	7.1%
Total	11,508	263,813,973	100.0%	15,080	263,813,973	100.0%

	2007			2008		
	Number of voters	Shares held	As % of all shareholders	Number of voters	Shares held	As % of all shareholders
Financial institutions	181	141,302,883	48.2%	183	149,285,576	50.9%
Securities companies	86	7,181,326	2.5%	65	4,408,469	1.5%
Other corporations	571	40,848,052	13.9%	621	43,053,817	14.7%
Foreign corporation	469	81,575,368	27.8%	479	70,912,586	24.2%
Individuals, other	28,422	22,206,344	7.6%	35,580	25,453,525	8.7%
Total	29,729	293,113,973	100.0%	36,928	293,113,973	100.0%

	2009			2010		
	Number of voters	Shares held	As % of all shareholders	Number of voters	Shares held	As % of all shareholders
Financial institutions	171	138,391,233	47.2%	167	123,782,330	42.2%
Securities companies	65	8,358,282	2.9%	98	9,364,720	3.2%
Other corporations	567	42,336,605	14.4%	638	42,495,914	14.5%
Foreign corporation	472	79,918,106	27.3%	473	86,060,485	29.4%
Individuals, other	32,513	24,109,747	8.2%	46,815	31,410,524	10.7%
Total	33,788	293,113,973	100.0%	48,191	293,113,973	100.0%

Dividends to Shareholders Equity

(%)

	2005	2006	2007	2008	2009	2010
Dividends to shareholders equity	47.7	34.4	45.3	42.2	43.5	43.1

Voting Rights Exercised

	2005	2006	2007	2008	2009	2010
Voting rights exercised (%)	78.60%	81.30%	81.72%	85.43%	81.50%	79.49%
Votes cast over the Internet	4,335	457,012	903,216	864,879	897,490	1,012,927
Shereholderes voting online	385	289	691	926	779	998

Business / Financial Data (Consolidated)

	2007	2008	2009	2010	2011
	Years ended March 31, 2008	Years ended March 31, 2009	Years ended March 31, 2010	Years ended March 31, 2011	(Forecast)
Net Sales (¥Million)	1,291,081	1,202,419	1,070,000	1,160,330	1,310,000
Operating Income (¥Million)	128,098	61,394	44,037	75,455	85,000
Ordinary Income (¥Million)	121,708	52,007	43,768	74,800	82,000
Net Income (¥Million)	74,822	21,755	19,390	19,872	41,000
Earnings Per Share (yen)	262.24	74.51	66.44	68.11	140.62
Overseas Business Ratio (%)	64	63	62	61	-
Free Cash Flow (¥Million)	6,100	(7,000)	80,700	38,200	-
Return on Assets (%)	6.3	1.9	1.7	1.7	-
Return on Equity (%)	15.8	4.3	4.0	4.0	-
Shareholders' Equity Ratio (%)	45.3	42.2	43.5	43.1	-
Plant-and-Equipment Investment (¥Million)	51,300	60,600	28,400	28,800	-
Reseach & Development Costs (¥Million)	32,100	30,500	28,200	30,800	-
Liability with Interest Ratio (%)	29.4	37.4	35.0	32.9	-
Employees	36,406	40,126	39,132	41,769	-

Donations D

(%)

	2005	2006	2007	2008	2009	2010
Education	37.4	43.2	51.8	22.9	31.7	22.0
Environmental protection	4.8	2.0	0.9	8.3	14.9	6.0
International exchange and cooperation	15.3	11.5	10.3	18.2	14.9	4.9
Art, culture	17.3	11.7	10.7	11.7	13.5	9.3
Local community and society	3.7	5.9	2.3	10.2	5.8	6.6
Donation of products, etc.	2.0	11.3	8.2	1.9	3.6	4.7
History, traditional culture	5.6	1.9	2.8	1.2	2.9	1.2
Academic research	3.5	2.8	1.7	1.3	2.2	1.2
Disaster relierf	-	-	-	-	-	39.8
Other	10.4	9.7	11.3	24.3	10.5	4.3

