



## Corporate Social Responsibility Report

# 2014

— Web version —



## Corporate Social Responsibility Report

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 2013 information from the Sustainability section of our Web site. You may download and print it out.

Note: The printed version of the CSR Report 2014 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 report covers the efforts of the Daikin Group's corporate social responsibility (CSR). It reports on our basic CSR philosophy, achievements in fiscal 2013, and plans for the future.

Information that, due to space limitations, could not fit into the CSR Report 2014 (printed version) released in September 2014 is included on this website.

## Printed Version

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 section deals with the Daikin Group's major areas of activity and subjects in which our stakeholders are most interested.

Under Key Activities, we report on activities we are focusing on in each of our four key CSR themes.

➤ [Key Activities](#) (Page 51)

## Website

This website is divided into sections on CSR management, which explains the managing and governance of our organization, our environmental protection activities, and each stakeholder group: customers, suppliers, shareholders and investors, employees, and local communities. This allows readers easy access to important information concerning Daikin.

➤ [CSR Management](#) (Page 34)

➤ [Environment](#) (Page 75)

➤ [Responsibility to Stakeholders](#) (Page 173)

## Materiality (of Key Initiatives)

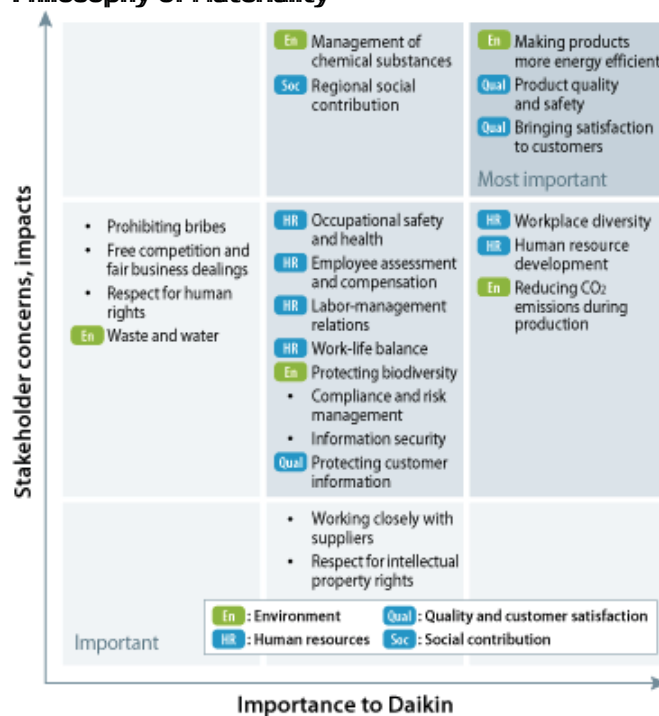
In fiscal 2008, we came up with four key CSR themes of the environment, quality and customer satisfaction, human resources, and social contribution based on stakeholders' concerns and what was important to the nature of Daikin's business and its plans.

We then considered the impacts on society of our strategies and our globalization in each of these four areas, came up with ways to limit these impacts, and formulated CSR targets and plans for the medium term. We incorporated these into our Fusion 15 strategic management plan with the aim of contributing to sustainable development for Daikin and for society.

➤ [CSR and Strategy](#) (Page 7)

➤ [CSR Targets and Achievements](#) (Page 23)

## Philosophy of Materiality





## Third-Party Verification

To ensure reliability of the content of this report, the Daikin Group had Bureau Veritas Japan Co., Ltd., conduct a third-party verification of the greenhouse gas emission data.

➤ [Third-Party Verification](#) (Page 286)

## Independent Opinions

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 32)

## Reference Guidelines

This report was created in line with the Environmental Reporting Guidelines (fiscal 2012 edition) released by Japan's Ministry of the Environment; and the Sustainability Reporting Guidelines Version 3.1 (G3.1) and Version 4 (G4) released by the Global Reporting Initiative (GRI). Guideline comparison tables are on our website. Our CSR activities are conducted in line with ISO 26000.

Since 2008, the Daikin Group has been taking part in the United Nations Global Compact, an initiative for companies committed to operating based on 10 universally accepted principles in areas including human rights, labor, the environment, and anti-corruption. Daikin also issues an annual Communication on Progress (COP) to the United Nations, a public disclosure on progress made in implementing the 10 principles of the Global Compact.

➤ [Guidelines](#) (Page 293)

### Note

In reporting on fiscal 2013 CSR activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual fiscal 2013 results and information reported for fiscal 2012. 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 2013 (April 1, 2013 to March 31, 2014).

### 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 43 production subsidiaries overseas.

#### ■ 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.

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



# CSR and Strategy

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# CSR-Centered Management Protects the Environment and Abundant People's Lives

Daikin's main business of air conditioning is crucial to economic advancement and a better life for society.

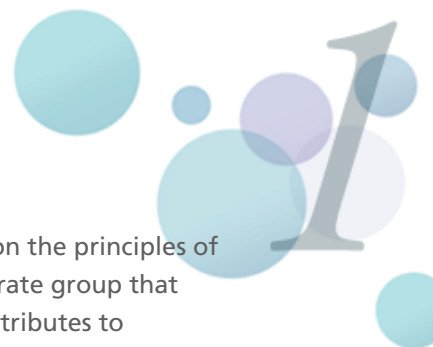
As air conditioner demand grows both in emerging countries and industrialized countries, the Daikin Group is using the technologies it has built up as the industry's leading specialist to reduce environmental impact and provide people around the world with a comfortable and abundant lifestyle based on our goal of achieving sustainable growth for society as a whole.





## Basic Management Policy of the Daikin Group

### Our Group Philosophy and People-Centered Management Go Hand-in-Hand



We believe that with our employees and the company both putting into action the principles of our Group Philosophy and People-Centered Management, we can be a corporate group that earns the trust of society, that employees are proud to work for, and that contributes to sustainable growth.



CSR Philosophy

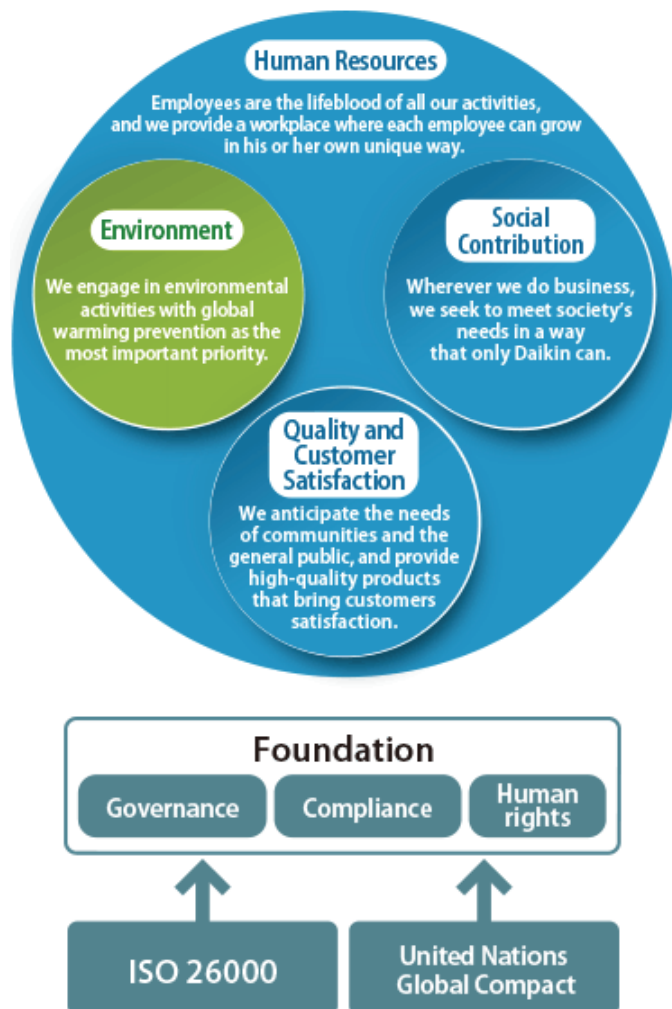


(Page 15)

## Philosophy of CSR Action

### Four Key Themes in Line with Our Business

We have formulated key CSR themes in four areas. These themes are in line with Daikin's business plans and the company's characteristics as a global manufacturer of air conditioners and fluorochemicals; take into account the opinions and interests of our stakeholders; and are in compliance with international guidelines.



## CSR and Management Strategy

### Management Plans Encompass the Growth of the Company and Society

The Fusion 15 strategic management plan comprises medium-term CSR targets and plans towards sustainable growth. These are driven by maximizing the resources and strengths of the Daikin Group in order to minimize the negative impacts of our business and maximize the good ones so that we can exist in harmony with regional stakeholders.



# Daikin Group's Relationship with the Economy, the Environment, and Society



## Impact on Climate Change

Fluorocarbons used as air conditioner refrigerants deplete the ozone layer and contribute to global warming. As well, air conditioners use large amounts of electricity and account for a large percentage of society's electricity consumption.



## Increasing Air Conditioner Demand in Emerging Countries

Air conditioner demand is growing in emerging countries like China, India, and the Latin American nations, and the Daikin Group is accelerating its global business. This is bringing Daikin into a closer relationship with the environment as increasing demand spurs more electricity consumption. It is also bringing us closer to local economies and society as we create more jobs through business expansion and collaborate with local companies, and participate in community development.





## Aiming for Sustainable Growth and a Sustainable Society through Technological Strength and Outstanding Human Resources

*Masanori Togawa*

Masanori Togawa  
President and CEO  
Daikin Industries, Ltd.

In October 2014, Daikin Industries will celebrate its 90th anniversary. In the past 10 years, the number of countries where we have bases has grown from 63 to 145, while the percentage of our business accounted for by overseas operations has increased from 45% to 71%.

Air conditioning, the core business and engine of growth for the Daikin Group, is becoming one of the most important facets of social infrastructure, a business indispensable to providing people with good health and a culturally advanced lifestyle, as well as to fueling economic development. Through air conditioning, we have provided people around the world with a fulfilling, comfortable lifestyle.

