



Corporate Social Responsibility Report



Corporate Social Responsibility Report

2012

— 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 2011 information from the Sustainability section of our Web site. You may download and print it out.

Note: The printed version of the CSR Report 2012 focuses on our main activities and efforts. It can also be downloaded as a PDF file.

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Editorial Policy



Editorial Policy

This site details the Daikin Group's CSR (corporate social responsibility) activities: basic CSR philosophy, performances in fiscal 2011, and plans for the near future. Information that, due to space limitations, could not fit into the CSR Report 2012 (printed version) released in June 2012 is included on this website.

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 website 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 70)
- ▶ [Responsibility to Stakeholders](#) (Page 166)

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 44)

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 42)



Reference Guidelines

Environmental Reporting Guidelines (fiscal 2012 edition) released by the Ministry of the Environment
Sustainability Reporting Guidelines Version 3.1 (G3.1) released by the Global Reporting Initiative (GRI)
ISO 26000

Note

In reporting on fiscal 2011 environmental protection activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual results and information reported for fiscal 2010. Also, because figures are rounded off, totals may not equal the sum of individual figures.

■ Forecasts, Expectations, and Plans

This report includes forecasts, expectations, and plans, in addition to past and present facts, about Daikin 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 2011 (April 1, 2011 to March 31, 2012).

Daikin Organizations Covered

This report covers Daikin Industries, Ltd. and its consolidated subsidiaries. Environmental performance data, however, covers four Daikin Industries, Ltd., production bases; eight production subsidiaries in Japan, and 41 production subsidiaries overseas. Starting this year, this report will also cover O.Y.L. Industries Bhd., which joined the Daikin Group in 2006, and its 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

8 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.
Nippon Muki Co., Ltd.

Overseas

41 Production Subsidiaries

Daikin Australia Pty., Ltd.	OYL Condair Industries Sdn Bhd
Daikin Industries (Thailand) Ltd.	J&E Hall Refrigeration Sdn Bhd
Daikin Airconditioning (Thailand) Ltd.	OYL Technology Sdn Bhd
Daikin Europe N.V.	OYL Steel Centre Sdn Bhd
Daikin Compressor Industries Ltd.	Shenzhen McQuay Air-Conditioning Co., Ltd.
Daikin Chemical France S.A.S.	McQuay Air-Conditioning & Refrigeration (Wuhan) Co., Ltd.
Daikin Chemical Netherlands B.V.	OYL Technology (Shenzhen) Co., Ltd.
Daikin Device Czech Republic s.r.o	McQuay Air-Conditioning & Refrigeration (Suzhou) Co., Ltd.
Daikin Industries Czech republic s.r.o.	AAF (Suzhou) Co., Ltd.
Daikin Air conditioning (Shanghai) Co., Ltd.	AAF (Shenzhen) Co., Ltd.
Daikin Air conditioning (Shanghai) Co., Ltd. (Huizhou Branch)	American Air Filter Manufacturing Sdn Bhd
Xi'an Daikin Qing'an Compressor Co., Ltd.	AAF (Wuhan) Co., Ltd.
Daikin Fluoro Coatings (Shanghai) Co., Ltd.	AAF-McQuay Inc.(Delaware)
Daikin Fluorochemicals (China) Co., Ltd.	J&E Hall Limited(United Kingdom)
Daikin Device (Suzhou) Co., Ltd.	Coulstock&Place Engineering Co.Limited(United Kingdom)
Daikin Motor (Suzhou) Co., Ltd.	McQuay(UK)Limited(United Kingdom)
Daikin America, Inc.	AAF-Limited(United Kingdom)
Daikin Refrigeration (Suzhou) Co., Ltd.	AAF-International B.V.(The Netherland)
Rotex Heating Systems GmbH	AAF Internation sro(Slovakia)
Daikin Airconditioning India Pvt. Ltd.	McQuay Italia S.p.A.(Italy)
OYL Manufacturing Company Sdn Bhd	



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Air Conditioning and Chemical Technologies Work Hand-in-Hand

Contributing to Society with World-Leading Technologies as a Pillar to Environmental Contribution

The Daikin Group offers products utilizing technologies in both air conditioning and fluorochemicals to provide living spaces with comfort.

Through our strength in energy-efficient technologies, we develop and bring to market products and services that reduce energy consumption, thus contributing to sustainable development in society.

Daikin Group Business

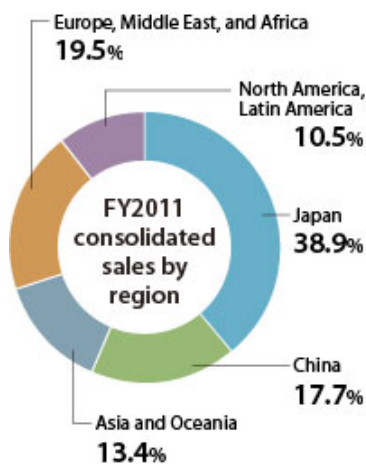
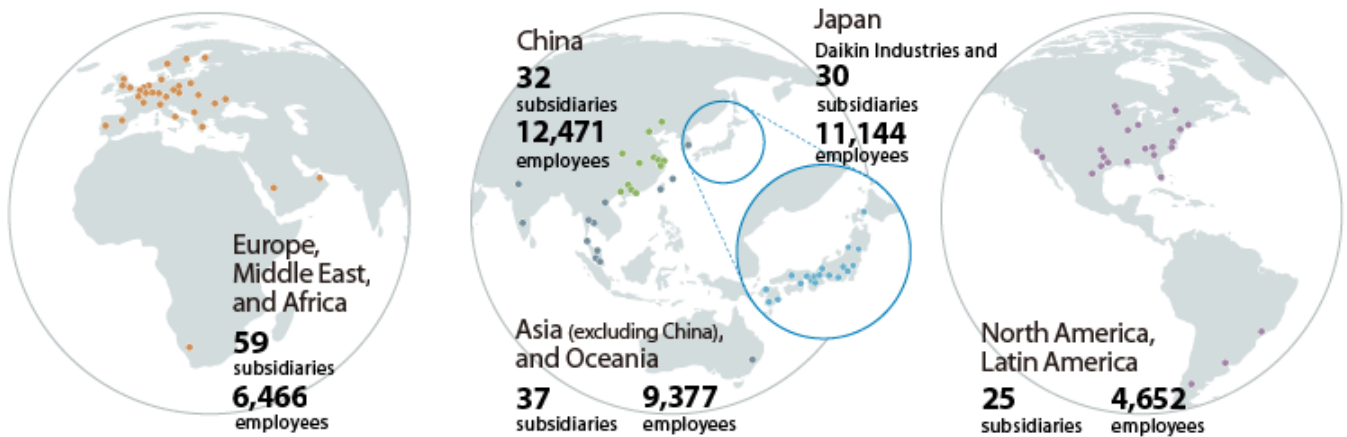


Contributing to Development of Local Communities while Respecting the Diverse Cultures and Values of Each Country

The Daikin Group does business around the world in countries and regions like China, Southeast Asia, Oceania, Europe, and North America. Overseas sales now account for 60% of the Daikin Group's total, and three-fourths of the Group's employees work outside Japan.

By respecting the cultures and values of each country and region, by coming out with products that match regional needs, and by building a workplace that motivates employees and brings out their unique personalities, Daikin is contributing to development in communities around the world.

■ 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.



While dealing with a wide range of social issues, companies find it increasingly important to contribute to society through their businesses. Since the Great East Japan Earthquake of March 2011, Japan has faced a major energy shortage. Because air conditioners account for approximately half of the peak time electricity consumed by buildings in Japan in summer, Daikin is fully aware of its enormous responsibility to help society save energy. Consequently, we have been offering customers various energy-saving solutions relating to air conditioners and last summer contributed to energy savings of 600,000 kW across Japan.

Energy shortages are not unique to Japan. We believe that there will be a growing worldwide need for energy-saving solutions—a need we intend to answer by using Daikin's power conservation and energy-saving technologies to help the world meet its energy requirements in the medium and long term.

Helping Emerging Countries Achieve Both Maximum Economic Growth and Minimal Environmental Impact

Two CSR pillars of the Daikin Group are to provide the world with environmentally conscious products and services and to train the human resources who will make these products and services a reality.

In fiscal 2011, we started the five-year Fusion 15 strategic management plan with fiscal 2015 as the target year. This year we continue to aim for a balance between active contributions to solving global environmental problems and business expansion as we strive in our growth strategy of contributing through the pursuit of sustainable growth in emerging countries and a greater emphasis on environmental business.

Amid the rapid economic growth of these countries, society must determine a way for them to keep their expanding energy consumption in check. To solve this problem, it is crucial that Daikin provide the markets in emerging countries with high-quality, energy-efficient products at a price people can afford. In 2012, we established a new factory in Suzhou, China, one of the Daikin Group's largest factories. We are also upgrading production bases in countries like India and Turkey and manufacturing products that will help emerging countries both grow their economies and protect their environments.

Daikin is helping make it possible for markets to choose refrigerants with minimal environmental impact. We are working toward this end by providing information to governments and industry groups around the world.

Other issues we are stressing include minimizing emissions of greenhouse gases during production processes and protecting biodiversity. Under our most recent five-year plan, we succeeded in reducing fiscal 2010 greenhouse gas emissions by more than 50% compared with fiscal 2005. The goal under our current action plan is to reduce fiscal 2015 greenhouse gas levels to just one-third of those of fiscal 2005 levels. On the biodiversity front, in 2011 we began an initiative to protect the ecosystem of Shiretoko, Hokkaido, a UNESCO World Heritage Site. Human beings enjoy the blessings of nature, and private companies also benefit in their businesses operations from the environment. Daikin doesn't just try to reduce its environmental impact; it also does everything possible to protect our precious natural surroundings.

Through People-Centered Management, Fostering Employees Capable of Leading Their Local Daikin Bases

Daikin believes that the "cumulative growth of all Group members serves as the foundation for the group's development." That's why we strive to create a work environment conducive to each employee using his or her talents to the fullest.

In fiscal 2011, more than 60% of the sales of the Daikin Group came from outside Japan. In order to grow, we must localize our operations; in other words, it is imperative that we respond to the needs of the countries and regions where we do business by quickly coming out with products that are planned and developed by Daikin employees native to the base where they are working. With fostering globally minded employees, one of the core strategies of Fusion 15, we are training local employees to manage our worldwide bases.

To achieve such a localization of operations at worldwide bases, it is crucial that we train local employees to be leaders who truly understand People-Centered Management, the basis of the Daikin Group's strength. By staffing our worldwide bases with local leaders who believe in people's potential and are capable of maximizing the diverse talents of employees, we will achieve sustainable growth for these local bases and contribute to the betterment of the society in which they operate.

Continuing to Meet Worldwide Stakeholders' Expectations by Contributing to Society

As a global corporation, the Daikin Group has a management philosophy clarifying a code of conduct. We also participate in the United Nations Global Compact under which we abide by principles including the support of human rights and labor rights, protection of the environment, and the abolition of corruption. We also plan and implement CSR-related activities in accordance with the ISO 26000 standard for social responsibility.

With the world's framework for government, economy, and society undergoing drastic changes, we must become a sustainable company that meets the demands of stakeholders. We believe the Daikin Group can flexibly and smartly adapt to these changes and in the process spur new growth and development. In doing so, we can continue to be a company that meets the expectations of, and contributes to, society.

We look forward to your continued support in our endeavors.

June 2012



Noriyuki Inoue
Chairman and CEO
Daikin Industries, Ltd.



Basic Management Policy of the Daikin Group

Our Group Philosophy and People-Centered Management

Our Group Philosophy is the basis for all action aimed at becoming a corporate group that is trusted by customers worldwide, and that instills pride in Daikin employees around the globe. Daikin's People-Centered Management, meanwhile, is based on the belief that employee growth generates corporate growth and is implemented with the goal of creating a workplace where employees can use their talents to the fullest.

The Daikin Group believes that if both employees and company executives put Our Group Philosophy and People-Centered Management into practice, then we can achieve sustainable development and growth.

Corporate Policies

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

Our Group Philosophy

The basis for the shared thoughts and actions of all employees

People-Centered Management

The cumulative growth of all employees serves as growth for the Company

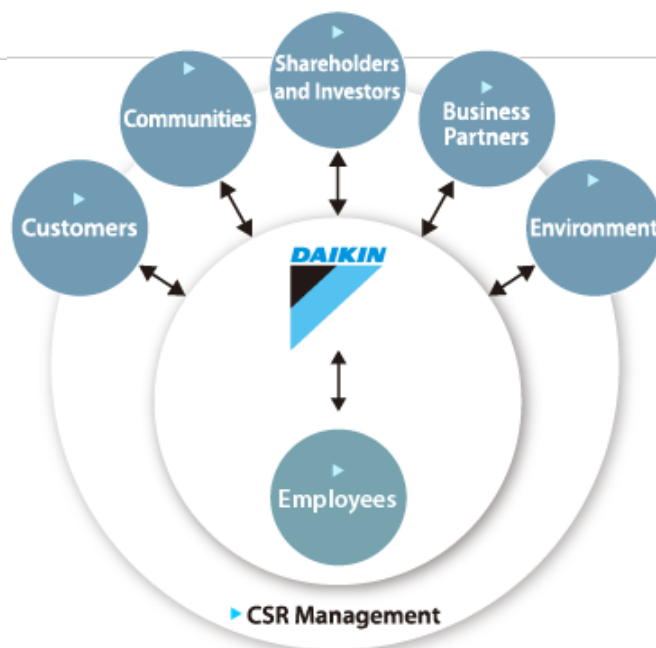
Philosophy of CSR Action

Daikin Fulfills Its Responsibility to Listen and Respond to What Customers Want

Daikin strives to meet a variety of stakeholder expectations by implementing Our Group Philosophy and People-Centered Management.

In line with international standards like the UN Global Compact and the ISO 26000 social responsibility standard, we implement CSR while listening to what stakeholders say.

► [Responsibility to Stakeholders](#) (Page 166)



Key CSR Themes

4 Key Themes: (1) Human Resources Are the Driving Force behind Our Efforts in (2) the Environment, (3) Quality and Customer Satisfaction, (4) and Social Contribution

As a major global manufacturer of both air conditioners and fluorochemicals, our business plans are built on the four key themes of the environment, quality and customer satisfaction, human resources, and social contribution.

In particular, a core philosophy of the Daikin Group is People-Centered Management. We believe that human resources form the basis of all our activities, and we focus on building a corporate culture in which employees take pride and find reward in their jobs, can work with enthusiasm, and ultimately grow as human beings.



► [CSR Targets and Achievements in line with our key CSR themes](#) (Page 33)

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, and 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, and 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.

- ▶ [See Group Compliance Guidelines](#) (Page 14)
- ▶ [See Compliance and Risk Management Efforts](#) (Page 25)

Ten Principles of the 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.



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 Unified 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 \(as of March 31, 2012\)](#) 

Compliance and Risk Management

Daikin in UN Global Compact Since 2008

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

We have given all employees our Handbook for Corporate Ethics, which summarizes employee rules for action and behavior. And in October 2008, we joined the United Nations Global Compact.

▶ [See Participation in the Global Compact](#) (Page 16)

■ [Read more](#) (See page 24)

- ▶ [Management Structure](#)
 - ▶ [Corporate Ethics and Risk Management](#) 
- ▶ [Compliance and Risk Management Efforts](#)
- ▶ [Education](#)
- ▶ [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 have built an information management system with specific in-house protocols in efforts to ensure complete control over information security.

And we constantly ensure that this system is being properly implemented and improved through regular audits and other checks.

■ [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)

- ▶ [Respect for Intellectual Property Rights](#)
- ▶ [Encouraging Employees to Create Intellectual Property](#)

Suppliers Must Be in Legal Compliance

Management That Achieves Legal Compliance throughout the Supply Chain

■ [Read more](#) (See page 217)

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.

Respect for Human Rights

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

■ [Read more](#) (See page 31)

Daikin Industries makes employees aware of human rights issues as part of its goal of creating a corporate culture 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.

- ▶ [Policy and Management Structure](#)
- ▶ [Human Rights Education](#)
- ▶ [Preventing Harassment](#)



CSR Management Structure

Comprehensive, Cross-Organizational Action Group-Wide

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, their staff in the CSR & Global Environment Center lead comprehensive, cross-organizational CSR activities throughout the entire group.

- ▶ [See How We View CSR in the Daikin Group](#) (Page 13)
- ▶ [See Participation in the Global Compact](#) (Page 16)

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)

FUSION 05 management plan

2002

- Formulation of Our Group Philosophy

2003

- Establishment of Corporate Ethics Committee and Corporate Ethics Office

2004

2005

- Establishment of CSR Committee and CSR Office
- Announcement of CSR Philosophy inside and outside the company

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 onward

Active CSR Based on the Fusion 15 Strategic Management Plan

In fiscal 2011, we launched our Fusion 15 strategic management plan, under which we strive to achieve medium- and long-term CSR goals and respond to the demand of society.

▶ [CSR Targets and Achievements](#) (Page 33)

FUSION 10 strategic management plan

2006

2007

2008

- Formulation of key CSR themes
- Participation in the United Nations Global Compact
- Become first company in air conditioner industry to be endorsed as Eco First Company

2009

2010

FUSION 15 strategic management plan

2011 onward

- Begin to get stakeholders more involved
- Set targets in line with key themes



Corporate Governance

Ensuring Sound, Transparent Management

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. Besides objectively monitoring and leading management, these outside board members sit on the Human Resources and Compensation Committee, where they discuss and deliberate on directors' personnel and compensation matters. We also appoint two external audit & supervisory board members who not only sit in on the Audit & Supervisory Board 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.

We also strive to raise soundness and transparency through the Corporate Advisors, who offer unbiased operational advice.

Of the 12 board members, there is one female, and as of fiscal 2011, one non-Japanese (Belgian).

* Committee system:

A system with a committee comprising mostly outside directors instead of audit & supervisory board members to raise management transparency.

Strengthening Governance in the Daikin Group Worldwide to Protect Stakeholders' Profit

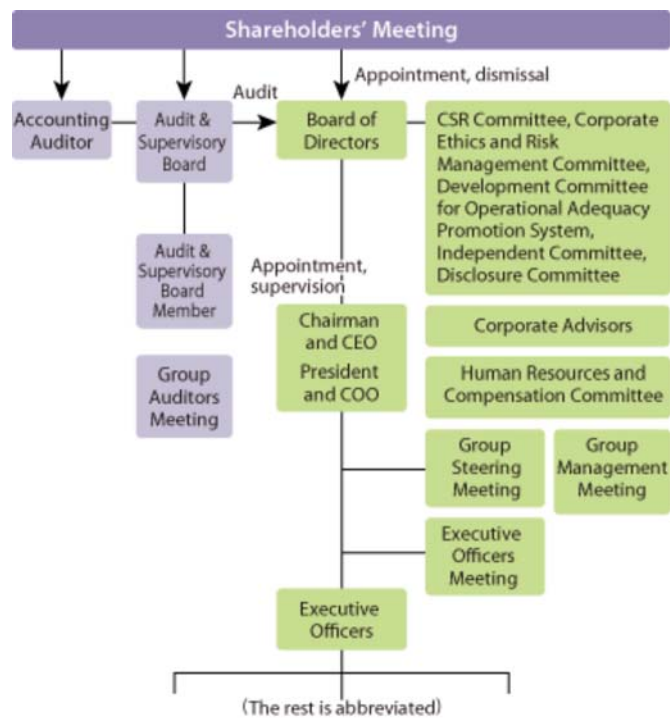
The Independent Committee was formed to ensure that when there is a large-scale purchase of Daikin shares, Daikin's corporate value and shareholders' joint profit are protected. The committee helps provide our shareholders with impartial information so that there is transparency in our paperwork and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

To ensure governance throughout the entire Group, including companies acquired by Daikin, the Group Management Meeting aims for action based on unified opinion throughout the Group. It does this by sharing important Group policies and basic strategies, as well as providing support for problem-solving in Group companies. The Group Auditors Meeting, made up of auditors from the main Group companies, works to strengthen auditing and control functions throughout the Group and ensure that these functions are working to the fullest.

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 March 31, 2012)





Management Structure

Conducting Integrated Group-Wide Promotion of Compliance and Risk Management

The Daikin Group has a unified system for the promotion of compliance and risk management.

The Corporate Ethics and Risk Management Committee is the organ for leading group-wide corporate ethics activities. It is headed by the Officer in Charge of Compliance and Corporate Ethics and made up of general managers and presidents of major Group companies in Japan. As a rule, this committee meets twice a year to discuss and work towards solving a variety of issues.

Monthly meetings are held by compliance and risk management leaders (CRLs), who are appointed in each division and major Group company in Japan. The goal of the CRLs is to follow the state of compliance and risk management activities, share information, and ensure that measures are in place to prevent non-compliance and unnecessary risks.

Building Compliance and Risk Management Systems for Overseas Group Companies

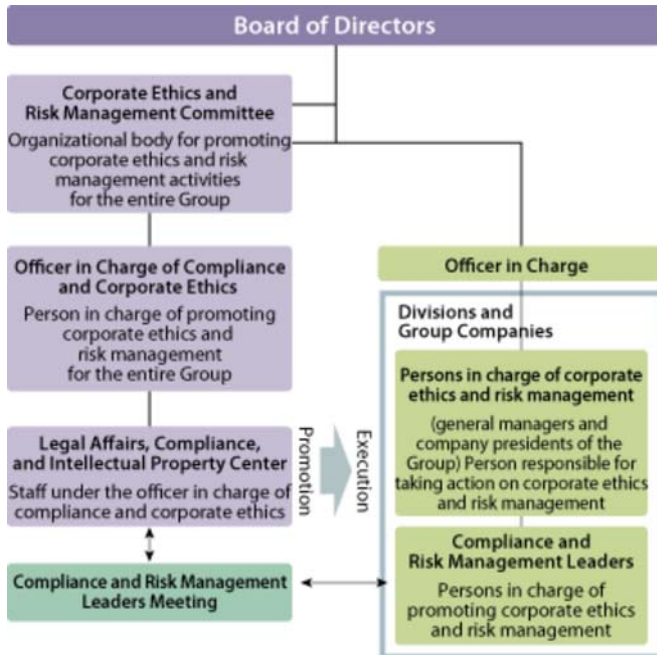
Modeled on Daikin Industries in Japan, a compliance and risk management system has been built for each country and world region to match particular local needs.

Each of these systems has compliance committees and Corporate Ethics Handbooks, and they conduct regular self assessments and risk management checks.

As well, Corporate Ethics and Risk Management Committee members of Daikin Industries regularly visit overseas Group companies to join compliance committee meetings, where they confirm the state of compliance and risk management, and share information. This process enables Daikin Industries and its overseas companies to share and implement each other's best practices.



Compliance meeting in China (attended by representatives of 14 Group companies in China)



Compliance and Risk Management Efforts

Handbook for Corporate Ethics, and Regular Self Assessments

Daikin's Handbook for Corporate Ethics summarizes employee rules for action and behavior to ensure compliance in Japan. As well, 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.

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. In 1995, we introduced self assessments, a Daikin initiative, which are conducted once a year in all divisions and Group companies to ensure soundness in both legal compliance and risk matters. Based on the results of these self assessments, the Legal Affairs, Compliance, and Intellectual Property Center conducts legal audits in divisions and Group companies, while the Internal Auditing Department confirms legal compliance through audits.

In the area of risk management, all divisions conduct risk management checks along with self assessments. If any major risks are identified by these checks, measures are drawn up to reduce such risks.



Handbook for Corporate Ethics

- ▶ See Group Compliance Guidelines (Page 14)
- ▶ Ensuring Legal Compliance in the Entire Supply Chain (Responsibility to Business Partners) (Page 217)

Education

Educating Employees Towards Thorough Compliance

We strive to make every employee constantly aware of compliance through numerous educational activities. We constantly improve these through better compliance education tools and improved ways to relay the importance of compliance.

For example, employees who are studying look at case studies related to legal matters in specific areas, such as management, production, and procurement. Education is also divided by employee category, with courses for directors, new employees, newly appointed managers, and CRLs.

And to raise employees' compliance awareness, training is supplemented by sessions with individual division heads and managers, who tour workplaces to talk about the importance of compliance from their own experience.



Updated version of collection of case studies on compliance issues for specially assigned employees



In fiscal 2011, we continued to raise compliance awareness through the use of an illustrated training manual for specially appointed employees that was created in fiscal 2010. As of August 2012, the illustrated manual had 19 episodes.

In China, Daikin employees train using a Chinese-language version of the illustrated training manual.

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 can give opinions or receive consultation on all corporate ethics matters. The names of all employees who call are kept confidential.

The Legal Affairs, Compliance, and Intellectual Property Center investigates all queries and opinions to the Help-Line, and works with related company divisions to decide on measures to prevent the reoccurrence of problems. This makes for the smooth creation of measures and the solution of problems.

To ensure 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.

Risk and Measures

Identifying the Most Important Risks, then Formulating and Implementing Measures

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

All divisions carry out annual risk assessments in which they determine important risks and create measures to deal with them. Based on the results of these assessments, the most important company-wide risks are determined, with measures proposed and implemented to deal with them in order to reduce risk.

In fiscal 2011, the most important risks were identified as earthquakes, product liability and quality, information leaks, and the building of a system for managing global Group intellectual property rights. Management Measures were thus taken to deal with these.

Preparing for Earthquakes

Preparing for Earthquakes through Measures Including Building Reinforcement and BCP

Following the Great East Japan Earthquake in March 2011, for fiscal 2011 Daikin made rebuilding of earthquake measures an important theme for its compliance and risk management. Teams were formed to discuss and create measures to deal with individual issues related to earthquakes.

For building reinforcement and tsunami measures, as well as conferring with the Central Disaster Management Council of Japan's Cabinet Office, Daikin checked on the necessity of earthquake reinforcement, as well as when and what type of reinforcement would be necessary. At locations like the chemical plant of the Yodogawa Plant and the Rinkai Factory of the Sakai Plant, we are preparing for possible flooding and liquefaction caused by a tsunami by installing emergency power sources, planning evacuation shelters, and drawing up evacuation routes.

As part of the creation of a business continuity plan (BCP), we are looking into alternative suppliers so that we can ensure stable procurement of parts and materials. By the end of fiscal 2013, we plan to have types of substitutes for the 247 main electronic components that make up our air conditioners. We have also switched to directly sourcing electronic components that we used to get from printed circuit board manufacturers. Other measures include increasing our stockpiles and bringing in satellite phones.

In fiscal 2012, we will continue to step up measures to deal with earthquakes.



Free Competition and Fair Business Dealings

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

Based on our Group Compliance Guidelines, which state that we conduct 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.

For example, annual training plans are made based on the needs of each division. As necessary, these division-based training courses will be assigned experts such as lawyers and instructors from the Legal Affairs, Compliance, and Intellectual Property Center. In this way, communication with each division ensures the most effective training. At the same time, self assessments include checks that relevant laws are being obeyed.

► For more information, see [Education](#). (Page 26)



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.

To this end, we hold company-wide training so that employees obey rules on sound and transparent relations with government offices, are compliant with the Political Funds Control Law and the Public Offices Election Act, and conduct reasonable entertainment and gift-giving with suppliers.



Proper Management and Use of Information

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

The Group Compliance Guidelines state that we manage and use confidential information appropriately. Information managers in each division follow in-house protocols in thoroughly managing confidential information, be it our own or that of other companies. To ensure information is being properly handled, continuous improvement of the system takes place as employees carry out their own self assessments, the Legal Affairs, Compliance, and Intellectual Property Center carries out legal audits, and the Internal Auditing Department conducts audits.

Personal Information

▶ [See Protecting Customer Information \(Responsibility to Customers\)](#) (Page 185)



Respect for Intellectual Property Rights

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

We recognize that intellectual property rights constitute a valuable company asset. We thus strive to both protect these rights and use them effectively. Our Group Compliance Guidelines state that we will respect other companies' intellectual property rights and ensure that our inventions do not infringe on these companies. Using the guidelines, we formulated more detailed points in our Compliance Action Guidelines, which state that we will acquire patents and avoid infringement by having the person in charge of R&D at Daikin be the person responsible for a patent and having the researcher/developer understand that he/she is the sole developer of the product or invention.

To actively support researchers/developers, the Legal Affairs, Compliance, and Intellectual Property Center assigns an intellectual property manager in each division.

The intellectual property managers keep in contact with each other, and manage the variety of intellectual property matters that come up daily (filing/acquisition of rights, reduction of risk of infringement upon and infringement by other companies, etc.). They also educate employees at various levels on intellectual property, reward Daikin patent awardees, form patent networks with researchers/developers to foster strategic patent applications, and strengthen global intellectual property survey functions.

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. In collaborations with other companies, confidential technologies and know-how disclosed to the other party is designated as such and kept out of reach.

There is an increasing number of patent applications in China, and we are strengthening intellectual property rights protection systems at bases in China and other countries.

In fiscal 2011, to make use of patents not acquired by Daikin, we licensed patents from companies in India and other countries. In our chemicals divisions, we are preparing to be ready for patent infringement lawsuits launched by other companies.

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.

Encouraging Employees to Create Intellectual Property

▶ See [Spurring the Creation of Intellectual Property \(Responsibility to Employees\)](#) (Page 212)



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 creating a corporate culture free of discrimination where each individual is respected.

To this end, regular self assessments by employees 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 revised our Handbook for Corporate Ethics, and as one of the guidelines in the Group Compliance Guidelines, we stated 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 a safe and employee-friendly workplace.

The Group Compliance Guidelines were revised to create the Compliance Action Guidelines, which detail the laws and regulations that Daikin Industries and 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.

▶ [See Participation in the Global Compact](#) (Page 16)

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 Harassment

Educating Managers on Sexual and Power 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.

In fiscal 2011, the Legal Affairs, Compliance, and Intellectual Property Center led a total of 10 training sessions at bases and workplaces on the topic of power harassment.



In fiscal 2011, we launched our Fusion 15 strategic management plan under which we seek to meet the needs of society by achieving medium term goals in line with our key CSR themes.

CSR Challenges Facing Daikin

Background Daikin is rapidly expanding into emerging countries.



Challenge 1: Protecting the environment

Meeting increasing air conditioner demand in emerging countries



Air conditioner demand is increasing in emerging countries like China, India, Russia, and Brazil; this in turn is driving up electricity consumption and waste. Companies must make energy-efficient products that match the needs of the region.

Preventing global warming



Japan faces an energy shortage following the March 2011 earthquake and tsunami. Air conditioners take up an especially large amount of electricity, and companies must make these products energy efficient.

Mitigating environmental load by refrigerants



Ozone depleting refrigerants have been replaced with non ozone depleting ones, but these refrigerants cause global warming problem.

Challenge 2: Contributing to societies



Emerging countries require the creation of new jobs and the training of human resources to support their development and raise the standard of living of their people.



Key CSR Themes

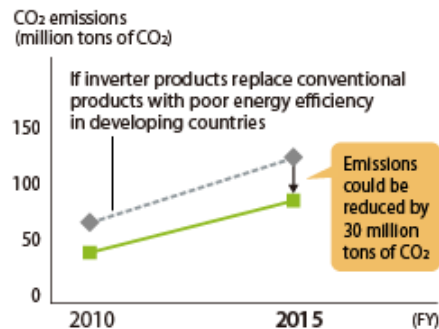
Providing the World with Products That Help Customers Reduce CO₂ Emissions

- ▶ Spread use of inverter products (Page 86)
- ▶ Spread use of heat-pump type heating systems (Page 87)
- ▶ Offer energy-saving solutions (Page 89)
- ▶ Develop future refrigerants (Page 98)

Medium term CSR Goals and Plans (by fiscal 2015)

- Spread use of environmentally conscious products in developing countries, where growth is particularly remarkable. Introducing more inverter air conditioners and other energy-efficient products could reduce CO₂ emissions by 30 million tons of CO₂.
- Create global demand in the power conservation business.
- Develop technologies and introduce products that comply with refrigerant restrictions.

Baseline Scenario of CO₂ Emissions from Product Use



Fiscal 2011 Achievements

- ▶ Environmental Solutions around the World (Page 53)
- ▶ Reducing Environmental Impact of Refrigerants (Page 98)

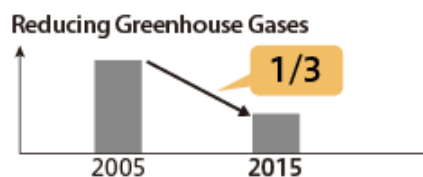
Key CSR Themes

Minimizing Environmental Impact in Production

- ▶ Reducing greenhouse gas emissions (Page 109)
- ▶ Effectively using water and other resources (Page 131)
- ▶ Reducing chemicals (Page 129)

Medium term CSR Goals and Plans (by fiscal 2015)

By 2015, reduce greenhouse gas emissions to one-third of fiscal 2005 levels



Fiscal 2011 Achievements

- ▶ 62% Reduction in Greenhouse Gases (Page 109)



Key CSR Themes

Expanding a "Green Heart"*

- ▶ Reforestation and tree-planting (Page 238)
- ▶ Environmental education (Page 153)

Medium term CSR Goals and Plans (by fiscal 2015)

Protecting biodiversity around the world

Expanding a Green Heart



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

Fiscal 2011 Achievements

Protecting Biodiversity

- ▶ At Three Levels: Globally, Locally, and at Daikin Sites (Page 157)

Protecting the Natural Environment of Shiretoko



Quality and Customer Satisfaction Targets and Achievements

Key CSR Themes

Giving Customers Unmatched Satisfaction

- **Safety & Quality:** Products are designed from the perspective of the customer to assure safety and quality.
- **Customer Satisfaction:** We strive to achieve the ultimate in quality service: speed, accuracy, and good manners.
- ▶ Product Quality and Safety (Page 172)
- ▶ Customer Satisfaction (Page 179)

Medium term CSR Goals and Plans (by fiscal 2015)

- Daikin's quality standard gives superior, optimal products that earn customer trust.
- We have a system for developing products that meet the needs of customers, wherever in the world they live.

Our development system consists of 10 bases in six world regions, as well as marketing research functions in eight world regions.



Fiscal 2011 Achievements

- ▶ Promoting Dialogue with Customers (Page 60)





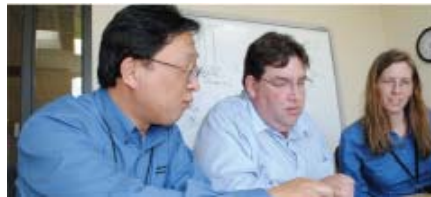
Key CSR Themes

Through People-Centered Management, We Create a Workplace Where Employees Can Demonstrate Their Abilities

- **Human Resource Development:** The entire Daikin Group trains human resources to match business growth.
 - **Diversity of Employees:** We strive to build a diverse workplace where everyone can play an important role by respecting each other regardless of age, sex, nationality, or physical disabilities.
 - **Balancing the Responsibilities of Work and Family:** We allow employees to work flexible schedules so that they can have quality time with their families.
 - **Occupational Safety & Health:** We strive for employee satisfaction by building a safe, comfortable workplace where employees can enjoy both mental and physical well-being.
- ▶ **Fostering Human Resources** (Page 208)
 - ▶ **Workplace Diversity** (Page 192)
 - ▶ **Work-Life Balance** (Page 198)
 - ▶ **Occupational Safety and Health** (Page 203)

Medium term CSR Goals and Plans (by fiscal 2015)

- Becoming a corporate group with global values by working autonomously and freely in line with Our Group Philosophy and shared policies and strategies.
- Communication between head office and local bases.
- Making greater use of women and experienced employees.



Fiscal 2011 Achievements

- ▶ **Daikin CSR in China** (Page 47)
A Green Company Fostering Human Resources and Localizing Business



- ▶ **Training Employees for Global Manufacturing** (Page 64)



Key CSR Themes

Employees Take the Initiative in Local Grassroots Action

- Through contributions to environmental protection, human resource development, and arts and culture, Daikin employees take the lead in community service aimed at providing each region with the support it needs.

▶ [Communities](#) (Page 227)

Medium term CSR Goals and Plans (by fiscal 2015)

- Contributing to society while expanding business as a company with strong ties to communities around the world.
- Striving for both profits and social contribution as a respected and trusted company.



Fiscal 2011 Achievements

▶ [Protecting the Natural Environment of Shiretoko](#) (Page 67)



▶ [Social Contribution with Strong Community Ties](#) (Page 241)



Overall CSR (Include SRI)

Daikin Group

Socially Responsible Investment Indexes

Chosen for inclusion in the Dow Jones Sustainability Indexes

(for 10 consecutive years up to FY2011)



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

VRV Energy-Saving Tuning

Ministry of Economy, Trade and Industry Award in the 8th Eco-Product Awards



Excellent Company Award in category of air purifiers in the Excellence Awards from Frost & Sullivan Japan



DESICA System

Invention Award from the Minister of Economy, Trade and Industry at the 2011 National Commendation for Invention



Daikin Ales Aoya

Excellent Stage 2 ranking under the Social and Environmental Green Evaluation System (SEGES)

McQuay International

Dayton Warehouse

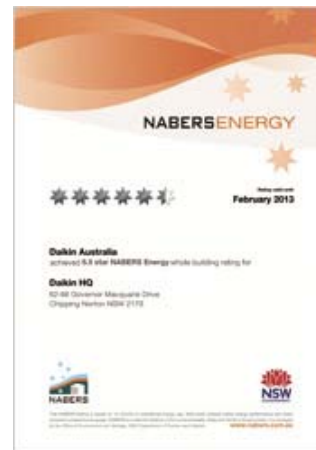
Warehouse certified for Energy Star

Daikin Compressor Industries Ltd.

Received Green Industry Award 2011 from Thai Ministry of Industry

Daikin Australia

Head office building received 5.5 stars in Australia's NABERS system for ranking energy-efficient buildings



Social Contribution

Recognition of Customer Satisfaction

Daikin Industries

Received Fiscal 2011 Manual of the Year Award in the Japan Manual Contest 2011 for the Daikin ECOCUTE user manual



Daikin Australia

Most Satisfied Award in the fiscal 2011 Canstar Blue air conditioner survey



Daikin (China) Investment Co., Ltd.

Fastest Growing Brand Award at the 3rd China Brand & Communication Forum



Consumers' Favorite Air Conditioner Brand from the Shanghai Household Appliances Association



F Series Residential Air Conditioner

Good Design Award from China Testing & Inspection Institute for Household Electric Appliances (CHEARI)

Flash Streamer Air Purifier

2011 Most Influential Brand in China Air Conditioner Market from the China Indoor Environment Tracking Committee



Excellent Business Partner in the air conditioner category of the 2012 China Real Estate Developers Top 500

Outstanding Company in National After-Sales Service Award, sponsored by China General Chamber of Commerce and Chinese Consumer Protection Fund Association

Daikin Europe N.V.

Daikin Altherma

Innovation for Environmental Technology in the 2011 Environmental and Energy Award
Product Innovation of the Year in the National Heat Pump Award 2011

Daikin Airconditioning (Singapore) Pte.

Trusted Brand 2011 Award in the air conditioner category from Reader's Digest Asia

Recognition of Occupational Safety and Health

Daikin Airconditioning (Singapore) Pte.

Ranked BizSafe Star Level*

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



Recognition of Personnel Systems

Daikin Industries

Best Employers for Workers Over 50 Award from the AARP (formerly known as the American Association of Retired Persons)



Daikin Europe N.V.

Chosen for the Top Employers 2012 awards* for the seventh year in a row

* In recognition of companies with outstanding human resource systems





Outside Expert Comments on Daikin Group CSR (June 2012)



Eiichiro Adachi

Research Chief, Head of ESG Research Center, Center for the Strategy of Emergence, The Japan Research Institute, Limited

Profile

Conducts industry surveys and corporate assessments on CSR with a focus on environmental issues. Provides corporate information to financial institutions to serve their decision-making regarding socially responsible investment and environmental investment. From March 2005 to May 2009 was a Japanese expert on the ISO 26000 Working Group. His published works include *Introduction to Environmental Management* (2009, Nikkei Publishing Inc.), *The Evolution of Environmental Risk Strategy Among Financial Institutions* (2011, Kinzai Institute for Financial Affairs, Inc.), and *No Time to Waste! Energy and Carbon Management* (2012, The Nikkan Kogyo Shimbun)

I have provided a third-party opinion on the Daikin Group's CSR activities described in this report and on the way the Group disclosed relevant information, from the perspective of a provider of corporate information to financial institutions to serve their decision-making regarding socially responsible investment.

When I was a child, air conditioners were a luxury. Air-conditioned trains were a joy to ride, and going into an air-conditioned department store was like stepping into a different world. At that time, we couldn't imagine a home with air conditioners in every room.

Today, air conditioners are an absolute necessity for older people's homes. Even local governments urge citizens to use air conditioners set at the proper temperature and humidity.

In Japan, there are an increasing number of sweltering-hot days and nights, while at the same time we are being pressed to save as much energy as possible. How will the Daikin Group think and act in response? Can it change its course to deal with this new reality? This is a crucial point in thinking about the relationship between private enterprise and society.