Governance

Executive Compensation

		2006	2007	2008	2009	2010
Directors	Number	11	11	12	10	13
	Amount of compensation (¥million)	666	816	748	717	708
Corporate Auditors	Number	4	4	4	5	4
	Amount of compensation (¥million)	79	86	93	90	90
Total	Number	15	15	16	15	17
	Amount of compensation (¥million)	746	903	842	808	798

Note: About compensation amounts
For fiscal 2006, bonuses to directors included.
From fiscal 2007, bonuses to directors (excluding outside directors) include expenses related to stock acquisition rights given to directors as stock options.
For fiscal 2008, the compensation amount for the term of office of two directors who retired during the period is included; however, the JPY 146 million for retirement benefits is not included.
For fiscal 2009, the compensation amount for the term of office of one auditor who retired is included.
For fiscal 2010, the compensation amount for the term of office of three auditor who retired is included.

Starting Salary

(yen)

	2005	2006	2007	2008	2009	2010
University grad	200,000	202,000	204,000	215,000	215,000	215,000
Masters	227,800	229,800	231,800	234,800	234,800	234,800
PhD	252,800	254,800	256,800	258,800	258,800	258,800

Number of Compliance Violations, Countermeasures OJG

FY2010	Details
0	No laws or regulations were broken

Overview of GRI Guidelines

GRI Sustainability Reporting Guidelines 2006 (G3)

See Data, environmental performance information and social performance indicators can be found here. (Page 243)

Indicators		GC Principle	WEB
1.Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.		Chairman's Message
1.2	Description of key impacts, risks, and opportunities.		
2.Organizational Profile			
2.1	Name of the organization.		Daikin's CSR
2.2	Primary brands, products, and/or services.		
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.		
2.4	Location of organization's headquarters.		
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		
2.6	Nature of ownership and legal form.		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		
2.8	Scale of the reporting organization, including: -Number of employees; -Net sales (for private sector organizations) or net revenues (for public sector organizations); -Total capitalization broken down in terms of debt and equity (for private sector organizations); and-Quantity of products or services provided.		
2.9	Significant changes during the reporting period regarding size, structure, or ownership including:-The location of, or changes in operations, including facility openings, closings, and expansions; and-Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).		-
2.10	Awards received in the reporting period.		Honors for Daikin
3.Report Parameters			
Report Profile			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.		Editorial Policy
3.2	Date of most recent previous report (if any)		
3.3	Reporting cycle (annual, biennial, etc.)		
3.4	Contact point for questions regarding the report or its contents.		

Indicators		GC Principle	WEB
Report Scope and Boundary			
3.5	Process for defining report content, including: -Determining materiality; -Prioritizing topics within the report; and Identifying stakeholders the organization expects to use the report.		Editorial Policy
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.		
3.7	State any specific limitations on the scope or boundary of the report.		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		-
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.		Calculation standard
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).		-
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		-
GRI Content Index			
3.12	Table identifying the location of the Standard Disclosures in the report.		This page
Assurance			
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).		Independent Opinions
4. Governance, Commitments, and Engagement			
Governance			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.		CSR Management
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).		
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		Corporate Governance
			Responsibility to Shareholders and Investors
			Labor Management Relations
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).		-

Indicators		GC Principle	WEB
Governance			
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		CSR Management
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.		CSR Philosophy
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		CSR Management
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		-
Commitments to External Initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.		Compliance and Risk Management
			Product Quality and Safety
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		Participation in the Global Compact
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: -Has positions in governance bodies; -Participates in projects or committees; -Provides substantive funding beyond routine membership dues; or Views membership as strategic.		Feature1: The Quest for Next-Generation Refrigerants Daikin Cooperates in Formation of Environmental Policy
Stakeholder Engagement			
4.14	List of stakeholder groups engaged by the organization.		Responsibility to Stakeholders
4.15	Basis for identification and selection of stakeholders with whom to engage.		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.		