At the same time, air conditioning uses large amounts of energy. One of mankind's greatest challenges will be to minimize the rise in energy consumption accompanying economic development, especially in the rapidly growing emerging countries. We at Daikin Industries are well aware that climate change resulting from an increase in greenhouse gas emissions is a major social issue that we must endeavor to solve.

### ■ Using Our Strength in Technology to Help Mitigate Climate Change

To contribute to solving the problem of climate change, we are using our technological strength. For years, we have focused on highly energy-efficient products and services in order to bring more and more people around the world environmental technologies that mitigate the further increase of greenhouse gas emissions.

We are developing and promoting the global dissemination of products and technologies, that contribute to mitigating environmental impact, including R-32, a new refrigerant that reduces global warming impact to just one-third that of conventional refrigerants; heat-pump type heating systems, which result in CO<sub>2</sub> emissions less than 50% of those from conventional combustion-type heating; and inverter technology, which offers both comfort and energy efficiency.

In 2015, we will open the Daikin Technology Innovation Center, a global R&D base for creating new social value in the fields of air environment and energy. This center will enable us to broaden our business concept—from buildings to overall space, and from air conditioning to air itself—and to facilitate development of environmental technologies for the realization of a sustainable society.



## ■ Striving for Global Human Resource Development and Diversity

Another strength of the Daikin Group is People-Centered Management. Human resources are the driving force that propels a company's growth and contribution to the advancement of society. We believe that "cumulative growth of all Group members serves as the foundation for the Group's development," and we put this belief into action by building a work environment in which our employees—irrespective of their age, gender, or nationality—can use their talents to the fullest in exciting and rewarding work.

We do business in 145 countries and about 80% of our workforce is made up of non-Japanese nationals. This means that the key to growth lies in working closely with our bases around the world and in providing employees opportunities to use their talents to the fullest. Together with contributing to expansion of local employment and fostering of human resources, Daikin strives to train locally hired employees around the world to be executives and company leaders with strong leadership and management skills who can use their unique traits and values to make the Daikin Group stronger.

At the same time, we are utilizing diverse human resources to respond to the changing needs of the market. One of our focuses in Japan is unleashing the potential of women. We strive to increase the number of female managers by offering various work support programs, and through training programs that allow both managers and female employees to change their thinking.

## ■ Coexistence with Society Based on Local Needs

Daikin products and services, such as air conditioners that use refrigerants with low global warming potential, help mitigate greenhouse gas emissions in emerging countries. We also enthusiastically engage in local environmental protection activities around the world.

Forests keep temperatures down—they are "nature's air conditioner." As part of social contribution activities beginning in fiscal 2014 to celebrate our 90th anniversary, we are expanding conservation activities to the Amazon rainforest and six other locations around the world to help prevent illegal development and protect valuable forests by supporting sustainable livelihoods of the people living there. As a company that provides people with a comfortable air environment and tackles the major challenge of mitigating climate change, we aim to mitigate global warming and ensure that future generations continue to have forests that nurture the Earth's air.

Throughout these and other social contribution activities, employees at Daikin bases around the world take front and center in our efforts to respond to local needs.

Since 2008, the Daikin Group has been taking part in the United Nations Global Compact, an initiative for companies committed to operations and strategies in line with ten universally accepted principles in areas including human rights, labor, the environment, and anti-corruption. We also follow the ISO 26000, guidance standard for social responsibility, in conducting CSR management in accordance with internationally recognized standards. We will continue to contribute to society to fulfill the high expectations that our stakeholders—customers, shareholders, suppliers, and communities—have for us.



**Masanori Togawa**  
President 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 Group members serves as the foundation for the Group's development

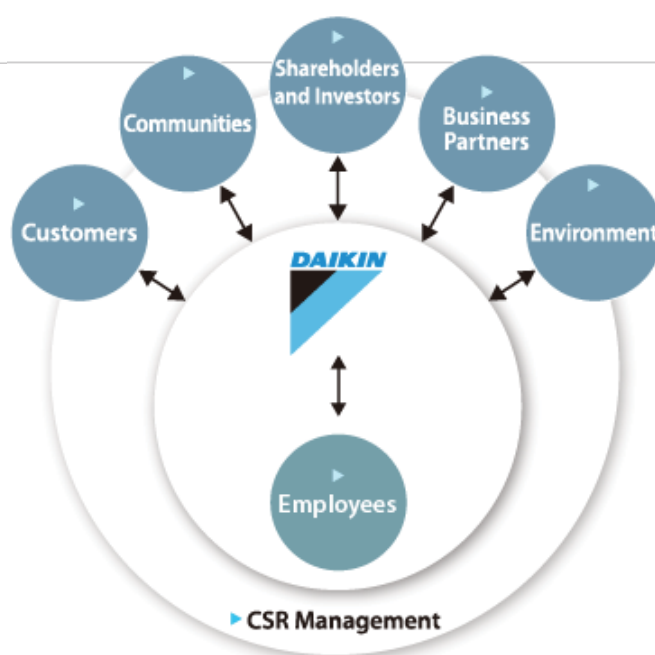
## Philosophy of CSR Action

### 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 173)



## 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 23)

### ■ 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.

## ■ Basic Environmental Policy of the Daikin Group

### 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.

Believing that violation of Group Compliance Guidelines constitutes a form of risk, we strive to achieve compliance and risk management throughout the entire Daikin Group.

#### 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.

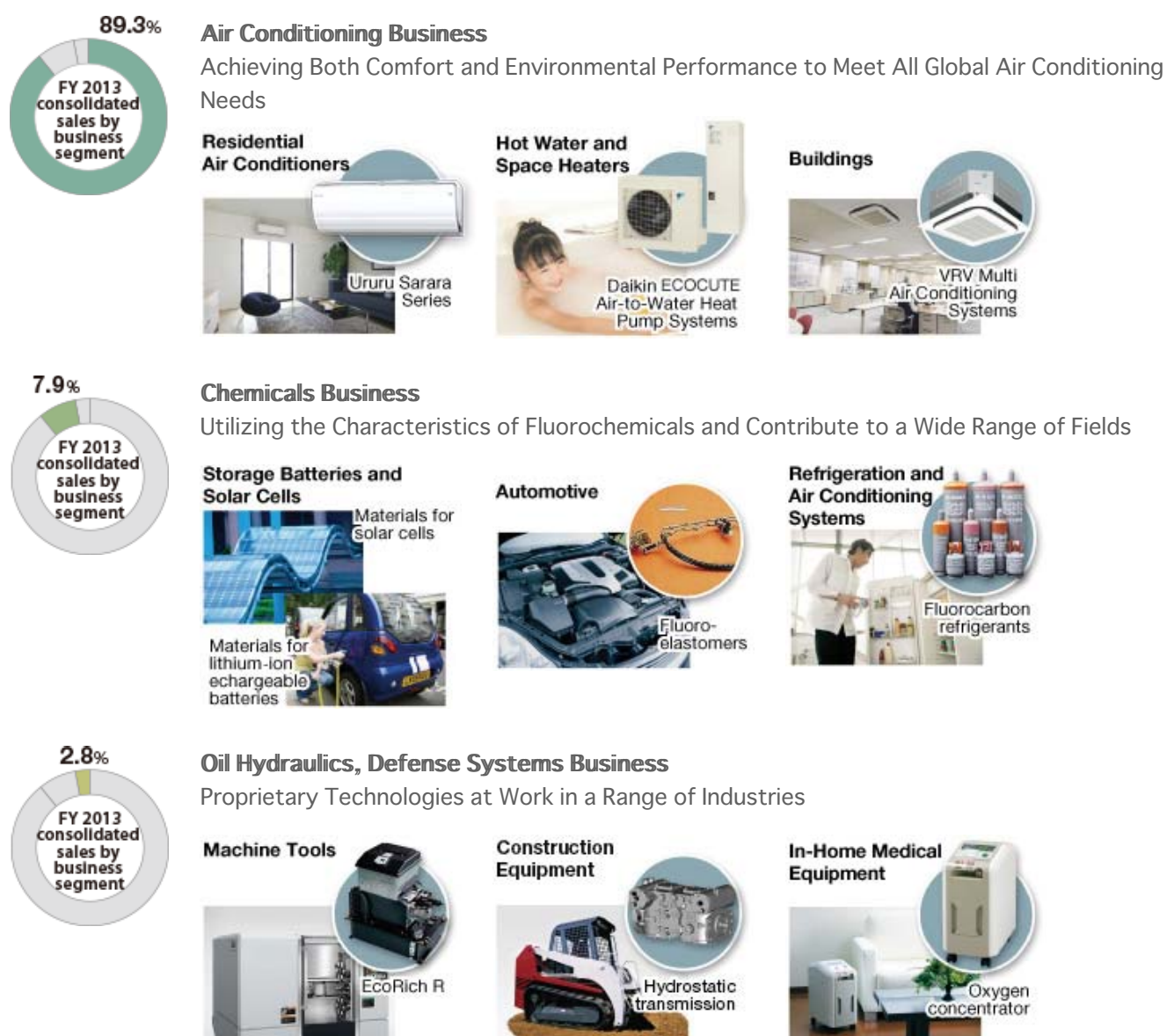
## ■ Air Conditioning and Chemical Technologies Work Hand-in-Hand

### 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 comfort in all aspects of people's lives around the world.

Through our strength in energy-efficient technologies, we develop and bring to market products and services that restrict CO<sub>2</sub> emissions, thus contributing to sustainable development in society.