The heat dispensed by air conditioners contributes to the heat island effect. There's no denying that air conditioners make things comfortable for the user. However, air conditioners impact the environment, and they impact other people besides the user. So a company's biggest responsibility to society is to continually strive to decrease this impact in any way possible. There was once a car manufacturer president who said that the more of his company's cars were on the road, the cleaner the air would be. This is what we are talking about.

This report talks about the issues of increasing air conditioner demand, global warming, and ozone layer depletion due to CFCs. Daikin is very convincing when it talks about developing and spreading the use of high-quality and energy-efficient air conditioners, and choosing refrigerants with less environmental impact.

In relation to this, I have three requests for Daikin. First, since air conditioners are essential to protecting people's health, I would like Daikin to make it possible for the elderly and the needy to enjoy air conditioning. Inexpensive air conditioners are no longer just necessary for people in developing countries. Second, besides simply selling air conditioners in emerging countries, Daikin should educate consumers in matters like keeping heating and cooling temperatures just right and not too hot or too cold. As part of this, Daikin should get into the facilities management business or collaborate with facilities management companies. Third, instead of its current target of contributing to CO₂ emission reductions by spreading the use of inverter air conditioners in developing countries, Daikin should focus on reducing emissions through sales worldwide, and work to reduce emissions despite the uncertainty of such a goal.

I hope the Daikin Group will be a world leader in responding to these requests. That way, 100 years from now, children will say, "Long ago people strove to make air conditioners a product essential for our survival," instead of saying "People long ago harmed our environment by using more and more air conditioners."

This opinion does not express a view on whether this report represents, in all material respects, matters measured, calculated, and prepared in accordance with environmental reporting guidelines generally accepted.



Key Activities

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A Green Company Fostering Human Resources and Localizing Business

- ▶ **Environment:** Spread the Use of High-Energy-Efficiency Inverter Products
- ▶ **Human Resources:** Raising Employee Motivation and Enthusiasm through People-Centered Management
- ▶ **Quality and Customer Satisfaction:** China R&D Center Responds to Chinese Climate and Market Needs
- ▶ **Quality and Customer Satisfaction:** Human Resource Development Raises Quality
- ▶ **Social Contribution:** Fostering the Next Generation of Education and Culture as a Company with Deep Roots in China



Renewable Energy Solutions That Take on Regional Challenges

- ▶ **Southeast Asia:** 35% Energy Savings by Using Air Conditioner Waste Heat to Warm Water
- ▶ **China:** Multi-functional VRV Uses Heat Recovery Technology in East China
- ▶ **China:** Securing Stable Heat Sources in Northern China by Using Geothermal Heat
- ▶ **Europe:** NEXURA Heat-Pump Type Air Conditioner with Radiant Heat Panels



A Range of Power-Saving Solutions to Alleviate Japan's Energy Shortage

- ▶ Helping Japan Save Energy Nationwide
- ▶ Building and Energy Management System (BEMS)
- ▶ ZEFFLE Infrared Reflective Coating Uses Fluorine's Characteristics



More Contact with Customers Helps Put Their Opinions in Our Products

- ▶ Worldwide Challenges and Background
- ▶ Listen Directly to Customer Concerns, Come up with Solutions Together
- ▶ RAKUAIR: The Air Conditioner Customers Helped Make
- ▶ Solving Sleep Worries with SOINE



Localizing Overseas Production Bases by Passing on Daikin-Style Manufacturing Ideas to Local Employees

- ▶ Worldwide Challenges and Background
- ▶ Raising Awareness and Initiative
- ▶ Disseminate PDS to Train Local Employees Who Can Manage Their Companies
- ▶ Quality Manufacturing Integral to Daikin Growth in India



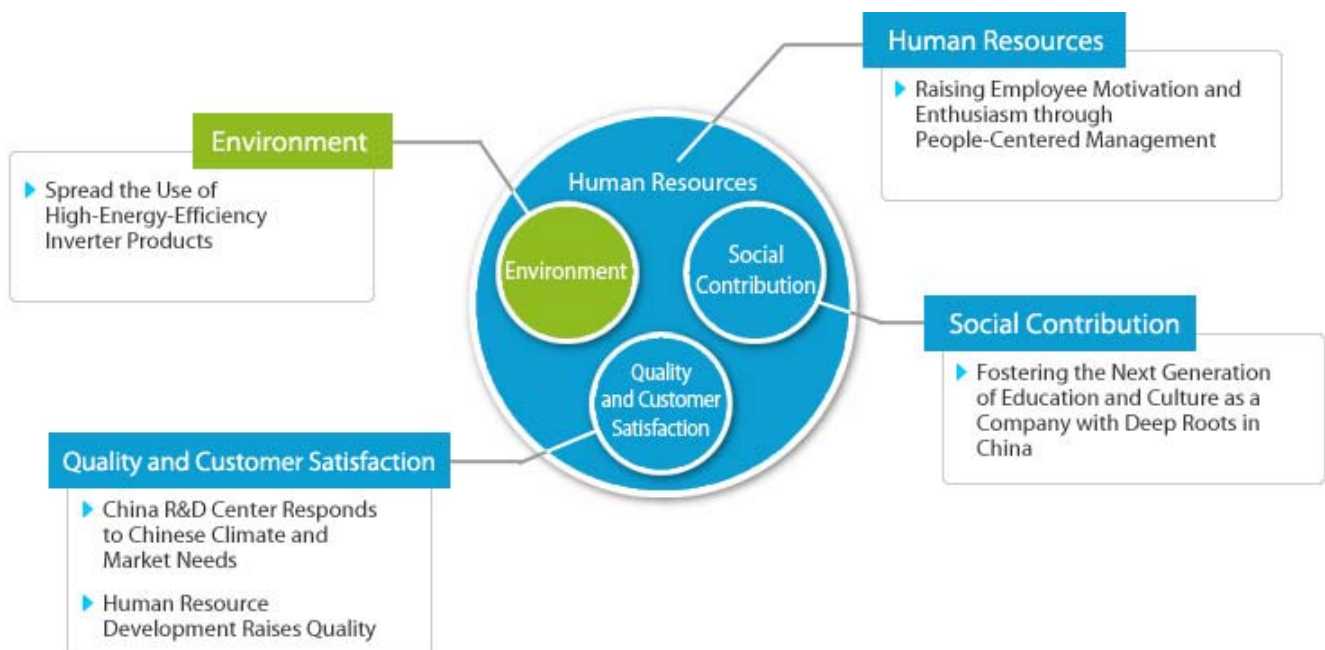
Protecting the Ecosystem of Shiretoko: Forests Are Nature's Air Conditioners

- ▶ Social Challenges and Background
- ▶ Protect Our Forests, Nature's Air Conditioner
- ▶ Protecting Shiretoko's Abundant Nature





China is the world's largest producer and consumer of air conditioning products-and it's only going to get bigger. As the Daikin Group steps up its business here, it must fulfill ever-greater corporate social responsibilities (CSR). The greatest of these responsibilities is to somehow keep China's increasingly growing energy use to a minimum. By fostering human resources and localizing operations, Daikin is working to contribute to the environment and other facets of CSR.



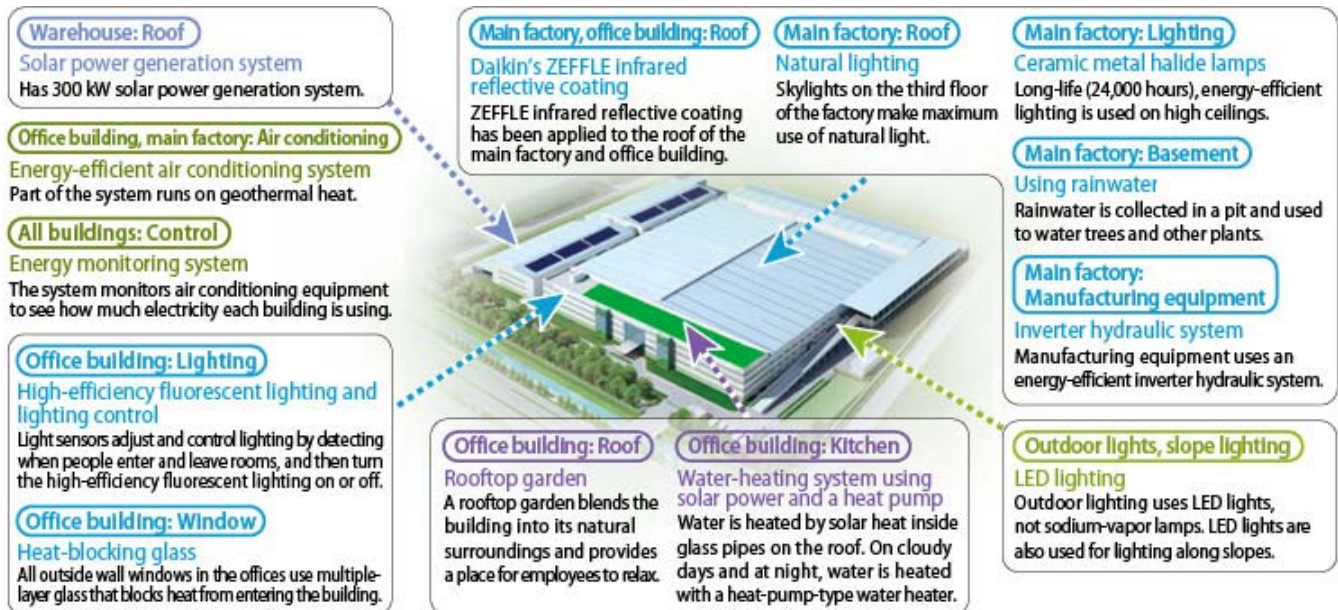
Environment Spread the Use of High-Energy-Efficiency Inverter Products

Ever since starting local manufacture of commercial air conditioners in 1996, the Daikin Group has focused on expanding business in China. In order for us to achieve both sustainable growth and social contribution in the burgeoning Chinese market, it is imperative that we constantly listen to local stakeholders and reflect their opinions in our management policies and actions.

China's energy consumption has risen with its recent economic growth, and the government is implementing energy-efficiency regulations. This is contributing to the rapid spread of inverter air conditioners, which offer high energy efficiency. The Daikin Group has been introducing inverter technologies to the Chinese government and industry groups to help hasten the spread of these products. In order to keep the increase in China's energy consumption in check, we believe it is crucial to provide highly energy-efficient products to a wider range of customers. That's why we are developing products that match the specific needs of the Chinese market by sourcing more parts in China and having the Product Reliability Assessment Department of the R&D Center ensure these parts are of the highest possible quality.

In April 2012, we opened the Suzhou Factory, which has one the largest production capacities of the Daikin Group. The factory has high-efficiency production lines that allow us to make affordable air conditioners for more people. The factory itself is eco-conscious, and we plan to open a showroom displaying how Daikin can offer other companies solutions for building green manufacturing facilities.

■ Eco-conscious Suzhou Factory



What Our Employees Are Saying



Xiaobo Chen

Manager, Heating System Technical Dept. Daikin (China) Investment Co., Ltd.

For three straight years starting in 2010, we took part in the International Solar Decathlon competition together with Tongji University in Shanghai, an institute known for its architecture. Participants in this international competition compete with the best ideas in the design and building of energy-efficient housing. We were able to use our company's state-of-the-art technologies in solar heat and other renewable energies for energy-efficient housing applications. This spurred us on to further development in energy-efficient products.



A Green Company

Fostering Human Resources and Localizing Business



Human Resources Raising Employee Motivation and Enthusiasm through People-Centered Management

The slogan "People-Centered Management" represents the Daikin Group's belief that employee growth is linked to corporate growth. In China, Daikin is creating a corporate climate conducive to growth by fostering human resources and thus spurring employee enthusiasm. For example, business project teams turn young employee ideas into products. But these project teams do more than just boost young employees' motivation: they have already put innovative and popular new products on the market. An example is an air conditioner that allows customers to print their favorite photos on the product's panel.



We are also helping local human resources to lead company management by training employees who can put into action the Daikin Group philosophy that "employee growth is linked to corporate growth." By listening to customer opinions and promptly and precisely reflecting these in products and services, Daikin is creating a new air conditioner culture in China.

What Our Employees and Employers Are Saying



Yuan Fang

Director Vice President, Daikin (China) Investment Co., Ltd.
General Manager, Guangzhou Branch

I was the first Chinese national to be appointed president of the Guangzhou Branch. I thought it would be difficult to become president of a Japanese company, so I was pleased when given the opportunity. This shows that if you work hard, your talents will be recognized under Daikin's management philosophy and People-Centered Management, and I am mindful of this when having our employees demonstrate their own full potential.



Xiaobin Xue

Manager, Corporate Communication Dept. Daikin (China) Investment Co., Ltd.

I was selected to lead a Business Project Team in my fourth year with the company. As a young person, I understood that many Chinese enjoy taking and showing photographs, so I suggested that we incorporate a feature that allows customers to print photographs on the air conditioner's panel. I wasn't sure what people would think, but Daikin managers liked the idea when I presented it. When the project finally led to an actual product, it made my work all that more rewarding.



Quality and Customer Satisfaction China R&D Center Responds to Chinese Climate and Market Needs

China's climatic regions cover the entire spectrum, from subarctic to desert to tropical monsoon. This means each region has its own unique air conditioning performance needs. The country's economic development has also been causing air conditioning needs to change at lightning speed. This combination of numerous climatic regions and rapidly changing market conditions prompted Daikin to establish the China R&D Center in May 2010.

Under the philosophy of "products for Chinese developed by Chinese," the center's 170 employees, the majority of them Chinese, have managed to shorten the product development cycle from more than two years to about six months. Daikin can now quickly develop and release products to meet local market needs. For example, Daikin developed a system for water heating and floor heating by connecting the heat-pump type space heaters popular in Europe to building air conditioners, which were originally introduced by Daikin and that have become the standard for high-end apartment buildings in China. The China R&D Center is also developing products that use geothermal heat and solar heat.

► Environmental Solutions around the World (China) (Page 54)

■ China: The Many Climates and Daikin Air Conditioner Bases (Daikin, McQuay)



Quality and Customer Satisfaction Human Resource Development Raises Quality

The Daikin Group has a system for ensuring that defective products never leave our factories: we inspect parts upon delivery and at supplier factories, and we conduct inspections in our own product factories. But it's difficult to maintain and improve quality when there is periodic replacement of employees who work in the factories. In China, many people are intent on furthering their careers and so they often move on to new jobs. That's why Daikin strives to retain its employees and earn their trust by creating a workplace where people can continue to grow and advance their careers. Under the Excellent Technician certification program, employees take training to advance their skills, and even have the chance to take training in Japan. Employees can also start as factory workers and eventually become managers.



This human resource development extends beyond Daikin Group companies. We offer retailers and installers courses that help improve their selling and installation techniques so that they can join us in raising the level of customer satisfaction.

What Our Retailers Are Saying

Meeting Customer Expectations through a Common Philosophy

Min Wang

Board Chairman, Hangzhou Air Conditioning

We have partnered and grown with Daikin ever since 1996, when the company began manufacturing in China. Besides helping our customers understand Daikin culture, we relay customer opinions to Daikin. This leads to the continual improvement of products.



Believing in Daikin Products, Expanding the Sales and Service Network

Majun Ji

President, ShanXi Tanghua Electronic Technical Development Company, Co., Ltd

We have a strong conviction in Daikin's products and human resources. That's why we believe in the company and have expanded our network to include not just sales bases but service bases as well. In the past three years we have grown dramatically, in the process winning bronze, silver, and gold awards from among Daikin's annual outstanding sales base awards.



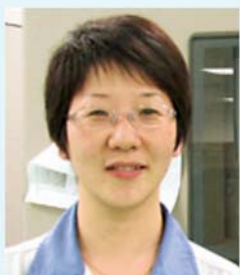
What Our Employees Are Saying



Jihong Shen

Vice General Manager, Daikin Air-Conditioning (Shanghai) Co., Ltd.

I entered the company as a rank-and-file employee and in 2012 was appointed vice general manager. I was able to accomplish this because my bosses believed in me and gave me opportunities. In order for a company to provide customers with high-quality products, it's important that employees have a stable work situation and can grow through the acquisition of skills. That's why our company teamed up with a local trade school to establish the Daikin Class. Since many local parents have said they want their children to someday work at Daikin, the Daikin Class gives us a sense of responsibility and reward.



Chaojing Li

Manager of Parts Evaluation Reliability Evaluation Dept., R&D Center, Daikin (China) Investment Co., Ltd.

I've been in charge of quality control for my entire 16 years with the company. Air conditioners have many parts, and each one has to be in top quality if the air conditioner itself is to be a quality product. Besides ensuring the performance of the parts, I work with our parts suppliers to make sure that quality is integral to the production standards and processes of all parts.



Social Contribution Fostering the Next Generation of Education and Culture as a Company with Deep Roots in China

The Daikin Group contributes to the development of regional society by creating jobs and sourcing materials locally. It also contributes to society as a community-based company.

We place a particular emphasis on training the next generation of engineers. Working with eight universities, we offer courses that cover air conditioner technologies and design, and in fiscal 2011 a total of 381 students learned advanced technologies in building air conditioners and other areas. In November 2011, we established a practical training center at Beijing University of Technology. Since fiscal 2010, Daikin (China) Investment Co., Ltd., has sponsored the Daikin Air Conditioning Cup Chinese Air Conditioning University Student Contest. In the fiscal 2011 contest, over 700 students submitted research papers and essays on the topic of energy-efficient and environmentally-conscious air conditioning technology.

Daikin has also sponsored concerts since 2007 with the aim of promoting art and culture in China.





Renewable Energy Solutions That Take on Regional Challenges



Southeast Asia

Air Conditioning Situation and Energy Efficiency Challenges

Buildings in Singapore require air conditioning all day and every day. In 2008, the country introduced a mandatory energy efficiency labeling system, a move that put energy-efficient air conditioners in the spotlight. Most water heaters in Singapore are small, electrically heated units; this is because of the limited installation space in the high-rise apartment complexes that are common in the country.

35% Energy Savings by Using Air Conditioner Waste Heat to Warm Water

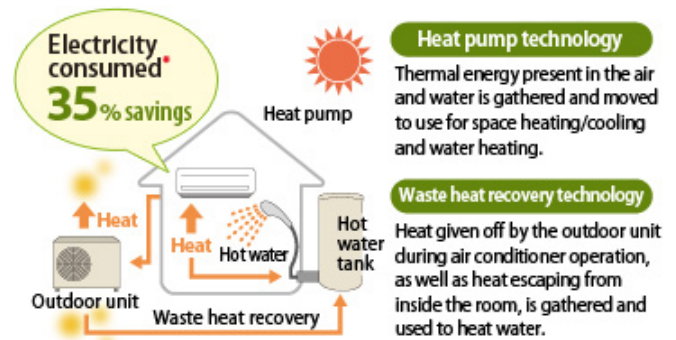
Daikin's multi-split type air conditioners with waste heat utilization for hot water uses heat emitted through the outdoor units to warm water for the shower and other purposes. This makes effective use of heat which would otherwise be wasted.



This air conditioner has earned "4 tick" the highest level of Singapore's energy efficiency labeling system. And compared to using an air conditioner and electric water heater separately, this water heating system combining

water heating technology and the effective use of air conditioner waste heat uses up to 35% less electricity.

Multi-Split Type Air Conditioners with Waste Heat Utilization for Hot Water: How They work



* Calculated under the following conditions: Exterior air temperature: 27°C (9 p.m.-7 a.m.) and 33°C (7 a.m.-9 p.m.); hot water stored: 75 liters Incoming water temperature: 25°C; outgoing water temperature: 60°C



China

Air Conditioning Situation and Energy Efficiency Challenges

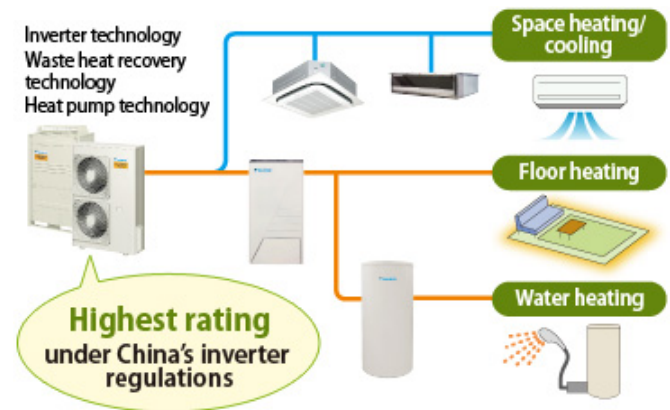
China encompasses the entire spectrum of climatic regions and is called a microcosm of the world's air conditioner market. With air conditioner demand rapidly rising and the government tightening energy efficiency regulations, the country intends to get 15% of its energy from renewable sources by 2020.

Multi-functional VRV Uses Heat Recovery Technology in East China

In East China, a region with a climate similar to Japan's, Daikin offers the multi-functional VRV, which combines air conditioning, floor heating, and water heating all-in-one for high-end residential housing. Driven by inverter technology,* this product combines a superbly energy-efficient VRV air conditioner, which has earned the highest rating under China's inverter regulations, with floor heating and water heating functions. And because it uses a heat pump, it gives off less CO₂ and air pollutants than conventional gas combustion-type water and space heaters. It also uses heat recovered during air conditioning for hot water heating.

* Inverters are frequency conversion devices that enable precision control of room temperature and thus reduce power consumption.

Multi-functional VRV: All-in-one Air Conditioning, Floor and Hot Water Heating

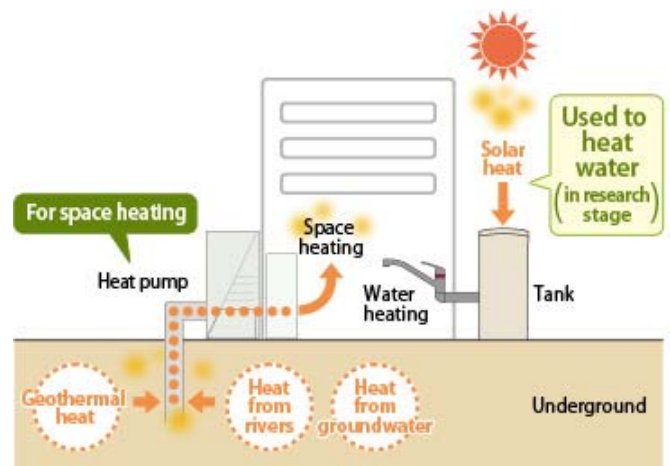


Securing Stable Heat Sources in Northern China by Using Geothermal Heat

Daikin provides building air conditioners that use renewable energy such as geothermal heat and the heat contained in rivers and groundwater as the heat source for space heating. These air conditioners have proved popular because they allow owners living in sub-zero-temperature regions to secure a stable source of heat.

Daikin is also conducting research into water heating using solar heat.

Using Renewable Energy





Europe

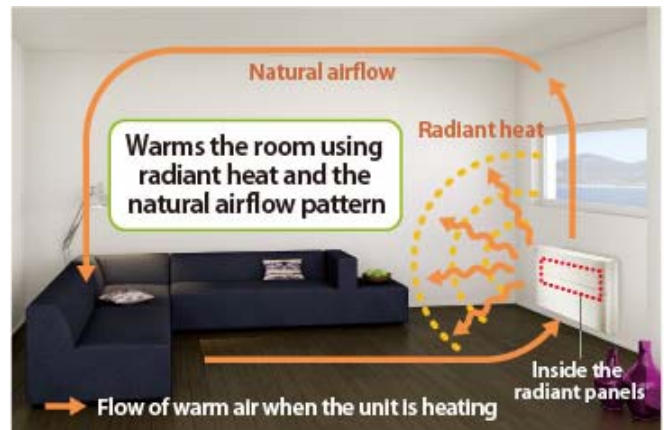
Air Conditioning Situation and Energy Efficiency Challenges

In Europe, instead of heating delivered by a stream of warm air, people tend to prefer to gently warm the entire room using radiant heat from electric heaters or radiators.

NEXURA Heat-Pump Type Air Conditioner with Radiant Heat Panels

NEXURA offers the rapid heating of an air conditioner and the quiet, windless warmth provided by radiators. Because it uses heat pump technology, NEXURA contributes to CO₂ emissions far lower than those of conventional electric heaters or radiators.

Daikin listened to European customers in designing the NEXURA to ensure that it blends unobtrusively into a home's interior.



What Our Retailers Are Saying

Energy-Efficient Comfort in a Sleek, Modern Design

Patrick Anderson

Manager, AGC Energies

A big advantage of heat-pump type air conditioners is that they are far more energy efficient than conventional electric heaters or radiators. They can also precisely control temperature to provide year-round comfort, cooling the room in summer and warming it in winter.

Daikin's NEXURA offers this heat-pump advantage, in addition to quiet operation during heating, thanks to the radiant panels. And its floor-standing design blends in with modern interiors, making it appreciated by customers in France.





A Range of Power-Saving Solutions to Alleviate Japan's Energy Shortage



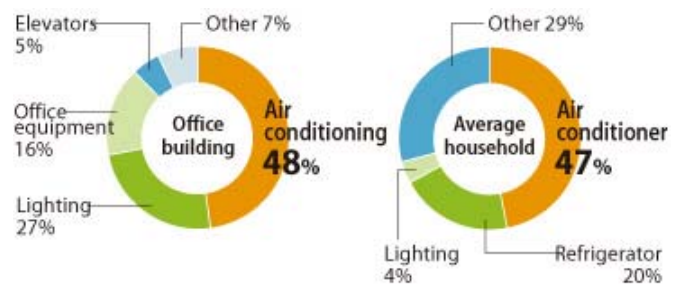
Japan

Air Conditioning Situation and Energy Efficiency Challenges

Japan is facing a severe energy shortage, and people across the country will need to do everything possible to save power in the summer of 2012.

Air conditioners account for about half of the electricity consumed in Japanese office buildings during peak consumption times. While air conditioning equipment must be made more energy efficient, it is also increasingly important to introduce energy management systems (EMS), which monitor an entire building's energy use and automatically make energy-efficient adjustments. This has prompted Japan's Ministry of Economy, Trade and Industry to introduce and promote the use of the Building and Energy Management System (BEMS).

Electricity Demand at Time of Peak Use (2 p.m.)



Source: Estimate of Demand Make-Up of Maximum Energy Use in Summer, by Agency service area for Natural Resources and Energy (Tokyo Electric Power Company)

Helping Japan Save Energy Nationwide

30 Ways to Save Energy in Air Conditioning

In May 2011, Daikin Industries, Ltd., established a power-saving control center in the Tokyo Electric Power Company service area. The center's approximately 200 employees visited customer sites to suggest and implement about 30 different measures for saving power on commercial air conditioners. The wide range of measures included cleaning filters on interior units and measures during operation such as monitoring by customers or remote monitoring by Daikin. This activity was expanded nationwide in June 2011. The result of all this was energy savings of approximately 600,000 kW in summer and 160,000 kW in winter (Daikin calculations).

Daikin will continue this energy-saving advice service in the summer of 2012. And because there are many customers who want to save energy on the use of their entire building and not just air conditioning, Daikin is also offering consultation on matters like high-efficiency lighting and solar power generation. Approximately 1,000 dedicated Daikin staff will visit customers nationwide to help them save energy.

Results in Fiscal 2011

As a result of a variety of nationwide measures for saving energy, Daikin contributed to power reductions of 600,000 kW in summer and 160,000 kW in winter (Daikin calculations).

Summer energy savings
600,000 kW
Winter savings
160,000 kW



Power-saving campaign for general customers
Visitors like getting ideas for saving energy immediately.



VRV Energy-Saving Tuning is one way to save energy. By having the control panels of their existing air conditioners' outdoor units tuned, users can save up to 20% in energy.

What Our Customers Are Saying

High Marks for Total Energy-Saving Advice That Covers All Equipment, Not Just Daikin's

Our company has purchased air conditioners from various manufacturers because we always try to buy the most cost-effective products at the time. But that makes it hard to coordinate energy-saving measures. Daikin personnel told us how to save energy with our equipment, and they inspected and upgraded all of it—even air conditioners made by other manufacturers. This was a huge help to us.

Prompt Advice Leads to Greater Trust

Daikin has put us at ease because it has quickly serviced problems with our air conditioning equipment. This new energy-saving advice service has given us measures we can use right away, and made us even more satisfied with Daikin.

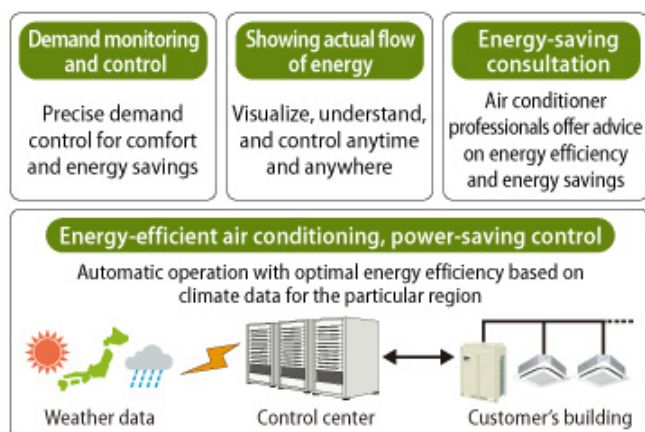
Building and Energy Management System (BEMS)

Contributing to Building Energy Efficiency as a BEMS Aggregator

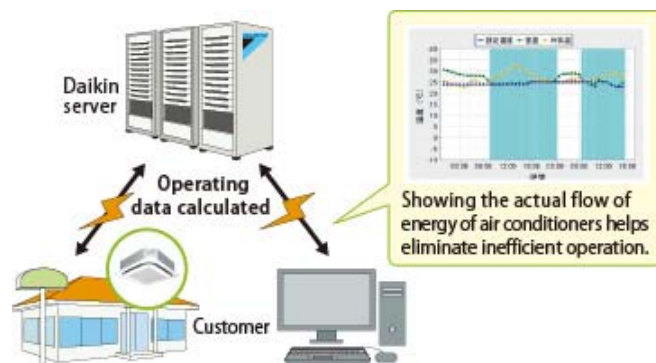
Energy management systems (EMS) are an effective way to save energy while keeping the building comfortable.

In April 2012, Japan's Ministry of Economy, Trade and Industry started a project to hasten the introduction of EMS. Under this project, Daikin was selected as a BEMS aggregator: a company charged with managing a BEMS. This effort is aimed at hastening the realization of a system that can achieve precise demand control and thus give both a comfortable building temperature and energy-saving operation; and that can use weather forecast data to automatically set equipment so that it operates in the most energy-efficient and energy-saving manner possible.

Air Conditioning Network Service System for Buildings



Daikin D-irect Energy Management System for Retailers



ZEFFLE Infrared Reflective Coating Uses Fluorine's Characteristics

Applying ZEFFLE to Existing Buildings Reduces Air Conditioning Burden Long-Term

As part of our fluorochemicals business, we offer customers ZEFFLE infrared reflective coating. This reflective coating reflects away the infrared rays of the sun to prevent the indoor temperature from rising. By simply painting ZEFFLE onto existing buildings, customers can reduce the burden on air conditioning and achieve greater energy efficiency.

Besides its superior heat-shielding ability, ZEFFLE infrared reflective coating has fluorine's ability to resist weathering, fouling, and rusting. Just one application can last for 15 to 20 years.

Using its know-how as an air conditioner manufacturer, Daikin can conduct simulations of how much energy can be saved by painting a building with ZEFFLE. Besides showing the changes in room temperature after applying ZEFFLE, the highly accurate simulations can also show how much energy can be saved on air conditioning. This means we can present customers with the precise details of how effective ZEFFLE will be for them.



Applying ZEFFLE infrared reflective coating to the roof lowers the inside temperature by up to 7°C and reduces the burden on air conditioning by 12.5%.

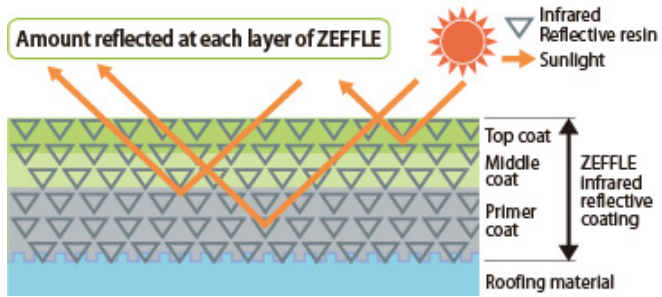
■ Features of ZEFFLE Infrared Reflective Coating

Heat-shielding effect

Reflects away 88% of the infrared rays that are converted to heat

Durability

15–20 years of protection against weathering, fouling, and rusting



Example of Energy-Saving Simulation

Into the simulation software are input a range of data: information about the building itself, such as color and measurements of roof and exterior walls, and type and thickness of

insulation material; information about the air conditioning system and its operating conditions; and local weather data. The simulation software uses this to give detailed estimates on roof and room temperature as well as the amount of energy consumption and CO₂ emissions that will be reduced through the use of ZEFFLE.



More Contact with Customers Helps Put Their Opinions in Our Products

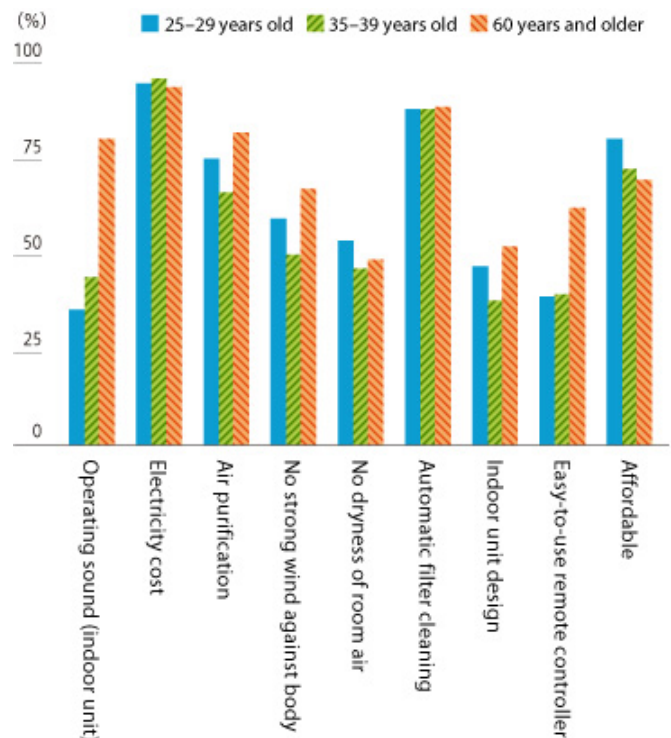
Worldwide Challenges and Background

To realize its philosophy of creating new value by anticipating the future needs of customers, the Daikin Group has taken the opinions of customers, gathered through contact centers and face-to-face interaction with customers, and reflected these preferences in its products and services.

But today's consumers have a diverse range of needs and concerns. To boost customer satisfaction, we have to gather as much information as possible and in as many ways as possible so that we can obtain a range of opinions from the market. By increasing the amount of dialogue with customers, we can better reflect market needs in our products.

Customer Questionnaire

(Most Important Purchase Factor for Air Conditioners)



Source: 2010 Daikin Customer Questionnaire (mail-in survey from purchasers of Daikin products)

Listen Directly to Customer Concerns, Come up with Solutions Together

fuha:TOKYO Showroom

In December 2011, Daikin opened the Daikin Solution Plaza fuha Tokyo, a showroom where the company could offer consumers a better way to meet air conditioning, heating, and ventilation needs. Here, Daikin specialists listen to visitor concerns about living space and air conditioning and come up with optimal solutions. The showroom allows visitors to experience such solutions firsthand so they can select the air conditioner right for them. The Daikin Solution Plaza welcomes people considering air conditioning equipment for new or renovated homes, owners of stores, buildings, and factories, architects, contractors, and civil engineering students.

By talking to consumers at this showroom, Daikin can keep on top of changing user needs and come out with products that anticipate what the market wants in air conditioning products.



Results in Fiscal 2011

In February 2012, fuha Tokyo visitors surpassed the 10,000 mark, a month earlier than Daikin's original target. The showroom is expected to attract 40,000 visitors annually.

Visitors to fuha: TOKYO
In first two months

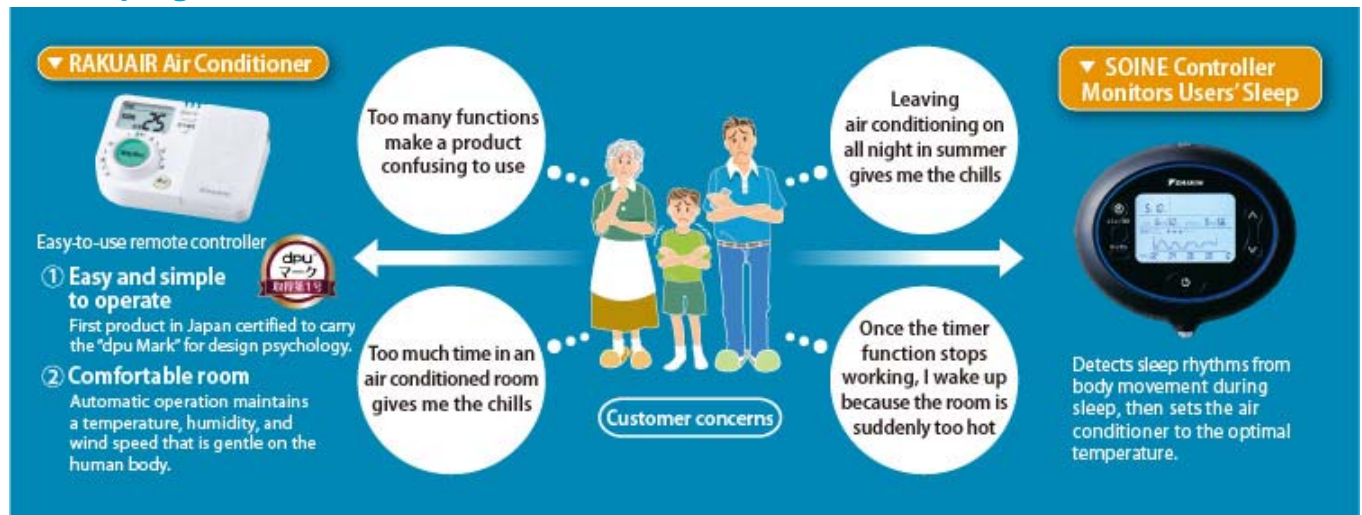
More than 10,000

Promoting Dialogue with Customers



More Contact with Customers Helps Put Their Opinions in Our Products

Developing Products That Address Customer Concerns

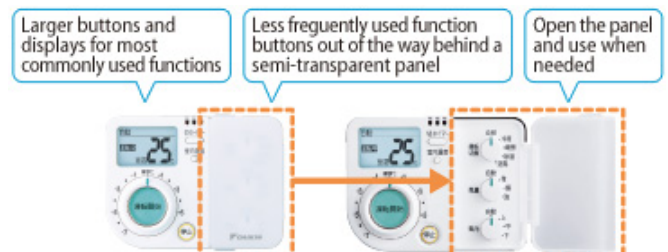


RAKUAIR: The Air Conditioner Customers Helped Make

First Product in Japan Certified for Design Psychology

The name RAKUAIR means easy air. Released in April 2012, it was given this name because it is easy to operate and easy on the human body.

About 20% of the people 60 years of age and older surveyed (by Daikin) complained that products with too many functions are confusing to operate. Daikin developed the RAKUAIR easy-to-use remote controller jointly with design psychology researchers at Chiba University. The design team objectively assessed remote controllers from numerous psychological and engineering points, including ease of indicator viewing, safety, ease of use, and impression. As a result, they made the buttons and indicators for the most commonly used functions large, and they put the less frequently used function buttons behind a semi-transparent panel for when they are needed.



What Our Stakeholders Are Saying

Using Design Psychology to Create a Tested and Proven Design That Is Easy to Use

Haruo Hibino

Professor, Faculty of Engineering, Chiba University

Our goal was a design that anyone could use intuitively and with ease. For example, we differentiated buttons by shape and color, made temperature control settings recognizable at a glance, and adopted a dial that improves operability. Tests on this new product showed that it cuts the time needed to operate it by one-third, and that it is easy to use even for people not good at operating such products.



Automatic Operation Easy on the Human Body

People with a low metabolism, like elderly people and women, tend not to like the way air conditioning makes them feel chilly. Daikin teamed up with the Yokohama National University to find the optimal temperature, humidity, and wind speed for people with low metabolism. They achieved air conditioner operation in which people feel less humidity yet do not feel any colder; this means less burden on a person's body.

Solving Sleep Worries with SOINE

Adjusts Air Conditioning to Sleep Rhythms

Many people in Japan set their air conditioners to run for a set number of hours during the hot summer nights—but when time runs out, people wake up feeling hot. Daikin solved this problem by developing the SOINE controller.

It detects an individual's unique sleep rhythms and uses these to automatically set a temperature ideal for that person. In the process it also saves electricity.