Indicators			GC Principle	WEB
5. Management Approach and Performance Indicators * * See Data, environmental performance information and social performance indicators can be found here. (Page 243)				
Economic				
Management Approach				
		Goals and Performance		For Shareholders Information Disclosure Policy Investor Relations
		Policy		
		Additional Contextual Information		
Economic Performance				
Core Indicators	EC1.	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.		For Shareholders
				Charitable Activities
	EC2.	Financial implications and other risks and opportunities for the organization's activities due to climate change.	GC principles 7,8	Chairman's Message
				Environmental Accounting
	EC3.	Coverage of the organization's defined benefit plan obligations.		-
	EC4.	Significant financial assistance received from government.		-
Market Presence				
Additional Indicators	EC5.	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	GC principle 6	-
Core Indicators	EC6.	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		Responsibility to Business Partners
	EC7.	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	GC principle 6	Promotion of Local Personnel at Overseas Bases
Indirect Economic Impacts				
Core Indicators	EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		Charitable Activities
	EC9.	Understanding and describing significant indirect economic impacts, including the extent of impacts.		Environmental Accounting
Environmental				
Management Approach				
		Goals and Performance	GC principles 7,8,9	Environmental Action Targets and Achievements

Indicators			GC Principle	WEB
Environmental				
Management Approach				
		Policy	GC principles 7,8,9	Towards an Environmentally Advanced Company Environmental Philosophy
		Organizational Responsibility	GC principles 7,8,9	Environmental Management System
		Training and Awareness	GC principles 7,8,9	Environmental Education
		Monitoring and Follow-up	GC principles 7,8,9	Environmental Audits
		Additional Contextual Information	GC principles 7,8,9	-
Materials				
Core Indicators	EN1.	Materials used by weight or volume.	GC principle 8	Overview of Environmental Impact
	EN2.	Percentage of materials used that are recycled input materials.	GC principles 8,9	-
Energy				
Core Indicators	EN3.	Direct energy consumption by primary energy source.	GC principles 8	Overview of Environmental Impact
	EN4.	Indirect energy consumption by primary source.	GC principles 8	
Additional Indicators	EN5.	Energy saved due to conservation and efficiency improvements.	GC principles 8,9	Daikin Eco-products
	EN6.	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	GC principles 8,9	Feature 2: Solutions for Curbing Global Warming Daikin Eco-Products Promoting the Use of Inverter Products Promoting the Use of Heat-Pump Type Space and Hot Water Heaters
	EN7.	Initiatives to reduce indirect energy consumption and reductions achieved.	GC principles 8,9	-

Indicators			GC Principle	WEB
Environmental				
Water				
Core Indicators	EN8.	Total water withdrawal by source.	GC principles 8	Overview of Environmental Impact
Additional Indicators	EN9.	Water sources significantly affected by withdrawal of water.	GC principles 8	-
	EN10.	Percentage and total volume of water recycled and reused.	GC principles 8,9	-
Biodiversity				
Core Indicators	EN11.	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	GC principles 8	-
	EN12.	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	GC principles 8	Protecting Biodiversity
Additional Indicators	EN13.	Habitats protected or restored.	GC principles 8	Protecting Biodiversity
	EN14.	Strategies, current actions, and future plans for managing impacts on biodiversity.	GC principles 8	Protecting Biodiversity
	EN15.	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	GC principles 8	-
Emissions, Effluents, and Waste				
Core Indicators	EN16.	Total direct and indirect greenhouse gas emissions by weight.	GC principles 8	Overview of Environmental Impact Preventing Global Warming - Production, Transportation
	EN17.	Other relevant indirect greenhouse gas emissions by weight.	GC principles 8	
Additional Indicators	EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved.	GC principles 8,9	Preventing Global Warming - Production, Transportation