### Daikin Group Business

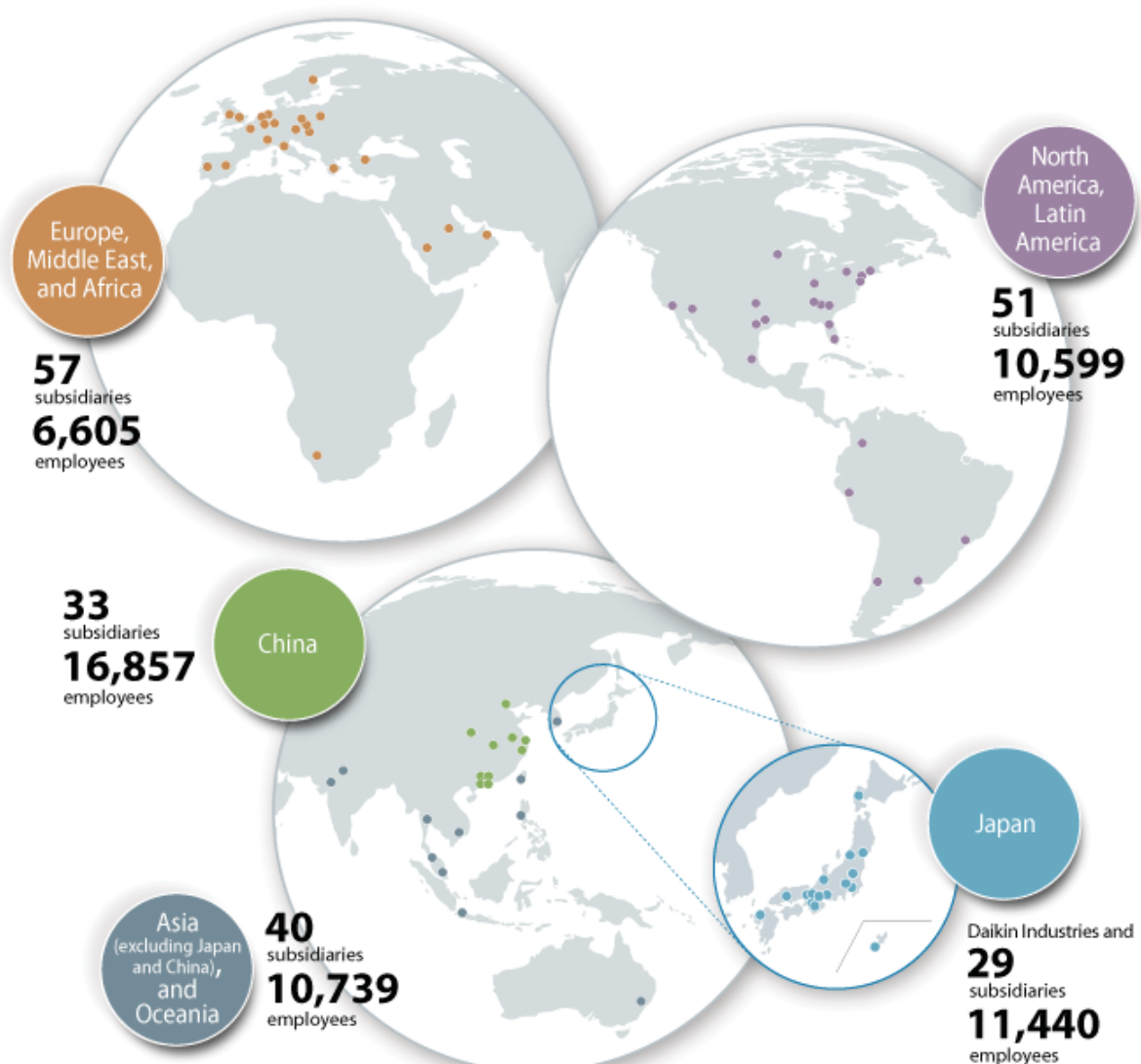


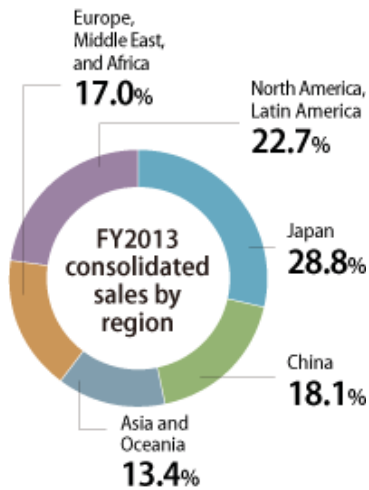
## Contributing to Development of Local Communities while Respecting the Diverse Cultures and Values of Each Country

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 70% of the Daikin Group's total, and 80% 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 2012, we further expanded our geographical area and markets through the acquisition of Goodman Global Group, Inc., the leading manufacturer and distributor in the U.S. residential unitary air-conditioning market. 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.

## CSR and Strategy CSR Targets and Achievements

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.

Environment	Quality and Customer Satisfaction	Human Resources	Social Contribution
-------------	-----------------------------------	-----------------	---------------------

**We engage in environmental activities with global warming prevention as the most important priority.**

### Key CSR Themes

## Providing the World with Products That Help Customers Reduce CO<sub>2</sub> Emissions

- Increasing use of inverter products
- Increasing use of heat-pump type heating systems
- Offering energy-saving solutions
- Developing future refrigerants

Boundaries (of impact)



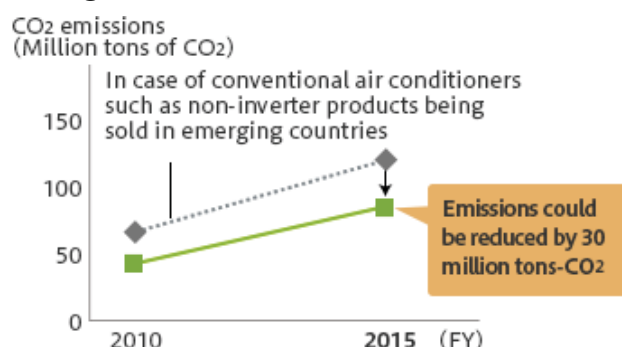
### Medium-term CSR Goals and Plans (by Fiscal 2015)

- **Increase use of environmentally conscious products in emerging countries, where growth is particularly remarkable.**

Increasing sales of inverter air conditioners and other energy-efficient products could reduce CO<sub>2</sub> emissions in emerging countries by 30 million tons-CO<sub>2</sub>.

- **Create global demand in the power conservation business.**
- **Develop technologies and introduce products that comply with refrigerant restrictions.**

### Contributing to CO<sub>2</sub> Emission Reductions through Daikin Products<sup>\*1</sup>



### Fiscal 2013 Achievements

**CO<sub>2</sub> Emission Reductions in Emerging Countries: Estimated (Through Daikin Products)**

**23** million tons-CO<sub>2</sub>

[Low-Impact Products](#) > (Page 81)

[Key Activities: Dissemination of Next-Generation Refrigerants](#) > (Page 54)



[Key Activities: Creating a Market for Heat-Pump Heating Systems](#) > (Page 59)

<sup>\*1</sup> Estimate of CO<sub>2</sub> emission reductions from the use of energy-efficient inverter products sold by Daikin, compared to CO<sub>2</sub> emissions from the use of non-inverter products. The emission reductions figure is annual reduction amount multiplied by product lifespan.



## Key CSR Themes

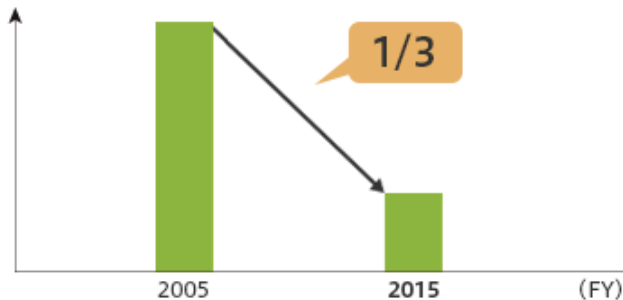
### Minimizing Environmental Impact in Production

- Reducing greenhouse gas emissions
- Effectively using water and other resources
- Reducing chemicals

#### Medium-term CSR Goals and Plans (by Fiscal 2015)

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

#### Reducing Greenhouse Gases



#### Boundaries (of impact)



#### Fiscal 2013 Achievements

**69% Reduction**

In Greenhouse Gases (by Daikin Group)

[Low-Impact Production](#) (Page 112)



## Key CSR Themes

### Expanding “Green Heart”<sup>\*2</sup>

- Reforestation and tree-planting
- Environmental education

#### Medium-term CSR Goals and Plans (by Fiscal 2015)

- **Protect biodiversity around the world.**

<sup>\*2</sup> Green Heart: Think of the Earth and take care of the environment.

#### Expanding a Green Heart



#### Boundaries (of impact)



#### Fiscal 2013 Achievements

**Employees at 13 Bases around the World Volunteer**

[Reforestation in Indonesia](#) (Page 71)

[Protecting Biodiversity](#) (Page 161)

[Environmental Education and Awareness Activities](#) (Page 158)



**We anticipate the needs of communities and the general public, and provide high-quality products that bring customers satisfaction.**

### 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.

Boundaries (of impact)



### 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 they live.**

We are switching to a global development system and strengthening our marketing research functions throughout the world.



### Fiscal 2013 Achievements

Marketing at **210** Bases  
around the World

Key Activities: Accelerating Product  
Development Globally > (Page 63)

Product Quality and Safety > (Page 179)

Customer Satisfaction > (Page 186)



Employees are the lifeblood of all our activities, and we provide a workplace where each employee can grow in his or her own unique way.