Website Gathers Direct User Input Daikin's Idea Shop

In June 2011, Daikin opened a website where customers can purchase the SOINE controller. Called Daikin's Idea Shop, the site brings together customers and Daikin product developers, and includes a suggestion box and surveys for customers to express their ideas, opinions, and concerns on air conditioning. Site visitors can also read short articles by Daikin product users and get useful lifestyle information.

The site is frequently updated so that it can best meet user needs and help Daikin develop even better products.



Daikin's Idea Shop Website

Training Employees for Global Manufacturing



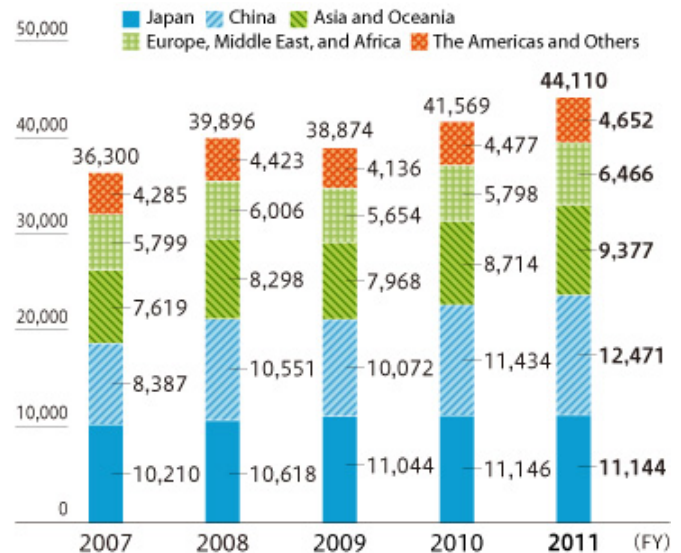
Localizing Overseas Production Bases by Passing on Daikin-Style Manufacturing Ideas to Local Employees

Worldwide Challenges and Background

One of the most important things for a globally operating company is to gear management at each overseas base to the characteristics of that locale by addressing the challenges and needs of the region. In emerging countries, besides offering quality products affordable to local consumers, a company must create steady jobs for the local workforce and teach them technological skills that will help stimulate the economy and advance progress in that society.

Overseas employees account for over 70% of Daikin's global workforce, and sales outside Japan are on the increase. Daikin is focusing on giving local employees higher levels of manufacturing skills. We are also training local employees to take on company management positions, because management by local personnel for local employees will better equip local bases to meet market challenges and needs, and allow Daikin companies to grow and prosper with the communities in which they operate.

■ Global Employees (by Region)



Raising Awareness and Initiative

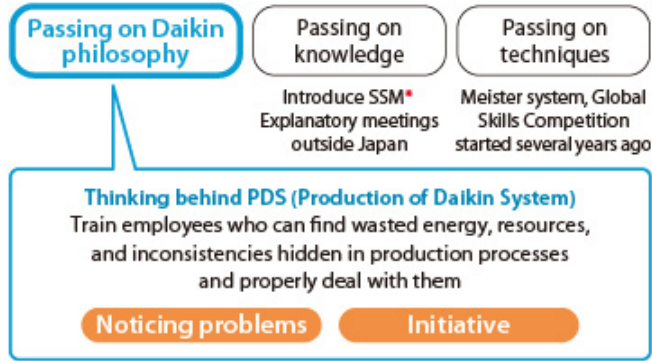
Daikin-Style Manufacturing PDS (Production of Daikin System)

Under its PDS system, Daikin Industries trains manufacturing employees to carry on the philosophy and tradition of Daikin style manufacturing.

Essential to PDS is finding wasted energy, resources, and inconsistencies hidden in the work process, and then dealing with these through a PDCA cycle. For example, imagine some kind of dirt gets on products while they are being assembled on the lines. In this case, employees are trained to notice such problems, stop the production line, and check on the problem in detail. If it turns out that the problem is due to wasted energy, a resource, or an inconsistency somewhere, the concerned divisions immediately get together and work to remedy the problem. By continuing to do this in a coordinated way, the company can come out with high-quality products in an effective manner.

To this end, Daikin believes that employees must be trained not just to conduct work according to their superior's instructions or a manual, but also to keep a constant watch for even the smallest variation, to take the initiative to find new challenges in their jobs, and to involve the employees around them in solving problems.

■ Training Employees for Global Manufacturing



* SSM: Stress Strength Model; framework for preventing problems by predicting them.



Checklists for finding wasted energy, resources, and inconsistencies

Disseminate PDS to Train Local Employees Who Can Manage Their Companies

Daikin Representatives Foster Next-Generation Leaders Worldwide

The Daikin Group is making PDS an integral part of its worldwide production bases. PDS is spread across the Daikin Group as Daikin representatives, called "PDS expert," gather and train the next generation of leaders, who then return to their companies to teach their own employees PDS.

Disseminating PDS in this way also fosters a new generation of workers who will carry on Daikin-style management into the future. PDS is a method for fostering employees' awareness and initiative so they can improve production lines. But PDS cannot function if it is only understood by workplace leaders. All concerned employees, no matter what their jobs are, must understand and jointly implement the principles of PDS. The leaders are not supposed to force PDS upon their employees; rather, they must pool everyone's knowledge and enthusiasm in making workplace improvements; in doing so they will give employees the power to find and solve problems on their own. This is what is meant by localizing a company.

Daikin Thailand began PDS training immediately after its establishment in 1990. Trainees become workplace leaders specializing in improvement. With PDS expert conducting periodic follow-up, the PDS training system makes for efficient manufacturing. In the more than 20 years since, PDS graduates have gone on to become managers and workplace leaders, and PDS as a whole has fostered the human resources that run Daikin Thailand.



PDS training passes on Daikin-style manufacturing ideas to employees at worldwide production bases

Results in Fiscal 2011

To disseminate PDS, Daikin has trained PDS expert, who in turn have trained employees to be workplace leaders at worldwide production bases.

PDS experts: 13
332 employees took PDS training

PDS Training Accompanies Full-Scale Production Start at Daikin Airconditioning India

India is projected to experience a dramatic increase in air conditioner demand, and the country is positioned as a key market under Daikin's Fusion 15 strategic management plan. Daikin Airconditioning India Pvt. Ltd. started production in the spring of 2009, and PDS training was introduced with the start of full-scale production in late 2010. A total of 50 production managers and workplace leaders took part in two-week classroom and on-the-job improvement training at the company factory.

Training covered issues unique to Daikin's Indian factory, such as how to handle increased production capacity with increasingly fewer workers. Although all participants thought this impossible at first, they began timing how long it took to do their jobs and watched videos of how work is done at Japanese factories. This prompted them to notice and eliminate wasted energy, resources, and inconsistencies, and take it upon themselves to do things like standardize the amount of work they do and re-think the details of their jobs. The result was that one production line improved production efficiency by 145% over a three-month period.



PDS training and on-site improvement practice at Daikin Airconditioning India Pvt. Ltd., where production capacity is increasing

What Our Employees Are Saying

PDS Dissemination In-House Improved Safety

Deepak Jangra

Production Division, Daikin Airconditioning India Pvt. Ltd.

In PDS training, we perfected methods for recording job details and using these records to find where time and effort could be saved. Doing this helped me find small problems that I could not see before. Following the training, I taught all my subordinates about PDS. Thanks to this I can really see improvements in productivity and safety on our production lines.





Protecting the Ecosystem of Shiretoko: Forests Are Nature's Air Conditioners

Social Challenges and Background

Biodiversity is the coexistence of human beings and a diverse range of living organisms in an interconnected habitat. Human beings benefit from the many "services" provided by our ecosystem; for example, water, oxygen, food, wood, and a stable climate.

Forests are a particularly crucial element, carrying out many functions including absorbing CO₂ from the atmosphere, purifying the air and water, preventing soil erosion, and alleviating flooding. Protecting biodiversity is intricately tied to maintaining mankind's safe and abundant lifestyle.

Forest Functions and Quantitative Assessments

Functions of a forest		Assessed value
CO ₂ absorption		1.2391 trillion yen
Prevention of soil disasters	Prevention of surface erosion	28.2565 trillion yen
	Prevention of shallow landslides	8.4421 trillion yen
Source water replenishment	Alleviation of flooding	6.4686 trillion yen
	Storing of water resources	8.7407 trillion yen
Water purification		14.6361 trillion yen

Source: Assessment of Multiple Functions of Farming and Forests As They Relate to the Natural Environment and Human Life, by the Science Council of Japan

Protect Our Forests, Nature's Air Conditioner

Protecting Biodiversity with Those Who Benefit from It

In forests, photosynthesis not only generates oxygen; it also produces a cooling effect by giving off water vapor that keeps atmospheric temperature from rising. As a company whose job it is to provide comfortable air environments, Daikin likes to call forests "nature's air conditioner." That's why we do all we can to protect the world's forests.

But protecting forests requires more than just planting trees. It is also important that we create systems for continuous protection of nature by getting the people who benefit from the goodness of forests to understand how essential they are. That's why we support education activities that teach people how protecting forests is intricately tied to their way of living. Daikin also encourages its employees to take part in volunteer eco-activities that help raise awareness of the need to protect nature.

Daikin's Philosophy for Biodiversity Protection



Daikin also conducts biological surveys that determine how the forest restoration affects the ecosystem. We work with governments, NGOs and NPOs, and local citizens in efforts to protect and revitalize nature.

Protecting Shiretoko's Abundant Nature

Working Together with Locals

A UNESCO World Heritage Site, Shiretoko has a rich ecosystem and an abundance of rare flora and fauna. However, this place is not without problems: humans are destroying nature, and human contact with certain animal populations is causing dangers.

In July 2011, Daikin Industries, the Shiretoko Nature Foundation, and the towns of Shari and Rausu signed an agreement aimed at solving these problems. For a period of five years until March 2016, Daikin is offering financial support and sending employees to take part in protection activities, hoping to restore the forest and river ecosystems and bring humans and nature into peaceful and prosperous coexistence.



Setting up a fence to prevent Sika deer from eating seedlings will help restore the riparian forest

Project to Restore Japanese Judas Trees and Life-Giving River

One Daikin initiative is to restore a Japanese Judas tree forest and a life-giving river in the town of Shari. The Iwaobetsu River basin used to be covered in a riparian forest consisting mainly of Japanese Judas trees, but major flood damage in 1981 felled many of the trees. Because the seedlings planted in the area were eaten by the Sika deer, no progress was made in restoring the forest.

A fence was set up to keep the Sika deer out of the area, and inside the fenced enclosure young trees were planted to start the forest on its way. In October 2011, 11 Daikin employees volunteered to help erect the fence, and in May 2012, 12 employee volunteers joined in work to take seedling samples.

In the past, improvement work done on the Iwaobetsu River gave the river a simplified, artificial flow that was not conducive to the life of natural organisms. This is being remedied by digging deep pools and giving the river a more meandering flow, which has made it a more suitable habitat for the cherry salmon, char salt-water trout, and other fish that live there. Along with this work, biological surveys are being conducted in efforts to return Shiretoko to its original, natural state.



Planting native seedlings and restoring the riparian forest of Japanese Judas and other trees, as well as the river environment. This will entice wildlife to return.

Project to Promote Human-Brown Bear Coexistence

In the town of Rausu on the southeast of the Shiretoko Peninsula, there is little flat terrain and the forests where bears live are right behind people's homes. When bears enter the unfamiliar territory of human neighborhoods, they run around in a panic and create a dangerous situation for both themselves and humans.

Under the Project to Promote Human-Brown Bear Coexistence, bear and human territory is physically separated for the protection and safety of both species. In November 2011, fences with a light electrical charge were erected in a test area. If they are found to be effective, they will be erected in other areas as well.



(Top) Brown bear and cubs

(Bottom) A fence to separate the bears' habitat from that of humans

What Our Stakeholders Are Saying

Daikin Volunteers Are Invaluable to Forest Restoration

Ryota Matsubayashi

Ecological Restoration Section Chief, Shiretoko Nature Foundation

In the autumn of 2011, Daikin employees volunteered to come and help in forest restoration work. Their assistance allowed us to proceed much faster than anticipated, and we spent several valuable days of camaraderie.

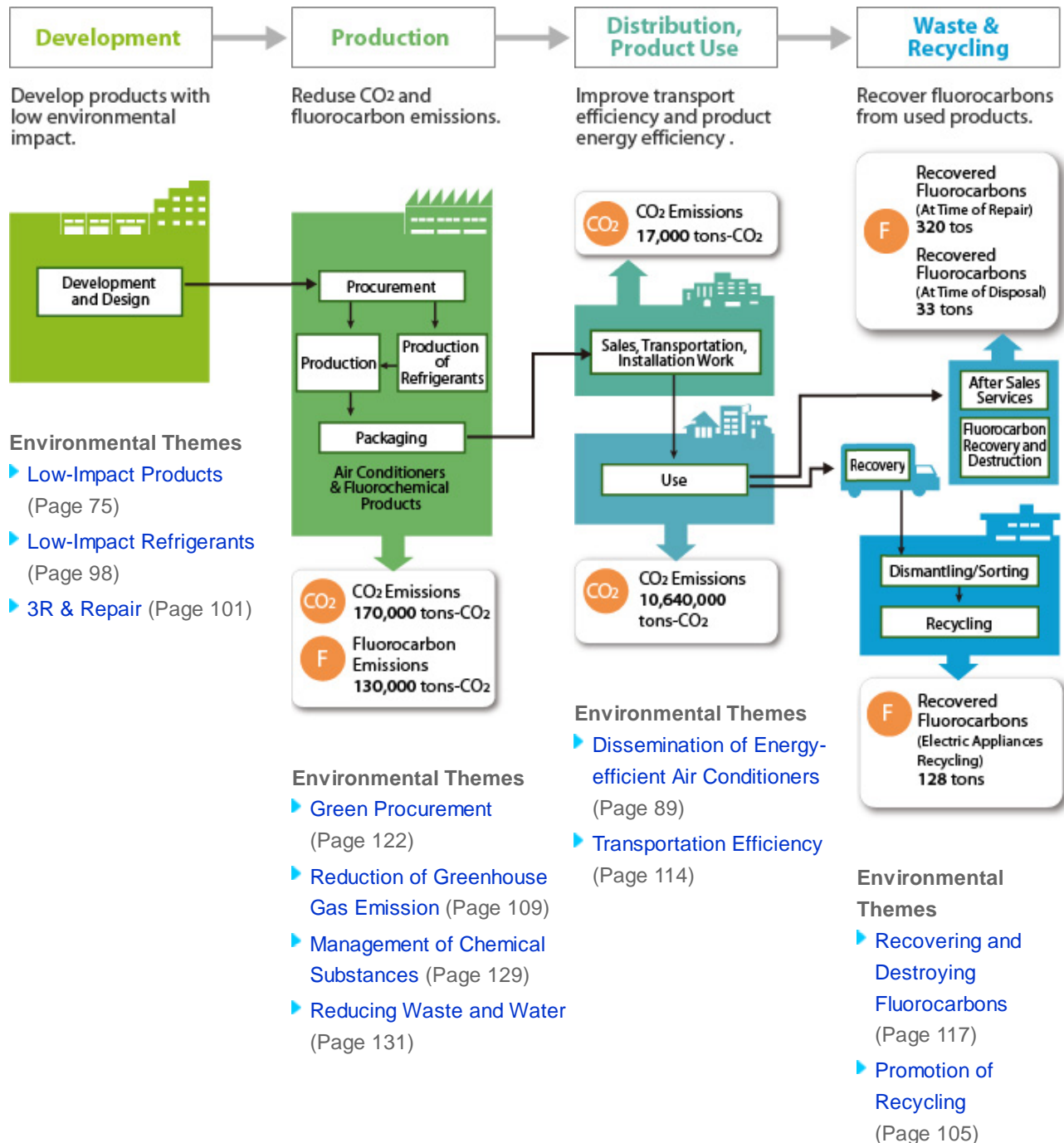
Although forest restoration in Shiretoko is supported by monetary donations, actual on-site help by volunteers like those from Daikin is an indispensable part of this mission. I hope that the circle of support continues to expand as more and more people join us here in Shiretoko. It would also be great if these volunteers told their colleagues and families about their experience here so that more people could learn about nature in Shiretoko.



Environment

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Reducing CO₂ and Fluorocarbon Emissions is a Top Priority

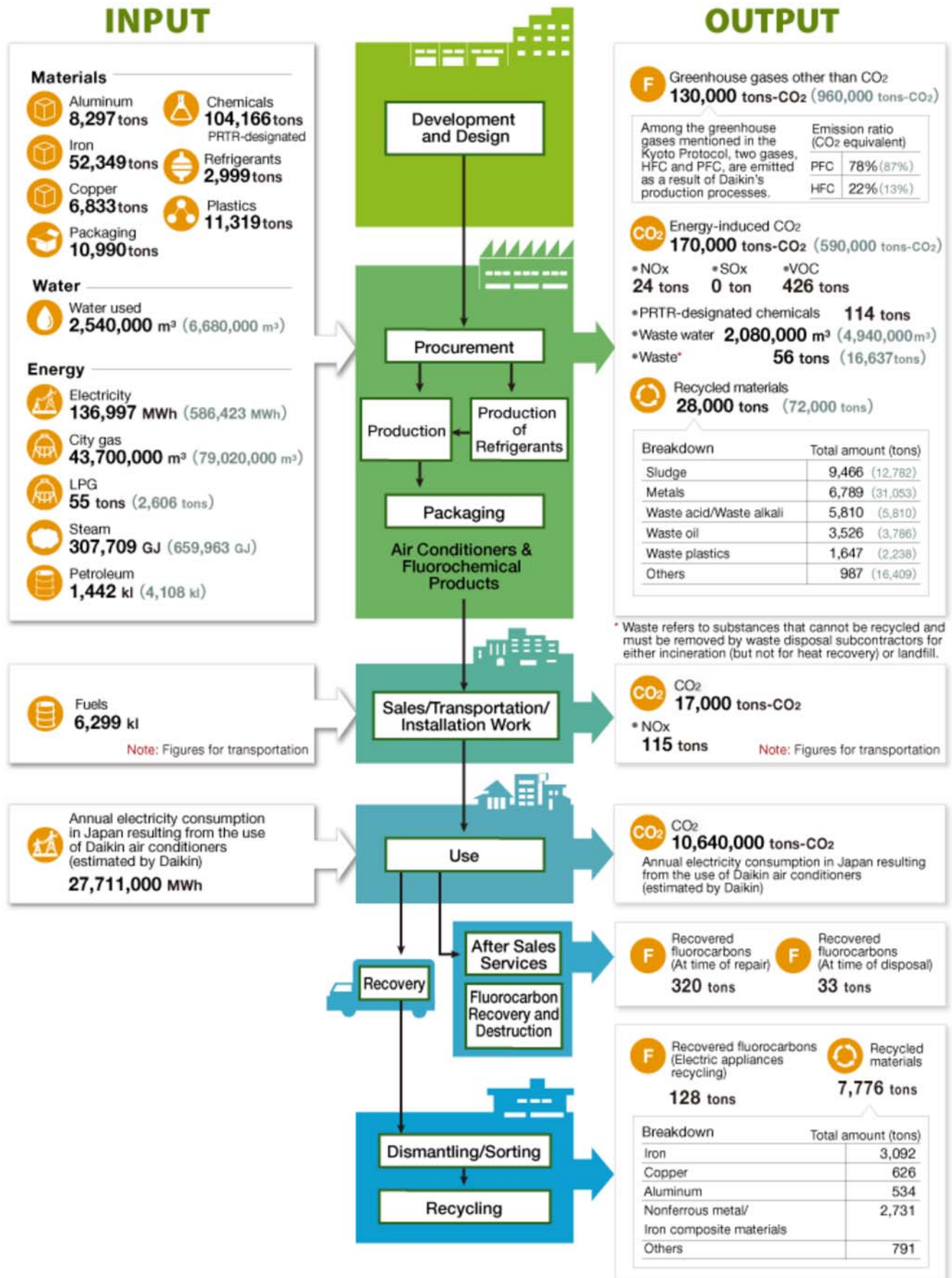


The Daikin Group focuses on reducing both fluorocarbon emissions generated during product manufacture and electricity used during air conditioner use, the major contributors to global warming.

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.

Overview of Environmental Themes and Impact from Business Activities

Data on this page is only from Daikin Industries in FY2011. Figures in parentheses are global Group totals.



Overview of Fiscal 2011

Environmental Action Plan 2015 Underway

Environmental Action Plan 2015 focuses on three pillars: (1) Providing Environmentally Conscious Products, (2) Eco-conscious Factories and Offices, and (3) Environmental Cooperation with Stakeholders.

For (1), one action target is to contribute to the reduction of CO₂ emissions through the provision of products. Our goal is to reduce CO₂ emissions by 30 million tons in emerging countries in 2015, and in fiscal 2011 we were able to reduce emissions by 17 million tons.

For (2), we have set a target of reducing greenhouse gas emissions from production in fiscal 2015 to just one-third of fiscal 2005 levels (a 67% reduction). In fiscal 2011, we achieved 62% emission reductions through efforts that included reducing fluorocarbon emissions in our chemicals divisions.

For (3), our action target is to work with stakeholders such as local citizens, governments, and NPOs to make environmental contributions that meet local needs. In fiscal 2011, we began support of environmental protection at Shiretoko, a UNESCO World Heritage Site.

■ Environmental Action Plan 2015

Action targets	FY2015 target values	FY2011 results
Providing Environmentally Conscious Products Provide the world with products that help customers reduce CO ₂ emissions.		
Spread use of energy-efficient air conditioners to reduce CO ₂ emissions. Spread use of heat-pump type heating systems. Offer energy-saving solutions. Develop future refrigerants.	Through expansion in the widespread use of energy-saving products such as those using inverters, aim to help curtail CO ₂ emissions to 30 million tons for developing countries.	17 million ton curtailment

Action targets		FY2015 target values		FY2011 results
Eco-conscious Factories & Offices Minimize environmental impact from production and other activities.				
Greenhouse gases	Reduce CO2 emissions.	Reduce fiscal 2015 levels to 1/3 (67%) of the level compared with fiscal 2005		62% reduction
		Japan	Reduce per-unit CO2 from energy use by 20% against fiscal 2005.	26% reduction
		Overseas	Reduce per-unit CO2 from energy use by 10% against fiscal 2010.	8% reduction
Waste	Reduce overall amount of waste by effectively using resources.	Japan	Machinery-related: Reduce per-unit emissions by 5% against fiscal 2010.	Machinery-related: 7% reduction
			Chemical-related: Reduce direct-to-landfill amount by 50% against fiscal 2010.	Chemical-related: 21% reduction
		Overseas	Reduce per-unit emissions by 10% against fiscal 2010 at all bases.	7% reduction
Water	Reduce amount of water used.	Japan	Reduce by 5% against fiscal 2010.	3% reduction
		Overseas	Reduce per-unit emissions by 10% against fiscal 2010 at all bases.	5% reduction
Chemicals	Minimize emissions of environmentally harmful substances.	Japan	Reduce PRTR substances by 15% against fiscal 2010.	10% reduction
			Reduce VOCs by 20% against fiscal 2010.	9% reduction
		Overseas	Reduce per-unit VOCs by 10% against fiscal 2010 at all bases.	Analyzed data on substances
Green Heart Factories	Achieve environmentally friendly plants.	Have major production sites certified as Green Heart Factories.		8 bases in Japan
Green Heart Offices	Achieve environmentally friendly offices.	Have major bases in Japan certified as Green Heart Offices.		Efforts began at all bases in Japan.
Environmental Cooperation with Stakeholders Expand the Green Heart circle to Daikin worldwide.				
Environmental and social contribution activities	Join local governments, citizens, and NPOs to make environmental and social contributions at each global base according to regional characteristics.	Carry out environmental and social contribution activities (forest restoration, tree-planting, environmental education, protection of biodiversity within Daikin bases) at worldwide bases.		Began support of environmental protection at Shiretoko, etc.



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.

Environmentally Conscious Design

Reducing Products' Environmental Impact through Life Cycle Assessment

We assess products starting from the planning and design stages to ensure that they are energy efficient and recyclable. We conduct quantitative environmental assessments for each product life cycle so that we can make the next product release less of an impact on the environment.

[Read more](#) (See page 78)

- ▶ Environmentally Conscious Design through Product Assessment
 - Product Assessment Items
- ▶ Improving Energy Efficiency of Air Conditioners
 - Sample of LCA: Comparison of Life Cycle CO₂ Emissions(energy-induced CO₂)
 - Electricity Consumption and Energy Consumption Efficiency (residential air conditioners)
 - Electricity Consumption and Energy Consumption Efficiency (commercial air conditioners)

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 CO₂ emissions from energy consumption during product use.

[Read more](#) (See page 86)



- ▶ Inverter Technology
- ▶ Promoting the Use of Inverter Products

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 CO₂.

■ [Read more](#) (See page 87)

- ▶ [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 CO₂ 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 CO₂ 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 CO₂ emissions.

■ [Read more](#) (See page 89)

- ▶ [Air Conditioning Products](#)
 - [Power-Saving Control Center](#)
 - [Air Conditioning Network Service System II](#)
 - [VRV Energy-Saving Tuning](#)
 - [DESICA Commercial Humidity Controlling Heat Recovery Ventilation System](#)
 - [Daikin Develops Products Compliant with EU's ErP Directive](#)
 - [SKY SOLAR, Residential Solar Power System](#)
- ▶ [Fluorochemical Products](#)
 - [ZEFFLE Infrared Reflective Coating](#)
 - [Fluorine Characteristics Help Solar Cells Last Longer](#)
- ▶ [Oil Hydraulic Equipment](#)
 - [Energy-Efficient Hybrid Hydraulic Super Unit](#)
 - [9 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 96)

- ▶ [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 98)

- ▶ [Protecting the Ozone Layer](#)
 - ▶ [Switching to HFC Refrigerants Around the World](#) 
- ▶ [Low-Impact Refrigerants](#)
 - ▶ [Daikin's Stance on the Environmental Impacts of Refrigerants](#) 

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 101)

- ▶ [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 FY2011 \(Japan\)](#) 



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. Products only make it to market after we have assessed them against their predecessor products to confirm they exert less environmental impact.

Product Assessment Items

- | | |
|--|--|
| 1. Weight reduction of products | 2. Use of recycled materials and parts |
| 3. 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 81)

Improving Energy Efficiency of Air Conditioners

Boosting APF (Annual Performance Factor) and Reducing Standby Power Consumption

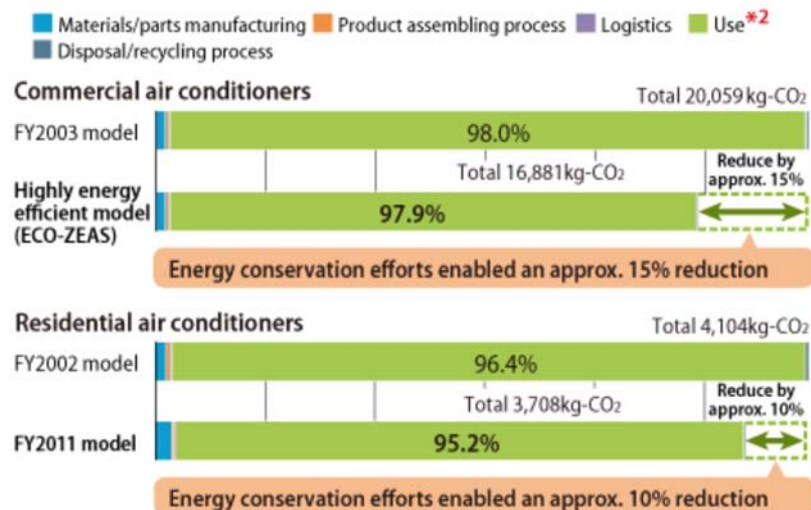
In the life cycle of an air conditioner, from design and manufacture to use and disposal, the majority of the CO₂ that is emitted occurs during product use: over 90% in fact.

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.

In fiscal 2011, we strove to boost the APF (annual performance factor) and reduce the standby power consumption of products including commercial air conditioners and air purifiers.

■ Sample of LCA: Comparison*1 of Life Cycle CO₂ Emissions(energy-induced CO₂)

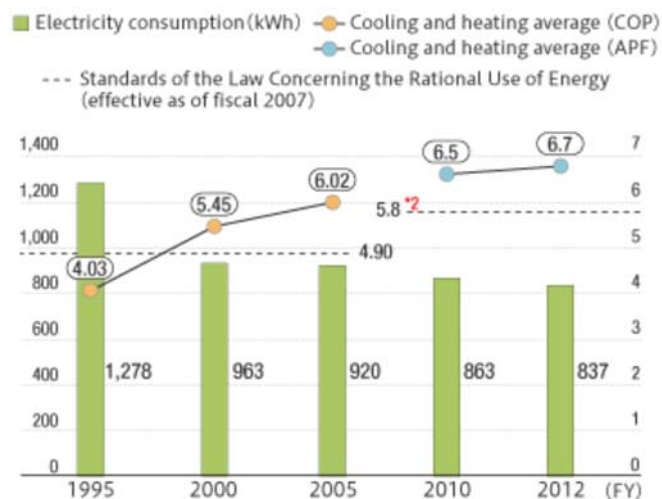
More than 90% of the CO₂ emissions (energy-induced CO₂) during the life cycle of an air conditioner come during product use. That's why we put the majority of our efforts into making products more energy efficient.



*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 and the Japanese Industrial Standards (JIS) for residential air conditioners.

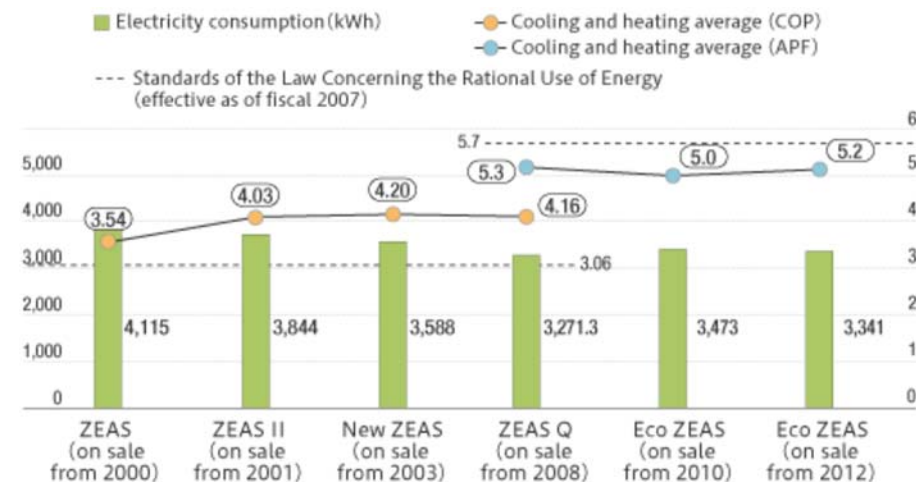
■ Electricity Consumption and Energy Consumption Efficiency (residential air conditioners)*1



*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, and JIS (Japan Industrial Standards).

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, and commercial air conditioners have to achieve APF standard values with fiscal 2015 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.

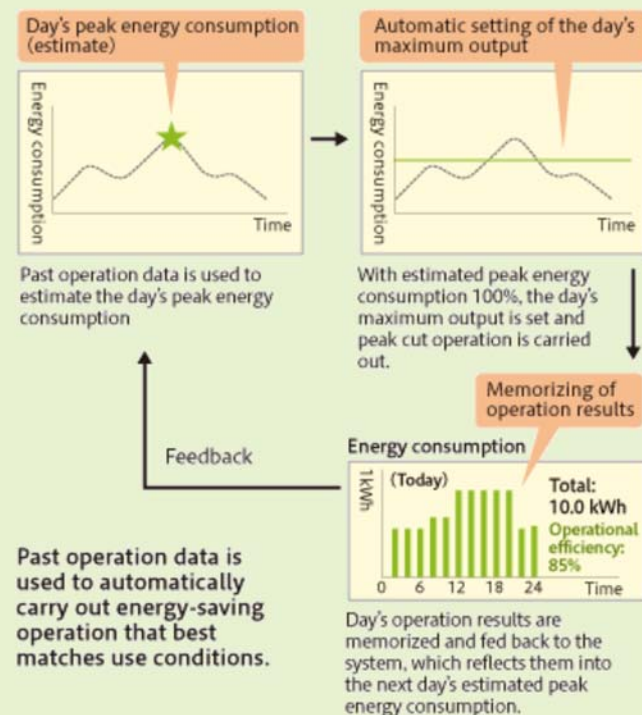


Eco-ZEAS Commercial Air Conditioner Automatically Saves Energy with Intelligent Savings Function

Daikin's Eco-ZEAS 80 air conditioner for stores and offices has one of the industry's highest APF values. And a new model released in May 2012 boasts new functions for saving energy. One of these is the Intelligent Savings Function, which memorizes daily operation patterns and automatically cuts peak energy use by approximately 15% with the touch of a button. It is also the industry's first such product to have standby power consumption of less than 1 watt.

The Eco-ZEAS 80 is also the first heat-pump-type air conditioner with an all-aluminum heat exchanger, which reduces product weight and cuts the use of refrigerant.

Eco-ZEAS 80 Intelligent Savings Function



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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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?

	Assessment item	Assessment standard
05. Ease of collecting/transporting	5-1 Make work of collecting and transporting easier	<ul style="list-style-type: none"> 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?
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	<ul style="list-style-type: none"> Are construction and assembly such that disassembly by hand is easy? Are there few 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Are there any foreign materials containing similar properties? Have common materials been used across products?

	Assessment item	Assessment standard
08. Packaging	8-1 Reduce weight of packaging, simplify packaging	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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?

	Assessment item	Assessment standard
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?

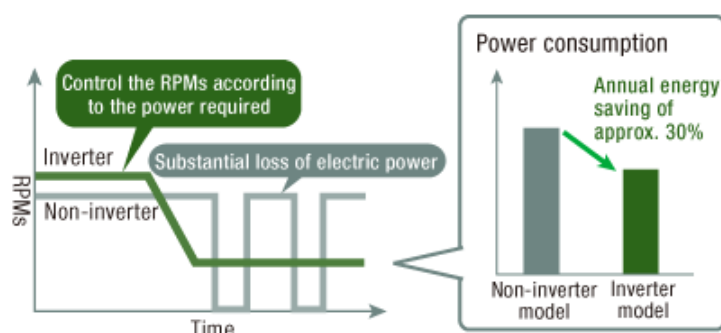
Inverter Technology

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 CO₂ 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. Manufacturing began at these companies in October 2009.

In April 2012, we began operations at a new factory in Suzhou, China, one of the Daikin Group's largest factories. This marks a new start in Daikin's efforts to increase the use of inverter models in markets where their use is not yet widespread.

► For details, see [Key Activities of Fiscal 2011: Daikin CSR in China](#) (Page 47)

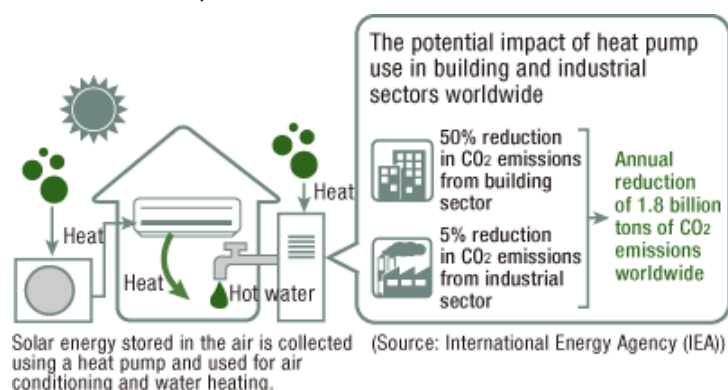
Heat Pump Systems for Space Heating and Water Heaters

Less than Half the CO₂ 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 CO₂.

The Heat Pump Mechanism



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

Bringing More CO₂-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 CO₂.

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.

While Daikin is taking the opportunity provided by EU energy policy to spread the use of heat pump products throughout the continent, it is also doing the same in other markets around the world.

► For details, see [Key Activities of Fiscal 2011: Environmental Solutions around the World](#) (Page 53)

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

Daikin's heat-pump technology is incorporated into ECOCUTE heat pump water heaters and Hot Eco-Floor heat-pump hot-water floor heaters. The Daikin Group is also developing space and hot water heaters for the commercial market as well using highly energy efficient heat-pump technology.

In Japan, the ECOCUTE 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 CO₂ emissions compared to combustion-type water heaters. It also allows running cost reductions of approximately 60%. Facilities like hospitals and golf courses require changing volumes of hot water daily, and Daikin meets this challenge with a hybrid hot water supply system that switches to boiler operation during peak periods.

As well, we are working to spread the use of the Danzen Heat system for commercial facilities, which cuts CO₂ emissions by 52% compared to an oil-powered hot-air space heater.

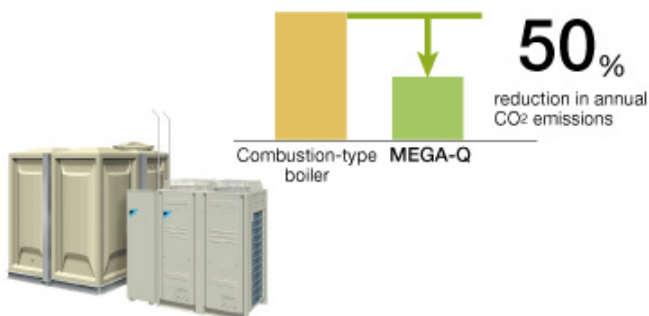
We are contributing to energy efficiency by replacing combustion type water heaters with heat pump models.

■ Features of the MEGA-Q

- Latest energy-efficient technology enables dramatic reductions in CO₂ 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 ideal for large-scale facilities such as factories, hotels, hospitals, and public care institutions.
- Because it gets its 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.
- With the hybrid water-heating system, operation can be switched to the ECOCUTE for base impact and a boiler for peak impact. Besides reducing the risk of the entire system shutting down, this reduces running costs.

■ Comparison of Annual CO₂ 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 across the board for summer and winter in homes and the private sector.

In April 2011, 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 2011, 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. Air conditioner sales companies around Japan are offering power-saving options and these have been promoted to retailers and customers.

We will continue to offer ways for customers to save energy on their existing air conditioners as well as step up our marketing strategy with the aim of securing upgrade sales of new energy-efficient models.

▶ [See Key Activities of Fiscal 2011: A Range of Power-Saving Solutions to Alleviate Japan's Energy Shortage](#) (Page 56)

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 CO₂ 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, since September 2010 we have been offering 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.

In fiscal 2011, we received a large number of requests to provide our VRV Energy-Saving Tuning service to electric utilities, particularly Tokyo Electric Power Company (TEPCO) and Kansai Electric Power Company (KEPCO), to meet their demands for saving energy. We installed approximately 12,000 systems for this service. In recognition of Daikin's installation of so many units of this highly energy-efficient system, in December 2011 we received the Ministry of Economy, Trade and Industry Award in the 8th Eco-Product Awards.

Carbon Credits for Customer CO2 Reductions

Under an emissions trading system (Domestic Clean Development Mechanism^{*1}) among companies in Japan, in March 2011 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 CO2 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 in Shiretoko, a UNESCO World Heritage Site, 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 CO2 emissions, and large corporations (those with their own action plan) can buy the CO2 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 CO2 emission reduction activities to create emission credits that go toward protecting the environment.

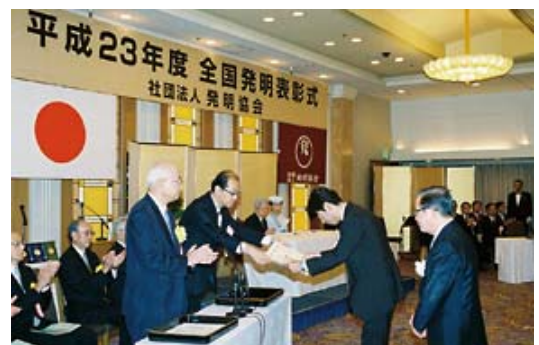
It's easy to take part in the Domestic Clean Development Mechanism: all an SME has to do is install new air conditioning or upgrade existing air conditioning in small buildings. This means they can do much more to help the environment.

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).

DESICA Commercial Humidity Controlling Heat Recovery Ventilation System Invention Award from the Minister of Economy, Trade and Industry at the 2011 National Commendation for Invention

Requiring no water drainage or supply pipes, DESICA instead uses outside air to control humidity, either humidifying or dehumidifying. Equipped with the Hybrid DESICA Element, which contains both highly efficient water absorption material and a heat exchanger, it consumes just one-sixth the energy of conventional humidity controlling devices (according to Daikin tests).

This superb performance earned Daikin the Invention Award from the Minister of Economy, Trade and Industry at the 2011 National Commendation for Invention in June 2011.



Receiving the National Invention Award

■ The DESICA Commercial Air Conditioning System



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.

T OPICS

Industry and Academia Team Up for European Net Zero Energy Project

Daikin Europe N.V. has been carrying out the European Net Zero Energy Project, an experimental cooperative project between Daikin and universities including Technical University Dortmund of Germany. 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). This office has achieved near zero net energy use by having heat pump technology generate energy equivalent to that generated by solar cells.