Indicators			GC Principle	WEB
Environmental				
Emissions, Effluents, and Waste				
Core Indicators	EN19.	Emissions of ozone-depleting substances by weight.	GC principles 8	Overview of Environmental Impact Preventing Global Warming - Production, Transportation Recovering and Destroying Fluorocarbons from Customers' Air Conditioners
	EN20.	NO, SO, and other significant air emissions by type and weight.	GC principles 8	Overview of Environmental Impact
	EN21.	Total water discharge by quality and destination.	GC principles 8	
	EN22.	Total weight of waste by type and disposal method.	GC principles 8	Overview of Environmental Impact Reducing Waste and Water
	EN23.	Total number and volume of significant spills.	GC principles 8	Environmental Risk Management
Additional Indicators	EN24.	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	GC principles 8	-
	EN25.	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	GC principles 8	-
Products and Services				
Core Indicators	EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	GC principles 8,9	Low-Impact Products
	EN27.	Percentage of products sold and their packaging materials that are reclaimed by category.	GC principles 8,9	3R & Repair
Compliance				
Core Indicators	EN28.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	GC principles 8	Environmental Risk Management

Indicators			GC Principle	WEB
Transport				
Additional Indicators	EN29.	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	GC principles 8	Overview of Environmental Impact Preventing Global Warming - Production, Transportation
Overall				
Additional Indicators	EN30.	Total environmental protection expenditures and investments by type.	GC principles 8	Environmental Accounting
Social				
Labor Practices and Decent Work				
Management Approach				
		Goals and Performance	GC principles 3,6	-
		Policy	GC principles 3,6	Employee Evaluation and Treatment Policy Workplace Diversity Policy Work-Life Balance Policy Labor Management Relations Policy Occupational Safety and Health Policy Fostering Human Resources Philosophy
		Organizational Responsibility	GC principles 3,6	-
		Training and Awareness	GC principles 3,6	Fostering Human Resources Occupational Safety and Health
		Monitoring and Follow-Up	GC principles 3,6	-
		Additional Contextual Information	GC principles 3,6	-

Indicators			GC Principle	WEB
Social				
Labor Practices and Decent Work				
Employment				
Core Indicators	LA1.	Total workforce by employment type, employment contract, and region.		Daikin's CSR
				Workplace Diversity
	LA2.	Total number and rate of employee turnover by age group, gender, and region.	GC principles 6	Work-Life Balance
Additional Indicators	LA3.	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	GC principles 6	-
Labor/Management Relations				
Core Indicators	LA4.	Percentage of employees covered by collective bargaining agreements.	GC principles 1,3	Labor Management Relations
	LA5.	Minimum notice period (s) regarding operational changes, including whether it is specified in collective agreements.	GC principles 3	-
Occupational Health and Safety				
Additional Indicators	LA6.	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.		-
Core Indicators	LA7.	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.		Occupational Safety and Health
	LA8.	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		-
Additional Indicators	LA9.	Health and safety topics covered in formal agreements with trade unions.		-
Training and Education				
Core Indicators	LA10.	Average hours of training per year per employee by employee category.		Fostering Human Resources
Additional Indicators	LA11.	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		Fostering Human Resources
	LA12.	Percentage of employees receiving regular performance and career development reviews.		
Diversity and Equal Opportunity				
Core Indicators	LA13.	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	GC principles 1,6	-
	LA14.	Ratio of basic salary of men to women by employee category.	GC principles 1,6	-