### Key CSR Themes

## Through People-Centered Management, Creating 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.

Boundaries (of impact)



### Medium-term CSR Goals and Plans (by Fiscal 2015)

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



### Fiscal 2013 Achievements

#### Diversity Management

Disability employment rate:

**2.07** % (in Japan)

Percentage re-employed after retiring at 60: Approx. **90** %  
(Daikin Industries)

Percentage of presidents hired locally: Approx. **40** %

Percentage of local in executive positions: Approx. **45** %

Key Activities: Diversity Management > (Page 67)



People-Centered Management > (Page 193)



**Wherever we do business, we seek to meet society's needs in a way that only Daikin can.**

## Key CSR Themes

### Employees Taking the Initiative In Local Grassroots Action

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

Boundaries (of impact)



#### Medium-term CSR Goals and Plans (by Fiscal 2015)

- Contribute to society as a respected and trusted company with roots in communities around the world.**



#### Fiscal 2013 Achievements

[Key Activities: Reforestation in Indonesia](#) >  
(Page 71)



[A Good Corporate Citizen—Activities in Each Community](#) > (Page 244)



## ■ 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 18)
- [See Compliance and Risk Management Efforts](#) (Page 43)

### 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.

## ■ Overall CSR (Include SRI)

### Daikin Group

- Chosen for inclusion in the Morningstar Socially Responsible Investment Index



- Noriyuki Inoue, Daikin Chairman of the Board, named Commander of the Order of Leopold by the government of the Kingdom of Belgium (the highest honor for those who have contributed to Belgian society)



## ■ Environment

### Daikin Industries

- 2013 Grand Prize for Excellence in Energy Efficiency and Conservation  
FIVE STAR ZEAS air conditioner for stores and offices won the Director-General's Prize, The Agency for Natural Resources and Energy  
The Hot Cool floor heating and air conditioning system for residential use won the Chairman's Prize, the Energy Conservation Center, Japan



- 5th Monodzukuri Nippon Grand Awards sponsored by Ministry of Economy, Trade and Industry  
For development of a next-generation air conditioner that helps reduce global warming and makes Japan's manufacturing sector more competitive, Daikin won the Prime Minister's Office Award in the 5th Monodzukuri Nippon Grand Awards



- Daikin Ales Aoya, a center for training employees to be active on the global stage, won the Green Society Contribution Award from the Organization for Landscape and Urban Green Infrastructure

- For development of room air conditioners using the new refrigerant R-32, Daikin was honored in the Ozone Layer Protection/Global Warming Protection Awards sponsored by the Nikkan Kogyo Shimbun (newspaper)

### Daikin Device (Suzhou) Co., Ltd.

- Low-Carbon Strategic Partnership qualification from the China Quality Certification Centre



### Daikin Air-Conditioning (Shanghai) Co., Ltd.

- Named a Shanghai Advanced Energy-Saving Company



### Daikin Australia Pty., Ltd.

- Chosen for the Canstar Blue Most Satisfied Customers Awards 2013

### Daikin Airconditioning (Singapore) Pte. Ltd.

- Received the Platinum Award under the Green Mark scheme from the Building and Construction Authority (BCA) of Singapore's Ministry of National Development

### Daikin Applied Americas Inc.

- Named a Better Plants Program Partner by the EPA for commitment to reducing energy use at U.S. manufacturing operations



## ■ Quality & Customer Satisfaction

### Daikin (China) Investment Co., Ltd.

- Named one of the top 10 air conditioner brands and the top five air purifier brands by the China Household Electric Appliance Research Institute (CHEARI) and the China Consumer Electronics Brand Research Center



- Selected Excellent Business Partner in the air conditioner category of the 2014 China Real Estate Developers Top 500





### Daikin Compressor Industries Ltd.

- Won second prize in the Karakuri Kaizen Thailand Kaizen Award sponsored by the Thailand Productivity Association



### Daikin Europe N.V.

- The VRV4 building air conditioner was honored in the quality, innovation, functionality, and environment categories of the Plus X Awards 2013

## ■ Human Resources

### Daikin (China) Investment Co., Ltd.

- Chosen one of the top 100 companies in China in 2013 in maximizing the strength of its human resource



### Daikin Airconditioning (Singapore) Pte. Ltd.

- Certified as a BizSAFE Partner for outstanding occupational safety and health



### Daikin Compressor Industries Ltd.

- Honored by Thailand's Ministry of Social Development and Human Security for support of disabled persons



### O.Y.L. Manufacturing Company Sdn. Bhd.

- Received the Excellence Award 2013 from Malaysia's Ministry of Human Resources for outstanding occupational safety and health



## Outside Expert Comments on Daikin Group CSR (July 2014)



### Hiroshi Ishida

Executive Director  
Caux Round Table Japan  
Visiting Professor, Graduate  
School of Economics, Kyushu  
University

#### Profile

After working in divisions related to market dealing and planning at the Industrial Bank of Japan, Limited, he joined Caux Round Table Japan in October 2000. In 2006, he became the executive director of Caux Round Table Japan.

The Daikin Group has steadily grown through its core businesses of air conditioners and fluorochemicals and has seen its overseas operations account for 71% of business, up from just 45% previously. I think this brings the company to a point where it must create CSR systems and activities in line with its new global position and solidify its foundation so as to be capable of dealing with future latent risks. Particularly for overseas business, I think that Daikin must realize that it is under strict scrutiny with regards to not only its environmental impact but also its impact on communities through the use of natural resources and hazardous materials, and the labor practices throughout the entire supply chain, as well as its impact on human rights including those of indigenous populations. Society is demanding that corporations conduct appropriate processes, including stakeholder engagement, so that they can understand the economic, environmental, and social impacts of their business activities, and then properly deal with these impacts and report on the results.

### **With the aforementioned in mind, I would like to give my assessment of Daikin's fiscal 2013 CSR Report.**

The Daikin Group has incorporated medium-term CSR targets and plans into its Fusion 15 strategic management plan, under which it has been striving to have its business activities alleviate negative impacts while also accentuating positive ones.

I applaud the company for its efforts on both these fronts. It is alleviating negative impacts through the development of air conditioners that use R-32, a next-generation refrigerant that both protects the ozone layer and reduce global warming impact. At the same time, it is creating a positive impact in several ways: by giving emerging countries free-of-charge access to the "Basic Patent Indispensable for the Manufacture and Sale of Air Conditioners Using R-32 Single Component Refrigerant," and by working with partners (governments, energy providers, other companies) to solve societies problems, as exemplified by its participation in the Smart Communities Project in Greater Manchester, UK.

Such open and enthusiastic efforts on Daikin's part are not only valuable in that they can be scaled up and given greater positive impact; they are also valuable because they will help the company become more competitive.

### **Let me finish with a few things I would like to see from Daikin.**

Daikin is pursuing CSR based on four key themes (Environment, Quality and Customer Satisfaction, Human Resources, and Social Contribution). However, I think the company should determine what types of economic, environmental, and social impacts arise from business activities, and what issues should be given priority, and it should clarify these points through engagement with stakeholders. It is impossible for Daikin to deal with every single issue worrying stakeholders. What is important now is for Daikin to decide what issues it considers most important based on factors like industry characteristics and the significance of impacts, prioritize the need for action on these issues, and explain this entire process and the policies it is based on.

Overseas sales account for 70% of the Daikin Group's total and 80% of employees work outside Japan. In such a global company, I would like to see Daikin revise its overall group CSR policy so that it can better deal with issues related to human rights (issues such as discrimination, excessive work hours, and child labor) throughout the entire supply chain.

Looking at fiscal 2013 CSR activities, certain ones appear to be isolated and unrelated to others, and so I think that by unifying these activities Daikin can send a clearer message of its CSR policies and activities. As business globalizes, Daikin should put its CSR activities in a global context so that it can gain even greater trust from its stakeholders.



# CSR Management

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**The Daikin Group believes that CSR means to fulfill our responsibility to society through the implementation of Our Group Philosophy while adhering to the basic principles of corporate philosophy and legal compliance.**

### ■ 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 >](#) (Page 38)

- > [CSR Management Structure](#)
- > [CSR Promotion Plan](#)
- > [Communication with NPOs, NGOs, and Industry Organizations](#)


### ■ 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 >](#) (Page 40)

- > [Corporate Governance](#)
  - [Corporate Governance \(as of July 31, 2014\)](#) 

### ■ 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 28)

[Read more >](#) (Page 42)

- > [Group Compliance Guidelines](#)
- > [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 >](#) (Page 46)

## ■ 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 >](#) (Page 46)

## ■ 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 >](#) (Page 47)

- [> 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 >](#) (Page 48)

- [> Respect for Intellectual Property Rights](#)
- [> Encouraging Employees to Create Intellectual Property](#)
- [> Scientific Technology Transfer](#)



## ■ Suppliers Must Be in Legal Compliance

### Management That Achieves Legal Compliance throughout the Supply Chain

[Read more >](#)

(Page 223)

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 >](#)

(Page 50)

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 17)

➤ [See Participation in the Global Compact](#) (Page 28)

## ■ 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 16)

## 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 17)

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 16)

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 23)

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

## ■ Communication with NPOs, NGOs, and Industry Organizations

### Dialogue with Organizations

The Daikin Group holds talks with a wide range of NPOs and NGOs, exchanging information on our respective strengths and striving to build a partnership.

In dialogue with industry organizations, we fulfill our responsibility as a top-level company by showing leadership and promoting communication.

For example, in emerging countries, where there is a pressing need to switch to refrigerants that do not deplete the ozone layer and that have minimal global warming impact, we are holding dialogue with representatives of environmental ministries, U.N. organs, and NGOs. In doing so, we are providing them with Daikin's full expertise and technologies, and discussing a wide range of issues including refrigerant trends, the phasing out of certain refrigerants, and how to put into practical use new refrigerants.



## ■ 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 outside board members and two external audit & supervisory 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. The external audit & supervisory board members not only sit in on the Audit & Supervisory Board and the Board of Directors Meeting but also on other key meetings 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 external female member and two non-Japanese nationals (as of July 2014).

\* 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. If someone does want to make a large-scale purchase of Daikin shares, our Daikin Shareholder Relationship Policy (DSR Policy) states that we will provide our shareholders with sufficient information on the situation.

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.

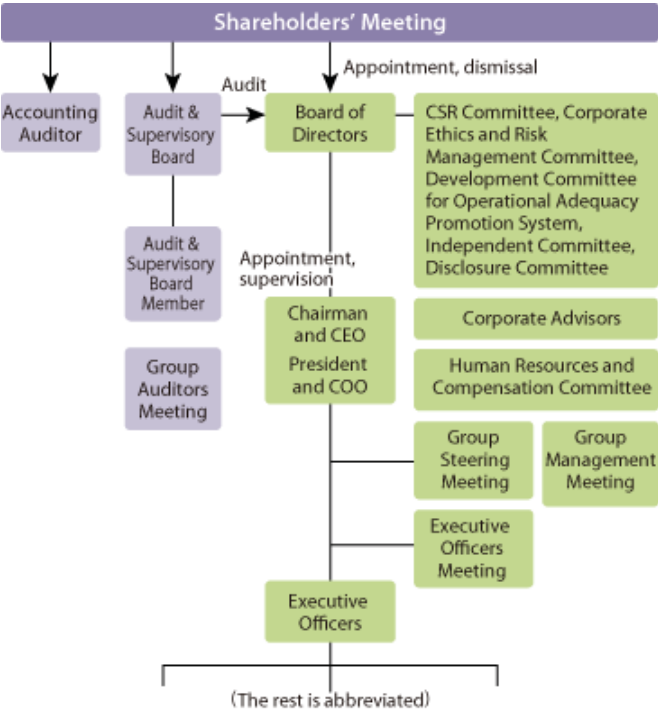
To ensure governance throughout the entire Group, including companies acquired by Daikin, the Group Management Meeting aims for action based on unified opinion throughout the Group. It does this by sharing important Group policies and basic strategies, as well as providing support for problem-solving 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.