Daikin plans to introduce an energy control system to the project so that it can offer heat pump technology to its major customers.



Daikin receives the Deutsche Kältepreis

SKY SOLAR, Residential Solar Power System Aiming to Achieve Zero Net Energy Balance in the Home

In April 2012, Daikin Industries released its SKY SOLAR residential solar power generation system.

By giving the system air conditioning and water heating run by highly energy efficient heat pump technology, Daikin is meeting customers' energy needs. The aim of this system is to eventually help home-owners achieve a zero net energy balance.



SKY SOLAR, residential solar power generation system

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

Daikin developed ZEFFLE infrared reflective coating, a fluoro-resin-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.

Daikin is heavily promoting ZEFFLE for use on detached housing units in Japan, and it is aggressively expanding the regions where it is sold to include China, Europe, and the Middle East.

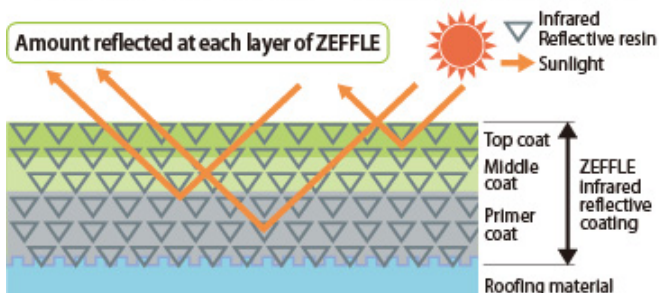
■ Features of ZEFFLE Infrared Reflective Coating

Heat-shielding effect

Reflects away 88% of the infrared rays that are converted to heat

Durability

15-20 years of protection against weathering, fouling, and rusting



■ Example of Use of ZEFFLE Infrared Reflective Coating

Ship



On this ship, ZEFFLE helps prevent salt corrosion, keep temperatures down, and maintain the appearance

Oil tank



By keeping the temperature down, ZEFFLE helps prevent the transpiration of oil vapor inside the tank

Fluorine Characteristics Help Solar Cells Last Longer

Making the most of fluoropolymers' chemical resistance, heat resistance, and weather resistance, Daikin provides materials that contribute to the spread of 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. Compared to the glass film conventionally used for surface protection, such protection film allows for the creation of versatile flexible solar cells that bring solar energy to a wider range of applications.

ZEFFLE infrared reflective coating, which is used for the back sheet to prevent the infiltration of infrared rays and moisture, both of which harm the interior of solar cells, is thinner than conventional fluoropolymer film while offering the same weather-proofing and durability.

* ETFE: A fluoropolymer with superb chemical resistance and insulation qualities. It is used as coating for items such as electrical wires.

Oil Hydraulic Equipment

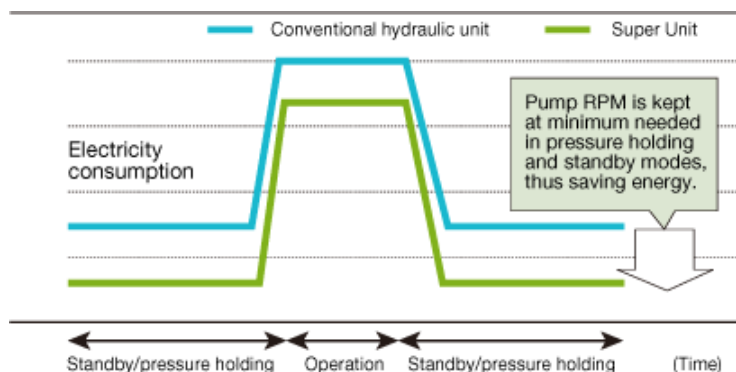
Energy-Efficient Hybrid Hydraulic Super Unit Energy Savings and Lower CO₂ Emissions in Factories

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 CO₂ 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 hydraulic equipment sales company, to expand sales in this field.

Electricity Consumption of Super Unit and Conventional Hydraulic Unit



9 Series Oil Cooling Unit

Contributes to High-Precision Machine Tools and 45% Greater Energy Efficiency

In machine tools, precision is dramatically affected by the temperature control for the lubricating oil and cooling oil. With increasingly precise machine tools comes a growing demand for detailed temperature control.

Released in June 2012, Daikin's 9 Series Oil Cooling Unit allows temperature adjustment to $\pm 0.1^{\circ}\text{C}$. In addition, with inverter control and the most advanced compressor, it offers 45% greater energy efficiency than conventional on/off controllers. As well, it has already been certified for the EU's RoHS Directive*. Daikin's 9 Series Oil Cooling Unit thus helps companies protect the environment, save energy, and boost productivity.



9 Series Oil Cooling Unit

* RoHS Directive:

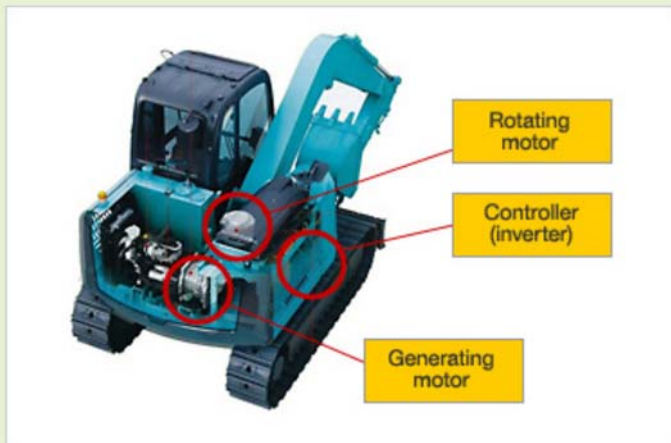
The RoHS (Restriction of Hazardous Substances) Directive is an EU directive that restricts the use of certain hazardous materials in the manufacture of various types of electronic and electrical equipment in order to reduce harmful impacts on human health and the environment.

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

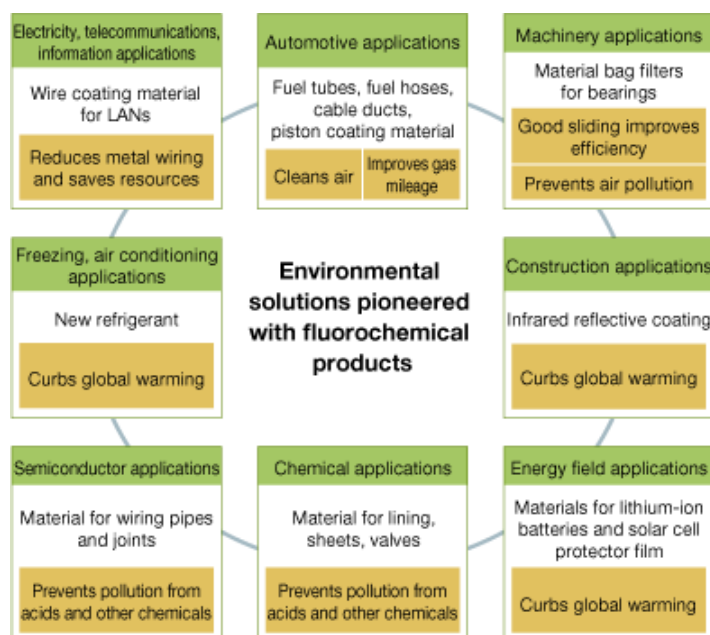
Fluorine mainly bonds with carbon atoms to become compounds that are highly stable and have useful functions such as the ability to resist heat and repel chemicals.

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

Examples that save customers energy include ZEFFLE infrared reflective coating, which can be painted onto buildings to prevent rising temperatures inside and reduce the load on air conditioning, and Neoflon ETFE, which prolongs the life of solar cells.

► For details, see [Fluorochemical Products \(Helping Customers Save Energy\)](#). (Page 93)

Environmental Solutions Pioneered with Fluorochemical Products

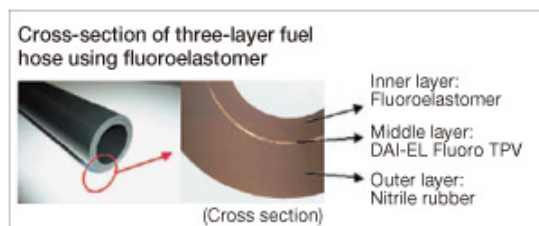


In the Automotive Industry, Fluoride Materials Reduce Leaking of VOCs

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.

In China and other emerging countries where automobile production is on the rise, fluoride materials are replacing non-fluoride materials to comply with stricter environmental regulations. This is creating increasing demand for DAI-EL Fluoro TPV and other Daikin fluoride materials.

■ Cross-section of Three-layer Fuel Hose Using Fluoroelastomer



Fluoride Materials Reduce Environmental Impact in Various Applications

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 had reduced our PFOA use by 95%. And as of the end of fiscal 2011, we had totally eliminated the use of PFOA in Japan and now aim to do the same at our bases in other countries as well.

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.

► [Recovering and Destroying Fluorocarbons from Customers' Air Conditioners](#) (Page 117)

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

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 next-generation refrigerants that contribute less to global warming than HFC, currently the most widely used refrigerant. In conducting research aimed at eventually releasing products using such next-generation refrigerants, we focus not only on their direct effect on global warming but also on their effects throughout the entire lifecycle, including 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 refrigerants, depending on whether they are used in, for example, residential or commercial air conditioners, water and space heaters, or freezing/refrigeration equipment. So that we can offer the most adequate refrigerant for each case, we are developing a range of refrigerants: everything from natural refrigerants to HFC fluorocarbons, which have a relatively low global warming potential.

We are also providing opportunities for dialogue 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.

► [Environmental Forums and Exhibits](#) (Page 150)

■ Daikin's Stance on the Environmental Impacts of Refrigerants

Refrigerants		ODP	GWP*	Flammability	Refrigerant characteristics	Daikin's stance
Current refrigerants in emerging countries	HCFC22	0.055	1,500	Nonflammable	Production to be completely phased out in developed countries by 2020. In emerging countries, production to be decreased starting in 2013 and completely phased out by 2030.	All of the major models completed refrigerant switchover from HCFC to HFC
Current refrigerants in developed countries	HFC410A	0	1,725	Nonflammable	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.	
Next-generation refrigerants	HFO1234yf/ze	0	4-6	Slightly flammable	No impact on the ozone layer and a low global warming potential. Flammable. Safety and price issues.	Seen as a possible refrigerant in the future
	HFC32	0	650	Slightly flammable	No impact on the ozone layer, and one of the lowest global warming potentials among HFCs. Flammable.	
	CO ₂	0	1	Nonflammable	No impact on the ozone layer and low global warming potential. Low efficiency when used for air conditioning.	Put into commercial production as refrigerants for hot water supply units, for which performance is equivalent to that of conventional refrigerants
	Propane	0	3	Highly flammable	No impact on the ozone layer and low global warming potential. An efficient refrigerant, but highly flammable and susceptible to explosion.	Technical development is needed to adopt as refrigerant for air conditioners in order to ensure safety

Note: Source: IPCC Second Assessment Report, other documents. HFO1234yf/ze values from ASHRAE (American Society of Heating, Refrigerating, and Air Conditioning Engineers).

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.

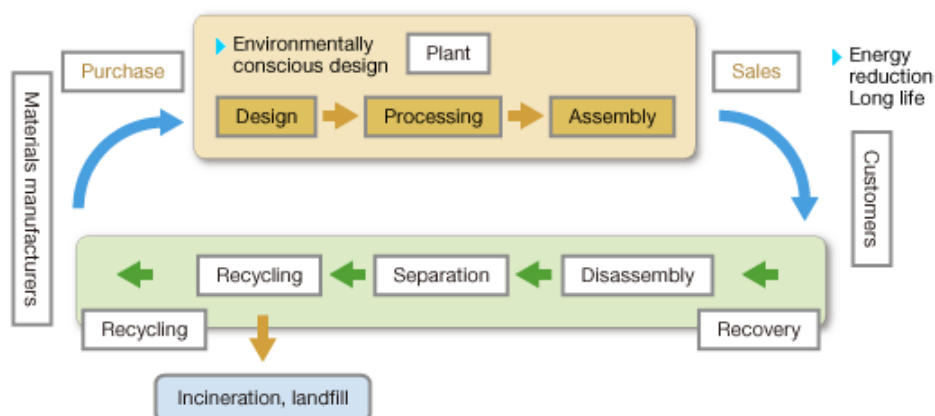
This initiative plays a key role in our product design and development. Based on product assessment, we design and develop products that are smaller and lighter, and that use materials and construction that make them easy to maintain, separate, and recycle.

► [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 <ul style="list-style-type: none"> • 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 APF (annual performance factor) does not decrease. For example, the Eco-ZEAS 80, released in May 2012, is approximately 26% lighter than our previous model thanks to innovations such as an all-aluminum heat exchanger, the first for a heat-pump-type air conditioner, and more compact electronic components.

Product Packaging Weight Reduced by 1% Since Fiscal 2010

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 2011, our distribution and design divisions worked together to make our new models stronger and develop a new structure for packaging to reduce the amount of packaging. As a result, we achieved our goal of a 1% reduction in packaging weight compared to fiscal 2010.

We are currently developing new packaging material to reach our fiscal 2012 goal of reducing packaging weight by 2% compared to fiscal 2010.

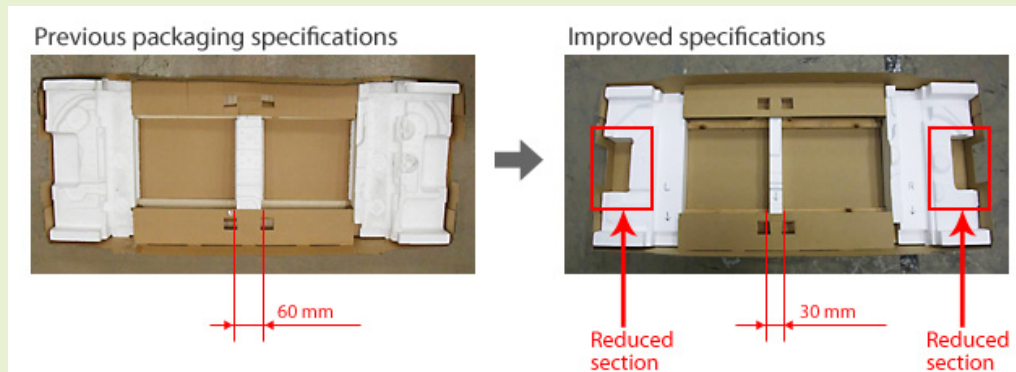
■ Amount of Packaging per Product (wood, cardboard, styrofoam, etc.)



(1)Simulation Technology Leads to an Approximately 15% Reduction in Packaging Material

Because the phenomenon of products dropping happens at such a high speed, it is difficult to understand exactly where the force of impact is concentrated on the packaging material.

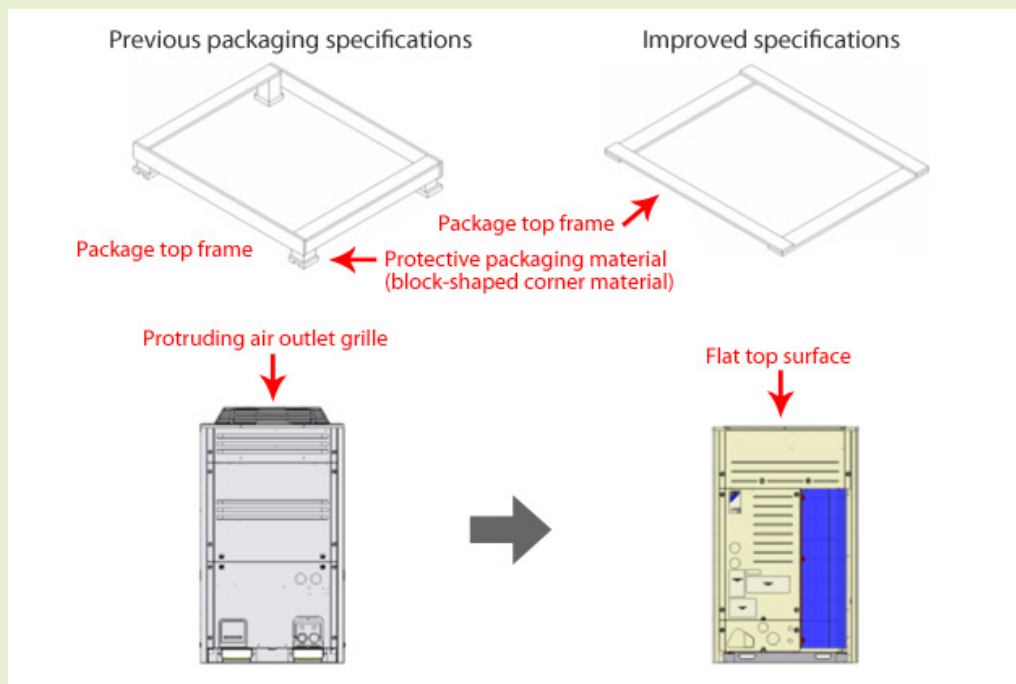
That's why Daikin decided to adopt simulation technology to make it easier to decide what shape of packaging shape would provide optimal protection against the force of impact at high velocity. Simulations allowed Daikin to reduce packaging material by 15% on the bottom of packages for exterior units for commercial air conditioners.



(2)Product Design Changes Lead to an Approximately 5% Reduction in Packaging Material

Conventionally, the top of products had protruding parts (an air outlet grille), which required packaging material to prevent these from getting damaged.

Daikin's design division solved this problem by giving the product's top a flat surface and eliminating the need for protective packaging material. This allowed us to use 5% less packaging material for the exterior unit of building air conditioners.



(3) 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.

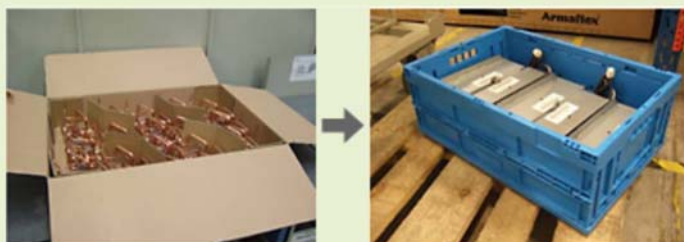
In fiscal 2007, we began using these in Europe, and Thailand started the following year. Currently about 60% of products being shipped used these returnable containers, and this has saved us about 330 tons of wood.

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

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. The company now disposes of no packaging waste—where it used to throw away 44,000 kg—and it can fit more packages into delivery trucks. The result has been CO₂ emission reductions of 8,500kg.



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



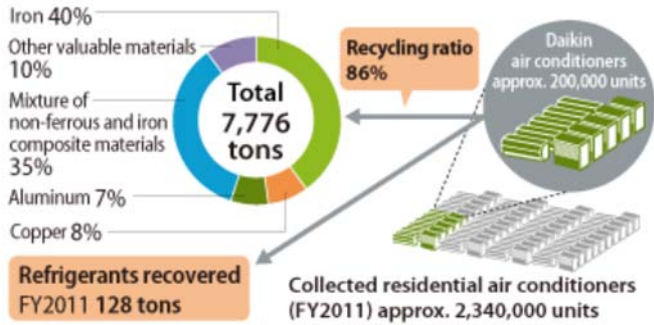
Recycling Residential Air Conditioners

Daikin Achieves Recycling Ratio of 86%, 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 2011, we recovered about 200,000 products totaling 9,017 tons. The recycling ratio was 86% and the amount of refrigerants recovered was 128 tons.

■ Recycling of Residential Air Conditioners in FY2011 (Japan)





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

Aiming to Reduce Emissions to One-Third of Fiscal 2005 Levels by Fiscal 2015

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 CO₂ emissions during production and transportation by introducing energy-efficient technologies and raising transportation efficiency.

■ [Read more](#) (See page 109)

- ▶ Reducing Overall Group Greenhouse Gas Emissions
 - Greenhouse Gas Emissions for the Entire Group (during production)
- ▶ 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 CO₂
 - Total CO₂ Emissions, CO₂ Emissions per Sales
- ▶ Reducing CO₂ Emissions during Transportation
 - CO₂ Emissions per Sales from Transportation (air-conditioning)
- ▶ Green Heart Factories and Green Heart Offices
- ▶ 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 117)

- ▶ [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: 98% in Thailand, 91% in China, 81% in Europe, and 87% 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.

[Read more](#) (See page 122)

- ▶ [Green Procurement](#)
 - [Green Procurement Rate \(Japan\)](#) 
 - [Green Procurement Rate by Region](#) 
 - [Overview of Green Procurement Guidelines, 6th Edition](#) 
- ▶ [Compliance with Restrictions on Toxic Chemicals](#)
 - [Specified Chemical Substance List \(for products\)](#) 

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

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 126)



- ▶ [Compliance with J-Moss](#)
 - [Substances Contained in Room Air Conditioners](#) 

Management of Chemical Substances

Goal to Reduce PRTR Substances in Japan by 15% Against Fiscal 2010

The Daikin Group has voluntary restrictions that its uses to strictly manage the chemical substances used in production processes in the Chemicals Division. We have set a goal of reducing emissions of PRTR (Pollutant Release and Transfer Registry) substances by 15% by fiscal 2015 compared to fiscal 2010.

■ [Read more](#) (See page 129)

- ▶ [Management of Chemical Substances](#)
 - [Release of Substances Designated by the Pollutant Release and Transfer Register Law \(Japan\)](#) 
 - [Compilation of PRTR Substances in FY2011 \(PRTR substances of which at least 1 ton was handled\)](#) 




Reducing Waste and Water

Reducing Overall Waste Emissions and Water Usage

The Daikin Group strives to reduce the amount of waste generated and make effective use of waste through efforts including material and thermal recycling.

And through measures such as improving production processes and reusing waste water, we strive for effective use of water resources.

■ [Read more](#) (See page 131)

- ▶ [Reducing Waste](#)
 - [Amount of Waste and Recycled Materials \(FY2011\)](#) 
 - [Recycling Efforts](#) 
- ▶ [Using Water Resources](#)
 - [Water Used](#) 

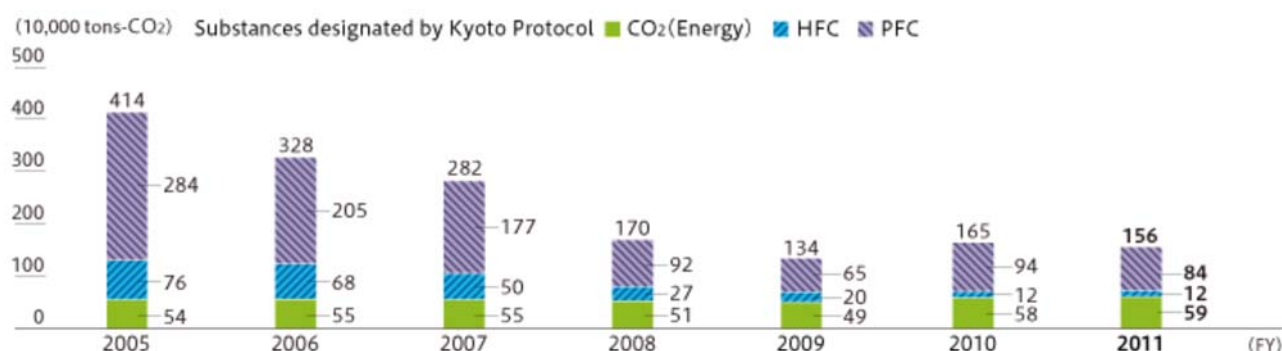
Reducing Overall Group Greenhouse Gas Emissions

Fiscal 2011 Emissions Down 62% from Fiscal 2005

One of the key environmental targets of the fiscal 2010 Fusion 15 strategic management plan is to reduce total Group CO₂ emissions to one-third of fiscal 2005 levels by fiscal 2015 (67% reduction).

As a result of efforts towards this target, overall Group greenhouse gas emissions in fiscal 2011 were 1.56 million tons-CO₂, down by 62% over fiscal 2005.

Greenhouse Gas Emissions for the Entire Group (during production)



Note: Fiscal 2015 targets include emissions of the OYL Group. The calculation standard for fluorocarbons has been unified; therefore, data back to fiscal 2005 has been revised.

Success in meeting Japan's 6% reduction target

The Daikin Group in Japan emitted 290,000 tons-CO₂ of gases designated by the Kyoto Protocol (CO₂, HFC, and PFC) in fiscal 2011, a reduction of 97% compared to the 10.33 million tons-CO₂ emitted in the base year of the Kyoto Protocol (FY1990 for CO₂, 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 2011, emissions of these two gases were 530,000 tons-CO₂.

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 CO₂, methane, N₂O, 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 73% in Fiscal 2011 Against 2005

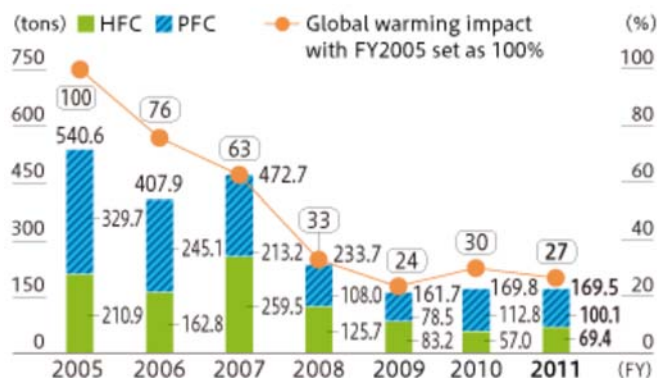
The Daikin Group emits two kinds of greenhouse gases: CO₂ from energy use, and fluorocarbons handled in the production processes.

Of these, there are four kinds of fluorocarbons released 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.

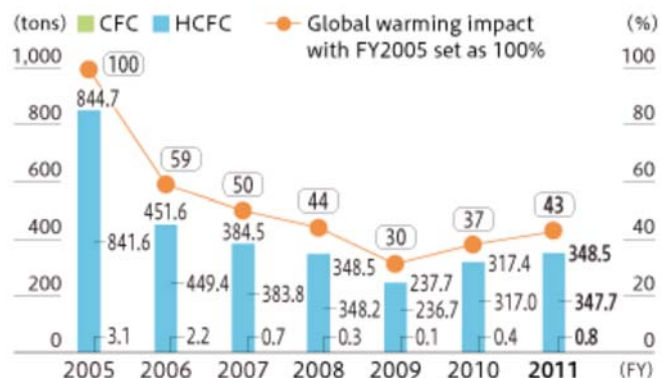
In fiscal 2011, we reduced PFC emissions in fluorochemical production processes and succeeded in lowering emissions by 100,000 tons-CO₂ over the previous year. As a result, fiscal 2011 emissions of the HFC and PFC covered by the Kyoto Protocol were 170 tons (960,000 tons CO₂ equivalent), a 73% reduction over fiscal 2005.

Fiscal 2011 emissions of CFC and HCFC were 1 ton and 348 tons respectively, a 57% 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.

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.

We are also establishing destruction facilities at manufacturing bases in China and the U.S.

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.

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.



Recovering refrigerant

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 CO₂

Production Volume Rises by 8% Over Fiscal 2010 but Energy-Induced CO₂ Rise Kept to Just 2%

In fiscal 2011, Daikin carried out a number of measures in response to energy shortages in Japan in the summer. These included shifting more work to night-time, running cogeneration systems at full capacity, reducing peak electricity by using in-house power generation equipment, and having all employees do every little thing possible in their daily work to save electricity.

At the Sakai Plant, we installed solar panels in two locations, and we installed LEDs and other energy-efficient lighting.

Overseas as well, we installed solar panels and energy-efficient lighting wherever possible. At Daikin Europe N.V., 1,932 solar panels were installed and will generate an estimated 400,000 kWh a year. Daikin Industries (Thailand) Ltd. installed LED lighting in product and parts warehouses and for outside lighting. These will contribute to reducing total CO₂ emissions by approximately 90 tons-CO₂.

As a result of these efforts, fiscal 2011 energy-induced CO₂ was up by just 2% over fiscal 2010 to 590,000 tons-CO₂, despite a production volume increase of 8%.



Daikin Europe N.V. installed 1,932 solar panels



Daikin Industries (Thailand) Ltd. installed LEDs for outside lighting

Total CO₂ Emissions, CO₂ Emissions per Sales



Daikin manufacturing bases in Belgium, the Netherlands, Italy, and France purchase green energy

Terminology

CO₂ emissions per sales

The amount of CO₂ emitted by net sales. The lower this figure, the less CO₂ a company emits per unit of production and thus the more efficiently that company can make products.

Small Efforts Add Up to More Effective Energy Use and Less Energy Wasted

Daikin employees do every little thing possible in their daily work to contribute to energy-efficient operation. For example, they turn off unnecessary lights and shut down computers when they are away from their desks.

In fiscal 2011, we responded to calls to save energy by making use of wasted energy; for example, we used wind power driven by factory exhaust air and hydropower driven by the flow of water at wastewater processing plants, and we made small solar power generators where possible.

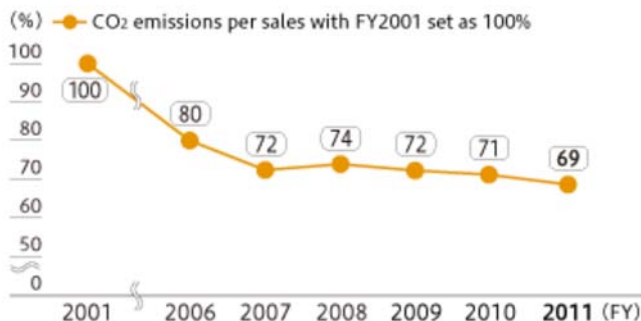
Reducing CO2 Emissions during Transportation

Shifting Means of Transport Reduced CO2 Emissions by 2.5% Over Fiscal 2010

Daikin Industries set a goal of decreasing CO2 emissions (per sales) from transportation by 2% in fiscal 2011 compared to fiscal 2010 by switching from trucks to trains and ferries. As well, we increased the use of direct shipping from overseas production sites to Japan to ensure the shortest possible transportation route.

As a result of these efforts, the modal shift rate (percentage change in means of transport) was up 2 points to 30%, and CO2 emissions (per sales) during transport were down 2.5% over fiscal 2010, exceeding our 2% target. For fiscal 2012, our aim is to increase modal shift and direct shipping to achieve a 4% decrease in CO2 emissions over fiscal 2010.

CO2 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; the result was a two-hour decrease in driving time.
- All vehicles driving at manufacturing bases turn off their engines when not moving to reduce exhaust fumes. We are also having our transport partners turn off their engines.

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.



Eco-Rail Mark

Daikin will continue shifting more products to railway shipping.

Green Heart Factories and Green Heart Offices

Daikin Launches "Green Heart Office" Initiative

The Daikin Group has been certifying environmentally conscious plants under its in-house Green Heart Factories initiative since fiscal 2005. As of the end of fiscal 2011, five bases had been certified as Green Heart Factories by scoring at least 85 points out of 100 on five criteria, and three bases had been certified as Super Green Heart Factories by scoring at least 95 points.

In fiscal 2011, Daikin began the "Green Heart Office" initiative to improve environmental consciousness at non-production bases. Activities began with a contest that invited employees to design a poster to promote and raise awareness of Green Heart Offices. The winning poster has been put up in Daikin offices.



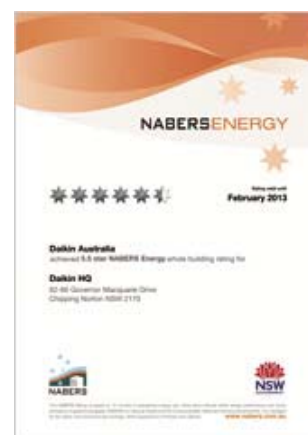
Green Heart Office promotion poster

Saving Energy at Overseas Bases

Overseas Bases Certified for Energy-Efficient Buildings

In fiscal 2011, the McQuay International parts warehouse in Dayton, Ohio earned Energy Star certification for meeting strict criteria including comfort and energy performance.

In addition, Daikin Australia's head office building was one of just a handful to receive a rating of 5.5 stars in NABERS (National Australian Built Environment Rating System) ratings.



Certificate of NABERS certification

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.

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.



At the awards ceremony

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.

In fiscal 2011, the company generated 4,500 kW from hydropower and 4,248 kW from wind power to run lighting inside and outside the factory.



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 CO₂.

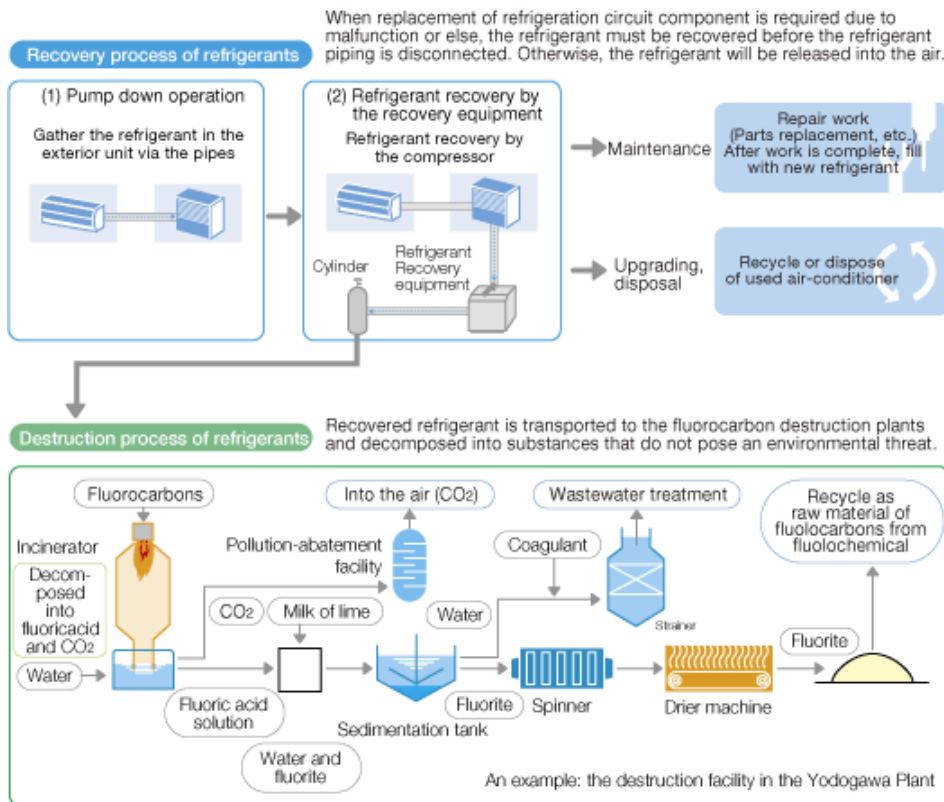
As an air conditioner manufacturer, Daikin has taken responsibility to prevent fluorocarbons from entering the atmosphere. We are also conducting research and development into refrigerants with a low global warming potential and preventing the release of fluorocarbons (refrigerants) into the atmosphere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

At all worldwide production bases, we recover and destroy refrigerants placed in air conditioners during testing and other processes. During maintenance and upgrading of customers' air conditioners, the service or installation staff always start by thoroughly recovering the refrigerant. We also constantly improve the skills of installation staff to ensure the work is done properly and that no refrigerant leaks during product use.

Efforts to Prevent Environmental Burden from CFC Emissions



Recovery and Destruction of Refrigerants



Efforts in Japan

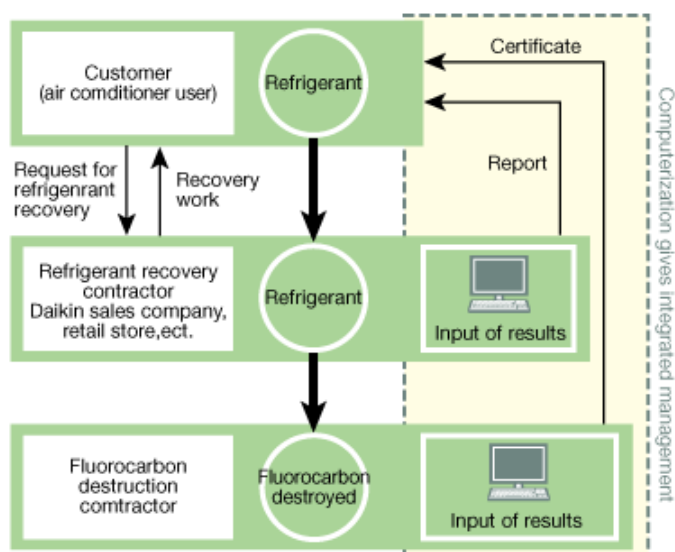
Refrigerant Recovery Network System

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.

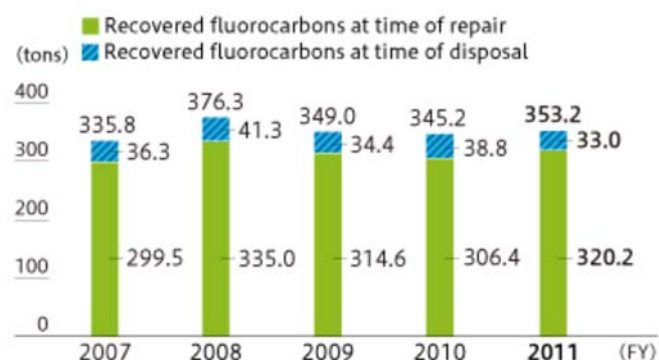


Taking Calls 24 Hours a Day, 365 Days a Year for Recovery and Destruction (Fluorocarbon Recovery and Destruction Business)

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 2011, 353 tons of fluorocarbons were recovered.

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



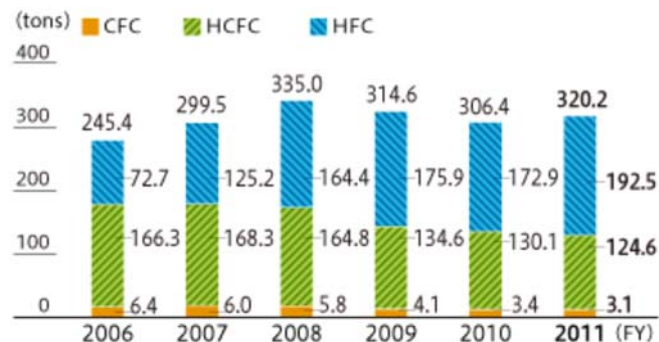
Fluorocarbon destruction facilities
(Yodogawa Plant)

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 2011, a total of approximately 320 tons of refrigerants was 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 2011, 1,274 people, mostly from retailers and installers, passed the test. Of all those registered as refrigerant recovery technicians in Japan, 37.6% took the Daikin technician training course.

As well, 251 employees of Daikin Industries and Group companies passed training in leak detection sponsored by the Japan Federation of Construction Contractors.



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 with the goal of preventing faulty pipe installation, one of the causes of refrigerant leaks. We also became the first manufacturer to establish an in-house system for certifying that refrigerant pipe installers have outstanding knowledge, techniques, skills, and ethics in this area.

As of the end of fiscal 2011, 552 retailers and installers had been certified.



Refrigerant pipe installation training

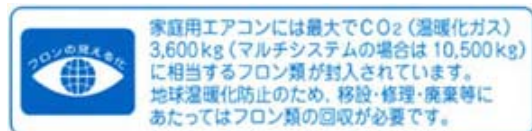
Visual Representations of Refrigerants in Refrigeration and Air Conditioning Equipment

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)

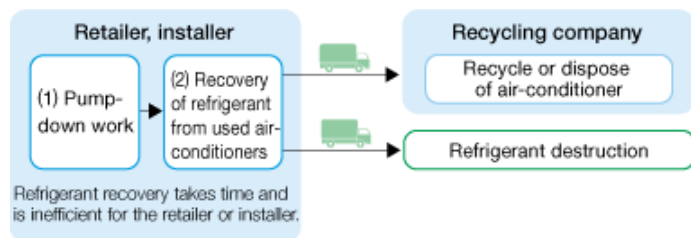


Recycling System for Commercial Use Air Conditioners Covering Multiple Regions, System Properly Recovers and Destroys Refrigerants

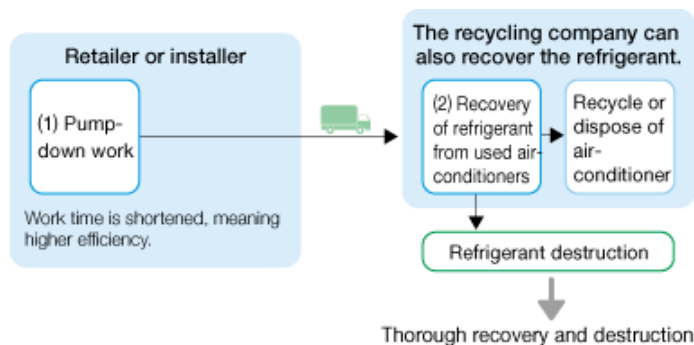
Under the Home Appliance Recycling Law, manufacturers are obligated to recover refrigerants, materials, and parts from used residential air-conditioners for recycling. But there is no similar law for commercial air-conditioners. For this and other reasons, manufacturers cannot get a clear picture of 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

Green Procurement Guidelines Revised to Cover Biodiversity

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.