Indicators			GC Principle	WEB
Social				
Human Rights				
Management Approach				
		Goals and Performance	GC principles 1,2,4,5,6	-
		Policy	GC principles 1,2,4,5,6	Respect for Human Rights
		Organizational Responsibility	GC principles 1,2,4,5,6	Compliance and Risk Management Respect for Human Rights
		Training and Awareness	GC principles 1,2,4,5,6	Respect for Human Rights
		Monitoring and Follow-Up	GC principles 1,2,4,5,6	Compliance and Risk Management Suppliers Must Be in Legal Compliance
		Additional Contextual Information	GC principles 1,2,4,5,6	-
Investment and Procurement Practices				
Core Indicators	HR1.	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	GC principles 1,2,4,5,6	-
	HR2.	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	GC principles 1,2,4,5,6	Suppliers Must Be in Legal Compliance
Additional Indicators	HR3.	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	GC principles 1,4,5	Respect for Human Rights
Non-Discrimination				
Core Indicators	HR4.	Total number of incidents of discrimination and actions taken.	GC principles 1,6	Legal Compliance Audits, Compliance
Freedom of Association and Collective Bargaining				
Core Indicators	HR5.	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	GC principles 1,3	-
Child Labor				
Core Indicators	HR6.	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	GC principles 1,5	Compliance and Risk Management Respect for Human Rights

Indicators			GC Principle	WEB
Social				
Human Rights				
Forced and Compulsory Labor				
Core Indicators	HR7.	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	GC principles 1,4	Compliance and Risk Management Respect for Human Rights
Security Practices				
Additional Indicators	HR8.	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	GC principles 1,2	-
Indigenous Rights				
Additional Indicators	HR9.	Total number of incidents of violations involving rights of indigenous people and actions taken.	GC principles 1	-
Society				
Management Approach				
		Goals and Performance	GC principles 10	-
		Policy	GC principles 10	Compliance and Risk Management Group Compliance Guidelines
		Organizational Responsibility	GC principles 10	Compliance and Risk Management
		Training and Awareness	GC principles 10	Compliance and Risk Management
		Monitoring and Follow-Up	GC principles 10	Compliance and Risk Management
		Additional Contextual Information	GC principles 10	Compliance and Risk Management
Community				
Core Indicators	SO1.	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	GC principles 1	-
Corruption				
Core Indicators	SO2.	Percentage and total number of business units analyzed for risks related to corruption.	GC principles 10	Compliance and Risk Management Prohibiting Bribes
	SO3.	Percentage of employees trained in organization's anti-corruption policies and procedures.	GC principles 10	
	SO4.	Actions taken in response to incidents of corruption.	GC principles 10	

Indicators			GC Principle	WEB
Social				
Society				
Public Policy				
Core Indicators	SO5.	Public policy positions and participation in public policy development and lobbying.	GC principles 10	Feature1: The Quest for Next-Generation Refrigerants Daikin Cooperates in Formation of Environmental Policy
Additional Indicators	SO6.	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	GC principles 10	-
Anti-Competitive Behavior				
Additional Indicators	SO7.	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		Compliance and Risk Management Free Competition and Fair Business Dealings
Compliance				
Core Indicators	SO8.	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		Legal Compliance Audits, Compliance
Product				
Management Approach				
		Goals and Performance		-
		Policy		Product Quality and Safety Product Safety Voluntary Action Guidelines
		Organizational Responsibility		Product Quality Management Structure
		Training and Awareness		Product Quality and Safety
		Monitoring and Follow-Up		Product Quality and Safety
		Additional Contextual Information		-

Indicators			GC Principle	WEB
Social				
Product				
Customer Health and Safety				
Core Indicators	PR1.	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		Responsibility to Customers Product Quality and Safety
Additional Indicators	PR2.	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		
Product and Service Labeling				
Core Indicators	PR3.	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	GC principles 8	Disclosing Product Information
Additional Indicators	PR4.	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	GC principles 8	Product Quality and Safety
	PR5.	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		Customer Satisfaction
Marketing Communications				
Core Indicators	PR6.	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		-
Additional Indicators	PR7.	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		Product Quality and Safety
Customer Privacy				
Additional Indicators	PR8.	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		Protecting Customer Information
Compliance				
Core Indicators	PR9.	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		Product Quality and Safety

See Data, environmental performance information and social performance indicators can be found here. (Page 243)