In our acquisition of Goodman Global Group, Inc. in fiscal 2012, in addition to adhering to existing systems, we established the Auditing Committee in order to ensure management transparency. We have also established two other new bodies: the Group Management Meeting, which deliberates on important management issues related to execution; and the Compensation Committee, which recommends and decides on compensation between Daikin and the Goodman Global Group.

In fiscal 2014, we held our Group Management Meeting in May, when we began looking into items of our Fusion 15 strategic management plan that require strengthening and revision.

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 July 31, 2014)



## ■ 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.

Believing that violation of Group Compliance Guidelines constitutes a form of risk, we strive to achieve compliance and risk management throughout the entire Daikin Group.

### Items of the Group Compliance Guidelines

1. Providing Safe, High Quality Products and Services
2. Free Competition and Fair Trading
3. Observing Trade Control Laws
4. Respect and Protection of Intellectual Property Rights
5. Proper Management and Utilization of Information
6. Prohibition of Insider Trading
7. Timely and Appropriate Disclosure of Corporate Information
8. Preservation of the Global Environment
9. Ensuring the Safety of Operations
10. Respect for Human Rights and Diversity in the Workplace and Observance of Labor Laws
11. Protection of Company Assets
12. Proper Handling of Accounting Procedures
13. Practicing Moderation in Entertainment and Gift Exchanges
14. Maintaining a Firm Attitude against Anti-social Activities
15. Observing Various Business Law and Regulation

➤ [For details on the Group Compliance Guidelines, see the following website.](#) (Page 18)

## ■ 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. Matters deliberated upon at these meetings are reported to Daikin executives twice a year.



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.

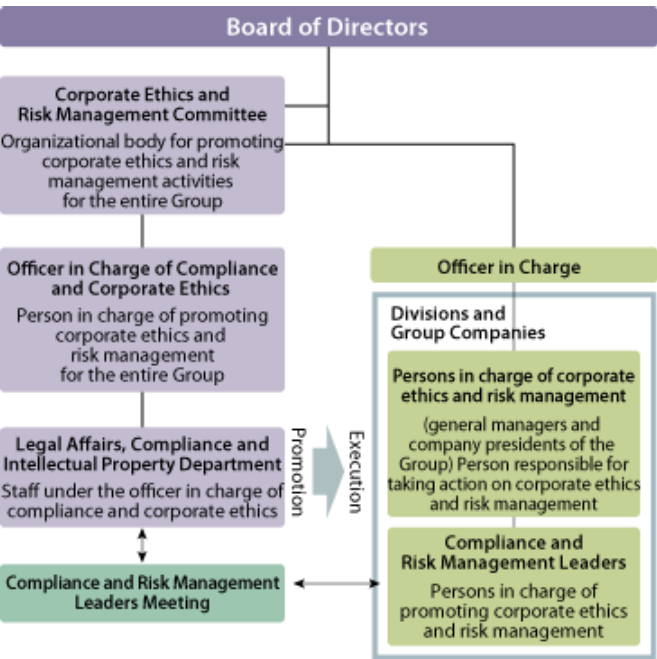
Each of these systems has compliance committees and Corporate Ethics Handbooks, and they conduct regular self assessments and risk management checks.

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

### Corporate Ethics and Risk Management



### 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 head efforts to 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. We also have 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 Department conducts legal audits in divisions and Group companies, while the Internal Auditing Department confirms legal compliance through audits.



Handbook for Corporate Ethics

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.

- [See Group Compliance Guidelines](#) (Page 18)
- [Ensuring Legal Compliance in the Entire Supply Chain \(Responsibility to Business Partners\)](#) (Page 223)

## ■ Education

### Educating Employees Towards Thorough Compliance

We strive to make every employee constantly aware of compliance through a special emphasis on 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, CRLs, and other kinds of employees.

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.

Since fiscal 2012, Daikin's Compliance Caravan made up of representatives from the Legal Department, various Daikin divisions, and group companies has been touring branches around Japan to explain the assumed risks and key points of compliance. This training includes active dialogue on case studies relevant to Daikin business.

Every two months, employees receive an email newsletter called Daikin Compliance News, which uses familiar case studies to raise employee awareness of the importance of compliance.

## ■ 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 Department, 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 Department investigates all queries and opinions to the Help-Line, and works with related company divisions to decide on measures to prevent the reoccurrence of problems. This makes for the smooth creation of measures and the solution of problems.

To ensure 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 2013, there were six important risks identified, including earthquakes, the need to strengthen overseas crisis management functions, and information leaks. Measures were thus taken to deal with these on a company-wide basis.

## ■ Preparing for Earthquakes

### Revamping Earthquake Risk Measures and Stepping Up Safety Measures

Daikin has made earthquake risk measures a key company-wide theme and we are formulating measures via task-specific teams.

Based on estimates made by the Central Disaster Management Council of Japan's Cabinet Office (such as estimated maximum magnitude and maximum tsunami height), we have made and are implementing proposals in areas including reinforcement of earthquake resistance at our plants and flooding measures at our chemical plant, as well as evacuation drills to prepare for flooding.

We are also creating a business continuity plan (BCP) that includes concrete measures to eliminate risk and we are putting this plan into action. Group companies are all proceeding with their own BCPs.

## ■ 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 conducts 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 Department. 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 44)

## ■ Moderate Business Entertainment and Gift-Giving

### **Strengthening Measures Worldwide for Entertaining, Gift-Giving, and Invitations for Government Officials**

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 moderate entertainment and gift-giving with suppliers.

In fiscal 2014, we created guidelines with detailed directives related to entertaining, gift-giving, and invitations for government officials, and we are distributing these throughout the entire Daikin Group.



## ■ 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. The system undergoes continuous improvement as employees carry out their own self assessments, the Legal Affairs, Compliance and Intellectual Property Department carries out legal audits, and the Internal Auditing Department conducts audits.

And with the increasingly widespread problems of companies losing information over the Internet, we are striving to raise the awareness of employee regarding managing their information; for example, we have strict company policy regarding employees' use of social media.

## ■ Personal Information

➤ [See Protecting Customer Information \(Responsibility to Customers\)](#) (Page 192)



## ■ Respect for Intellectual Property Rights

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

Daikin Industries understands that intellectual property rights constitute a valuable company asset. We thus strive to both protect these rights and use them effectively. Our Group Compliance 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.

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.

### **Intellectual Property Manager in Research Department**

To actively support researchers/developers, the Legal Affairs, Compliance and Intellectual Property Department 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 and reward Daikin patent awardees. And to ensure strategic implementation of intellectual property activities, they form patent networks with researchers/developers and strengthen global intellectual property survey functions.

We will continue to strive to better manage our intellectual property rights by acquiring and using a greater number of patents and higher quality patents.

### **Strengthening the Intellectual Property Rights System in China and Other Emerging Countries**

We are also strengthening our intellectual property rights systems at our overseas R&D bases. At Daikin Industries and above all at the R&D bases of Group companies in China, we are striving to obtain various intellectual property rights.

In 2012, China had 650,000 patent applications, overtaking the U.S. to take the world's No. 1 spot. The country also had more intellectual property court cases than the U.S. Against this background, the Daikin Group is actively acquiring intellectual property rights in China, and is stepping up applications for patents, utility models, devices, and trademarks. As well, in emerging countries like India and Brazil, we are stepping up device applications as a way to effectively prevent product copying.



In fiscal 2013, we pursued a patent strategy aimed at the worldwide dissemination of R-32, a low global warming potential refrigerant. One target for the year was to achieve both quality and quantity in our patent strategy. To do so, we emphasized the formation of an effective patent network right from the development stage as we conducted patent creation activities through a joint effort by the development divisions and the intellectual property division.

In 2014, we will boost our business performance by strengthening intellectual property measures, going on the offensive in both development and patent acquisition so as to secure future business success.

### ■ Encouraging Employees to Create Intellectual Property

➤ [See Spurring the Creation of Intellectual Property \(Responsibility to Employees\)](#) (Page 218)

### ■ Scientific Technology Transfer

#### **Free-of-Charge Access to Basic Patent for Emerging Countries in Order to Reduce Refrigerant Environmental Impact**

Daikin strives to make available technologies that improve society.

In September 2011, we gave emerging countries free-of-charge access to the "Basic Patent Indispensable for the Manufacture and Sale of Air Conditioners Using R-32 Single Component Refrigerant." In industrialized countries, we signed a contract for the mutual non-assertion of rights to the patent and made compensation unnecessary.

We continue to carry out negotiations with air conditioner manufacturers in both newly emerging and industrialized countries in order to disseminate the R-32 refrigerant.

➤ [See Key Activities of Fiscal 2013: Dissemination of Next-Generation Refrigerants](#) (Page 54)



## ■ 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.

The Daikin Group takes part in the United Nations Global Compact for aligning operations to universally accepted principles on issues such as human rights and labor standards. Our Group Compliance Guidelines state our policies for respect for individual human rights, diverse values, and ways of looking at work, and our policy of no child labor or forced labor.

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 28)

## ■ Human Rights Education

### **Raising Human Rights Awareness through Periodic Education Sessions and Assessments**

To build an organization where diversity and originality are respected, we hold human rights education and awareness sessions.

As part of Daikin Industries' human rights awareness efforts, human rights training is held for job descriptions including all officers, as well as new employees and newly appointed upper-level and middle managers including those in Daikin affiliates. As well, we run human rights articles in the company newsletter to raise awareness among employees. And the annual self assessments that we conduct every year to boost our compliance and risk management now include questions on human rights matters. These and other efforts give employees a greater realization of their own ideas on human rights.

We also take part in activities of the Global Compact Japan Network, through which we learn from experts in various fields, and from other companies with regards to what they are doing on global human rights issues, all of which helps us raise the level of Daikin's human rights-related efforts.

## ■ 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, bright, and positive workplace that is free of sexual harassment and power harassment.