We revised these guidelines in January 2012, adding provisions for biodiversity and changing requirements for chemicals in materials. Meetings were held to explain the revised guidelines to suppliers.

Overseas, we began new green procurement activities in India and other emerging countries, while in countries like Thailand and China, which already have a high green procurement rate, we are devising higher procurement standards.

Striving for a Higher Green Procurement Rate

In fiscal 2011, Group companies in Japan had a green procurement rate of 96%. We also designated suppliers who scored 100 points on the survey as 'green suppliers', and for those that did not we are discussing individual measures that will remedy their particular problems. In fiscal 2011, green suppliers accounted for 53% of all our suppliers.

Our air conditioner production bases in Southeast Asia, China, Europe, and Oceania also strive for green procurement. Surveys conducted in these countries showed that the fiscal 2011 green procurement rate was 84% for all regions.

We will continue to hold meetings for suppliers to explain the importance of green procurement and further raise the green procurement rate.

Green Procurement Rate (Japan)



Green procurement briefing in Suzhou, China

Green Procurement Rate by Region (%)

	Japan	China	Thailand	Other countries in Asia and Oceania	Europe	North America	All regions
FY2009	99	89	97	85	63	-	83
FY2010	99	89	97	85	82	45	87
FY2011	96	91	98	87	81	3	84

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

Environmental Management Conditions for Suppliers

- An ISO 14001-certified environmental management system
- Compliance with relevant laws and regulations
- Promotion of voluntary activities of improving environment energy conservation, waste reduction, and improvement of transport means
- Provision of necessary environmental information upon request from Daikin

Product-Related Conditions

- Chemical substance management
 1. Restrictions on use of chemical substances
 2. Cooperation to investigation of chemical substances
 3. Voluntary reduction of substances ranked to reduce, and the implementation of adequate management procedures of them
- Reduction of packaging materials
- Use of eco-friendly design

▶ For details, see the Green Procurement Guidelines. (Responsibility to Business Partners) (Page 221)

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. We will continue to make the necessary additions and changes to our guidelines based on data newly released by relevant organizations.

* 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.

■ 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 Polychloronaphthalenes (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 Dimethylfumarate (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 is prohibited as of January 2012 (January 2015 for certain substances). The use of DOTs is 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

To ensure compliance with the REACH Regulation on chemical substances, 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, a comprehensive database of more than 200,000 material safety data sheets. 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' CO₂ 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 CO₂. Product assessment makes possible traceability through a system for determining CO₂-equivalent values by type of fuel and energy-based CO₂-equivalent values by country.

► For details, see [Products That Help Customers Save Energy in the section Low-Impact Products](#). (Page 92)

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.



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)

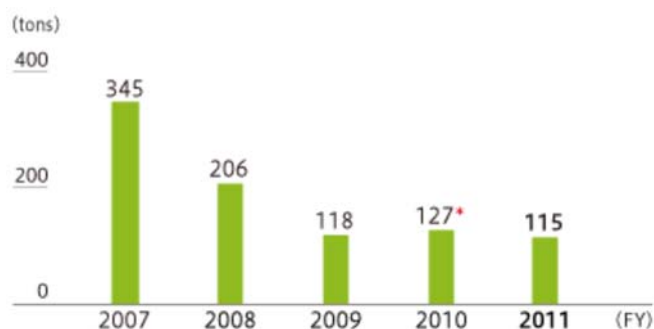
Management of Chemical Substances

Emissions of PRTR Substance Down by 10%

The Daikin Group in Japan is working towards a target of reducing emissions of PRTR substances in fiscal 2015 by 15% compared to fiscal 2010.

We raised our collection rate for methylene chloride and in fiscal 2011 emitted 115 tons, down 10% against fiscal 2010.

Release of Substances Designated by the Pollutant Release and Transfer Register Law (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 FY2011 (PRTR substances of which at least 1 ton was handled)

	Substance name	Amount emitted(tons)			Amount transported (tons)	
		Air	Public waterways	Soil	Waste	Sewage
104	Chlorodifluoromethane (also called HCFC-22)	51.67	0.00	0.00	2.99	0.00
186	Dichloromethane (also called methylene chloride)	40.44	0.00	0.00	0.00	0.00
103	1-chloro-1,1-difluoroethane (also called HCFC-142b)	10.86	0.00	0.00	0.00	0.00

	Substance name	Amount emitted(tons)			Amount transported (tons)	
		Air	Public waterways	Soil	Waste	Sewage
300	Toluene	3.19	0.00	0.00	0.06	0.00
384	1-bromopropane	1.60	0.00	0.00	0.00	0.00
105	2-Chloro-1,1,1,2-tetrafluoroethane (also called HCFC-124)	1.29	0.00	0.00	0.00	0.00
80	Xylene	1.14	0.00	0.00	0.06	0.00
392	Normal hexane	0.88	0.00	0.00	0.00	0.00
127	Chloroform	0.73	0.00	0.00	0.11	0.00
53	Ethylbenzene	0.67	0.00	0.00	0.01	0.00
240	Styrene	0.24	0.00	0.00	0.00	0.00
374	Hydrogen fluoride and other water-soluble salts	0.21	0.00	0.00	106.69	0.00
232	N,N-dimethylformamide	0.01	0.00	0.00	5.85	0.00
13	Acetonitrile	0.00	0.00	0.00	1.37	0.03
4	Acrylic acid	0.00	0.00	0.00	21.62	0.00
407	Polyoxyethylene alkyl ether (those whose alkyl group carbon number is between 12 and 15, or compounds of these)	0.00	0.29	0.00	72.47	0.00
71	Ferric chloride	0.00	0.00	0.00	5.93	0.00
336	Hydroquinone	0.00	0.00	0.00	2.68	0.00
1	Water soluble lead compounds	0.00	0.00	0.00	0.98	0.14
31	Antimony and antimony compounds	0.00	0.00	0.00	0.39	0.00
460	Tritolyl phosphate	0.00	0.00	0.00	0.05	0.00
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
20	2-aminoethanol	0.00	0.00	0.00	0.00	0.30
149	Carbon tetrachloride	0.00	0.00	0.00	0.00	0.00
28	Allyl alcohol	0.00	0.00	0.00	0.00	0.00
272	Water-soluble copper salt (except complex salts)	0.00	0.00	0.00	0.00	0.00
Total		112.94	0.29	0.00	221.31	0.48

Reducing Waste

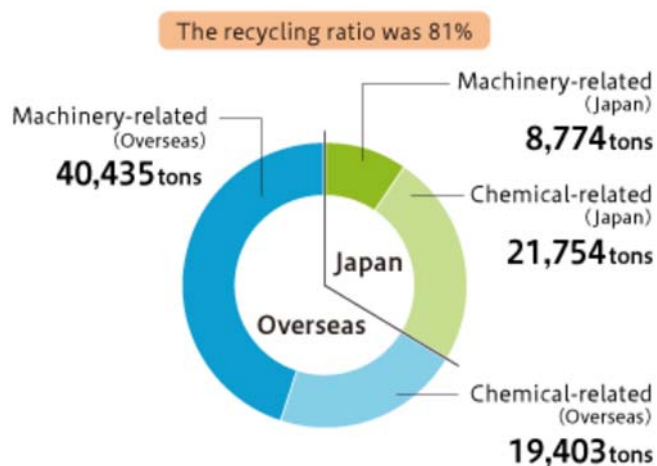
Waste Generated Per Unit Reduced by 1%

Besides working to reduce the amount of waste generated, the Daikin Group is making effective use of waste through methods such as material and thermal recycling.

The machinery divisions have set targets for waste reduction per unit: a 5% reduction in fiscal 2015 against fiscal 2010 at production bases in Japan, where such measures have been implemented a relatively long time; and a 10% reduction at overseas production bases, where there is still plenty of room to achieve reductions. In the Chemicals Division, we have set a target to reduce waste to landfill by 50%.

In fiscal 2011, the entire Daikin Group achieved a 1% reduction in waste per unit against fiscal 2010. The recycling ratio was 81%.

Amount of Waste and Recycled Materials (FY2011)



Thailand: Recycling Grinding Sludge

Daikin Compressor Industries Ltd. (DCI; head office: Thailand), the manufacturing base for compressors for residential air-conditioners, mixes equal parts of the sludge from grinding and the cutting debris from casting, dries the mixture out, compresses it, and recycles it as casting material. The company was able to recycle 145 tons of sludge in this way in fiscal 2011.



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 pallets



Making charcoal (activated charcoal)

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. In fiscal 2011, we stepped up efforts to separate plastic waste and were thus able to achieve a 30% increase in use of recycled materials against fiscal 2010.

In the Chemicals Division, we incinerate waste on site to create raw materials we can use. At the Kashima Plant, we have reduced the amount of sludge requiring processing by drying it to reduce the water content.

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

Using Water Resources

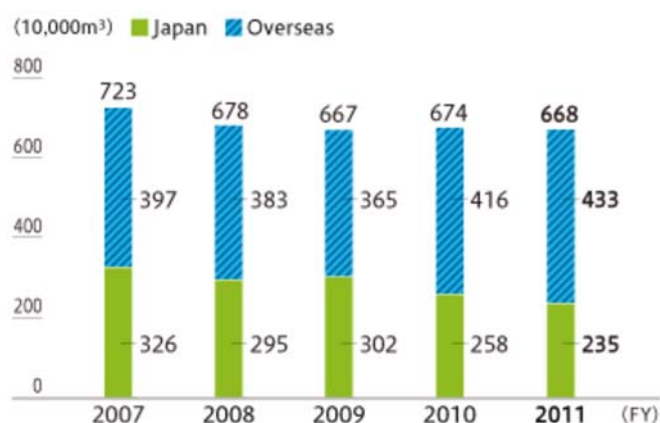
Proper Water Use through Regular Monitoring

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 reuse as much waste water as possible. As targets for fiscal 2015 against fiscal 2010, we aim to reduce water use by the Daikin Group in Japan by 5% and water use per unit at overseas bases by 10%.

In fiscal 2011, we focused on improving the management of equipment that uses water at Japanese plants, and the result was a 3% reduction in water used against fiscal 2010. Overseas, through efforts such as reducing water use by improving production processes, and reusing waste water for toilets and other purposes, water use per unit was down 5% over fiscal 2010.

We aim to further reduce waste water amounts, and we are looking into a waste water recycling system as one way to do this.

Water Used

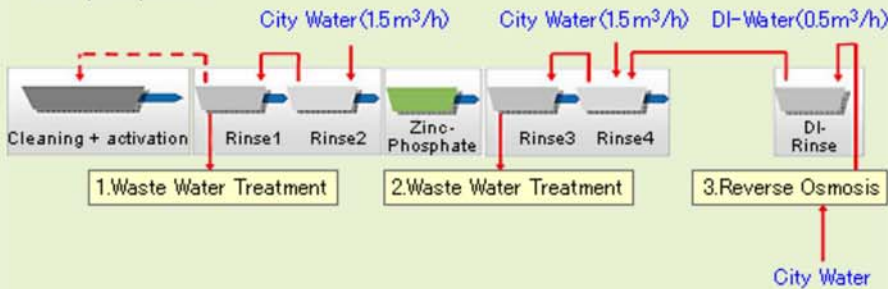


Belgium: Metal Treatment Process Altered to Reduce Cleaning Water Use by 70%

In August 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%. Our next goal is to reduce the use of water in our quality control divisions.

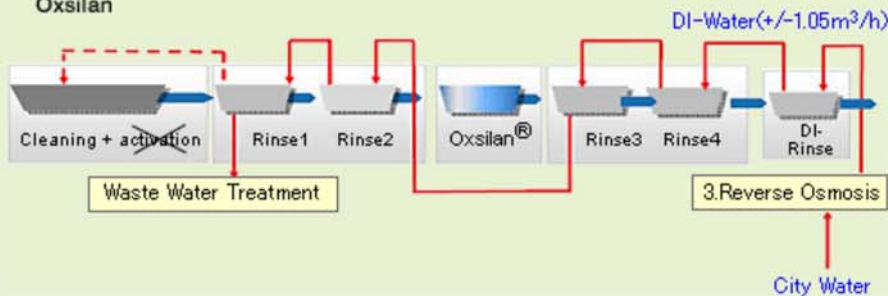
Before

Zinc phosphate



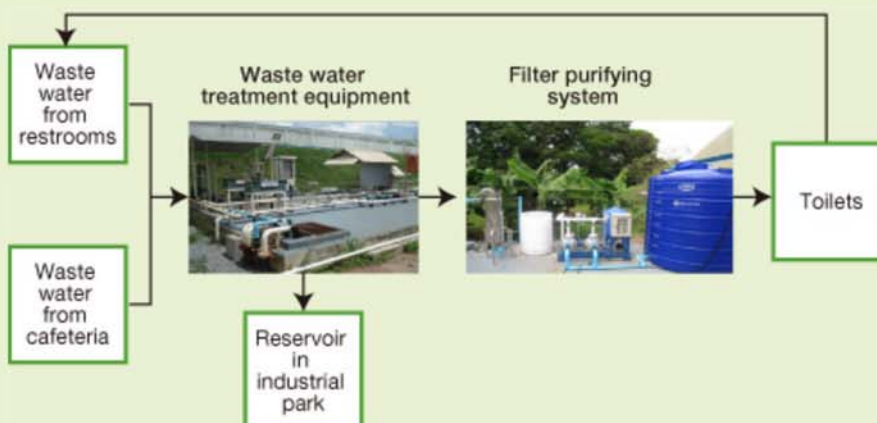
After

Oxilan



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. This new filter system contributed to the reuse of 10,578 m³ of water in fiscal 2011.





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.

In fiscal 2011, we began creating environmental management systems at our worldwide bases, including companies in the OYL Group, which joined the Daikin Group in 2006.

[Read more](#) (See page 137)

- ▶ Environmental Management System
 - System Driving Environmental Management
 - Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification (FY2011)
 - 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 141)

- ▶ Environmental Audits
 - Report from Audits (FY2011)

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 142)

- ▶ 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 FY2011, we spent 12% 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 145)

- ▶ 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 148)

- ▶ Environmental Education
 - FY2011 Environmental Education (All Daikin Group Companies in Japan) 

Environmental Management System

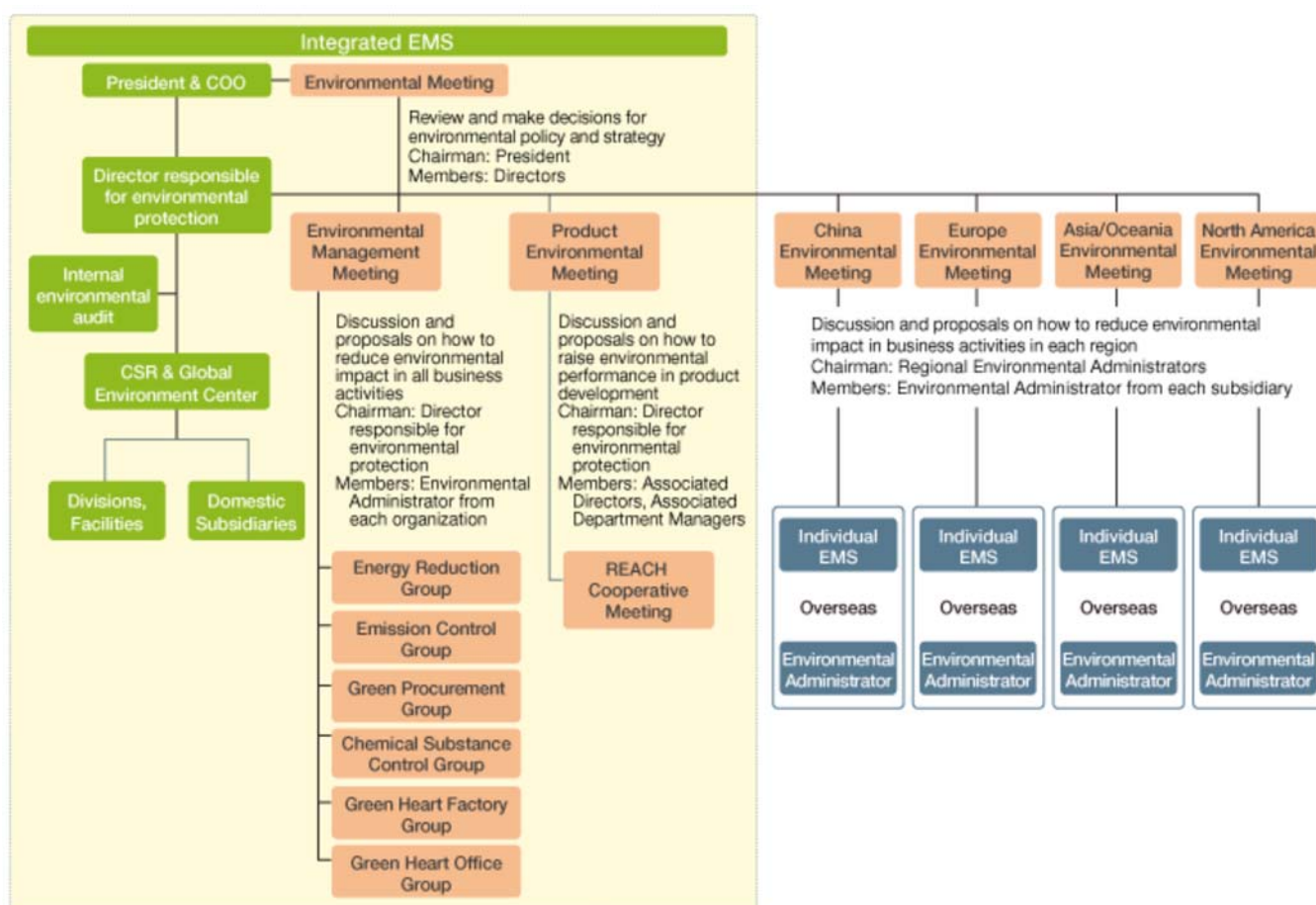
Creating Integrated Group Environmental Management

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. The ratio of Daikin Group employees (including those of the OYL Group) belonging to facilities that have obtained ISO 14001 certification is 87%. In fiscal 2011, we began pursuing environmental management, with the OYL Group included in our medium- and long-term action plan and aiming for the same targets as the rest of the Daikin Group.

System Driving Environmental Management



■ Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification (FY2011)



Building an Integrated EMS and Taking Environmental Action in Japan

In 1996, individual production bases in the Daikin Group in Japan began creating and operating their own EMS for the sake of environmental protection.

In 2004, based on a policy that advocated the integration of environmental and business activities and the full-fledged pursuit of environmental management, all bases and subsidiaries (including non-production bases) in Japan received integrated certification for ISO 14001, and this gave us a system for conducting environmental management across the entire group in Japan, including non-production bases such as sales companies. Each company division conducted business in its own environment-friendly way; for example, sales divisions carried out environmentally conscious marketing and design divisions designed products for minimal environmental impact.

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, Overseas)

■ Daikin Bases Certified for ISO 14001 (Japan)

Japan	1996: Daikin Industries Group in Japan*
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* 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 2012)

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.
Nov. 2004	Shenzhen McQuay Air Conditioning Co., Ltd.
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.
Mar. 2007	OYL Technology Sdn. Bhd.
May 2007	McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.
May 2007	Daikin (China) Investment Co., Ltd.
Jul. 2007	PT. OYL Sentra Manufacturing
Aug. 2007	Daikin Airconditioning (Malaysia) Sdn., Bhd.

Date	Subsidiary certified
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.
Dec. 2007	O.Y.L. Manufacturing Co. Sdn. Bhd.
Jan. 2008	Cri-Tech Inc.
Jan. 2008	AAF (Shenzhen) Co., Ltd.
Jan. 2008	AAF (Suzhou) Co., Ltd.
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Shanghai Branch
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Beijing Branch
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Guangzhou Branch
Mar. 2008	Daikin America, Inc. (Orangeburg)
Jun. 2008	Daikin Chemical Europe GmbH
Jun. 2008	McQuay Suzhou
Jul. 2008	Daikin Device Czech Republic s.r.o.
Sep. 2008	Daikin Airconditioning Portugal S.A.
Nov. 2008	OYL Research & Development Centre Sdn Bhd
Jan. 2009	Daikin Airconditioning Greece S.A.
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
Apr. 2009	Daikin Air Conditioning South Africa
Dec. 2009	Daikin Turkey A.S.
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)
Jul. 2010	Daikin Refrigeration (Suzhou) Co., Ltd.
Oct. 2010	AAF Internation sro (Slovakia)
Nov. 2010	McQuay (Auburn)
Jan. 2011	AAF-International B.V. (The Netherlands)
Mar. 2011	Daikin Airconditioning Netherlands B.V.
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 undergo annual internal audits performed by third-party certification institutes based on ISO 14001.

In fiscal 2011, internal audits were performed by 68 auditors. Besides conducting comprehensive inspections on the environmental risks involved in constant operation of factories with consideration for factors like earthquakes and revisions in laws, the auditors confirmed that the bases were taking environmental measures to develop and sell environmentally conscious products. Daikin will continue to make improvements based on audit results.

■ Report from Audits (FY2011)

	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non-conformance	2	0
Minor non-conformance	38	0
Items improved	219	5

Training Internal Auditors

There are currently 73 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.

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

Measures and Drills Prepare Bases for Earthquakes and Tsunamis

We have systems in place that allow us to minimize environmental damage if there should be an accident or calamity at Daikin production sites around the world. The Chemicals Division and machinery divisions created the Disaster Prevention Manual, which details how to deal with emergencies like chemical and oil leaks and spills. The manual is the basis for regular emergency drills.

In fiscal 2011, we strengthened measures to prepare for earthquakes at bases in Japan, and we held disaster drills to practice what to do in case of an earthquake or tsunami. At the Yodogawa Plant, which manufactures fluorochemical products and oil hydraulics products, we reinforced measures in order to be ready for a magnitude 6 earthquake and subsequent two-meter tsunami two hours later. We also created a hazard map with provisions for the emergency shut-down of the plant before the arrival of the tsunami and methods for handling dangerous chemicals. An evacuation drill involving 2,000 employees was also conducted.



Disaster prevention drill (Yodogawa Plant)

Daikin's overseas bases also carry out regular drills that simulate a range of emergency situations.



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

► [Preparing for Earthquakes](#) (Page 27)

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 and communicate with government organs based on the principles of responsible care*.

In recent years, we have conducted regular exchanges with the public through neighborhood community association gatherings and plant tours, and we are working to establish systems of communication with these bodies so that both Daikin and the surrounding communities are prepared for emergencies.

* 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.

▶ 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 242)

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 97)

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 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) (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) (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 completed disposal of all of its condensers (two only). In fiscal 2011, the Shiga Plant disposed of three of its five condensers. Because JESCO does not yet have a disposal plan for ballasts, the remaining two 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: 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.

FY2011 Environmental Accounting Figures

Total environmental protection costs in FY2011 were ¥21.4 billion (investment in equipment: ¥4.1 billion; expenses: ¥17.3 billion), up 12% over the previous year. Research and development costs accounted for 71% 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.

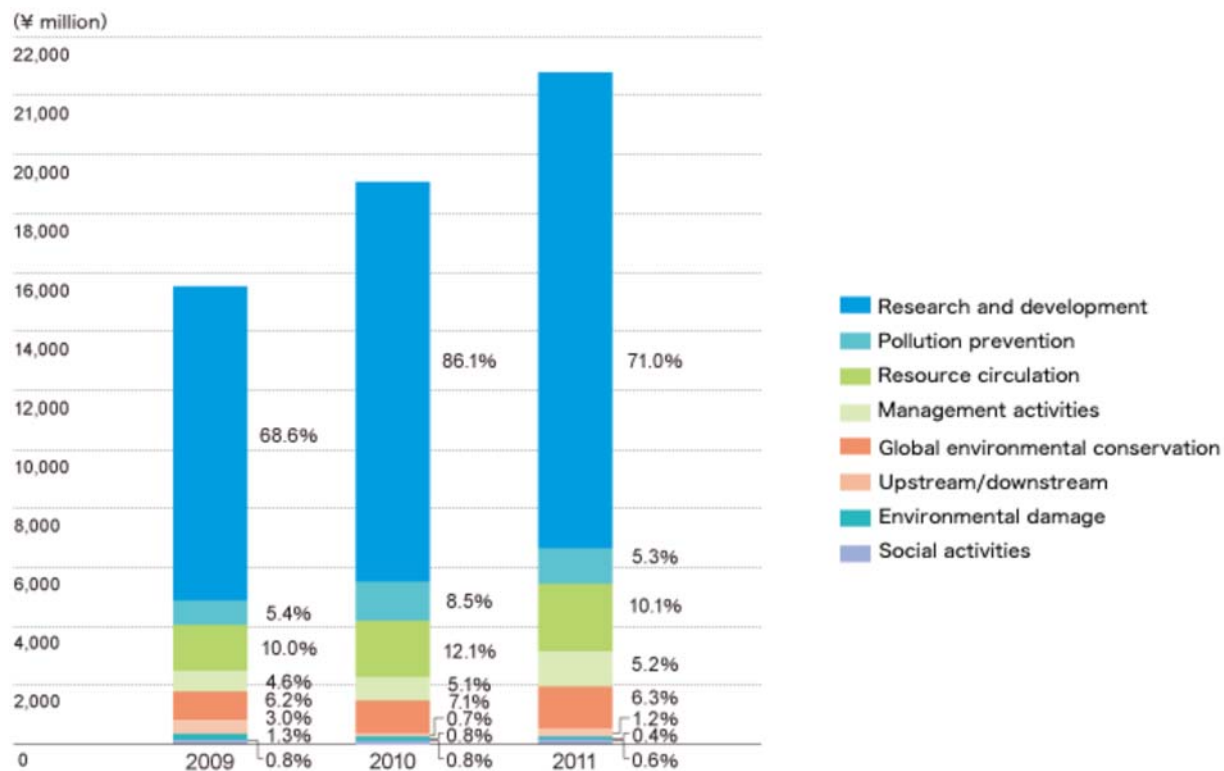
Effects of Environmental Conservation

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)



FY2011 Environmental Costs

(¥ million)

Cost of environmental conservation					
Category	Major activities	FY2010		FY2011	
		Amount of equipment invested	Expenses	Amount of equipment invested	Expenses
Cost in business area		985	3,372	955	3,678
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.	372	967	170	959
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	566	551	727	619
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	47	1,855	59	2,100
Upstream/downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	0	104	1	263

Category	Major activities	FY2010		FY2011	
		Amount of equipment invested	Expenses	Amount of equipment invested	Expenses
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	26	771	13	1,096
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	2,579	10,959	3,107	12,083
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	1	126	0	126
Environmental damage	Costs for purification of polluted groundwater and soil.	0	133	2	81
Total		3,590	15,466	4,078	17,326
Total of investment in facilities within the period			28,800		48,300
Total of investment in R&D activities within the period			30,800		33,000

Effects of environmental conservation				
Effects			FY2010 figures	FY2011 figures
Effects corresponding with costs within business area	1. Effects of the resources used for business activities	Energy consumption	97,483 tons-CO ₂	34,203 tons-CO ₂
		Reduction in water consumption	2,543,323m ³	573,664m ³
	2. Effects against environmental impacts and waste resulting from business activities	Reduction in fluorocarbon emissions	110 tons	6 tons
		Reduction in waste materials	497 tons	-47 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	250,000 units 345 tons 145.6 tons	203,000 units 353 tons 134.8 tons

(¥ million)

Economic benefits of environmental conservation efforts (monetary benefits)			
Effects			
		FY2010	FY2011
Profit	Profit from sale of recycled waste	621	1,426
Reduction in expenses	Reduction in energy expenses resulting from energy conservation efforts	515	366
	Reduction in waste disposal expenses resulting from resource conservation or recycling resources	-363	-22

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 divisions in Japan have conducted a range of environmental activities at the company and employees' homes.

Eco-action in fiscal 2011, included saving workplace electricity in every way possible and turning off all lights and air conditioning before leaving the company at the end of the day.

PR and educational tools to raise employees' environmental awareness



In-house environmental newsletter



E-learning textbook

FY2011 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. Topics taken up in fiscal 2011 were electricity savings, the dangers of water resource exhaustion, and community environmental contribution.		
Environmental strategist education	Managers and other heads of relevant work areas	Held at 14 sites in nine regions (Hokkaido, Kanto, Tokai, Hokuriku, Kinki, Chugoku, Shikoku, Kyushu, Okinawa)
(1) Specifying environment-related laws, etc. (2) Periodic assessment of legal compliance (3) Work related to legal compliance (managing waste disposal, fluorocarbon recovery roadmap, and recycling of appliances)		



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 150)

- ▶ [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 153)

- ▶ [Efforts Overseas](#)
- ▶ [Efforts in Japan](#)
- ▶ [Employees' Daily Efforts](#)

Environmental Forums and Exhibits

Exchanging Opinions with Experts 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, since fiscal 2007 we have held forums in Europe, China, and North America that have given us ideas to use in our product and business development.

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. At air conditioner forums, we have also exchanged opinions on pressing worldwide tasks including energy management that gives better energy efficiency of building equipment such as air conditioners.



Air conditioner forum in the United States



Daikin displayed air conditioners using a new type of refrigerant at an international trade show

Daikin Cooperates in Formation of Environmental Policy

Daikin Calls on All Concerned Parties to Participate in Selection of Next-Generation Refrigerants

Emerging nations are studying which refrigerants should replace HCFC in accordance with the Montreal Protocol's restrictions on ozone-depleting substances.

Daikin Industries 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.



Opinion exchange at an international conference

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

In fiscal 2011, Daikin ran ads inside trains in Japan on the topic of saving energy. The ads gave commuters easy ways to save energy and showed the energy-saving solutions offered by the Daikin Group.

あなたの節電の力になりたい。

あなたの部屋のエアコンを、もっと節電上手にするリモコン。その名は「ミハリモ」。

世界最大の空調メーカーとして、空調の分野で最も信頼されているDaikin。でも、空調はエネルギーを大量に消費する。そんな課題を解決するために、私たちは「ミハリモ」を開発しました。これは、エアコンの運転を最適化し、エネルギーを節約するためのリモコンです。あなたの部屋のエアコンを、もっと節電上手にするリモコン。その名は「ミハリモ」。

お問い合わせ先: 株式会社ダイキン エネルギーソリューションズ
TEL: 0120-33-9284 <http://www.daikin.co.jp/energy/>

あなたの節電の力になりたい。

知って活かせば効果上がる。
「エアコンの節電の知恵」。
ダイキンがお伝えします。

- ① エアコンのフィルターは、定期的に掃除・洗浄し、空気の通りを良くする。
- ② 設定温度を適切に設定する。夏は26℃、冬は20℃を目安に。
- ③ 室外機は日陰に設置する。直射日光は避け、風通しを良くする。
- ④ 電源は必要時だけつける。長時間の留守時は、電源を切る。
- ⑤ 節電モードを利用する。睡眠中や外出時は、節電モードに設定する。
- ⑥ 節電モードを利用する。睡眠中や外出時は、節電モードに設定する。

ご家庭のエネルギー消費を削減し、環境にやさしい生活を実現しましょう。お問い合わせ先: 株式会社ダイキン エネルギーソリューションズ
TEL: 0120-33-9284 <http://www.daikin.co.jp/energy/>

■ Ads in Five National Newspapers

The message was that Daikin technologies contribute to energy efficiency and energy savings.

ダイキンは空調世界 No.1 企業です。

Why!
How!
What!

ダイキンの技術で、
省エネルギーへ、そして節電へ。

0120-37-9244

The advertisement features a large, glowing globe in the center, surrounded by several smaller, translucent bubbles. The background is a deep blue sky with white clouds. The text is in Japanese, with the headline 'ダイキンは空調世界 No.1 企業です。' (Daikin is the No. 1 company in the air conditioning world.) at the top. Below the globe, there is a Venn diagram with three overlapping circles labeled 'Why!', 'How!', and 'What!'. To the right of the diagram, there is a block of small Japanese text. At the bottom right, the slogan 'ダイキンの技術で、省エネルギーへ、そして節電へ。' (With Daikin's technology, towards energy saving and saving electricity.) is displayed. The contact number '0120-37-9244' is at the bottom right.

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

TOPICS

Teaching Children in China the Importance of Environmental Protection

On June 1, 2011, International Children's Day in China, Daikin (China) Investment Co., Ltd. held an event to convey the importance of environmental protection to children. The 94 parents and children who took part planted vegetables to better understand ecosystem balance and environmental protection.



Parents and children become more environmentally aware by planting vegetables

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.

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. In fiscal 2011, 40 schools took part in the program, and 15 of these welcomed Daikin employees to lead the lessons.



Students role-play in a forestry issues discussion

[See The Circle Of Life \(available in Japanese only\)](http://www.daikin.co.jp/csr/edu/index.html) (<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 are assessed with questionnaires and given points based on level of environmental awareness, participation in community environmental protection activities, and efforts to protect the environment 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. In fiscal 2011, the parties agreed to begin planting trees in the park as a way to promote and protect biodiversity. In March 2011, this project earned the Shiga Plant an award from Kusatsu City for global warming prevention activities. Kusatsu City is promoting the project on its website and at various events.

► For details, see [Report by Business Site \(Shiga Plant\)](http://www.daikin.com/csr/environment/site_data/shiga.html).
(http://www.daikin.com/csr/environment/site_data/shiga.html)



Planting cherry trees



The group of 40 employees who earned the right to plant cherry trees



Biodiversity is the source of so many of the good things in our life. For example, our rich forests provide us with oxygen through photosynthesis, and they act as natural air conditioners by giving off water vapor that keeps atmospheric temperature from rising. As a company whose job it is to provide comfortable air environments, Daikin likes to call forests "nature's air conditioners". That's why we do all we can to protect the world's forests.

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 157)

- ▶ [Basic Policy of Protecting Biodiversity](#)
 - ▶ [Daikin's Philosophy for Biodiversity Protection](#) 
- ▶ [Efforts in Nature Preservation Areas](#)
- ▶ [Projects in Surrounding Neighborhoods](#)
- ▶ [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 163)

- ▶ [Supporting Children's Education](#)
- ▶ [Employee Environmental Volunteers](#)



Basic Policy of Protecting Biodiversity

Protect and Rejuvenate the Gifts of Nature

Human society is made possible thanks to the many blessings of biodiversity. For example, our rich forests provide us with oxygen through photosynthesis, and they act as natural air conditioners by giving off water vapor that keeps atmospheric temperature from rising. As a company whose job it is to provide comfortable air environments, Daikin likes to call forests 'nature's air conditioners.' That's why we do all we can to protect the world's forests.

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 Policy of 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.

■ Daikin's Philosophy for Biodiversity Protection



▶ See Key Activities of Fiscal 2011: Protecting the Natural Environment of Shiretoko (Page 67)

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 100m² 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 100m² 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-m² 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 100m² Movement, Iwaobetsu River Basin, Hokkaido)



▶ See Key Activities of Fiscal 2011: Protecting the Natural Environment of Shiretoko (Page 67)

▶ Protecting the Natural Environment of Shiretoko: People and Nature Living in Harmony

(<http://www.daikin.com/csr/shiretoko/index.html>)

Working to Rejuvenate Forests in Indonesia

Since June 2008, Daikin Industries has been working with international NGO Conservation International (CI) 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.

In the three years up to June 2011, about 80,000 trees (local species) were planted on 200 hectares with the help of 551 local farmers and 20 national park rangers. And under a three-year agreement between Daikin Industries and CI, the project will continue with the rejuvenation of 100 hectares of forest by 2014.

The reforestation project is an effort conducted in unison with Daikin customers. For details of this project, called Daikin Re: Air Conditioner Project, see the following websites.



Trees were planted with local farmers and park rangers
(c) Conservation International, Photo by Anton Ario



A project to bring water to a village that previously had no running water
(c) Conservation International, Photo by Anton Ario

■ See Reforestation in Indonesia (<http://www.daikin.com/csr/environment/reforestation/index.html>)

Projects in Surrounding Neighborhoods

Daikin Begins Rejuvenating Community Forests

Daikin strives to protect forests near its bases. One of these efforts is an agreement between Daikin, Osaka Prefecture, Takatsuki City, and forest owners to protect a community forest area. The agreement was signed at a ceremony on May 25, 2012 at the Osaka Prefectural office. Under the agreement, the prefectural government uses the "Adopt a Forest" system to mediate companies' purchases from private land owners so that forest land is preserved.

This agreement covers the Harashiroyama forest in Takatsuki City, which traditionally was used to harvest bamboo, and to obtain wood for firewood and making charcoal. In recent years though, there are not enough people to manage it and so it has fallen into disrepair due to problems that include overgrowth of bamboo. To return the bamboo forests back to productivity, Daikin is working with local residents to thin out the woods and rejuvenate this local forest.

Daikin employees can also go to Harashiroyama anytime they wish to work up a sweat and contribute to the rejuvenation of Japan's valuable community forests.

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.

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 Daikin Industries built this facility here, it 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.

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. In December 2011, Daikin Ales Aoya was given Excellent Stage 2 ranking under the Social and Environmental Green Evaluation System (SEGES).

Daikin Ales Aoya also acts as a multi-purpose training facility, and this project will serve to raise environmental awareness of employees coming here.



Certificate showing that Daikin is one of 100 top companies contributing to biodiversity



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



Bird's-eye view of Daikin Ales Aoya



Monitoring vegetation



To restore coastal forests, a fence was constructed to protect the seedlings from salt air and sand

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 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.



The mountain streams and vegetation are preserved in their natural state



The large wingnut trees are a rare sight

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. In fiscal 2011, 40 schools took part in the program, and 15 of these welcomed Daikin employees to lead the lessons.

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

[Reforestation in Indonesia](http://www.daikin.com/csr/environment/reforestation/index.html) (<http://www.daikin.com/csr/environment/reforestation/index.html>)

Employee Environmental Volunteers

Employee Volunteers Help Protect Biodiversity

We provide employees with opportunities to gain a greater awareness of the value of nature through activities like nature tours and forestry volunteering events.



Daikin employees help rejuvenate a community forest



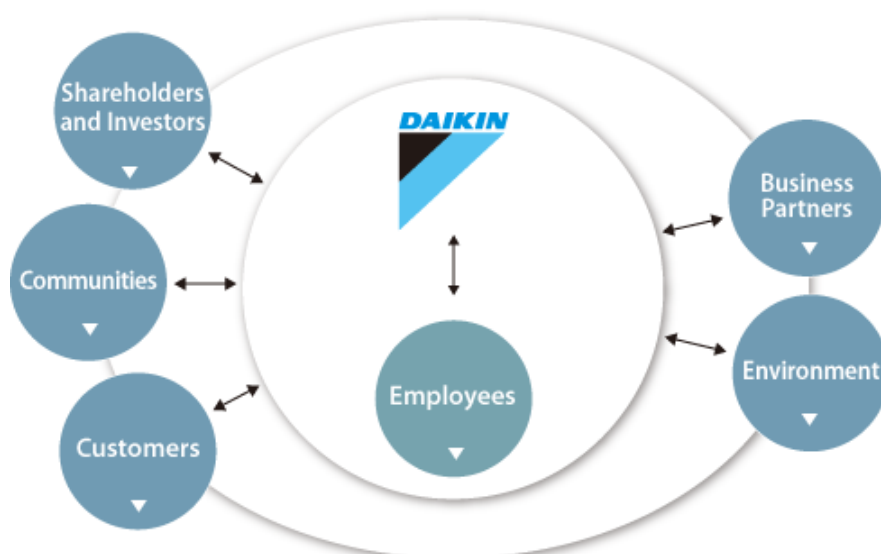
History of Environmental Activities

	Daikin Group	Air Conditioning Divisions(Japan)	Chemicals Division(Japan)
1970s	<ul style="list-style-type: none"> Environmental Pollution Control System established Environmental Pollution Control Committee established Environmental Pollution Control Regulations enacted Environmental Month started 		
1980s	<ul style="list-style-type: none"> Daikin Group Environmental Control Committee established Daikin Group Environmental Management Regulations enacted Began dealing with fluorocarbon problem 		
1991			<ul style="list-style-type: none"> Began HFC mass-production
1992	<ul style="list-style-type: none"> Director responsible for environmental protection and Global Environment Dept. established 		
1993	<ul style="list-style-type: none"> Actions Principles on Environmental Protection enacted Environmental Action Plan enacted 		
1994	<ul style="list-style-type: none"> Began building environmental management system 		
1995	Environmental audits launched	<ul style="list-style-type: none"> Released chiller using HFC refrigerant Started air conditioner forums 	<ul style="list-style-type: none"> Ceased production of CFC
1996	<ul style="list-style-type: none"> Acquired ISO 14001 certification in all Daikin Industries production bases in Japan 		
1997	<ul style="list-style-type: none"> Began working towards ISO 14001 certification in overseas production bases 		
1998	<ul style="list-style-type: none"> First Environmental Report published 	<ul style="list-style-type: none"> Released Super Inverter 60 ultra-energy-efficient commercial air conditioner Released HFC multi-purpose air conditioner for buildings, HFC residential air conditioners 	
1999	<ul style="list-style-type: none"> Environmental accounting introduced, Environmental Meetings launched 		<ul style="list-style-type: none"> Established fluorocarbon destruction facilities

	Daikin Group	Air Conditioning Divisions(Japan)	Chemicals Division(Japan)
2000	<ul style="list-style-type: none"> Start of green procurement 	<ul style="list-style-type: none"> Released Super Inverter ZEAS ultra-energy-efficient HFC air conditioner 	
2001	<ul style="list-style-type: none"> Environmental Action Plan 2005 enacted Achieved zero waste emissions in Daikin Industries production bases in Japan (machinery divisions) Regional Environmental Meetings launched Environmental meetings started in each of four regions (Europe, North America, China, and Asia/Oceania) 		
2002	<ul style="list-style-type: none"> Environmental Philosophy enacted 	<ul style="list-style-type: none"> Began fluorocarbon recovery and destruction business Completed Conversion to HFC refrigerant for all major products (in Japan) 	
2003	<ul style="list-style-type: none"> Acquired integrated ISO 14001 certification in Daikin Group in Japan 		
2004	<ul style="list-style-type: none"> Achieved zero waste emissions in all Daikin Industries production bases in Japan 		
2006	<ul style="list-style-type: none"> Environmental Action Plan 2010 enacted 	<ul style="list-style-type: none"> Released heat pump-type hot water heaters and heating systems in 2006 in Europe 	
2007		<ul style="list-style-type: none"> Held air conditioner forums in Europe and the U.S. 	
2008	<ul style="list-style-type: none"> Formulated the latter half of the FUSION 10 strategic management plan, which stresses proactive contribution to solving environmental problems, as well as business expansion 	<ul style="list-style-type: none"> Started Re: AIRCON Project for reforestation in Indonesia Released world's first VRV system using CO₂ refrigerant Held air conditioner forums worldwide (Europe, U.S., Japan) 	
2009		<ul style="list-style-type: none"> Held air conditioner forums in China 	
2010	<ul style="list-style-type: none"> The Daikin Group worldwide achieved its targets for greenhouse gas emissions by a wide margin 	<ul style="list-style-type: none"> Held air conditioner forums in Asia/Oceania 	
2011	<ul style="list-style-type: none"> Formulated Environmental Action Plan 2015 		
	<ul style="list-style-type: none"> Started environmental protection activities in Shiretoko 		

Responsibility to Stakeholders

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Responsibility to Stakeholders INDEX

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")
- Daikin Showrooms
- Community sites

► 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
- Green procurement briefings

► Shareholders and Investors

- ▶ For Shareholders
- ▶ Information Disclosure Policy

Daikin's main responsibilities

We operate on capital provided by approximately 50,000 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 Website
- 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 forums, environmental exhibitions
- Various forms of environmental PR
- Environmental education



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 172)

- ▶ [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](#)
- ▶ [Universal Design in Product Development](#)
 - [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 179)

- ▶ [Customer Satisfaction Policy](#)
- ▶ [Customer Response and Support System](#)
 - [Daikin Global Service Network](#) 
- ▶ [Understanding and Reflecting Customer Needs](#)
- ▶ [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

The Daikin Group stores a range of personal information from customers, such as repair request data. With the conviction that properly managing such information is an important social responsibility, we have a Personal Information Protection Policy and system for managing information, and we conduct personal information education and audits, all with the goal of effectively managing the information in our possession.