# Key Activities

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## Environment

### Dissemination of Next-Generation Refrigerants

## Taking the Next-Generation Refrigerant R-32 around the World

Next-Generation Refrigerants Protecting the Ozone Layer and Reducing Global Warming

- › R-32 Air Conditioners Launched in Europe and Australia, Too
- › Working with Governments and Local Companies to Disseminate R-32 in Developing Countries
- › R-32 Adopted in Commercial Air Conditioners



## Environment

### Creating a Market for Heat-Pump Heating Systems

## Participating in Smart Communities Project in Greater Manchester, UK, with Heat-Pump Technology

Europe Striving to Reduce Environmental Impact from Heating

- › Daikin in Smart Communities Project Incorporates Heat-Pump Type Space and Hot Water Heaters
- › Developing Products, Like Daikin Altherma Hybrid Heat Pump, to Meet Needs in the World's Extremely Cold Climates



## Quality and Customer Satisfaction

### Accelerating Product Development Globally

## Creating Products That Anticipate Regional Needs

Responding to Expanding Air Conditioner Demand in Regions with Unique Usage Environments

- › Base Model Allows Consistently High-Quality Products at a Faster Development Speed and a Lower Cost
- › Opening More Overseas Development Bases and Dispatching Young Engineers from Japan for Marketing



## Diversity Management

# Diversity Project — Maximizes the Talents of Female Employees

Japan Needs Women to Take a Leading Role

- › Changing the Mindset of Managers and Female Employees
- › Facilitating a Smooth Transition Back to Work Following Childcare Leave



## Reforestation in Indonesia

# Supporting Sustainable Coexistence of People and the Forest

Preserving “Nature’s Air Conditioner,” the Natural Gifts from the Forest

- › Agroforestry by the Local Community
- › Provision of Water and Electricity as Nature’s Gifts to Residents





# Taking the Next-Generation Refrigerant R-32 around the World

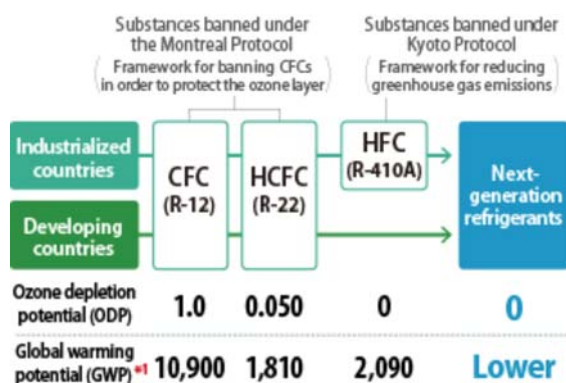
## Next-Generation Refrigerants Protecting the Ozone Layer and Reducing Global Warming

Refrigerants are crucial to air conditioning, circulating inside the air conditioner and transporting heat. However, the Montreal Protocol and the Kyoto Protocol restricted the use of conventional refrigerants that deplete the ozone layer and contribute to global warming, and the world needs refrigerants that mitigate these harmful effects. Industrialized countries have already converted to HFCs like R-410A that don't deplete the ozone layer, but these refrigerants still have the problem of having a high global warming impact.

In 2013, developing countries began phasing down the use of conventional HCFC refrigerants. Air conditioner demand is growing in developing countries, and if these countries follow industrialized countries in adopting R-410A, global warming will accelerate. It is therefore crucial that the world convert to a next-generation refrigerant. Industrialized countries are also aiming to reduce HFC emissions and concerned parties are actively seeking to find next-generation refrigerants.

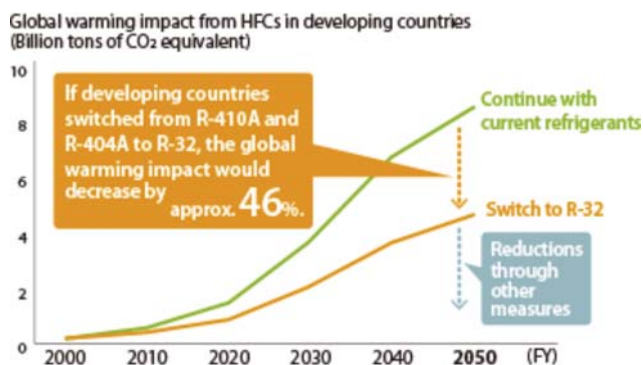
As the world's only company making both air conditioners and their refrigerants, Daikin has been searching for and developing next-generation refrigerants. Our efforts have led us to choose R-32, which has a low global warming impact.

### Air Conditioner Refrigerants: Environmental Impact and Transition



\*1 GWP is quoted from the Fourth Assessment Report of the IPCC and the Japan Fluorocarbon Manufacturers Association.

### Effect of Dissemination of R-32 (Projection)



Note: This projection was created based on Supporting Information from "The large contribution of projected HFC emissions to future climate forcing" Guus J. M. Velders et al. The graph shows the effect of converting 100% of R-410A usage and 50% of R-404A usage to R-32.



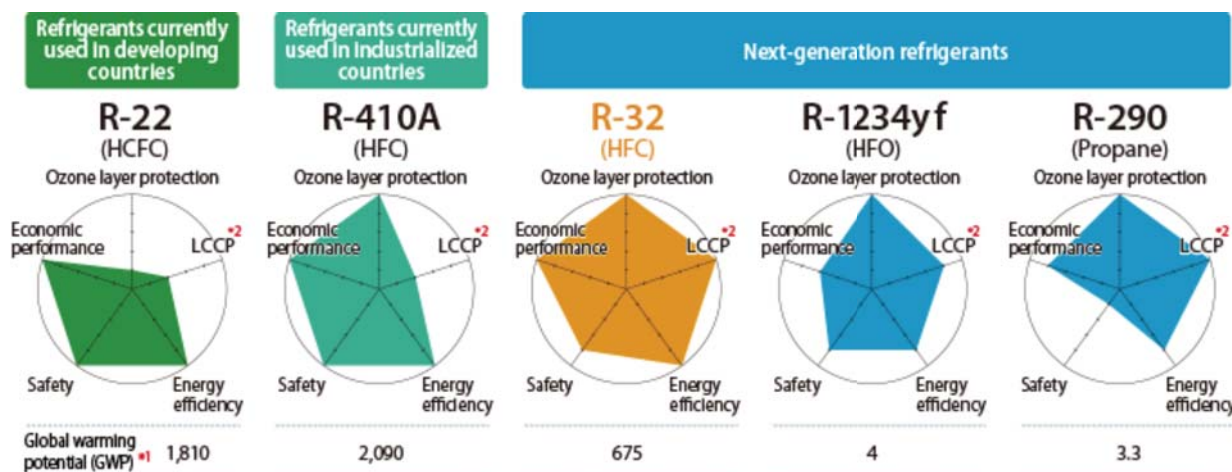
## Daikin First to Adopt R-32, with One-Third the Global Warming Potential of Conventional Refrigerants

Choosing a next-generation refrigerant must take into consideration not just environmental performance, but also other overall factors such as safety and economic performance. Moreover, converting to a new refrigerant must take into account a range of international standards including those of the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), as well as domestic regulations and standards of each country.

As a result of our participation in international discussions and our own assessments and studies, Daikin has determined that as of the present time, R-32 is the most suitable refrigerant. We made this decision because R-32 has just one-third the global warming potential of R-410A and it can be easily recovered and reused. It also offers high energy efficiency and so less of it is needed per air conditioner than other refrigerants.

In fiscal 2012, Daikin released the world's first residential air conditioner using R-32. Our goal is to have R-32 used around the world.

### Characteristics of Possible Next-Generation Refrigerants (for Residential and Commercial Air Conditioners)



\*2 LCCP: Life cycle cost performance. Global warming impact over the entire lifecycle of the air conditioner (impact of air conditioner use and refrigerant emission).

## R-32 Air Conditioners Launched in Europe and Australia, Too

Daikin launched residential air conditioners using the R-32 refrigerant in Japan and India in fiscal 2012. Since 2013, an increasing number of other air conditioner manufacturers have been releasing R-32 air conditioners, mainly in Japan, as R-32 gains growing recognition as a next-generation refrigerant.

In Europe, work is underway for a 2015 enactment of a revised version of the F-Gas Regulation which supports the phase-down of fluorinated greenhouse gases (F-gases). Daikin provided technical information on R-32 to industry groups and other relevant organs so that regulations would have sufficient content to go into effect. In November 2013, Daikin Europe N.V. launched a residential air conditioner using R-32, and in January 2014 sales of the product began in Australia. We plan to launch R-32 air conditioners in a growing number of regions around the world.



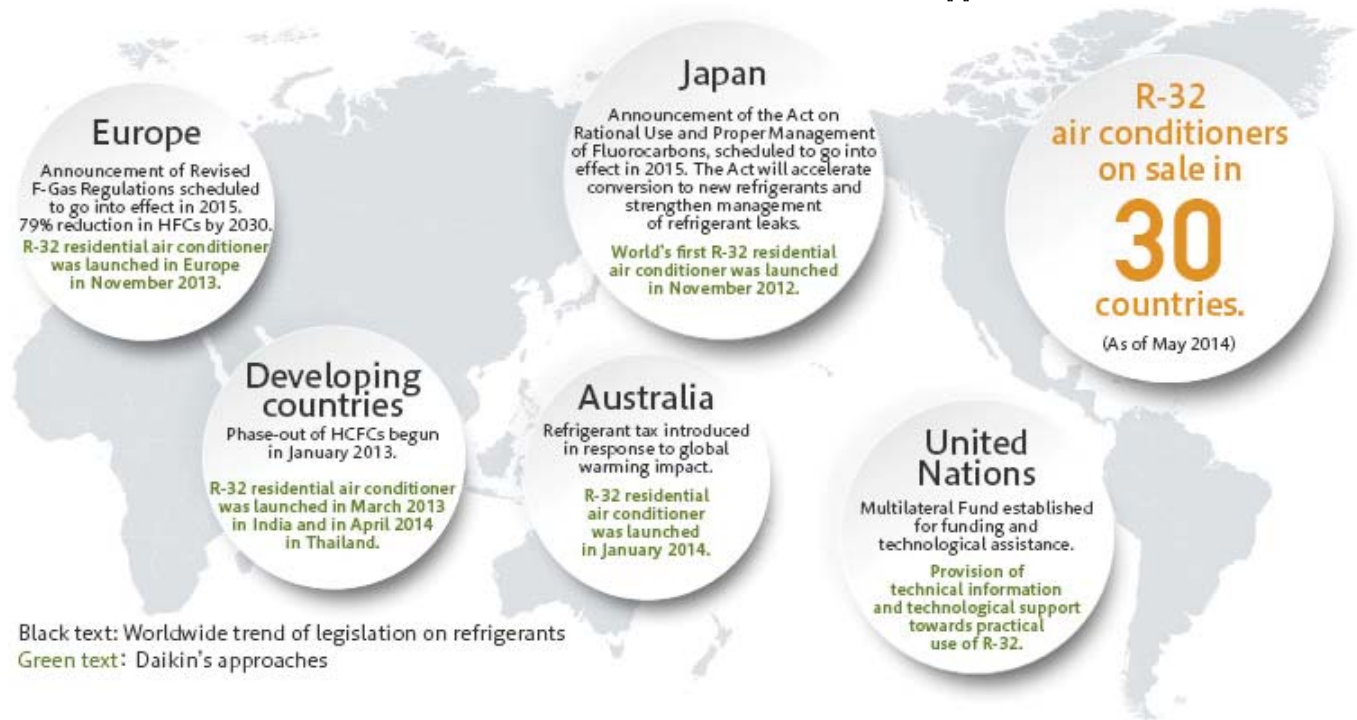
Production line in Thailand making R-32-refrigerant air conditioners, which went on sale in March 2014



At trade fairs and showrooms around the world, Daikin is promoting the R-32 refrigerant.



**Worldwide Trend of Legislation on Refrigerants and Daikin's Approaches**



## Working with Governments and Local Companies to Disseminate R-32 in Developing Countries

The conversion to next-generation refrigerants is not far off for developing countries, and to increase accessibility to R-32 in developing countries, Daikin is giving free access to its “Basic Patent Indispensable for the Manufacture and Sale of Air Conditioners Using R-32 Single Component Refrigerant.” Daikin also participated in a developing country support program sponsored by organs such as Japan’s Ministry of Economy, Trade and Industry (METI) and the Japan International Cooperation Agency (JICA), under which we hosted trainees from developing countries and provided manufacturers and sales companies in these countries with technical support.

R-32 is highly energy efficient: using it to replace the conventional R-22 (HCFC) refrigerant would save up to 10% in electricity consumed. And combining R-32 with inverter technology would further reduce electricity consumption.

In fiscal 2012, Daikin was chosen for inclusion in METI's Global Warming Mitigation Technology Promotion Project, under which the company conducted tests in India showing how R-32 inverter air conditioners can effectively reduce CO<sub>2</sub> emissions. In December 2013, with the cooperation of METI and the Energy Conservation Center, Japan, we held a seminar as part of efforts to disseminate highly efficient air conditioners. The event was successful in promoting understanding of R-32 as we presented the results of the tests and explained the benefits of R-32 to the audience, which included the Indian government officials and some members of the Refrigeration And Air Conditioning Manufacturers Association (RAMA).

Daikin also took part in a project to convert to R-32 in Thailand, where METI is offering financial aid as part of support for developing countries under the Montreal Protocol. R-22 use will be banned in Thailand starting in 2017, and the Thai government's policy is to convert from R-22 to R-32 as a next-generation refrigerant. On request from METI, Daikin is working with other air conditioner manufacturers to help Thai manufacturers convert to R-32 and is offering technical training to Thai service engineers. In April 2014, we launched an R-32 air conditioner in Thailand.

Daikin is also taking part in a United Nations-led project to convert refrigerants in the Gulf nations. Middle Eastern countries are looking at R-32 as a potential next-generation refrigerants, and Daikin is providing relevant government officials and local air conditioner manufacturers with the information needed to choose a next-generation refrigerant.

We are also continuing to use international conferences and visits by foreign government officials to Japan as opportunities to provide technical information on R-32 and thus help disseminate this refrigerant.

And to build a refrigerant distribution network needed to disseminate R-32, we are maximizing our strength as a refrigerant manufacturer.



International conference (UNEP Montreal Protocol Meeting)



Daikin is building an R-32 distribution network in India.



At Daikin plants, we provide visiting government officials with technical information on R-32.

## R-32 Adopted in Commercial Air Conditioners

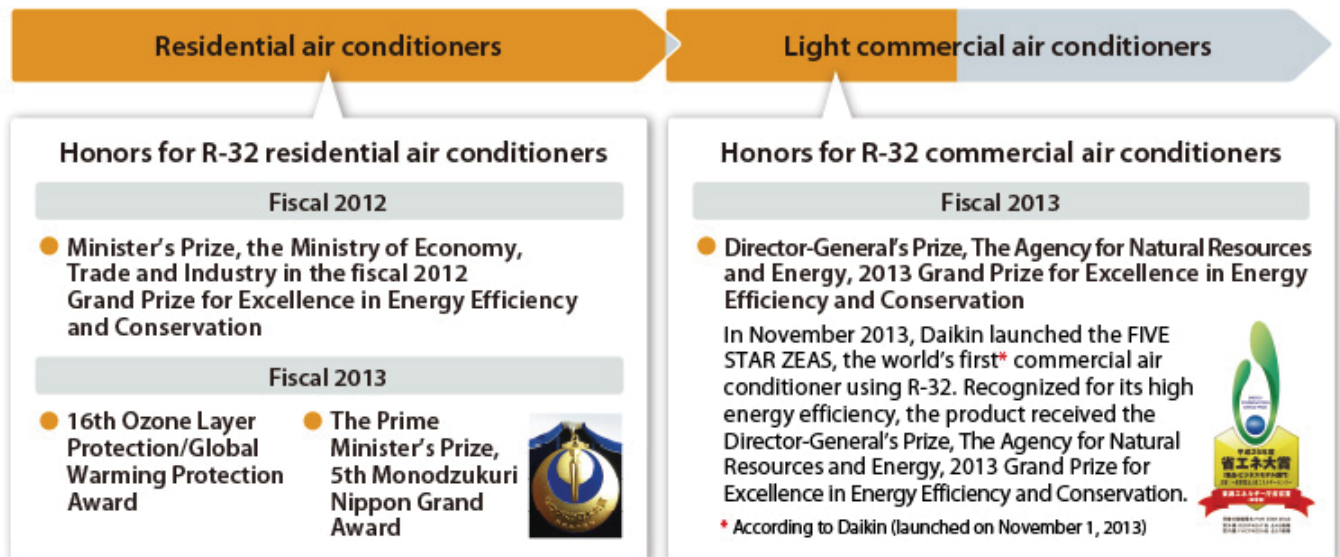
Daikin is working to take R-32 adoption beyond just residential air conditioners. In November 2013, we launched the FIVE STAR ZEAS, the first light commercial air conditioner using R-32.

In Japan, Daikin conducted risk assessment as part of a team of experts that included the Japan Society of Refrigerating and Air Conditioning Engineers (JSRAE), government research institutes, universities, and air conditioner companies. The parties assessed the safety of mildly flammable refrigerants through numerous tests.

Although R-32 is being disseminated in countries worldwide, Daikin's refrigerant research is far from over. We continue our quest for the ideal refrigerant, one best suited to each application, as we strive to contribute to protecting the ozone layer and mitigating global warming.

## Increasing Variety of Air Conditioners Using R-32 (Japan)

Air conditioners on market using R-32



### Stakeholder's Voice

#### R-32 an Important Refrigerant for India, Where Air Conditioners are Being Disseminated

The dissemination of R-32, which is a low-GWP and energy efficient refrigerant, is being promoted by Daikin, which is providing technical information and service training. We consider R-32 as one of the most important refrigerants for air conditioners as it contributes to the mitigation of global warming.

In India, there is a big rise in the income levels and aspirations of the middle class, which is leading to a great increase in air conditioner sales. Due to this, there are growing concerns about the exponential increase in electric power consumption.

We firmly believe that the promotion and propagation of air conditioners with R-32 in India will lead to reduction in the electric power consumption and also an increase in the customers' consciousness about environment conservation and energy savings, at the same time meeting their cooling needs.



**P.K. Mahindra**  
Senior Officer,  
Refrigeration And Air  
Conditioning  
Manufacturers  
Association (RAMA)



**Environment** Creating a Market for Heat-Pump Heating Systems

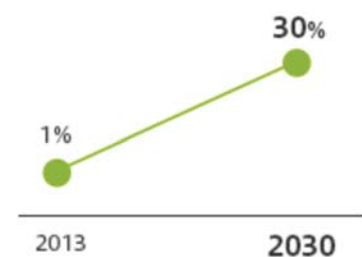
## Participating in Smart Communities Project in Greater Manchester, UK, with Heat-Pump Technology

### Europe Striving to Reduce Environmental Impact from Heating

In the cold regions of Europe, the majority of heating is done by combustion boilers, in which gas or kerosene is burned and heat is distributed around the building, usually via a heat emitter system such as radiators, to provide heating. But this exerts a large impact on the environment.

European Union (EU) countries have set a goal of reducing CO<sub>2</sub> emissions by 20% by 2020 (against 1990 levels) by increasing renewable energy sources from the current 4.1% to 15% of the energy mix. In line with the Climate Change Act, the UK is aiming to reduce CO<sub>2</sub> emissions and shift away from gas as North Sea gas reserves dwindle. As one form of renewable energy, it is looking at increasing the penetration rate of heat-pump type heaters to 30% by 2030. Heat-pump systems exert far less environmental impact than conventional combustion-type systems.

#### Heat Pump Penetration Rate in the UK



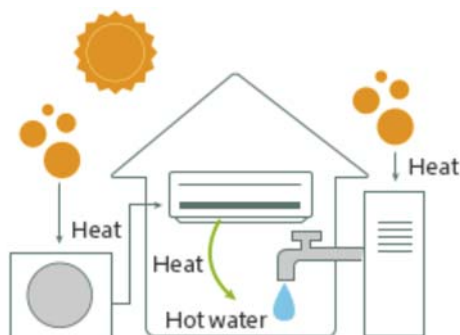
Source: HHIC PATHWAYS FOR DOMESTIC HEAT

## Developing Technologies That Will Help Spread the Use of Heat-Pump Space and Hot Water Heaters

In heat-pump technology, heat is drawn from the air for air conditioning or heating. It produces less than half the CO<sub>2</sub> compared to combustion-type methods. In 2006, Daikin released the Daikin Altherma air-to-water heat-pump space and hot water heater. To help heat-pump products make further inroads into the market, we are taking part in the Smart Communities Project in Greater Manchester, UK and developing new products suitable for extremely cold regions.