■ [Read more](#) (See page 185)



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

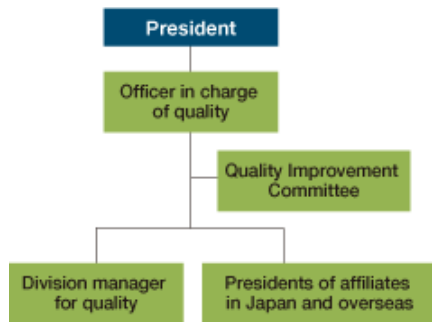
All manufacturing bases in the Daikin Group are ISO 9001-compliant and have quality assurance systems conforming to this international standard. Company divisions maintain high levels of product quality and ensure proper management of each department, such as development, materials and parts procurement, 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.

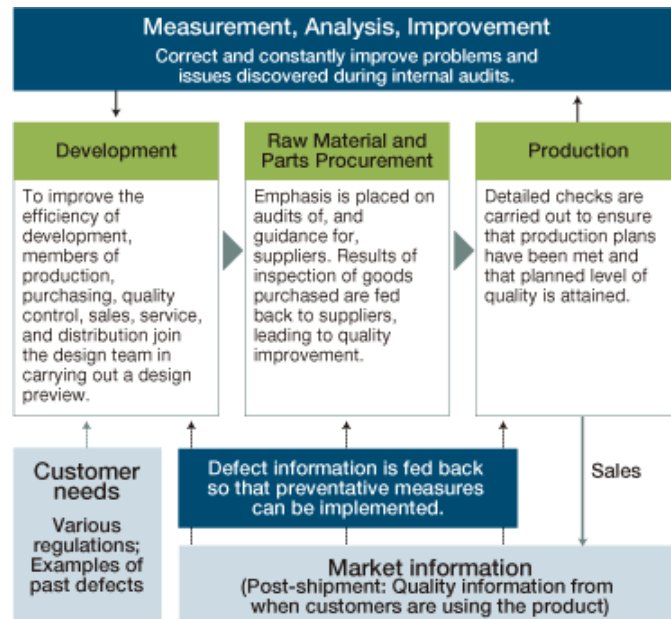
Based on our annual Daikin Group policy, each division formulates its key quality measures and targets, which are used to create a detailed quality program (fiscal year action plan) for all stages including design and development, materials and parts procurement, and production.

In fiscal 2011, we improved our ability to analyze market information and promptly corrected quality issues, and we stepped up our Stress Strength Model (SSM).

Quality Control System



Quality Control Process



Cooperation with Suppliers

▶ [Efforts with Suppliers to Raise Product Quality and Safety \(Responsibility to Business Partners\)](#) (Page 218)

Employee Education

We Hold Daily Meetings to Raise Quality Awareness

Every division in the Daikin Group has numerous quality education activities so that employees can continue to raise their quality awareness.

Since 2004, the 19th of every month has been quality day in the air conditioning division, when each 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. These two activities were again central to quality in fiscal 2011.

In the Chemicals Division, new employees are taught the philosophy of quality assurance as part of their orientation. This education is for all new employees doing work related to sales, research, and production.

Improving Quality During Development

Only Those Products That Pass Our Strict Design Review for Product Safety Are Manufactured

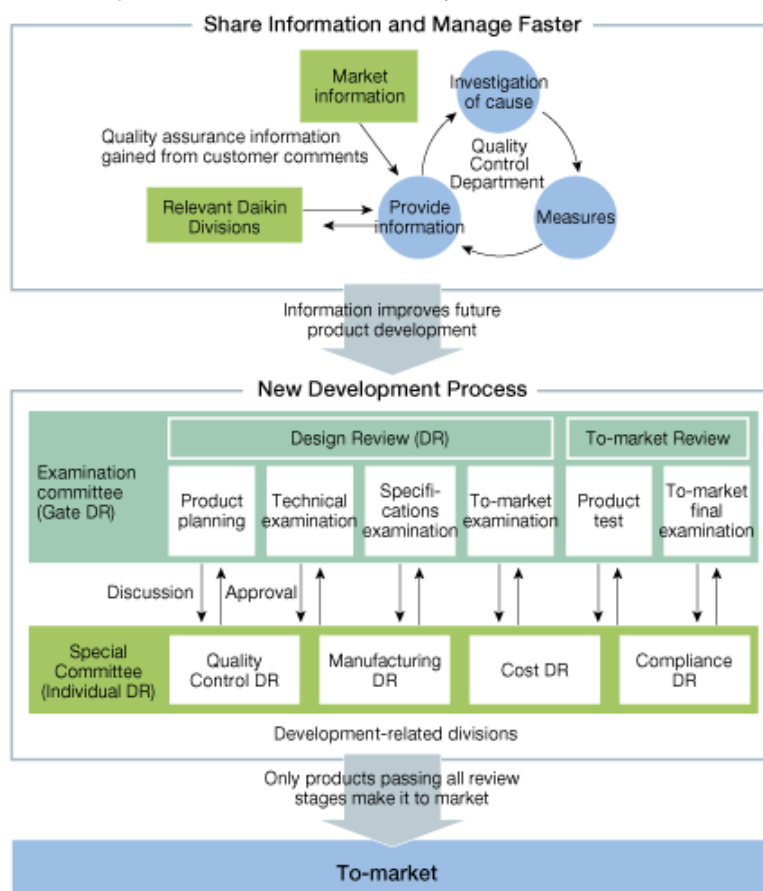
In fiscal 2005, the air conditioning division reformed its development process with a stricter, more segmented design review (DR)*. First, the personnel in charge of the relevant divisions inspect the proposed products for conformity to Daikin standards using the four criteria of an individual design 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 standards 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. In fiscal 2011, we established development process management guidelines in the advanced product development stage, which allowed us to make the design review even stricter.

We will continue 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.

Clear Force Dehumidifying/Humidifying Air Purifier for Japanese Market Recalled, Replaced Free of Charge

It was discovered that there was a danger of heat from the dehumidifying element causing smoke or fire on Clear Force dehumidifying/humidifying air purifiers for the Japanese market produced between September 2009 and August 2011. For the sake of customer safety and peace-of-mind, Daikin gathered these products and replaced them free of charge with a Clear Force model released in November 2011.

To ensure a smooth recall and replacement, Daikin put out reports in various media and put an explanation of the recall process in writing and on video on its website.

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/2012/120203/index.html)

(<http://www.daikin.co.jp/taisetsu/2012/120203/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 of 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: Clear and Concise Product Use Instructions

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.

When we make product user manuals, we make sure they are readable, easy to understand, and easily searchable. This ensures that customers can use products with peace of mind. We work with our design, quality control, service, and sales departments to improve areas of customer confusion in order to make manuals with which customers can get the answers they need quickly.

* Failsafe: Checks and measures are in place to ensure safety in case of a breakdown of mechanisms or systems.

ECOCUTE User Manual Named Manual of the Year

Because of its complexity, the ECOCUTE heat pump water heater was the subject of a large number of customer inquiries. We analyzed these inquiries to improve the product's user manual and thus put customers at ease in using the ECOCUTE. We used illustrations and color so customers could better visualize product function use, and we used everyday language instead of technical product words to describe product usage and maintenance.

The result was a manual good enough to receive a 2011 Japan Manual Award from the Japan Technical Communicators Association.



ECOCUTE user manual

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. In fiscal 2011, we promoted better understanding among customers with four workshops on the topics of plastics, rubber, and paint.

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.

Universal Design in Product Development

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.

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.

Simpler Remote Controller Makes the Most of the Energy Efficiency of the ECOCUTE Heat Pump Water Heater

Introduced in February 2010, the "Daikin ECOCUTE 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 ECOCUTE 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.

Before the development of this product, in April 2009 we held discussions with developers of the International Association for Universal Design. The ideas discussed were reflected in product development.



ECOCUTE Remote Controller with Full-Color Display

The industry's first full-color LCD display remote controller keeps users safe with both aural and visual warnings.

RAKUAIR Air Conditioner: New Idea in Healthy Air Developed through "Design Psychology"

Developed in April 2011, the RAKUAIR was made for comfort and ease of use, and its simple operation and minimal number of features marked a new concept in air conditioners.

Together with design psychology researchers at Chiba University, Daikin developed an easy-to-use remote controller. With the newly developed remote controller, customers needed only spend one-third as much time using functions, making the RAKUAIR an air conditioner ideal for people who aren't technically inclined.

▶ See Key Activities of Fiscal 2011: Promoting Dialogue with Customers (Page 62)

T OPICS

Braille Easy-Operation Guide

So that the visually impaired can also easily 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. Please visit our website for information on ordering this CD.



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: A Customer Support System with 56 Service Bases in Japan and 34 Overseas

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.

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's why we are building up our after-sales service system overseas so that customers can get the service they need for their particular country based on Daikin's service policy of speed, accuracy, and good manners.



Shanghai Service Center

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

In the Chemicals Division, many of the inquiries are requests to survey the chemicals in products and to provide technical data. Sales representatives of Daikin Industries act as contacts and respond to inquiries in cooperation with the divisions of technical service, research and development, quality assurance, environment, and safety.

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". At the fiscal 2011 "Difreon Gas Meeting," we discussed global trends in refrigerants and Daikin efforts in this area.



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.

Understanding and Reflecting Customer Needs

Strengthening Global Development and Marketing Functions

With the Daikin Group rapidly expanding around the world, it is important that we raise customer satisfaction by accurately and rapidly grasping customer needs in each world region and reflecting these in our products. To this end, we have stepped up marketing research functions in with world regions (Europe, China, ASEAN & Oceania, India, North America, Latin America, the Middle East & Africa, and Japan).

And to boost development functions, we have switched from a system centered in Japan to one with six global regions and 10 development bases. Besides creating systems for China, Europe, Malaysia, and North America, in fiscal 2011 we began product development in India to better serve local needs.

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. In fiscal 2011, we received 487 replies to the questionnaire, and we conducted another 1,000-person questionnaire. Among the customer comments, some said there were too many buttons on the remote controller, while others complained of text that was too small to read. These comments were taken into account in the development of the RAKUAIR air conditioner in fiscal 2011.

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. The fiscal 2011 questionnaire results showed that we had to speed up our product delivery, but also that we had improved in communicating with customers and providing them with information. One reason for the delivery problems was the increased demand for fluorochemical products, and we remedied this by expanding our production facilities.

We will continue to strive to grasp customer needs so that we can improve the level of customer satisfaction.

- ▶ [Universal Design in Product Development](#) (Page 177)
- ▶ [See Key Activities of Fiscal 2011: Promoting Dialogue with Customers](#) (Page 60)

TOPICS

High Appraisal for Customer Satisfaction

Daikin (China) Investment Co., Ltd.

Consumers' Favorite Air Conditioner Brand from the Shanghai Household Appliances Association
Outstanding Company in National After-Sales Service Award, sponsored by China General Chamber of Commerce and Chinese Consumer Protection Fund Association

Daikin Australia

Most Satisfied Award in the fiscal 2011 Canstar 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. The ECOCUTE High Pressure Shower, developed in fiscal 2010, is an example of a product created from customer opinions.

■ Number of Inquiries to the Contact Center (Japan)



Employee Education

Year-Long Training and Service Awards 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. This program was once again held in fiscal 2011.

At service bases across Japan, teams are created that compete against each other in the annual Service Awards tournament. There, teams are quantitatively judged and awarded for their level of service in five stages including the criteria of our after sales service policy: speed, accuracy, and good manners. 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. As of March 2012, a total of 894 (cumulative total: 1,500) had passed the chief engineer test, and our goal is to raise this number to 1,200 by fiscal 2015. We also provide similar training for engineers at dealerships.

To help service engineers better deal with customers, in fiscal 2007 we started working with outside experts to hold service etiquette classes, and we continued with these classes in fiscal 2011.

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 184)

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, once a month the Chemicals Division holds meetings covering business, research, and manufacturing to share not only business information, but also knowledge regarding products. By giving concrete examples of product applications and use, as well as relaying customer needs, these meetings aid in the development of new products and applications, and they give customers a deeper understanding of product features. Customers thus leave with new ideas for product application. 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 CO₂ 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. As well, starting in fiscal 2011 distributors can use tablets with software that provides information such as delivery examples, thus making it possible to provide them with ideas to help their business wherever they are.

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.

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, pleasant, and immediately applicable to their business, 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.

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. In fiscal 2012, we will begin the Ventilation Systems Advanced Course and the Water Heating Equipment Basic Course as part of our continuing quest to meet a range of customer needs.

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.



eco-booklet

TOPICS

Technical Training for Distributors of Overseas Group Companies

Daikin's overseas Group companies also hold technical training for their distributors to raise customer satisfaction and ensure their employees can work in safety.

In December 2012, Siam Daikin Sales Co., Ltd. gathered its distributors in Bangkok for a workshop on repairing air conditioners damaged in the flooding in Thailand.



Technical training for distributors provided by Siam Daikin Sales Co., Ltd.



Protecting Customer Information

Personal Information Managers and Thorough Employee Education

To properly protect the range of customer information entrusted to us, the Daikin Group has a Personal Information Protection Policy, as well as various in-house rules for information protection. Personal information managers in each division follow these in-house rules in leading employees in the strict protection of personal information.

Particularly in divisions that handle data repair information from customers on a daily basis, we do everything possible to keep this information secure. To continually monitor and improve on our information security system, employees conduct their own self assessments, the Legal Affairs, Compliance, and Intellectual Property Center conducts legal audits, and the Internal Auditing Department conducts audits.

▶ [Information Security \(CSR Management\)](#) (Page 29)



Responsibility to : Employees

The Daikin Group's management is 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 265)

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 190)

- ▶ [Employee Evaluation and Treatment Policy](#)
- ▶ [Employee Evaluation and Treatment](#)
- ▶ [Job Placement](#)

Workplace Diversity

A Workplace Where Everyone Can Shine

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 192)

- ▶ [Workplace Diversity Policy](#)
 - [Employee Composition \(Data for Daikin Industries\)](#)
- ▶ [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 \(Domestic group companies\)](#)
 - [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 198)

- ▶ [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 \(Daikin Industries only\)](#) 
 - [Content of Third Action Plan Based on Law for Measures to Support the Development of the Next Generation](#) 
- ▶ [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 202)

- ▶ [Labor Management Relations Policy](#)
- ▶ [Respecting the Rights of Workers](#)
- ▶ [Dialogue 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 203)


- ▶ 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.

■ [Read more](#) (See page 208)

- ▶ 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) 

^{*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.

Respect for Human Rights

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

■ [Read more](#) (See page 31)

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.



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. In fiscal 2011, we began formulating 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

In fiscal 2011, Daikin Europe N.V. was once again chosen one of the Top Employers* for its outstanding human resource systems. Recognized for its working conditions, evaluation systems, and programs for employee education and training, Daikin Europe received its seventh 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.

Creating Opportunities to Understand Employee Circumstances

Whenever possible, Daikin Industries asks employees where they want to work and if possible assigns them to the departments and sections of their choice. If new employees cannot be placed in the department or section of their desire due to personal aptitude and company needs, we do all we can to gain their understanding.

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.



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, years of experience in the company, temporary or full-time—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 (Data for Daikin Industries)

	The end of March 2008		The end of March 2009		The end of March 2010		The end of March 2011		The end of March 2012	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Number of employees	6,360	816	6,452	868	6,558	897	6,717	961	6,705	974
Average range of services (years)	19.0	12.0	18.9	12.0	17.9	10.8	17.1	9.96	16.8	10.5
Average age	41.9	32.9	41.6	32.8	41.8	33.6	41.8	34.2	41.8	34.9
Number of managers	969	12	925	13	886	14	936	16	933	21
Number of board members	41	1	47	1	45	1	44	1	45	1
Number of foreign nationals	28	12	28	12	27	16	30	21	34	21

Note: Number currently employed

Putting More Women into Management Positions

New Project Maximizes Women's Talents

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 21 in fiscal 2011.

In fiscal 2011, we launched a project to maximize women's talents, and we are positioning this as one of Daikin's key initiatives. Through seminars and other educational events for management and female employees, we are seeking to foster women so that they can play a bigger part in company management long term.

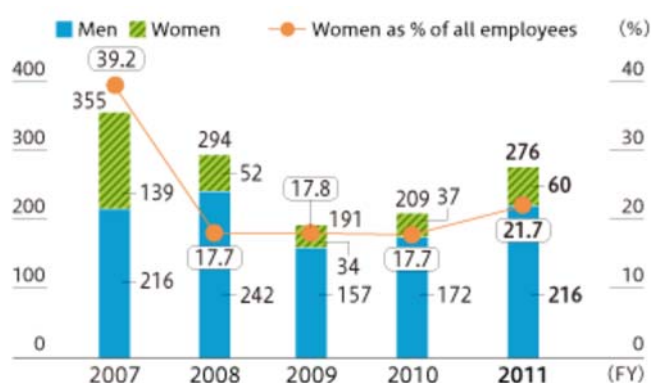
Hiring Women

Increasing Percentage of Female Employees

As of March 2012, women accounted for 12.7% of all employees of Daikin Industries, an increase of 0.2% over 2011.

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)



Re-employment of Retired Employees

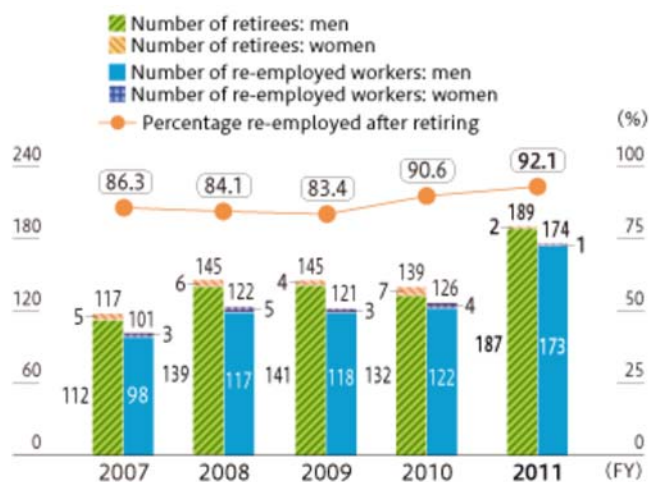
Re-employment System Makes the Most of Experienced Employees

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 2011, there were 622 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. We are working to raise motivation among these re-employed veterans by giving those showing outstanding work performance fixed pay increases.

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.



Daikin First Japanese Company to Make "Best Employers for Workers Over 50" List

In October 2011, Daikin was honored as one of the Best Employers for Workers Over 50, compiled by the AARP (formerly the American Association of Retired Persons).

The AARP chose Daikin for factors including strongly promoting opportunities for individual capacity building and personal development; flexible work options such as shorter work hours and three-day work weeks for employees 60 or older; and the option of working until age 65, which 80% of re-employed workers have chosen.



Award ceremony

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.

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.

As of March 2012, 2.5% of workers in the Daikin Group are disabled, a percentage above the legal requirement.

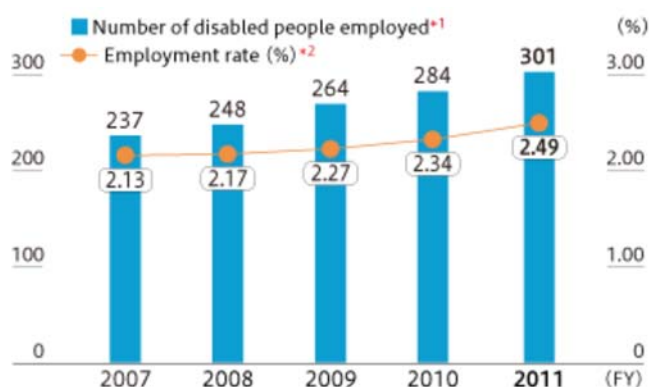


Daikin Sunrise Settsu (Japan)



New plant of Daikin Sunrise Settsu

■ Number of Disabled People Employed (Domestic group companies)



^{*1} Legally, one severely disabled person employed is counted as two disabled persons.

^{*2} Employment rate = number of disabled persons employed / number of persons employed.

■ 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)

Daikin Overseas Bases Hire Disabled Workers

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 2012, Daikin Shanghai had 62 disabled employees working on lines and in offices, accounting for 1.6% of all employees.

Daikin Compressor Industries Ltd. hired 22 disabled persons in fiscal 2011 and now has a total of 28 working on production lines. The company can employ up to 80 disabled persons on production lines and so will continue its aggressive hiring of the disabled.



Production line for the disabled (Daikin Compressor Industries Ltd.)

Promotion of Local Personnel at Overseas Bases

Making Local Employees Leaders at Overseas Bases

Daikin Group is striving to localize overseas bases by promoting more local employees 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. As of fiscal 2011, 57 employees had taken this seminar.

In fiscal 2011, we promoted 11 local personnel to executive positions in Europe, China, other parts of Asia, and Oceania.

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 fiscal 2011, Daikin Industries held seminars on the state of business and culture in China. Participants were 12 employees scheduled for overseas appointments and 23 employees whose work is connected to China. As well, 25 overseas appointees and 55 employees who interact with overseas bases took part in five seminars on management analysis and financial management. Inter-cultural communications and IMS training courses were attended by 16 overseas appointees, and 30 attended training on internal management at overseas affiliates. Overseas appointees were also eligible to take English, Chinese, and other foreign-language training.



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.

Thanks to these efforts to give employees flexible working conditions and working hours, Daikin has an employee turnover of just 3.2% (including mandatory retirement age employees) in fiscal 2011: this is far below the average of 14.5% for all industries in Japan (according to a 2010 survey by Japan's Ministry of Health, Labour and Welfare).

■ Number of Employees Leaving, Employee Turnover (Daikin Industries only)



Increasing Number of Employees Taking Childcare Leave

Daikin Industries strives to create an environment where employees can continue their jobs even after having children.

We established action plans based on the Law for Measures to Support the Development of the Next Generation. In March 2007, we achieved the targets of our first action plan and in March 2012 we achieved the targets of our second action plan. For these successes we were certified by the Osaka Labour Bureau. Our third action plan got underway in April 2012 with a number of support efforts, including seminars to help employees on childcare leave make a smooth return to the workplace, and a new section of the company intranet with advice on balancing child-rearing and work.

One child-rearing support initiative 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 2011, 51 employees took advantage of this system.

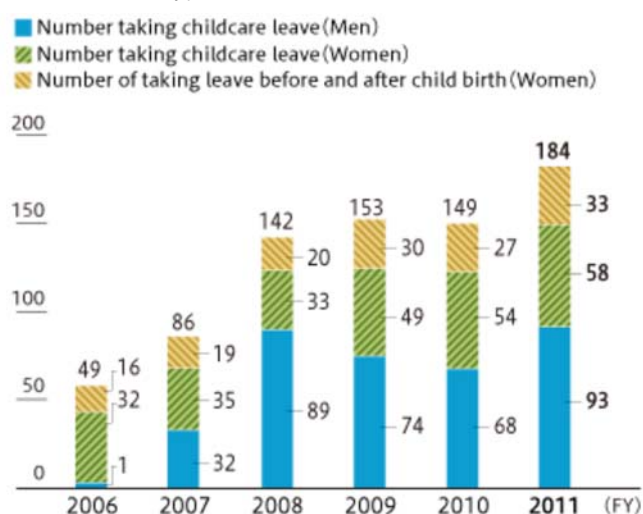
Daikin Group companies in Japan are improving systems for helping employees raise their children until they enter school. Daikin is also introducing systems such as childcare leave and flextime at some overseas companies.

93 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, 93 men took childcare leave in fiscal 2011.

■ 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

■ Content of Third Action Plan Based on Law for Measures to Support the Development of the Next Generation

1. Period: From April 1, 2012 to March 31, 2014 (2 years)
2. Details:

Target 1: Widely publicize revisions to the childcare support system and get as many employees as possible using it.

Measures

- PR on the intranet starting in April 2012
- Information provision twice a year (periodically) to get employees participating

Target 2: Proposals and actions to facilitate a smooth return to the workplace after childcare leave.

Measures

- From feasibility study to formulation of concrete plans; starting in April 2012
- Implementation of concrete plans starting in April 2013

Target 3: Plan and implement ways in which employees with children can learn how to balance work and family by studying how other Daikin employees have already successfully done it.

Measures

- From feasibility study to formulation of concrete plans; starting in April 2012
- Implementation of concrete plans starting in April 2013

■ 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.
2010	Reassessment of childcare leave and family care leave in accordance with the revised Child Care and Family Care Leave Act.
2012	Achievement of goals of second action plan. Creation of third action plan (implementation period: April 2012 to March 2014).

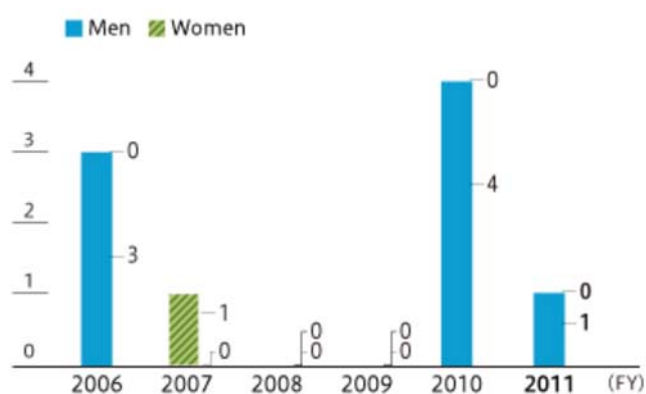
Family Care Leave and Shortened Working Hours

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.

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.

■ Number Taking Family Care Leave (Daikin Industries only)



■ 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.



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 some contract 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 2011, there were 25 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.

Dialogue 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.

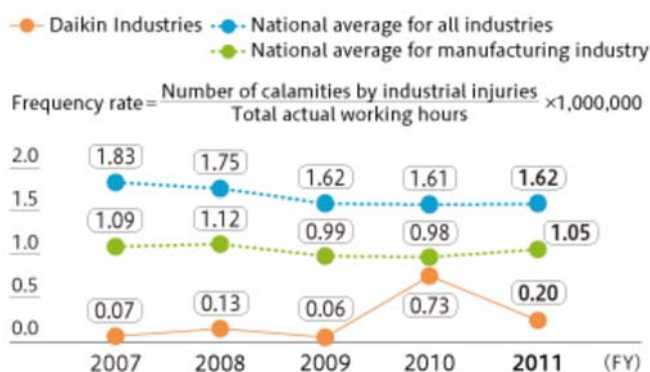
Besides salary, employees are also given hearings when there are matters to report from the company, such as new fiscal year policies, budget and performance reports, and a message from the president at bonus time. Other ways that we hold dialogue with employees include meetings between managers and their workers during announcement of annual targets and employee evaluations. Listening to frank employee opinions ensures that we can continuously improve labor-management relations.



Occupational Safety and Health Policy

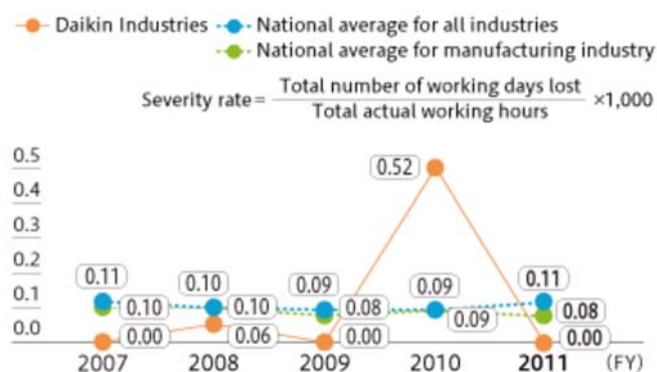
The Daikin Group's Group Compliance Guidelines state our top priority of ensuring a safe, healthy workplace where employees can work in peace of mind. To achieve this, we constantly strive to create a "zero accident" workplace where Daikin employees and subcontract employees work safely, both for their own sake and to instill a feeling of safety in the minds of residents around our factories.

Frequency Rate*1 (Daikin Industries only)



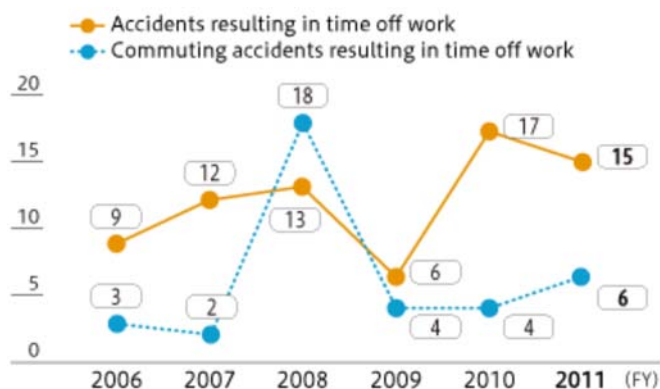
*1: This shows the frequency of work-related calamities, expressed in number of casualties for every 1,000,000 working hours.

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)

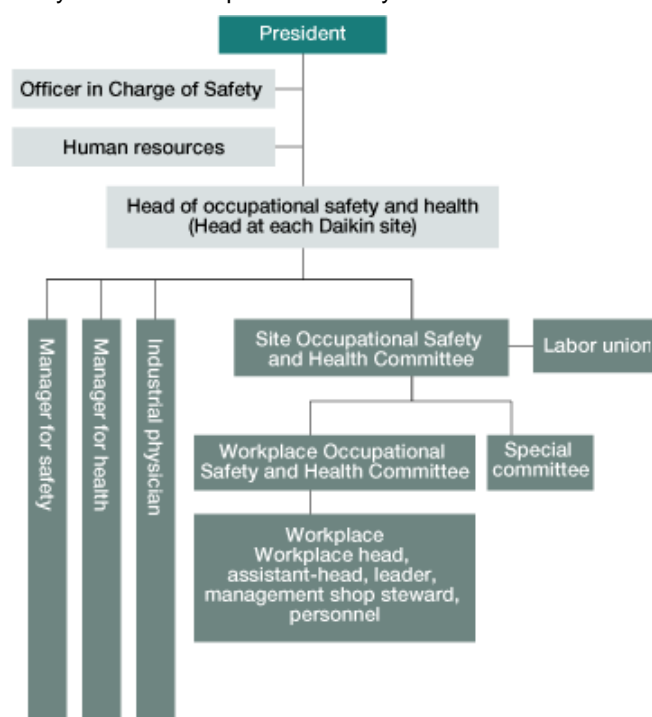


Occupational Safety and Health Committee at Each Daikin Site Leads Safety and Accident-Prevention Efforts

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 slogans, policies, and proposals.

These committees also ensure the safety of facilities and prevent accidents through risk assessments. They also raise employee receptiveness to and awareness of workplace safety through activities including site patrols to make sure rules are being followed and hands-on workshops. The committees also send members to other sites to exchange safety information with committee members there.

■ System for Occupational Safety and Health



Hands-On Training Raises Safety Awareness at Daikin Worldwide

Each site of Daikin Industries conducts courses and training in occupational safety and health. An important focus in recent years has been hands-on training at all bases, which simulates situations where certain actions or situations could invite danger. The effective programs combine classroom learning with hands-on drills in which employees learn to use their senses in acquiring danger prediction skills. For example, training uses actual equipment to simulate how dangerous it is to get caught in or trapped by machinery, and chemical reactions are carried out to show the dangerous pressure and fires such reactions can cause.



Employees take part in hands-on training

In fiscal 2011, the Yodogawa Plant began an effective method for preventing mistakes called "pointing and calling." With this method, workers actually point their finger and shout out important stages of work processes as they confirm them visually, and this training showed firsthand how it can reduce human errors.

These hands-on programs are also being conducted at Daikin overseas manufacturing bases.

► [Ensuring Plant Safety for Business Partners \(Responsibility to Business Partners\)](#) (Page 219)

TOPICS

Daikin Airconditioning Singapore Given High Appraisal for Occupational Health and Safety Activities

In fiscal 2011, Daikin Airconditioning (Singapore) Pte. Ltd. was once again awarded a Level 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 (ISO 18001) 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, as required by health and safety laws.

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, such as self-care and care by dedicated outside staff, are planned and implemented at all bases.

For example, 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. There are also mental health lectures.

At Daikin bases in countries like the U.S., Thailand, and Australia, there are mental health counselors and help lines to ensure that employees enjoy a pleasant workplace.

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.

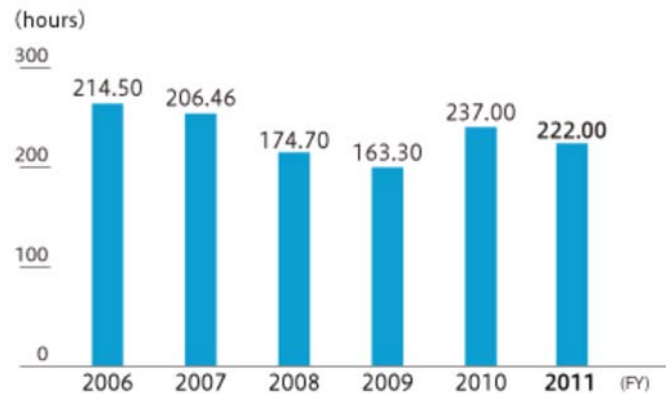
In fiscal 2009, we introduced a work attendance tracking system that enables us to easily comprehend the day-to-day circumstances of employee overtime and paid leave use. This system has advanced employee workload control by managers and boosted the use of paid leave among employees.

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



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

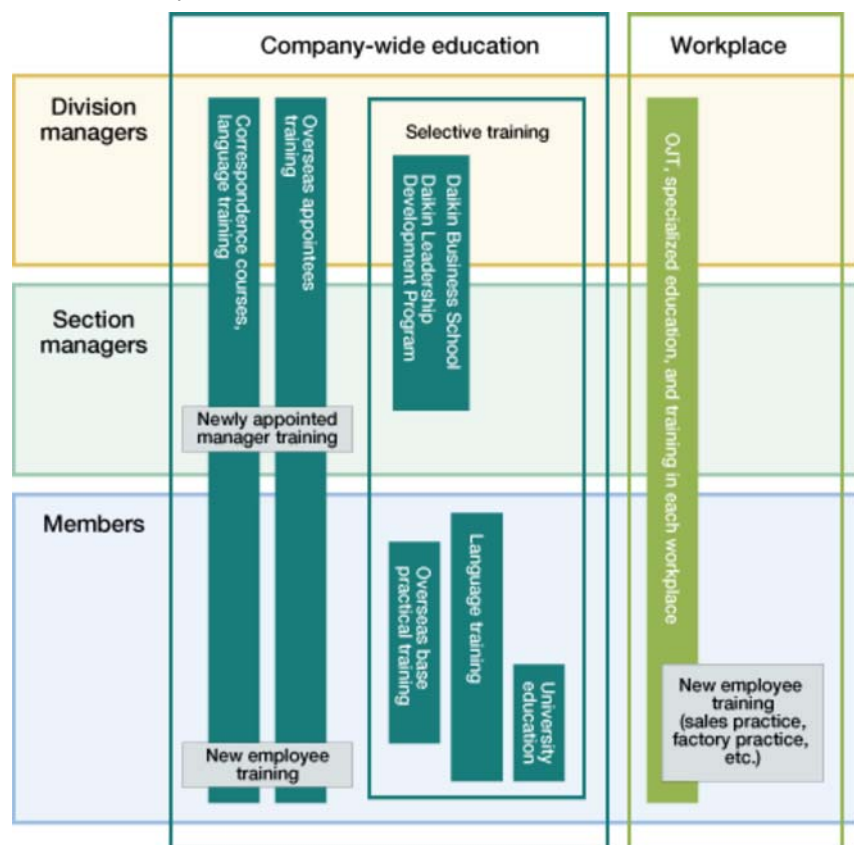
Daikin believes that implementing its People-Centered Management is key to the growth of the Daikin Group. With the Group's business spreading worldwide, it is crucial that we train people to be leaders with the management skills to guide employees with a diverse range of values in a common direction.

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. In fiscal 2011, over 10,000 employees made use of the training center.



Daikin Ales Aoya Global Training Center

In fiscal 2011, to put Daikin's People-Centered Management into more widespread action, Daikin Industries' executives and managers toured worldwide bases to hold talks and exchanges that helped Our Group Philosophy take deeper route. We will continue to implement a variety of measures to boost human resources and facilitate mutual communications between the headquarters and branch offices; these include boosting global recruitment, increasing the number of inter-regional and international deployments, and creating competitive assessment and reward systems.



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.

Overseas Base Practical Training

To ensure we have internationally minded employees who can lead our global business in future, we send young employees (ages from mid-20s to late 30s) to work at overseas bases for one year. Unlike other Daikin employees working overseas, these people take on practical work projects as they cooperate with local dealers, suppliers, business partners, and universities, striving to think outside the box, take on new challenges, and improve their abilities to communicate within foreign cultures.

In fiscal 2011, 19 young employees took part in this training. Since the program started in fiscal 1999, a total of 112 employees have participated.

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, acquire MBAs, widen their perspective, and build human resource networks. As of fiscal 2011, there are seven Daikin employees studying at Toyota Technological Institute and the International University of Japan.

Daikin Leadership Development Program, Daikin Business School

Daikin fosters the next generation of leaders through the Daikin Leadership Development Program, which trains Daikin Industries' executives, and the Daikin Business School, which 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.

In fiscal 2011, there were 121 people studying in the Daikin Leadership Program and 57 at the Daikin Business School.

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 2012, there are 31 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.

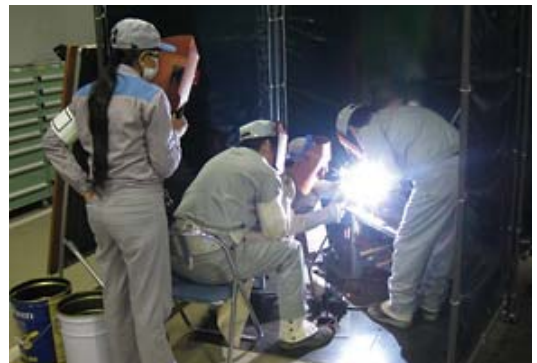
The Chemicals Division has since 2006 had a system to designate Experts, who pass their advanced skills on to others. As of March 2012, there are five designated Experts working in plant operations.

Passing on Skills at Overseas Bases

Training Passes on Skills to Daikin Employees Worldwide

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. There were five new trainers certified in fiscal 2011.

We also hold periodic skills training at production bases around the world in which Meisters and Expert Trainers lead selected employees. In fiscal 2011, 18 participants took part and learned basic skills, as well as about Daikin's manufacturing philosophy and its fostering of human resources.



A course for overseas skills trainers

▶ [See Key Activities of Fiscal 2011: Training Employees for Global Manufacturing](#) (Page 64)

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 2011, a total of 97 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.

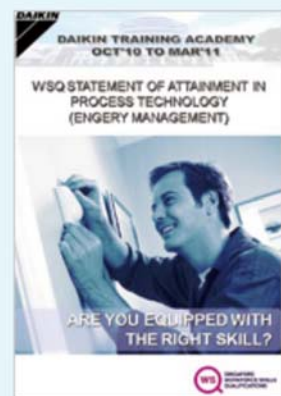
TOPICS

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.

And in June 2011, the company signed an agreement with ITE (Institute of Technical Education) College West, a public industrial and vocational high school, to further expand a joint air conditioning education program.



Explanatory pamphlet for government-approved courses

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 2011, Daikin compensated employees for 1,007 patent applications (submitted before the end of December 2011) and 424 successful uses of the patent (investigated in fiscal 2010 and paid in fiscal 2011).

The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. In fiscal 2011, we awarded incentive bonuses to the creators of 95 patents.



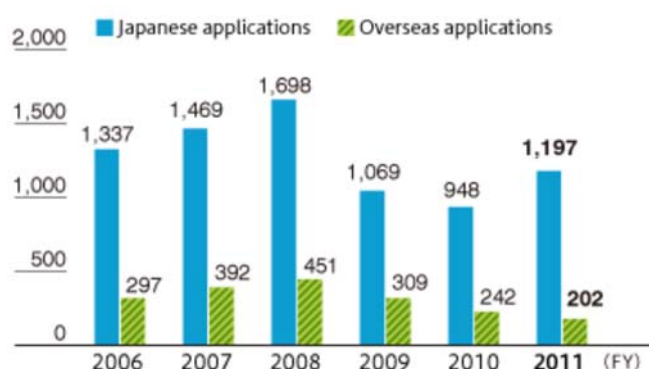
Awarding incentive bonuses to inventor group representatives

These systems are aimed at stepping up Daikin's intellectual creativity. However, there is still much work to be done in areas such as increasing the quality and quantity of patents, and increasing the number of patents in our key technological fields, in particular in emerging countries. To this end, in the air conditioning divisions, rather than focusing merely on the overall number of patent applications, goals are being set based on particular development themes, and company executives are keeping a close watch on progress in development from both the qualitative and quantitative sides. As well, we are setting key patent themes in which we don't just pursue patents related to our own technological strengths; rather, we seek to protect our business by also applying for patents that will prevent other companies from coming out with products similar to our own.

In the Chemicals Division, as competing companies expand outside the boundaries of fluorochemicals, we have been doing surveys on possible future patents in key fields, and this allowed us to complete a proprietary database that gives us a tool for keeping abreast of the patent race.

We are currently studying other companies in industry as we plan a system of incentive bonuses for outstanding inventions developed by Daikin's overseas development 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 215)

- ▶ [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 217)

- ▶ [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](#)

Guidelines Require Suppliers to Carry Out Environmental Management and Chemical Substances Management

■ [Read more](#) (See page 221)

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.



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 2011 we began dealings with three new suppliers in the chemicals business and three new suppliers in the air conditioning 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 are looking into conducting such follow-ups throughout the year, not just once a year, so that we can help suppliers raise their standards.

We also provide environmental support information on a special website for suppliers.

In the chemicals business, we carry out surprise spot audits. Starting in April 2011, we have had suppliers fill out supplier self-diagnosis sheets during on-going assessments. So that we can judge their progress, these sheets contain check items related to eliminating excessive and unfair labor, and the respect of human rights at supplier companies.

Ensuring Compliance with the Subcontract Act

Japan's Subcontract Act covers about 3,000 Daikin Industries' suppliers and subcontractors.

There are several thousand Daikin suppliers and subcontractors covered by the Subcontract Act. Our Subcontract Act Compliance Guidelines ensure that all Daikin divisions are in compliance with the Act in respect to matters such as prompt payment. We constantly strive to raise awareness among employees in relevant divisions 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 122)

▶ [See Green Procurement Guidelines](#) (Page 221)

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.

In our air conditioning business, we hold briefings to enlist the help of suppliers in improving quality and achieving zero defects. As well, we hold the monthly Supplier Quality Conference as a focus on quality for specific Daikin suppliers. At this conference, 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.

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.



Supplier Quality Conference



Annual Quality Forum

■ 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, 125 companies took part in fiscal 2011)
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 2011, five quality improvement announcement meetings were held for a total of 104 companies and 196 quality improvement proposal meetings were held for 32 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. (Four times a year, two companies took part in fiscal 2011.)
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 at Bases Worldwide

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.

In fiscal 2011, 15 Chinese suppliers took part in announcement meetings and observation tours at two companies in China conducting ZD activities.

■ ZD Activities with Suppliers



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 2011, the air conditioning division made safety reminder announcements at three supplier meetings. In the Chemicals Division, four safety workshops were held in June 2011 for approximately 400 drivers.

▶ [See Occupational Safety and Health \(Responsibility to Employees\)](#) (Page 203)

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. Thanks to these communication efforts, in fiscal 2011 Daikin and its suppliers were able to work together to minimize the effects of the Great East Japan Earthquake and the disastrous flooding in Thailand.

The Chemicals Division fosters good relations through the Quality Forum. As well, purchasing managers keep in close contact with suppliers to gather and exchange information in areas such as technology, quality, and prices. Any problems that come up are solved through extraordinary or emergency support requests to relevant divisions.



Workshop for dealers of the Oil Hydraulics Division



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 \(265KB !\[\]\(e6ddc77b791299d975007937cebef274_img.jpg\)](http://www.daikin.com/csr/social/supplier/guidelines.pdf)) (Jan.2012 revised)
(<http://www.daikin.com/csr/social/supplier/guidelines.pdf>)
- ▶ [Green Procurement Inspection List PDF Data \(605KB !\[\]\(ab52e27d061d76db54e182891376cff5_img.jpg\)](http://www.daikin.com/csr/social/supplier/inspection.pdf))
(<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.



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 223)

- ▶ Maximizing Corporate Value
 - Fiscal Year End Stock Prices
 - Operating Income Margin
- ▶ 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 226)

- ▶ Philosophy
- ▶ Disclosing Information in a Fair and Timely Manner



Maximizing Corporate Value

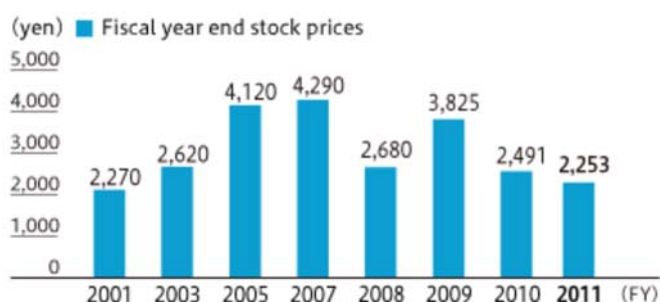
Step Up Environmental Business and Business in Mass Consumer Markets in Emerging Countries to Increase Income and Profit

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.

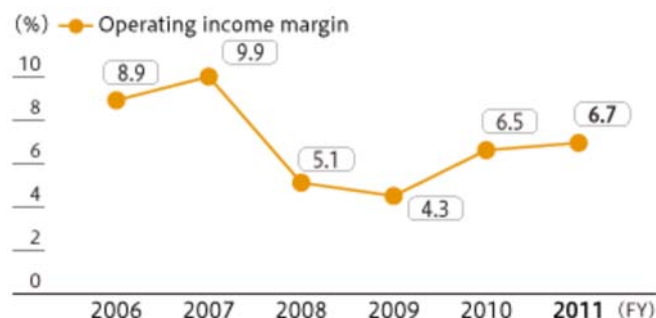
Fiscal 2011 had a troubling start, with the Great East Japan Earthquake and increasing raw material prices. But the Daikin Group banded together to minimize these effects: maximizing inventory, gaining supplier support, and absorbing high raw material costs into product prices. As well, the power shortages caused by the earthquake prompted us to come out with more energy-efficient products and services to help reduce energy consumption. Globally, we began full-fledged entry into mass consumer markets in emerging countries, where air conditioner demand is rapidly increasing. We also expanded our foray into what we call the environmental innovation business, which includes heating, hot water, filters, and fluorochemicals. As a result of these efforts, net sales were 1.2187 trillion yen, up 5% over fiscal 2010, and group operating income was 81.2 billion yen, up 7.6%.

For fiscal 2012, we plan to step up business in emerging countries by developing and introducing products with the quality and price to meet local consumer needs. As well, in our energy saving solutions business, we will offer an expanding service network to customers in Japan and around the world. And in our environmental innovation business, we will expand worldwide through efforts including the introduction of hybrid products for the combustion-type heating market.

Fiscal Year End Stock Prices



Operating Income Margin



Daikin Included in SRI Fund* Indexes

Daikin Industries has been selected for the tenth 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 Top Sustainability Industry Assessment

Daikin Industries was given a Silver Class distinction in the SAM Awards for Japanese companies demonstrating outstanding sustainability. The awards are conducted by Sustainable Asset Management (SAM), a Swiss asset management company.



Every year, SAM assesses approximately 2,500 companies worldwide in aspects such as economics, environment, and society, and awards distinctions in the three classes of gold, silver, and bronze. There were 21 Japanese companies chosen in fiscal 2011.

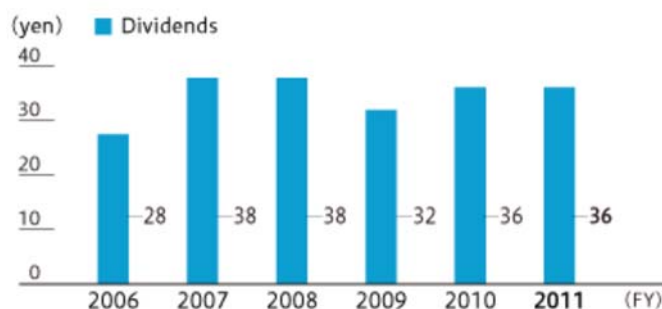
Distribution of Profit

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 2011 was 36 yen.

With regard to internal reserves, we will allot them to strategic investments aimed at achieving business expansion, and improving competitiveness: these include expanding bases in China, boosting chemical production volume in China and the U.S., accelerating the development of global business (by, for example, expanding sales networks in emerging countries), and developing environmentally conscious products.

■ Dividends



■ 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 at least 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.

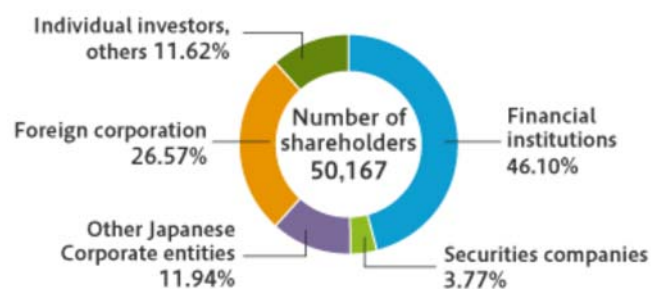
Since fiscal 2003, we have striven to get as many shareholders as possible to exercise their voting rights by allowing voting over the Internet. This means that those who cannot attend meetings in person can still exercise their voting rights by personal computer or mobile phone. In fiscal 2006, we adopted 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 78.18% in fiscal 2011. The number of votes cast over the Internet also increased to 1,056,103 in fiscal 2011 (1,115 shareholders).

Voting Rights Exercised

	Voting rights exercised	Votes cast over the Internet	Shareholders voting online
Fiscal 2007	81.72	903,216	691
Fiscal 2008	85.43	864,879	926
Fiscal 2009	81.50	897,490	779
Fiscal 2010	79.49	1,012,927	998
Fiscal 2011	78.18	1,056,103	1,115

Breakdown of Shareholders (March 31, 2012)





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 (formulated in fiscal 2004) 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.

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.

Since fiscal 2010, the Tokyo Branch has had an IR manager in charge of media relations, and this has allowed us to better meet the information needs of institutional investors.

We will continue to stress dialogue with all investors and do everything we can to disclose information through a range of media.



End-of-year financial performance briefing for analysts and institutional investors



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

■ [Read more](#) (See page 229)

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.

- ▶ [Policy on Contributing to Furthering Art and Culture](#)
- ▶ [Supporting Art and Music](#)
 - [The Daikin Industries Foundation to Promote Modern Art](#)
 - [Daikin Supports the Kansai Philharmonic Orchestra](#)
 - [Other Organizations Supported by Daikin Industries](#)

Promoting Sports

Daikin Employees Run Golf Tournament and Foster Future Golfers

■ [Read more](#) (See page 231)

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.



- ▶ [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 233)

- ▶ [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 to protect and rejuvenate forests in Indonesia and on Japan's Shiretoko. Daikin overseas group companies also conduct activities such as tree-planting activities and nature preservation.

■ [Read more](#) (See page 238)

- ▶ [Policy on Environmental Protection](#)
- ▶ [Efforts in Japan](#)
- ▶ [Efforts Overseas](#)

▶ [See Key Activities of Fiscal 2011: Protecting the Natural Environment of Shiretoko](#) (Page 67)

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 241)

- ▶ [Philosophy](#)
- ▶ [Helping Solve Social Issues](#)
- ▶ [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](#) 
 - [Other Regional Independent Activities](#) 
- ▶ [Charitable Activities](#)
 - [Donations in FY2011 \(Daikin Industries only\)](#) 
 - [Daikin Aids Victims of Natural Disaster](#) 
 - [Helping the Needy](#) 



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.

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 through paid advertising and since 2004 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
- Kaitokudo
- EU-Japan Fest
- Japanese Red Cross Society, Osaka Chapter
- Osaka Philharmonic Orchestra
- Osaka Nohgaku Youseikai Kouenkai
- Kamigata Entertainment Culture Society
- National Museum of Ethnology
- Osaka Wasso Cultural Exchange Association
- Exhibition of Shosoin Treasures
- Midosuji Illumination
- New Japan Philharmonic
- Takarazuka Review Supporters



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.



Airi Saito was the winner of the tournament's 25th 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, whose members include the presidents of major corporations and other experienced business personalities, 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. The volunteer program was launched in 1997, and in fiscal 2011, 450 volunteers took part in making the event a success. 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 2012, Orchid Bounty donated ¥6.9 million to a total of 13 organizations and individuals, bringing the total contributions since 1995 to ¥104.3 million.

Local Junior High School Students Invited to Watch Tournament

Every year, 250 first and second year students from the local Tamashiro Junior High School are invited to watch the tournament. This gives the students a valuable opportunity to learn about and experience the joy of golf.

Not only do the students get to see the women's pro golfers battle it out on the course, they also get a comprehensive look behind the scenes of the tournament as they observe the work of groups like the greens-keepers, mass media, and tournament organizers.



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

Since fiscal 2010, the Daikin Industries Kashima plant has been conducting educational presentations at local elementary schools. Members of the company's Security Control Department demonstrate chemical experiments using fluorine for senior students, thus helping the children to appreciate the enjoyment of chemistry and learn how technological advances benefit their daily lives.

In fiscal 2011, presentations were held at two elementary schools: in December 2011 (29 students) and January 2012 (47 students).

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 153)

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.

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.

Since April 2010, elementary schools across Japan have been receiving free learning materials for this program. In fiscal 2011, 40 schools took part in the program, and 15 of these welcomed Daikin employees to lead the lessons.








A Daikin Industries employee leads an environmental lesson at a school

■ ["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 2011, about 130 elementary and junior high school rugby players took part.
	Factory tours to educate local elementary school students about working society 	In fiscal 2011, 590 students from four schools took tours.
Shiga Plant	Factory tours to educate elementary schools in the city about local industry 	In fiscal 2011, 244 students from two schools 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.

Site	Activity	Overview, results
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 2011, 142 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 fiscal 2011, Daikin gave lessons for 76 students at two elementary schools.
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 2011, 30 students from one school took lessons.

Efforts Overseas

Training Technical School Students in Emerging Countries

Daikin focuses its educational efforts on training technical school students in emerging countries. We offer scholarships to support tuition fees and give students better employment opportunities, and we have internship programs as well.

Long-Term Practical Training for Students in Thailand

Daikin Compressor Industries Ltd. (DCI) has had a long-term practical training course since fiscal 2007. Students from technical universities in northeastern Thailand, a region with few employment opportunities, do internships at the company. In fiscal 2011, DCI took in a total of 159 students majoring in areas like industrial management, and electrical/electronics and welding.

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. As of the end of fiscal 2011, 37 had 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

Since fiscal 2010, Daikin (China) Investment Co., Ltd. has been co-sponsoring 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 2011, over 700 students submitted essays and other works on the theme of "energy efficiency and environment-friendly air conditioning technology." Participants represented 15 schools, two more than the previous year. 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 gave an overview of the Daikin Group and its advanced technologies.



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 for university students.	25 completed the internship, six are currently doing internship.	1 week - 6 months
Daikin Device Czech Republic, s.r.o. (DDC)	Factory tours	247 students, from elementary school up to university, took tours. Of these, 45 students took factory tours given by DDC under the 'My choice, my future' program supported by the European Social Fund.	247	Jan. 2011 - June 2012
Daikin Industries (Thailand) Ltd. (DIT)	Children's Day 	Every year on Children's Day (second Saturday of January), DIT holds events including present-giving to sick children, a gathering for disabled children, and a joint event with the local municipality.	Approx. 2,700	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 an 8-month course to help them become machine engineers.	88	6 months
Daikin (China) Investment Co., Ltd. (DIC)	5th 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 2011
O.Y.L. Manufacturing Company Sdn. Bhd. (OYLM)	Internship program	Took in local students on internship program.	7	3 - 5 months



Policy on Environmental Protection

Daikin Industries works with a range of groups, including governments, local citizens, and NGOs/NPOs to protect and rejuvenate forests in Indonesia and in Japan's Shiretoko.

Daikin overseas group companies also conduct their own environmental conservation activities including tree-planting and ocean and river cleanups.

Efforts in Japan

Daikin Supports Environmental Protection in Shiretoko, a UNESCO World Heritage Site

In July 2011, Daikin Industries, the Shiretoko Nature Foundation, and the towns of Shari and Rausu signed an agreement to protect the wilderness of Shiretoko, a UNESCO World Heritage Site. Under the agreement, which runs for five years until March 2016, the company is providing financial support and employee volunteers to restore the forest and river ecosystems so that humans and nature can once again exist in harmony.

▶ See Key Activities of Fiscal 2011: Protecting the Natural Environment of Shiretoko (Page 67)

☐ Protecting the Natural Environment of Shiretoko: People and Nature Living in Harmony
(<http://www.daikin.com/csr/shiretoko/index.html>)

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 18,000m² area.

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.

Since fiscal 2010, employees from Daikin Industries' Sakai Plant have volunteered for this event, and for these efforts 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. Daikin will continue to work with local NPOs, citizens' groups, and the government as a good corporate citizen contributing to the betterment of Sakai.



Certificate of appreciation from Sakai City

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)

(<http://www.daikin.com/csr/environment/reforestation/index.html>)

Daikin Donates 30,000 Seedlings in India

In July 2011, Daikin Airconditioning India Pvt. Ltd. supported an event sponsored by India's National Association for the Blind. About 2,000 people joined this event in which 30,000 seedlings were distributed free of charge to car drivers at highway toll booths.



30,000 seedlings for planting were given out

Italy, U.K.: Tree-Planting to Absorb CO₂ 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 CO₂ that they emit through their business activities. Under this project, since 2005 DACI has planted trees in national parks in Costa Rica and Italy over an area of approximately 2.3 km².

Daikin Airconditioning U.K., Ltd. has been conducting a similar initiative since 2010: it plants trees in a protected forest in Scotland.



DACI supports tree-planting in Costa Rica

Thailand: Planting Mangrove Trees

Daikin Compressor Industries Ltd. (DCI) plants mangrove trees. Mangroves prevent shoreline erosion and coastal flooding, purify the seawater, and support ocean biodiversity by providing shelter for a variety of marine life. 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 2011 planted 1,690 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 since 2008. For fiscal 2011, the city held events to plant 10,000 trees for Father's Day in June and 1,600 trees for Mother's Day in August, with 13 DCI employees taking part in each event.

DCI plans to plant trees in areas adjacent to the company in fiscal 2012.



Thailand: Planting Endangered Tree Species

Since 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 2011, it planted 1,862 trees, bringing the total planted to about 2,600 trees.

This new forest will be used as a nature classroom for children and as a meditation spot for the monks.



About 1,800 trees were planted



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.

Helping Solve Social Issues

New Research Institute Deepens Industry-Academia Dialogue

In the autumn of 2012, Daikin Industries and the Nara Institute of Science and Technology (NAIST) will establish a new type of research institute. In conventional agreements between industry and academia, the parties focus on their areas of specialty, but this new institute will instead start by conducting dialogue and studies to decide which social issues require their assistance in solving. It is from this direction that new products will be developed and new research begun.

In March 2012, participants got together for several days of discussions on the institute's framework. Discussed were 50 possible projects that the institute could focus on, among them "building safe cities where the elderly can live full and active lives," and "developing technologies to solve energy shortages as population grows." The institute will choose a number of these ideas for future development.

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 195)

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Community residents & administrative board factory tour Attendance at enterprise association administrative board meetings Attendance at regional meetings of the Japan Responsible Care Council
Soka Station	<ul style="list-style-type: none"> 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 do all we can to stay in close contact with the local community. For example, we hold disaster prevention drills three times a year, and we show local residents where we store disaster safety equipment and how to properly use it.

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.

► [Occupational Safety and Health \(Responsibility to Employees\)](#) (Page 203)

Disaster Preparedness and Disaster Prevention Drills

The Daikin Group has measures in place at all sites 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.

Following the Great East Japan Earthquake, in fiscal 2011 we revised earthquake measures at all bases.

At the Sakai Plant, which is located by the sea, on the assumption that the site could be struck by a tsunami, we have mapped out evacuation routes and we carry out safety assurance measures and evacuation drills. We have also carried out measures including liquefaction surveys and the installation of emergency power generating equipment.

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 as well, we have begun holding disaster and evacuation drills that assume a large earthquake and tsunami. We have also reinforced buildings to withstand a magnitude 6 earthquake and secured factory shelving and other furnishings to prevent overturning. 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, we established three new tsunami evacuation shelters in high locations to use in case of a large tsunami warning, and we held evacuation drills using these shelters.

The Soka Station, Soka City, and five neighboring communities signed an agreement to cooperate in preparing for natural disasters. Based on this agreement, in May 2011 about 600 people, including local residents, took part in comprehensive disaster drills in cooperation with the neighboring communities and the fire department. The Soka Station also used the lessons it learned from the Great East Japan Earthquake to revise its rules on product storage and to change evacuation routes.

The Tokyo Head Office is looking into measures to help employees who would not be able to return home following a natural disaster; possible measures include stocking up on emergency food and water, and installing portable toilets.

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 regular local volunteer firefighters, this special firefighting team is made up of people who work at companies in the city who can drive their companies' fire engines to a fire and provide assistance under the guidance of the Settsu City Fire Department. Recently more and more volunteer fire brigades are made up of company workers who often cannot get away from their day jobs to fight fires. In response, Settsu City introduced this special firefighting team so that more personnel would be available on weekdays. Daikin and two other companies in Settsu with fire engines are taking part.

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 250)

[Contributing to Local Safety \(Japan\)](#) (Page 257)

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 around the World at Summer Bon Dance Festivals

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. The event has evolved into one of Japan's largest corporate-sponsored Bon dances and is now established as a much-anticipated major summer event in the region. The fiscal 2011 Yodogawa Plant Bon Dance marked the event's 40th anniversary, attracting about 22,000 under the theme of "spread the dance circle and form a line of happy faces."



Daikin Festival (Daikin America)

Bon dance community festivals are held at all Daikin bases in Japan. The event at the Sakai Plant was a summer festival enjoyed by the approximately 12,000 who came: participants joined the large circular bon dance, employees and local citizens' groups ran stalls selling food and other goods, and elementary school students performed traditional dances and showed posters they had made. The Daikin Head Office offered its support to the Yodogawa and Sakai bon dances in a successful cooperative effort.

Bon dance community festivals are held at all Daikin bases in Japan. The event at the Sakai Plant was a summer festival enjoyed by the approximately 12,000 who came: participants joined the large circular bon dance, employees and local citizens' groups ran stalls selling food and other goods, and elementary school students performed traditional dances and showed posters they had made. The Daikin Head Office offered its support to the Yodogawa and Sakai bon dances in a successful cooperative effort.

Bon dances are held at Daikin's overseas bases as well: in the United States (Daikin America), China (Daikin Shanghai), and Belgium (Daikin Europe).

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 Industries 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.



Reaching Out to the Community through the 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.

In fiscal 2011, a team from the school placed third in the team event at the Suita City kendo spring tournament and one school member placed third individually in the fall tournament. The Daikin Cup Kendo Tournament is held in July, and is followed by a barbecue welcoming coaches, players, and parents. In January is the Yushinkan Kendo Tournament, where exhibition matches and other events help further strengthen the bonds between Daikin and the community.

Conducting Neighborhood Cleanup and Tree-planting Activities

Employees at the Daikin plants in Yodogawa, Shiga, Sakai, and Kashima regularly pick up litter and pull up weeds in the surrounding areas.

At the Yodogawa Plant in fiscal 2011, about 100 employees took part in a cleanup drive to pick up litter around the plant. And 32 employees took part in a cleanup of local ditches as another way to keep the plant's community clean.

At Daikin Industries (Thailand) Ltd., 46 employees participated in a beach cleanup activity in June 2011. Daikin Trading (Thailand) Ltd. held a cleanup of local canals in September 2011 that was joined by 30 employees.



Yodogawa Plant employees pick up litter



Daikin Trading (Thailand) Ltd. employees clean up a local canal

 [Local Cleanup Activities \(Japan\)](#) (Page 259)

Conducting Factory tours

We open our plants to the community by conducting tours for the local community association and elementary school children.

In fiscal 2011, the Yodogawa plant held factory tours for 143 students of two elementary schools, giving the children hands-on experiments in electricity, chemistry, and machinery. After the tour, students and their teachers sent letters thanking Daikin and giving their opinion of the tour.

For fiscal 2012, Daikin plants will give factory tours whenever possible in order to maintain an open relationship with the community.



A factory tour at the Yodogawa Plant

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

Daikin Factory Tours Around the World

Daikin bases overseas also provide locals with factory tours whenever possible in order to gain citizens' understanding and be a company truly rooted in the community.

Every year, Daikin Compressor Industries, Ltd. in Thailand holds factory tours for students and local residents. The company held six tours in fiscal 2011, welcoming a total of 209 visitors from universities and trade schools. The company also made pamphlets to help students better understand the plant.

Questionnaires were given to plant visitors to assess their satisfaction with the tours. Visitor opinions will be reflected to make future factory tours even more valuable.



A factory tour at Daikin Compressor Industries, Ltd.

Other Regional Independent Activities



Christmas party for disabled people at Daikin America



Christmas party at Daikin Australia Pty., Ltd.



Employees of American Air Filter International hold a Halloween event at a seniors' home

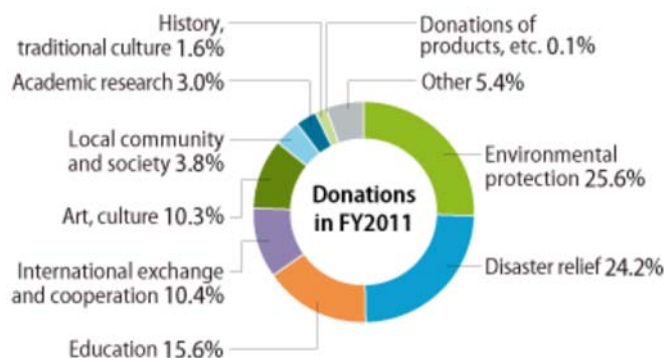
Regional Independent Activities (Overseas) (Page 261)

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 FY2011 (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.

Flooding in Thailand

In November 2011, Daikin Industries and five Daikin bases in Thailand donated ¥30 million in aid of flood victims. Daikin Industries (Thailand) Ltd. sent food, water, and flood-prevention sandbags to five areas affected by the floods, and it offered assistance to 10 employees of Daikin Compressor Industries, Ltd. who were living in an evacuation shelter at a nearby university.



Delivering relief supplies to flood victims

Aid for Cyclone Victims in the U.S.

Fiscal 2011 saw severe damage from cyclones around the United States. McQuay International, based in Minnesota State, provided assistance to cyclone-affected areas of the state in May. Five employees volunteered to dispose of rubble from fallen houses and buildings and clean up the aftermath of the disaster.

There was also major cyclone damage in Missouri State, the home of American Air Filter International. In June, 170 employees of the company's Columbia plant donated money and food and other relief supplies to victims.



Employees clean up the aftermath of a cyclone

Earthquake in Eastern Turkey

In October 2011, Daikin Industries and Daikin Europe donated ¥5 million to victims of an earthquake occurring in eastern Turkey.

Great East Japan Earthquake

In March 2011, the 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.

From April 2011 on, employees and management at Daikin bases across Japan joined with their respective disaster task forces and worker unions for a fund-raising campaign in aid of Daikin employees affected by the disaster and public groups helping disaster victims in general. About ¥13 million was raised for affected Daikin employees, ¥500,000 for a campaign by the Japan Association of Metal, Machinery, and Manufacturing Workers, and approximately ¥3.6 million for the NPO Japan Platform.

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.




In 2011, about 15 to 20 employees took part in a program to donate Christmas presents to children in needy families.





In March 2011, 20 employees and their families delivered food to less fortunate families.

Safety and Disaster Prevention 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	<p>Joined the special firefighting team of Settsu City</p> 	<p>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.</p>
	Kashima Plant	Formation of disaster task force system	An organization was set up with separate units to handle firefighting, guidance, rescue, and information provision in case of a fire. The firefighting units keep the fire in check until the local fire department arrives.
	Soka Station	Formation of in-house firefighting unit	<ul style="list-style-type: none"> • Each division formed its own in-house firefighting unit. • At a nearby apartment fire in March 2011, the unit assisted with the initial firefighting. • At site disaster drills (November each year), the unit conducts firefighting drills with the fire department.
	Tsukuba Training Center	Formation of in-house firefighting unit	Members in all divisions of Tsukuba site.
	Head Office	Formation of in-house firefighting unit (existing)	Units formed in the Head Office and Esaka site. Periodic firefighting drills held.
	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.

	Site	Activity	Overview, results
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. ▶ For details, see Building Trust with Communities (Page 242)
	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	Agreement signed for regional disaster cooperation	In 2000, Soka Station, Soka City, and five neighboring communities signed an agreement to cooperate in preparing for natural disasters. These three groups have agreed to work together regularly on plans to implement after major earthquakes occur. An expert panel of the Central Disaster Management Council of the 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.
		Regional joint disaster training	Under the disaster agreement, firefighting drills are held with neighboring town associations. In May 2011, approx. 600 took part.
	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.
	Tokyo Office	Cooperation with neighboring companies	Joined as an observer in the tenant association of the JR Shinagawa East Building, and in firefighting drills of the building's restaurants. This helped confirm the firefighting system of the building.

	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	<p>Use of equipment during disasters, and secure supplies for residents for emergencies</p>  <p>At a meeting during a factory tour, participants confirm that there are enough emergency supplies stored</p>	<ul style="list-style-type: none"> 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. 
	Shiga Plant	Secure supplies for emergencies	Emergency supplies are stocked (megaphones, flashlights, food and water, etc.).
	Kashima Plant	Secure emergency equipment and food	Stored emergency supplies (gas marks, flashlights, megaphones) and emergency necessities to last employees 3 days (food, water, portable toilets, blankets, etc.)
	Soka Station	<ul style="list-style-type: none"> Secure supplies for emergencies Joint regional disaster training held 	<ul style="list-style-type: none"> Stored water, food, firefighting equipment, etc. Exhibit and disaster drills were held with the surrounding community.
	Tsukuba Training Center	Secure supplies for employees who cannot return home during a disaster	Stored emergency supplies (hand-held microphones, flashlights, water, manual rechargers, blankets, gas burners, gas tanks, kettles).
	Head Office	Secure supplies for emergencies	Purchased and stored emergency supplies for the Head Office and Esaka Building. During fire drills, confirmed how to use these supplies (particularly rescue-related supplies).
		Place AEDs at Head Office, Esaka, Fukuoka, Nagoya, and Hiroshima	Health and Safety Committee and Human Resources oversee the placement of AEDs in all bases under Head Office jurisdiction.
	Tokyo Office	Secure emergency supplies, hold evacuation training drills	Emergency supplies are stocked (megaphones, flashlights, food and water, portable toilets, etc.); these are inspected regularly.



	Site	Activity	Overview, results
Earthquake measures	Sakai Plant	Measures against tidal wave and tsunami Earthquake reinforcement and evacuation training drills	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> All buildings on-site have been inspected for earthquake resistance. Building structures are being reinforced. Evacuation training drills were also held.
	Yodogawa Plant	Revise earthquake scale assumptions and conduct Earthquake reinforcement Infrastructure loss measures Evacuation and emergency measures	<p>Assumed scale of earthquake: Magnitude 6 and 2-meter tsunami (2 hours after earthquake)</p> <p>Basic earthquake measures policy: Save people above all, ensure safety.</p> <ol style="list-style-type: none"> Operator will complete emergency measures before tsunami arrives (within 2 hours), ensure the chemical plant is safe, and evacuate employees to a high, safe place. Using secured emergency power, close up dangerous chemicals to render them harmless, and safely shut down plant. <p>Earthquake reinforcement situation (main buildings certified for near magnitude 6 earthquake) All main buildings can withstand a near magnitude 6 earthquake, and planning is underway for similar reinforcement of smaller buildings</p> <p>Liquefaction risk measures (boring survey complete, 2-4 meter sand layer)</p> <ol style="list-style-type: none"> There is no risk of the main building, large facilities, or plants that have a pile foundation being destroyed or collapsing due to liquefaction. Main facilities that do not have a pile foundation were, with the help of construction companies, given a ground layer comparison with buildings in Urayasu and Kobe. Final assessment (likelihood of liquefaction, degree of effect) was completed in late March 2012. Stored sand bags and sand boxes to secure paths for evacuation or restoration work.



	Site	Activity	Overview, results
Earthquake measures	Yodogawa Plant	Revise earthquake scale assumptions and conduct Earthquake reinforcement Infrastructure loss measures Evacuation and emergency measures	<p>Measures for loss of infrastructure such as power sources (ensure safety).</p> <ol style="list-style-type: none"> 1. Have two backup power sources (multiple levels of power). 2. Improved special substations. 3. Secured lighting for night evacuation and security measures. 4. Secured firefighting water. 5. Secured functions of pretreatment facility. 6. Secured instrument air system. The above items are being implemented under a set time table. <p>Disaster prevention measures (based on lessons learned at Kashima Plant, create measures for evacuation, emergencies, and communication).</p> <ol style="list-style-type: none"> 1. Created hazard map (sources of danger, evacuation). 2. Conducted disaster drills according to emergency measures manual (3 times a year). 3. Secured communication protocol (satellite phones, etc.) <p>Advice from experts Observation at Urayasu to check for liquefaction (July); Masujiro Uchida, a consultant and former lieutenant general with the Self Defense Forces with experience in disaster relief missions, gave a lecture on disaster response (August); guidance by Kawata Yoshiaki, Kansai University professor (September); observation of experiments at Hyogo Earthquake Engineering Research Center (October).</p> <p>Measures to prevent falling over of equipment and machinery</p> <ul style="list-style-type: none"> • Discussions underway for a unified standard (for preventing equipment from falling over or moving) at all bases. • Under guidelines for earthquake-proof design, set a seismic coefficient of 0.4 (normal buildings are 0.2).

	Site	Activity	Overview, results
Earthquake measures	Kashima Plant	Tsunami measures	Established three new tsunami evacuation shelters in high locations to use in case of a large tsunami warning, and held evacuation drills using these shelters.
	Soka Station	<ul style="list-style-type: none"> • Earthquake resistance inspection and reinforcement • Revision of product storage rules • Measures to prevent falling over of fixtures • Revision of disaster drills at bases 	<ul style="list-style-type: none"> • Conducted earthquake reinforcement on former East Japan Parts Center (completed on distribution warehouse, other buildings). • Revised product storage rules based on past earthquake experience. • Took measures to prevent falling over of fixtures and other equipment in offices. • Revised disaster drills at bases (based on past earthquake experience, changed evacuation routes, worked with the fire department, etc.).
	Tsukuba Training Center	Earthquake reinforcement and disaster drills	<p>Took measures to prevent equipment from falling over.</p> <p>Carried out comprehensive disaster drills in preparation for large-scale earthquake (magnitude 6)</p>
	Head Office	Improve earthquake risk measures	To further earthquake risk measures, a memorandum (measures for transfer of building functions in case of earthquake, tsunami measures, and risk management measures) was sent to bases and affiliates.
	Tokyo Office	Earthquake reinforcement, evacuation drills, measures for employees who cannot return home	<ul style="list-style-type: none"> • Fixtures and equipment on the site were reinforced. • Joined in planning and implementation of disaster training sponsored by the fire and disaster prevention association of the JR Shinagawa East Building. • For employees who cannot return home in a disaster, based on proposed laws for Tokyo, plans are being made to stock more emergency supplies (food, water, portable toilets, etc.)



	Site	Activity	Overview, results
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.
	Kashima Plant	Safety confirmation system	Established a system for confirming the safety of employees after a disaster occurs.
	Soka Station	Safety confirmation system	
	Tsukuba Training Center	Safety confirmation system	Drills held in replying to this system (once a year).
	Head Office	Safety confirmation system	Established a system for confirming the safety of employees after a disaster occurs. The system is currently being strengthened.
	Tokyo Office	Safety confirmation system	Established a system for confirming the safety of employees after a disaster occurs. An emergency communication network is being built that will enable communication even when the safety confirmation system is out of order.





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).

Site	Activity	Overview, results
Yodogawa Plant	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.
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 2011 - January 2012).
	Regional joint disaster training	Held disaster training with five neighborhood associations. (March and May 2011; approx. 600 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.



Site	Activity	Overview, results
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 	<p>Weeding, flower planting, and care for the cherry trees was carried out.</p> <p>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.</p>
Yodogawa Plant	Cleanup 	<ul style="list-style-type: none"> • 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.
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	Took part as a committee member at Soka City environmental conferences (held 3 times a year).

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 Australia Pty. Ltd. (DAS)	Collecting donations 	DAS took part in charity events (Morning Tea, Movember, and Jeans for Genes) supporting cancer and gene research, and patients. Movember is a fund promoting understanding of men's health issues, particularly prostate cancer; DAS, suppliers, and customers have been supporting this since 2008.
	Sponsorship of local events	Offered support through monetary donations for sports promotion event, 'Smiling for Smiddy'; camp for children with cancer, 'Camp Quality'; and children's hospital through Cancer Council of Australia.
	Support for Cerebral Palsy Alliance	Donated photocatalytic air purifiers to CBD Golf Escape, an event sponsored by the Cerebral Palsy Alliance.
	Christmas event 	Held Christmas event for employees, their families, and local residents. Concert by New South Wales Fire Brigades Band, with ticket sales donated to a children's hospital. Despite poor weather, there were more than 600 participants in fiscal 2011.
	Support for zoo	Donated air conditioners to improve the living environment of animals in the Taronga Zoo.
Daikin Device Czech Republic, s.r.o. (DDC)	Donation of used PCs	Donated 26 PCs to 9 schools in Brno City.
	Sponsorship of cultural events	Made donations to cultural events such as an outdoor concert and a folk festival.
Daikin Industries (Thailand) Ltd. (DIT)	Blood donation activities	Approx. 1,000 took part in three blood donor clinics: in July and November 2011 and March 2012.
Daikin (China) Investment Co., Ltd. (DIC)	Interior design contest	Holds a design contest every year to give young designers a chance to shine. Begun in 2006, fiscal 2011 was the 6th edition. 635 took part and 60 won prizes.

Site		Activity	Overview, results
Daikin Chemical Europe GmbH (DCE)		Sponsorship of concert	Sponsored a charity concert by a Japanese opera singer. Ticket sales were donated to victims of the Great East Japan Earthquake.
Daikin Chemical Netherlands B.V. (DCN)		Support for health activities	Sponsored a quarterly publication on rheumatism, donated coloring books to a children's hospital.
McQuay International	Owatonna Plant	Supported kid's safety camp	 <p>Donation of \$250 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 fiscal 2011, 200 children took part.</p>
		Support for children's sports teams	
	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.
		Sponsorship of outdoor concerts	Sponsored concerts over the 12 weeks of summer. Total attendance was 3,600.
		Support of children's education	Sponsored events that included children's safety education and an ice fishing excursion.
	Staunton Plant	Took part in the Salvation Army Angel Tree Program.	Similar to Toys for Tots, this program provides needy families with Christmas presents.
		Made donation to food bank.	Employees donated a total of \$550 to a range of food bank programs, which support needy families with food donations.
	Plymouth Office	Volunteered for People Serving People.	McQuay employees volunteered for People Serving People, a program for assisting homeless families. 6 employees distributed 200 meals.
		School support for children	 <p>Took part in the Back to School program sponsored by the NPO Interfaith Outreach & Community Partner, in which supplies are provided to children from needy families.</p>

Site		Activity	Overview, results
McQuay International	Service Division	Made donation to a charity organization.	Donated total of \$11,400 to various community groups and charity organizations (Mary Lanning Healthcare Foundation golf tournament, preservation seminar in Lawrence, Indiana, "Fore the Kids" golf tournament, etc.)
	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	Took part in blood donor clinic.	Employees donated blood at blood donor clinics. At the Faribault Plant, 123 took part; at the Staunton Plant, 25 took part each month at monthly blood donor clinics.
American Air Filter International (AAF)	Fundraising		Donated money to an art fund and a community charity.
	Support for the elderly		 <p>Employees delivered meals to elderly who have trouble getting out of the house, and held a Halloween party at a seniors' home.</p>
	Columbia Plant	Donations to charity organizations	
	Atlanta Plant	Blood donor clinic	40 employees gave blood.
	Ontario Plant	Donations	Donated used PCs, food, and toys to the Ronald McDonald House.

Site	Activity	Overview, results
Daikin America, Inc. (DAI)	Support for the disabled 	Held a Christmas party for the disabled.
	Fundraising	Since 1994, DAI has been supporting the community through donations to the NPO United Way.
	Support for art and culture	Donated Japanese cultural items to a library, sponsored an educational program of the Carnegie Museum of Art, and made donation to a theater.
Daikin Airconditioning (Singapore) Pte. Ltd. (DSP)	Support for needy families	Provided daily necessities and utility expenses to needy families, sponsored a radio campaign to collect money for children's tuition fee and pocket money.
	Fundraising	Held a charity golf tournament, with proceeds going to victims of the Great East Japan Earthquake. Was a corporate fundraising partner in a Christmas tree illumination event sponsored by a charity organization. Took part in fundraising to support causes including chronically ill patients, low income families, and needy senior citizens.
Siam Daikin Sales Co., Ltd. (SDS)	Donation of air conditioners 	Donated air conditioners for use in hospital rooms of children with serious illnesses.



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 and Customer Satisfaction

■ Number of Inquiries to the Contact Center **JG**

(thousands)

	2006	2007	2008	2009	2010	2011
Repair inquiries	815	827	794	735	910	796
Technical advice	507	534	575	658	813	719
Parts inquiries	326	328	323	332	359	325
Others	96	104	60	56	58	40

Low-Impact Products

■ Materials Used **JG**

(tons)

	2007	2008	2009	2010	2011
Iron	69,178	57,512	40,637	49,972	52,349
Copper	24,358	18,684	15,698	14,766	6,833
Aluminium	16,797	13,319	8,962	9,031	8,297
Refrigerants	4,254	3,711	2,872	3,049	2,999
Plastics	13,712	13,928	9,147	11,343	11,319
Chemicals (PRTR-designated)	132,743	102,322	92,325	98,198	104,166
Packaging	9,778	9,644	7,579	10,857	10,990

■ Recycling of Residential Air Conditioners **JG**

	2007	2008	2009	2010	2011
Residential air conditioners collected by 4 major manufacturers (including Daikin) (units: 1,000)	189	197	215	314	234
Residential air conditioners collected by Daikin only (units: 1,000)	13	14	17	25	20
Amount recycled (tons)	4,702	5,294	5,927	8,648	7,776
Recycling ratio (%)	84	85	84	84	86
(Breakdown)	Iron (%)	47	44	42	40
	Copper (%)	9	8	8	8
	Aluminium (%)	6	8	7	7
	Mixture of non-ferrous and iron composite materials (%)	31	32	34	35
	Other valuable materials (%)	7	8	9	10
Refrigerants recovered (tons)	76	85	100	145	128

Low-Impact Production

Note: Numbers are different than any reported up to now because data from O.Y.L. Industries Bhd. and its subsidiaries were added and all results starting with those of fiscal 2005 were recalculated.

1) Greenhouse Gas Emissions

■ Greenhouse Gas Emissions for the Entire Group (Production) **OJG**

(10,000 tons-CO₂)

	2005	2006	2007	2008	2009	2010	2011
CO ₂ (Energy)	54	55	55	51	49	58	59
HFC	76	68	50	27	20	12	12
PFC	284	205	177	92	65	94	84
Total	414	328	282	170	134	165	156

■ HFC, PFC Emissions and Global Warming Impact **OJG**

(tons)

	2005	2006	2007	2008	2009	2010	2011
HFC	210.9	162.8	259.5	125.7	83.2	57.0	69.4
PFC	329.7	245.1	213.2	108.0	78.5	112.8	100.1
Global warming impact with FY2005 set as 100% (%)	100	76	63	33	24	30	27

■ CFC, HCFC Emissions and Global Warming Impact **OJG**

(tons)

	2005	2006	2007	2008	2009	2010	2011
CFC	3.1	2.2	0.7	0.3	1.0	0.4	0.8
HCFC	841.6	449.4	383.8	348.2	236.7	317.0	347.7
Global warming impact with FY2005 set as 100% (%)	100	59	50	44	30	37	43

■ Total CO2 Emissions **OJG**

(10,000 tons-CO₂)

	2005	2006	2007	2008	2009	2010	2011
Japan	20.4	18.9	17.4	14.7	14.0	16.4	16.7
Overseas	33.6	36.2	37.4	36.7	35.0	41.6	42.6
Total	54.0	55.1	54.8	51.4	49.0	58.1	59.3

■ CO2 Emissions per Sales **OJG**

(tons per 100 million yen)

	2005	2006	2007	2008	2009	2010	2011
Emissions per sales (consolidated)	56	51	42	43	48	50	49

■ CO2 Emissions per Sales from Transportation (Air-conditioning) **D**

(%)

	2001	2007	2008	2009	2010	2011
CO2 emissions per sales with FY2001 set as 100%	100	72	74	72	71	69

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

(tons)

	2007	2008	2009	2010	2011
Recovered fluorocarbons at time of disposal	36.3	41.3	34.4	38.8	33.0
Recovered fluorocarbons at time of repair	299.5	335.0	314.6	306.4	320.2

2) Energy Consumption

■ Energy Consumption **D**

	2007	2008	2009	2010	2011
Electricity (MWh)	162,628	145,850	133,472	141,294	136,997
City Gas (m ³)	4,500	3,724	3,566	4,071	4,370
LPG (tons)	131	0	45	58	55
Steam (GJ)	334,637	256,617	235,670	269,176	307,709
Petroleum (kl)	459	471	547	521	1,442

3) Green Procurement

Green Procurement Rate (Japan) **JG**

(%)

	2007	2008	2009	2010	2011
Green procurement rate	95	97	99	99	96

Green Procurement Rate by Region* **OJG**

(%)

	2007	2008	2009	2010	2011
Japan	95	97	99	99	96
Thailand	-	85	97	97	98
China	-	79	89	89	91
Europe	-	69	63	82	81
Other countries in Asia and Oceania	-	-	85	85	87
North America	-	-	-	45	3
All regions	-	89	83	87	84

* Green procurement rate= Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured

4) Water

Water Used **OJG**

(10,000 m³)

	2007	2008	2009	2010	2011
Japan	326	295	302	258	235
Overseas	397	383	365	416	433
Total	723	678	667	674	668

Waste Water **OJG**

(10,000 m³)

	2007	2008	2009	2010	2011
Japan	247	219	206	200	225
Overseas	288	268	238	291	269
Total	535	487	444	491	494

5) Water Pollutant and Air Pollutant Emissions

Air Pollutant Emissions **D**

(tons)

	2007	2008	2009	2010	2011
NOx	49	49	63	27	24
SOx	0.4	0.4	0.0	0.0	0.0
VOC	132	43	32	56	49

■ Air Pollutant Emissions **JG**

(tons)

	2007	2008	2009	2010	2011
NOx	50	50	63	27	27
SOx	1.4	1.3	0.0	0.0	0.0
VOC	137	48	35	59	427*

Note: The number of VOCs covered was increased in fiscal 2011.

■ Air Pollutant Emissions **OG**

(tons)

	2007	2008	2009	2010	2011
NOx	82	78	55	100	75
SOx	20	10	6	14	30
VOC	304	184	105	133	114

6) Chemical Substance Emissions

■ Release of Substances Designated by the Pollutant Release and Transfer Register Law **D**

(tons)

	2007	2008	2009	2010	2011
Release of substances designated by PRTR Law	341	201	115	121*	114

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.

■ Release of Substances Designated by the Pollutant Release and Transfer Register Law **JG**

(tons)

	2007	2008	2009	2010	2011
Release of substances designated by PRTR Law	345	206	118	127*	115

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.

2011					
Substance name	Amount emitted (tons)			Amount transported (tons)	
	Air	Public waterways	Soil	Waste	Sewage
Chlorodifluoromethane (also called HCFC-22)	51.67	0.00	0.00	2.99	0.00
Dichloromethane (also called methylene chloride)	40.44	0.00	0.00	0.00	0.00
1-chloro-1,1-difluoroethane (also called HCFC-142b)	10.86	0.00	0.00	0.00	0.00
Toluene	3.19	0.00	0.00	0.06	0.00
1-bromopropane	1.60	0.00	0.00	0.00	0.00
2-Chloro-1,1,1,2-tetrafluoroethane (also called HCFC-124)	1.29	0.00	0.00	0.00	0.00
Xylene	1.14	0.00	0.00	0.06	0.00
Normal hexane	0.88	0.00	0.00	0.00	0.00
Chloroform	0.73	0.00	0.00	0.11	0.00
Ethylbenzene	0.67	0.00	0.00	0.01	0.00
Styrene	0.24	0.00	0.00	0.00	0.00
Hydrogen fluoride and other water-soluble salts	0.21	0.00	0.00	106.69	0.00
N,N-dimethylformamide	0.01	0.00	0.00	5.85	0.00
Acetonitrile	0.00	0.00	0.00	1.37	0.03
Acrylic acid	0.00	0.00	0.00	21.62	0.00
Polyoxyethylene alkyl ether (those whose alkyl group carbon number is between 12 and 15, or compounds of these)	0.00	0.29	0.00	72.47	0.00
Ferric chloride	0.00	0.00	0.00	5.93	0.00
Hydroquinone	0.00	0.00	0.00	2.68	0.00
Water soluble lead compounds	0.00	0.00	0.00	0.98	0.14
Antimony and antimony compounds	0.00	0.00	0.00	0.39	0.00
Tritolyl phosphate	0.00	0.00	0.00	0.05	0.00
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
2-aminoethanol	0.00	0.00	0.00	0.00	0.30
Carbon tetrachloride	0.00	0.00	0.00	0.00	0.00
Allyl alcohol	0.00	0.00	0.00	0.00	0.00
Water-soluble copper salt (except complex salts)	0.00	0.00	0.00	0.00	0.00
Total	112.94	0.29	0.00	221.31	0.48

7) Waste

■ Amount of Waste and Recycled Materials **OJG**

(tons)

	2007	2008	2009	2010	2011
Japan	34,293	33,400	20,742	26,701	30,528
Machinery-related	10,505	10,165	8,627	8,904	8,774
Chemical-related	23,788	23,235	12,115	17,797	21,754
Overseas	58,454	52,225	48,819	58,122	59,838
Machinery-related	39,655	37,951	36,612	41,462	40,435
Chemical-related	18,799	14,274	12,207	16,660	19,403
Total	92,747	85,625	69,561	84,823	90,366

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

Report from Audits **JG**

	2007		2008		2009	
	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	0	0	0	1	3	0
Minor non-conformance	56	4	31	8	99	1
Items improved	192	46	111	71	214	10
	2010		2011			
	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	0	0	2	0		
Minor non-conformance	43	0	38	0		
Items improved	219	5	219	5		

Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification **OJG**

(%)

	2007	2008	2009	2010	2011
Japan	100	100	100	100	100
Overseas	95	99	99	96	83

Note: Data from O.Y.L. Industries Bhd. and its subsidiaries was added in fiscal 2011.

Employees

1) Number of Employees, Hiring, etc.

Employee Composition (Data for Daikin Industries) (Note: Number currently employed) **D**

	As of end of March 2008		As of end of March 2009		As of end of March 2010		As of end of March 2011		As of end of March 2012	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of employees	6,360	816	6,452	868	6,558	897	6,717	961	6,705	974
Average range of services (years)	19.0	12.0	18.9	12.0	17.9	10.8	17.1	9.96	16.8	10.5
Average age	41.9	32.9	41.6	32.8	41.8	33.6	41.8	34.2	41.8	34.9
Number of managers	969	12	925	13	886	14	936	16	933	21
Number of board members	41	1	47	1	45	1	44	1	45	1
Number of foreign nationals	28	12	28	12	27	16	30	21	34	21

■ Employee Make-up by Region **OJG**

	2007		2008		2009		2010		2011	
	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees
Daikin Industries (Only)	1	5,979	1	6,186	1	6,379	1	6,553	1	6,550
Domestic Group (Excluding Daikin Industries)	45	4,231	40	4,432	42	4,665	40	4,593	29	4,594
China	28	8,387	31	10,551	31	10,072	30	11,434	32	12,471
Southeast Asia, Oceania	41	7,619	41	8,298	40	7,968	37	8,714	37	9,377
Europe, Middle East, Africa	48	5,799	61	6,006	58	5,654	54	5,798	59	6,466
North America, Latin America	30	4,285	29	4,423	27	4,136	30	4,477	25	4,652
Total	193	36,300	203	39,896	199	38,874	192	41,569	183	44,110

■ Number of Employees Leaving, Employee Turnover **D**

	2007	2008	2009	2010	2011
Men	207	241	225	223	204
Women	24	48	36	41	42
Employee turnover	3.3%	3.9%	3.5%	3.4%	3.2%

■ Number of Women Periodically Hired; Percentage of All Employees **D**

	2007	2008	2009	2010	2011
Men	216	242	157	172	216
Women	139	52	34	37	60
Total	355	294	191	209	276
Women as % of all employees	39.2%	17.7%	17.8%	17.7%	21.7%

2) Occupational Safety and Health

Frequency Rate* D

	2007	2008	2009	2010	2011
Daikin Industries	0.07	0.13	0.06	0.73	0.20
National average for all industries	1.83	1.75	1.62	1.61	1.62
National average for manufacturing industry	1.09	1.12	0.99	0.98	1.05

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

	2007	2008	2009	2010	2011
Daikin Industries	0.00	0.06	0.00	0.52	0.00
National average for all industries	0.11	0.10	0.09	0.09	0.11
National average for manufacturing industry	0.10	0.10	0.08	0.09	0.08

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

	2007		2008		2009		2010		2011	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of retirees	112	5	139	6	141	4	132	7	187	2
Number of re-employed workers	98	3	117	5	118	3	122	4	173	1
Percentage re-employed after retiring	86.3%		84.1%		83.4%		90.6%		92.1%	

4) Disabled People Employed

Number of Disabled People Employed JG

	2007	2008	2009	2010	2011
Number of disabled people employed*1	237	248	264	284	301
Employment rate*2	2.13	2.17	2.27	2.34	2.49

*1 Legally, one severely disabled person employed is counted as two disabled persons.

*2 Employment rate = number of disabled persons employed / number of persons employed

5) Work-Life Balance

■ Leave Before and After Child is Born, Childcare Leave, Leave Taken by Men and Women D

		2007	2008	2009	2010	2011
Number taking leave before and after child is born	Women	19	20	30	27	33
Number taking childcare leave	Men	23	89	75	68	93
	Women	33	35	49	54	58

■ Number Taking Family Care Leave D

		2007	2008	2009	2010	2011
Number taking family care leave	Men	0	0	0	4	1
	Women	1	0	0	0	0

■ Number of Accidents Resulting in Time Off Work D

		2007	2008	2009	2010	2011
Number of accidents resulting in time off work	Accidents resulting in time off work	12	13	6	17	15
	Commuting accidents resulting in time off work	2	18	4	4	6
Frequency rate		0.07	0.13	0.06	0.73	0.20
Severity rate		0.00	0.06	0.00	0.52	0.00

■ Percentage of Employees Taking All Paid Leave D

(%)

	2007	2008	2009	2010	2011
Percentage of Daikin Industries employees	90.2	92.4	90.6	92.8	93.4
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	53.1	54.0	54.5	51.6	55.3

6) Patent Applications

■ Number of Patent Applications

	2007	2008	2009	2010	2011
Japanese applications	1,469	1,698	1,069	948	1,197
Overseas applications	392	451	309	242	202

Shareholders and Investors

Consolidated Sales by Business Segments

(%)

	2007	2008	2009	2010	2011
Air Conditioning/Refrigeration Equipment	87.7	88.1	88.7	86.6	85.5
Chemicals	9.0	8.5	8.4	9.9	10.9
Oil Hydraulics, Defense Systems, and Electronics	3.3	3.4	2.9	3.5	3.6

Consolidated Sales by Region

(%)

	2007	2008	2009	2010	2011
Japan	35.7	37.3	37.6	38.5	38.9
China				15.7	17.7
Asia and Oceania	24.1	25.1	26.9	14.0	13.4
Europe, Middle East, and Africa	29.8	26.4	24.9	21.5	19.5
North America, Latin America	10.4	11.2	10.6	10.3	10.5

Net Sales

(¥billion)

	2007	2008	2009	2010	2011
Consolidated	1,291.1	1,202.4	1,024.0	1,160.3	1,218.7
Non-consolidated	499.2	424.9	365.4	426.7	446.6

Total Assets

(¥billion)

	2007	2008	2009	2010	2011
Consolidated	1,210.1	1,117.4	1,139.7	1,132.5	1,160.6
Non-consolidated	786.4	766.7	783.2	772.5	797.7

Ordinary Profit

(¥billion)

	2007	2008	2009	2010	2011
Consolidated	121.7	52.0	43.8	74.8	81.8
Non-consolidated	38.2	(5.2)	15.0	34.2	35.4

Fiscal Year End Stock Prices

(yen)

	2007	2008	2009	2010	2011
Fiscal year end stock prices	4,290	2,680	3,825	2,491	2,253

Dividends

(yen)

	2007	2008	2009	2010	2011
Dividends	38	38	32	36	36

■ Breakdown of Shareholders

	2007			2008			2009		
	Number of voters	Shares held	As % of all shareholders	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%	171	138,391,233	47.2%
Securities companies	86	7,181,326	2.5%	65	4,408,469	1.5%	65	8,358,282	2.9%
Other corporations	571	40,848,052	13.9%	621	43,053,817	14.7%	567	42,336,605	14.4%
Foreign corporation	469	81,575,368	27.8%	479	70,912,586	24.2%	472	79,918,106	27.3%
Individuals, other	28,422	22,206,344	7.6%	35,580	25,453,525	8.7%	32,513	24,109,747	8.2%
Total	29,729	293,113,973	100.0%	36,928	293,113,973	100.0%	33,788	293,113,973	100.0%

	2010			2011		
	Number of voters	Shares held	As % of all shareholders	Number of voters	Shares held	As % of all shareholders
Financial institutions	167	123,782,330	42.2%	160	135,128,030	46.1%
Securities companies	98	9,364,720	3.2%	96	11,044,961	3.8%
Other corporations	638	42,495,914	14.5%	653	34,995,334	11.9%
Foreign corporation	473	86,060,485	29.4%	476	77,871,495	26.6%
Individuals, other	46,815	31,410,524	10.7%	48,782	34,074,153	11.6%
Total	48,191	293,113,973	100.0%	50,167	293,113,973	100.0%

■ Dividends to Shareholders Equity

(%)

	2007	2008	2009	2010	2011
Dividends to shareholders equity	45.1	42.2	43.5	43.1	43.3

■ Voting Rights Exercised

	2007	2008	2009	2010	2011
Voting rights exercised (%)	81.72	85.43	81.50	79.49	78.18
Votes cast over the Internet	903,216	864,879	897,490	1,012,927	1,056,103
Shareholders voting online	691	926	779	998	1,115

■ Business / Financial Data (Consolidated)

	2007	2008	2009	2010	2011	2012
	Years ended March 31, 2008	Years ended March 31, 2009	Years ended March 31, 2010	Years ended March 31, 2011	Years ended March 31, 2012	(Forecast)
Net Sales (¥billion)	1,291.1	1,202.4	1,024.0	1,160.3	1,218.7	1,380.0
Operating Income (¥billion)	128.1	61.4	44.0	75.5	81.2	100.0
Ordinary Income (¥billion)	121.7	52.0	43.8	74.8	81.8	97.0
Net Income (¥billion)	74.8	21.8	19.4	19.9	41.2	53.0
Earnings Per Share (yen)	262.24	74.51	66.44	68.14	141.37	182.08
Overseas Business Ratio (%)	64	63	62	62	61	-
Free Cash Flow (¥billion)	31.7	(6.6)	80.7	38.2	(35.0)	-
Return on Assets (%)	6.3	1.9	1.7	1.7	3.6	-
Return on Equity (%)	15.9	4.3	4.0	4.0	8.3	-
Shareholders' Equity Ratio (%)	45.1	42.2	43.5	43.1	43.3	-
Plant- and-Equipment Investment (¥billion)	51.5	63.6	30.5	30.0	48.3	61.0
Research & Development Costs (¥billion)	32.1	30.5	28.2	30.8	33.0	33.0
Liability with Interest Ratio (%)	29.4	37.4	35.0	32.9	33.6	-

■ Donations D

(%)

	2007	2008	2009	2010	2011
Education	51.8	22.9	31.7	22.0	15.6
Environmental protection	0.9	8.3	14.9	6.0	25.6
International exchange and cooperation	10.3	18.2	14.9	4.9	10.4
Art, culture	10.7	11.7	13.5	9.3	10.3
Local community and society	2.3	10.2	5.8	6.6	3.8
Donation of products, etc.	8.2	1.9	3.6	4.7	0.1
History, traditional culture	2.8	1.2	2.9	1.2	1.6
Academic research	1.7	1.3	2.2	1.2	3.0
Disaster relief	-	-	-	39.8	24.2
Other	11.3	24.3	10.5	4.3	5.4

Governance

■ Executive Compensation

		2007	2008	2009	2010	2011
Directors	Number	11	12	10	13	13
	Amount of compensation (¥million)	816	748	717	708	801
Audit & Supervisory Board Member	Number	4	4	5	4	5
	Amount of compensation (¥million)	86	93	90	90	89
Total	Number	15	16	15	17	18
	Amount of compensation (¥million)	903	842	808	798	891

Note: About compensation amounts

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 auditors who retired is included.

For fiscal 2011, the compensation amount for the term of office of one auditor and one director who retired is included.

■ Starting Salary

(yen)

	2007	2008	2009	2010	2011
University grad	204,000	215,000	215,000	215,000	215,000
Masters	231,800	234,800	234,800	234,800	234,800
PhD	256,800	258,800	258,800	258,800	258,800



Overview of GRI Guidelines

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► See Data, environmental performance information and social performance indicators can be found here. (Page 265)

Indicators		GC Principle	ISO 26000 Core Subjects / Issue	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.		6.2 Organizational governance	▶ 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.		6.2 Organizational governance	
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; -Number of operations; -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

Indicators		GC Principle	ISO 26000 Core Subjects / Issue	WEB
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.			
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.			▶ Editorial Policy
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).		7.5.3 Communicating about the organization's performance on social responsibility	▶ Independent Opinions

Indicators		GC Principle	ISO 26000 Core Subjects / Issue	WEB
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.		6.2 Organizational governance	► 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 and gender 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).			-
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 composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.			
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.			-

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Commitments to External Initiatives					
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	GC principle 7	6.2 Organizational governance	▶ Compliance and Risk Management	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.			▶ Environmental Risk Management	
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.			▶ Product Quality and Safety	
				▶ Participation in the Global Compact	
				▶ Daikin Cooperates in Formation of Environmental Policy	
Stakeholder Engagement					
4.14	List of stakeholder groups engaged by the organization.		6.2 Organizational governance	▶ 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.				
5. Management Approach and Performance Indicators					
Economic					
Management Approach					
	Goals and Performance	GC principle 1,4,6,7	6.2 Organizational governance 6.8 Community involvement and development	▶ For Shareholders ▶ Information Disclosure Policy	
	Policy				
	Additional Contextual Information				
Economic Performance					
Core	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.	6.8 Community involvement and development 6.8.3 Community involvement 6.8.7 Wealth and income creation 6.8.9 Social investment	▶ For Shareholders ▶ Charitable Activities	
	EC2.	Financial implications and other risks and opportunities for the organization's activities due to climate change.	GC principle 7 6.5.5 Climate change mitigation and adaptation	▶ Environmental Accounting	
	EC3.	Coverage of the organization's defined benefit plan obligations.		-	
	EC4.	Significant financial assistance received from government.		-	

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Economic					
Market Presence					
Additional	EC5.	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	GC principle 1	6.3.7 Discrimination and vulnerable groups 6.4.4 Conditions of work and social protection 6.8 Community involvement and development	-
Core	EC6.	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		6.6.6 Promoting social responsibility in the sphere of influence 6.8 Community involvement and development 6.8.5 Employment creation and skills development 6.8.7 Wealth and income creation	▶ 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	6.8 Community involvement and development 6.8.5 Employment creation and skills development 6.8.7 Wealth and income creation	▶ Key Activities (1) Daikin's CSR in China ▶ Promotion of Local Personnel at Overseas Bases
Indirect Economic Impacts					
Core	EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		6.3.9 Economic, social and cultural rights 6.8 Community involvement and development 6.8.3 Community involvement 6.8.4 Education and culture 6.8.5 Employment creation and skills development 6.8.6 Technology development and access 6.8.7 Wealth and income creation 6.8.9 Social investment	▶ Charitable Activities
	EC9.	Understanding and describing significant indirect economic impacts, including the extent of impacts.		6.3.9 Economic, social and cultural rights 6.6.6 Promoting social responsibility in the sphere of influence 6.6.7 Respect for property rights 6.7.8 Access to essential services 6.8 Community involvement and development 6.8.5 Employment creation and skills development 6.8.6 Technology development and access 6.8.7 Wealth and income creation 6.8.9 Social investment	▶ Environmental Accounting

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Environmental					
Management Approach					
	Goals and Performance		GC principle 7,8,9	6.2 Organizational governance 6.5 The Environment	▶ Environmental Action Plan 2015
	Policy				▶ Environmental Philosophy
	Organizational Responsibility				▶ Environmental Management System
	Training and Awareness				▶ Environmental Education
	Monitoring and Follow-up				▶ Environmental Audits
	Additional Contextual Information				-
Materials					
Core	EN1.	Materials used by weight or volume.	GC principle 8	6.5 The Environment 6.5.4 Sustainable resource use	▶ Overview of Environmental Impact
	EN2.	Percentage of materials used that are recycled input materials.	GC principle 8,9		-
Energy					
Core	EN3.	Direct energy consumption by primary energy source.	GC principle 8	6.5 The Environment 6.5.4 Sustainable resource use	▶ Overview of Environmental Impact
	EN4.	Indirect energy consumption by primary source.			
Additional	EN5.	Energy saved due to conservation and efficiency improvements.	GC principle 8,9		▶ Environmentally Conscious Design
	EN6.	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.			▶ Key Activities (2) Environmental Solutions around the World
					▶ Environmentally Conscious Design
					▶ Promoting the Use of Inverter Products
EN7.	Initiatives to reduce indirect energy consumption and reductions achieved.		▶ Promoting the Use of Heat-Pump Type Space and Hot Water Heaters		
			-		
Water					
Core	EN8.	Total water withdrawal by source.	GC principle 8	6.5 The Environment 6.5.4 Sustainable resource use	▶ Overview of Environmental Impact
					▶ Using Water Resources
Additional	EN9.	Water sources significantly affected by withdrawal of water.	GC principle 8,9		-
	EN10.	Percentage and total volume of water recycled and reused.			-

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Environmental					
Biodiversity					
Core	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 principle 8	6.5 The Environment 6.5.6 Protection and restoration of the natural environment	-
	EN12.	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.			► Protecting Biodiversity
Additional	EN13.	Habitats protected or restored.		► Protecting Biodiversity	
	EN14.	Strategies, current actions, and future plans for managing impacts on biodiversity.		6.5 The Environment 6.5.6 Protection and restoration of the natural environment 6.8.3 Community involvement	► 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.		6.5 The Environment 6.5.6 Protection and restoration of the natural environment	-
Emissions, Effluents, and Waste					
Core	EN16.	Total direct and indirect greenhouse gas emissions by weight.	GC principle 8	6.5 The Environment 6.5.5 Climate change mitigation and adaptation	► Overview of Environmental Impact
	EN17.	Other relevant indirect greenhouse gas emissions by weight.			► Preventing Global Warming — Production, Transportation
Additional	EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved.	GC principle 7,8,9		

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Environmental					
Emissions, Effluents, and Waste					
Core	EN19.	Emissions of ozone-depleting substances by weight.	GC principle 8	6.5 The Environment 6.5.3 Prevention of pollution	▶ Overview of Environmental Impact
					▶ Low-Impact Refrigerants
					▶ 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.			▶ Overview of Environmental Impact
	EN21.	Total water discharge by quality and destination.			▶ Overview of Environmental Impact
	EN22.	Total weight of waste by type and disposal method.			▶ Overview of Environmental Impact
	EN23.	Total number and volume of significant spills.			▶ Reducing Waste and Water ▶ Environmental Risk Management
Additional	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.			-
	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.		6.5 The Environment 6.5.3 Prevention of pollution 6.5.4 Sustainable resource use 6.5.6 Protection and restoration of the natural environment	-

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Environmental					
Products and Services					
Core	EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	GC principle 7,8,9	6.5 The Environment 6.5.4 Sustainable resource use 6.6.6 Promoting social responsibility in the sphere of influence 6.7.5 Sustainable consumption	▶ Key Activities (2) Environmental Solutions around the World ▶ Low-Impact Products
	EN27.	Percentage of products sold and their packaging materials that are reclaimed by category.	GC principle 8,9	6.5 The Environment 6.5.3 Prevention of pollution 6.5.4 Sustainable resource use 6.7.5 Sustainable consumption	▶ 3R & Repair
Compliance					
Core	EN28.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	GC principle 8	6.5 The Environment	No violation
Transport					
Additional	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 principle 8	6.5 The Environment 6.5.4 Sustainable resource use 6.6.6 Promoting social responsibility in the sphere of influence	▶ Overview of Environmental Impact
					▶ Reducing CO2 Emissions during Transportation
Overall					
Additional	EN30.	Total environmental protection expenditures and investments by type.	GC principle 7,8,9	6.5 The Environment	▶ Environmental Accounting

▶ See Data, environmental performance information and social performance indicators can be found here. (Page 265)

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Social					
Labor Practices and Decent Work					
Management Approach					
	Goals and Performance		GC principle 1,3,6	6.2 Organizational governance 6.4 Labour practices 6.3.10 Fundamental rights at work	▶ CSR Targets and Achievements
	Policy				▶ 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	-			
	Training and Awareness				▶ Fostering Human Resources
					▶ Occupational Safety and Health
	Monitoring and Follow-Up	-			
	Additional Contextual Information	-			
Employment					
Core	LA1.	Total workforce by employment type, employment contract, and region, broken down by gender.	GC principle 6	6.4 Labour practices 6.4.3 Employment and employment relationships	▶ Daikin's CSR
	LA2.	Total number and rate of new employee hires and employee turnover by age group, gender, and region.			▶ Workplace Diversity
	LA2.			▶ Work-Life Balance	
Additional	LA3.	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		6.4 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection	-
Core	LA15.	Return to work and retention rates after parental leave, by gender.		6.4 Labour practices 6.4.4 Conditions of work and social protection	-

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Labor Practices and Decent Work					
Labor/Management Relations					
Core	LA4.	Percentage of employees covered by collective bargaining agreements.	GC principle 1,3	6.4 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.3.10 Fundamental rights at work	▶ Labor Management Relations
	LA5.	Minimum notice period (s) regarding operational changes, including whether it is specified in collective agreements.	GC principle 3	6.4 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue	-
Occupational Health and Safety					
Additional	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.	GC principle 1	6.4 Labour practices 6.4.6 Health and safety at work	-
	LA7.	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.			▶ Occupational Safety and Health
Core	LA8.	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		6.4 Labour practices 6.4.6 Health and safety at work 6.8 Community involvement and development 6.8.3 Community involvement 6.8.4 Education and culture 6.8.8 Health	▶ Employee Health Management
Additional	LA9.	Health and safety topics covered in formal agreements with trade unions.			6.4 Labour practices 6.4.6 Health and safety at work
Training and Education					
Core	LA10.	Average hours of training per year per employee by gender, and by employee category.		6.4 Labour practices 6.4.7 Human development and training in the workplace	▶ Fostering Human Resources
Additional	LA11.	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		6.4 Labour practices 6.4.7 Human development and training in the workplace 6.8.5 Employment creation and skills development	▶ Fostering Human Resources
	LA12.	Percentage of employees receiving regular performance and career development reviews, by gender.		6.4 Labour practices 6.4.7 Human development and training in the workplace	▶ Employee Evaluation and Treatment

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Labor Practices and Decent Work					
Diversity and Equal Opportunity					
Core	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 principle 1,6	6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental rights at work 6.4 Labour practices 6.4.3 Employment and employment relationships	-
Equal Remuneration for Women and Men					
Core	LA14.	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	GC principle 1,6	6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental rights at work 6.4 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection	-
Human Rights					
Management Approach					
	Goals and Performance		GC principle 1,2,3,4,5,6	6.2 Organizational governance 6.3 Human rights 6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.6 Resolving grievances 6.6.6 Promoting social responsibility in the sphere of influence	-
	Policy				► Respect for Human Rights
	Organizational Responsibility				► Respect for Human Rights
					► Compliance and Risk Management
	Training and Awareness				► Human Rights Education
	Monitoring and Follow-Up				► Compliance and Risk Management
					► Suppliers Must Be in Legal Compliance
	Additional Contextual Information				-

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Human Rights					
Investment and Procurement Practices					
Core	HR1.	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	GC principle 1,2,3,4,5,6	6.3 Human rights 6.3.3 Due diligence 6.3.5 Avoidance of complicity 6.6.6 Promoting social responsibility in the sphere of influence	-
	HR2.	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.		6.3 Human rights 6.3.3 Due diligence 6.3.5 Avoidance of complicity 6.4.3 Employment and employment relationships 6.6.6 Promoting social responsibility in the sphere of influence	▶ Suppliers Must Be in Legal Compliance
	Additional	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.	6.3 Human rights 6.3.5 Avoidance of complicity
Non-Discrimination					
Core	HR4.	Total number of incidents of discrimination and actions taken.	GC principle 1,2,6	6.3 Human rights 6.3.6 Resolving grievances 6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental rights at work 6.4.3 Employment and employment relationships	No violation
Freedom of Association and Collective Bargaining					
Core	HR5.	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	GC principle 1,2,3	6.3 Human rights 6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.3.8 Civil and political rights 6.3.10 Fundamental rights at work 6.4.3 Employment and employment relationships 6.4.5 Social dialogue	-

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Human Rights					
Child Labor					
Core	HR6.	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	GC principle 1,2,5	6.3 Human rights 6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental rights at work 6.6.6 Promoting social responsibility in the sphere of influence	► Compliance and Risk Management
					► Respect for Human Rights
Forced and Compulsory Labor					
Core	HR7.	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	GC principle 1,2,4	6.3 Human rights 6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental rights at work 6.6.6 Promoting social responsibility in the sphere of influence	► Compliance and Risk Management
					► Respect for Human Rights
Security Practices					
Additional	HR8.	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	GC principle 1,2	6.3 Human rights 6.3.5 Avoidance of complicity 6.4.3 Employment and employment relationships 6.6.6 Promoting social responsibility in the sphere of influence	-
Indigenous Rights					
Additional	HR9.	Total number of incidents of violations involving rights of indigenous people and actions taken.	GC principle 1,2	6.3 Human rights 6.3.6 Resolving grievances 6.3.7 Discrimination and vulnerable groups 6.3.8 Civil and political rights 6.6.7 Respect for property rights	-

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Human Rights					
Assessment					
Core	HR10.	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		6.3 Human rights 6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity	-
Remediation					
Core	HR11.	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.		6.3 Human rights 6.3.6 Resolving grievances	-
Society					
Management Approach					
	Goals and Performance		GC principle 10	6.2 Organizational governance 6.6 Fair operating practices 6.8 Community involvement and development	▶ CSR Targets and Achievements
	Policy				▶ Compliance and Risk Management
					▶ Group Compliance Guidelines
	Organizational Responsibility				▶ Compliance and Risk Management
	Training and Awareness				▶ Education
	Monitoring and Follow-Up				▶ Compliance and Risk Management
	Additional Contextual Information				-
Community					
Core	SO1.	Percentage of operations with implemented local community engagement, impact assessments, and development programs.		6.3.9 Economic, social and cultural rights 6.8 Community involvement and development 6.8.3 Community involvement 6.8.9 Social investment	-
Core	SO9.	Operations with significant potential or actual negative impacts on local communities.		6.3.9 Economic, social and cultural rights 6.5.3 Prevention of pollution	-
Core	SO10.	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		6.5.6 Protection and restoration of the natural environment 6.8 Community involvement and development	-
Corruption					
Core	SO2.	Percentage and total number of business units analyzed for risks related to corruption.	GC principle 10	6.6 Fair operating practices 6.6.3 Anti-corruption	▶ Compliance and Risk Management ▶ Prohibiting Bribes
	SO3.	Percentage of employees trained in organization's anti-corruption policies and procedures.			
	SO4.	Actions taken in response to incidents of corruption.			

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Society					
Public Policy					
Core	SO5.	Public policy positions and participation in public policy development and lobbying.	GC principle 1,2,3,4,5,6,7,8,9,10	6.6 Fair operating practices 6.6.4 Responsible political involvement 6.8.3 Community involvement	▶ Daikin Cooperates in Formation of Environmental Policy
Additional	SO6.	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	GC principle 10		-
Anti-Competitive Behavior					
Additional	SO7.	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		6.6 Fair operating practices 6.6.5 Fair competition 6.6.7 Respect for property rights	▶ Compliance and Risk Management ▶ Free Competition and Fair Business Dealings
Compliance					
Core	SO8.	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		6.6 Fair operating practices 6.6.3 Anti-corruption 6.6.7 Respect for property rights 6.8.7 Wealth and income creation	No violation
Product					
Management Approach					
		Goals and Performance	GC principle 1,8	6.2 Organizational governance 6.6 Fair operating practices 6.7 Consumer issues	▶ CSR Targets and Achievements
		Policy			▶ Product Quality and Safety ▶ Product Safety Voluntary Action Guidelines
		Organizational Responsibility			▶ Product Quality Management Structure
		Training and Awareness			▶ Employee Education
		Monitoring and Follow-Up			▶ Product Quality and Safety
		Additional Contextual Information			-
Customer Health and Safety					
Core	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.	GC principle 1	6.3.9 Economic, social and cultural rights 6.6.6 Promoting social responsibility in the sphere of influence 6.7 Consumer issues 6.7.4 Protecting consumers' health and safety 6.7.5 Sustainable consumption	▶ Customers ▶ Product Quality and Safety
Additional	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 Quality and Safety

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
Product					
Product and Service Labeling					
Core	PR3.	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	GC principle 8	6.7 Consumer issues 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices 6.7.4 Protecting consumers' health and safety 6.7.5 Sustainable consumption 6.7.6 Consumer service, support, and dispute resolution 6.7.9 Education and awareness	▶ Disclosing Product Information
	PR4.	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.			▶ Product Quality and Safety
Additional	PR5.	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		6.7 Consumer issues 6.7.4 Protecting consumers' health and safety 6.7.5 Sustainable consumption 6.7.6 Consumer service, support, and dispute resolution 6.7.8 Access to essential services 6.7.9 Education and awareness	▶ Customer Satisfaction
Marketing Communications					
Core	PR6.	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		6.7 Consumer issues 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices	-
Additional	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.		6.7.6 Consumer service, support, and dispute resolution 6.7.9 Education and awareness	▶ Product Quality and Safety
Customer Privacy					
Additional	PR8.	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	GC principle 1	6.7 Consumer issues 6.7.7 Consumer data protection and privacy	▶ Protecting Customer Information
Compliance					
Core	PR9.	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		6.7 Consumer issues 6.7.6 Consumer service, support, and dispute resolution	▶ Product Quality and Safety

▶ See Data, environmental performance information and social performance indicators can be found here. (Page 265)