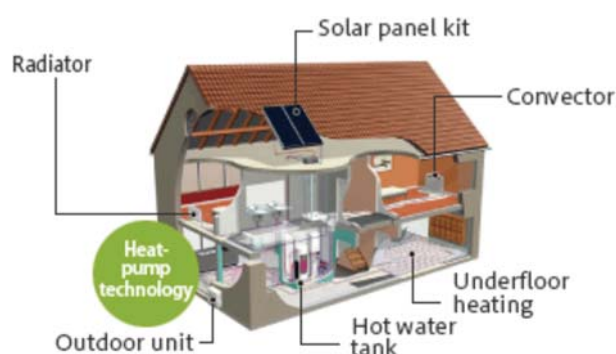
### Heat Pump Mechanism

Solar energy stored in the outside air is extracted using a heat pump and used for heating air and water



### Daikin Altherma Air-to-Water Heat-Pump for Space Heating and Hot Water

System using heat generated by heat-pump technology to provide underfloor or radiator heating



## Daikin in Smart Communities Project Incorporates Heat-Pump Type Space and Hot Water Heaters

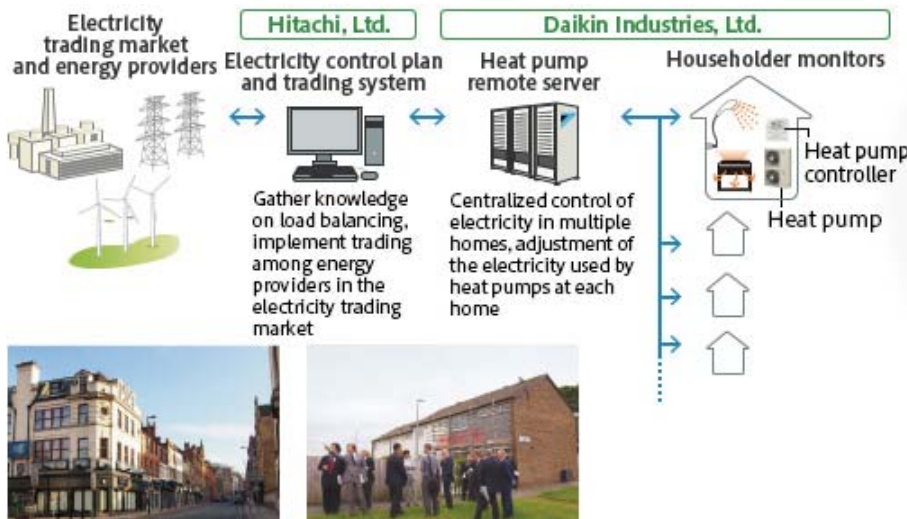
Daikin was selected, along with Hitachi, Ltd., and Mizuho Bank, Ltd., by Japan's New Energy Development Organization (NEDO) to execute NEDO's Smart Communities Project in Greater Manchester, UK.

Under this demonstration project, which runs for three years until March 2017, about 600 electrical and gas hybrid heat-pumps will be installed in social housing to demonstrate their ability to reduce costs for space and hot water heating. There are worries that a bias in the electrical power supply and supply balance will limit the uptake of heat pumps in the UK. This project will verify the ability of the system to automatically adjust the operating schedule of the heat pumps so that users enjoy constant comfort while electricity costs are reduced during peak demand times. Another aim of the project is to build a business model in which the electricity usage at multiple residences is aggregated and excess electricity sold. This is the first time in the world for a project of this size (600 heat pumps) that demonstrates heat pump aggregation functions and electrical power aggregation functions for trading in the electricity trading markets.

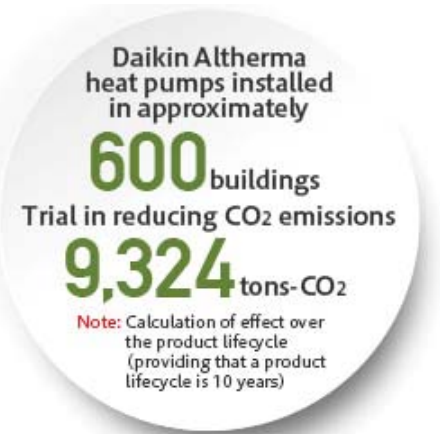
Following this project, NEDO, along with Daikin, Hitachi, Ltd., and Mizuho Bank, Ltd., will come up with a plan to increase the uptake of heat pumps in the UK and will propose measures that the UK's Department of Energy & Climate Change can implement to realize their objectives.



## Smart Communities Project in Greater Manchester, UK



Manchester, UK

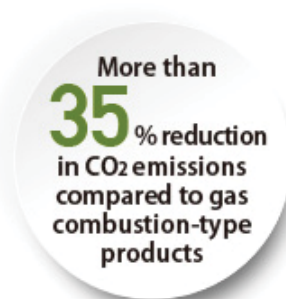
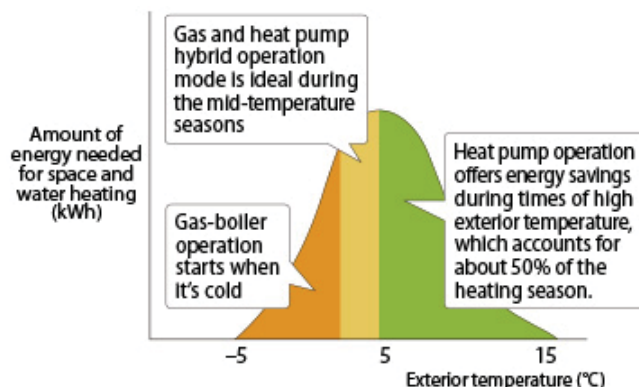


## Developing Products, Like Daikin Altherma Hybrid Heat Pump, to Meet Needs in the World's Extremely Cold Climates

Users who have become accustomed to combustion-type heating wonder how heat pumps can efficiently heat when the exterior air temperature is extremely low. To alleviate this concern, in Europe in September 2013, Daikin released the Daikin Altherma Hybrid heat pump, a product that automatically switches to gas boiler if exterior air temperature drops dramatically. Depending on factors like the exterior air temperature and gas and electricity costs, the product automatically selects the most efficient and economical method from heat pump, gas boiler, and hybrid. Because heat pump and hybrid are the best operation modes for European climates on average, the Daikin Altherma hybrid heat pump offers a more than 35% increase in heating efficiency compared to using only a boiler.

With the aim of developing a new space and water heating system which offers energy savings and comfort for extremely cold regions around the world, in December 2013 Daikin established the Asahikawa Laboratory in Asahikawa, Hokkaido, a city where winter temperatures drop below -20°C. The facility conducts projects that tie Daikin's R&D and marketing divisions with the aim of providing world-class next-generation space and water heating solutions.

### Daikin Altherma Hybrid Heat Pump



## Smart Communities Project: A Model for All the UK

In 2008, the UK formulated the Climate Change Act, the first law of its kind in the world. Under this act, the target is to reduce greenhouse gas emissions by 80% over 1990 levels by 2050. At the same time, the steep rise in natural gas prices is a problem. As part of a portfolio of measures to address these challenges, the UK government, under its Medium scenario of the UK's 4th carbon budget, plans to shift to renewable energy and deploy 600,000 domestic heat pumps by 2020, rising to 2.6 million by 2025 and 6.8 million by 2030.

The eyes of the entire UK are on the Smart Communities Project in Greater Manchester. It will facilitate the energy shift that the country must make from natural gas, and it will contribute to fewer carbon emissions through the use of Daikin's efficient space and water heating products.



**Mark Atherton**  
Director of  
Environment for  
Greater Manchester  
Association of Greater  
Manchester  
Authorities (AGMA)



**Quality and Customer Satisfaction**

**Accelerating Product Development Globally**

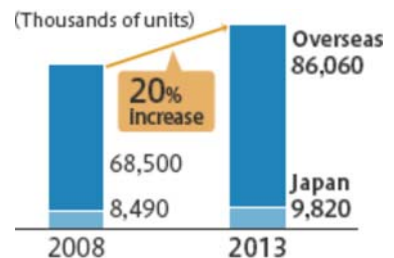
## Creating Products That Anticipate Regional Needs

### Responding to Expanding Air Conditioner Demand in Regions with Unique Usage Environments

Air conditioner demand continues to grow, especially in China and other emerging countries. In response, the Daikin Group is making entry into emerging countries and volume-zone markets part of its Fusion 15 strategic management plan as it works to disseminate highly efficient, energy-saving air conditioners.

Some countries and regions of the world are vastly different from Japan in weather and climate, air conditioner usage environment, and the electricity supply situation. Daikin used to launch air conditioners developed for Japan in overseas markets, which made them a hard sell with their overabundance of features and high price. As a result, we spent more time on product development in order to redesign products to meet the local needs of world markets.

#### Worldwide Air Conditioner Demand



Source: From report on estimates of worldwide air conditioner demand, published by Japan Refrigeration and Air Conditioning Industry Association.

## Quickly Bringing to Market Affordable Products That Meet Consumer Needs

Since fiscal 2013, the Daikin Group has been developing products under the base model concept, a totally different way of thinking from our previous product development. The base model concept allows us to come up with products that meet various specific regional needs by having our overseas bases mix and match the basic performance factors and common parts from Daikin in Japan. We can thus provide customers with consistently high-quality products at a lower cost and in a shorter design time than we could with our previous product development method.



## Base Model Allows Consistently High-Quality Products at a Faster Development Speed and a Lower Cost

Products developed using our base model system went on sale in Japan and China in fiscal 2013 and are scheduled for release in Latin America and Europe in fiscal 2014. Because the base model allows us to simultaneously start product development in multiple countries, we can get products to market in approximately half the time it took previously.

In China, for example, users wanted a strong wind but didn't want it blowing directly against their bodies. We therefore combined basic performance factors with a powerful fan and a front panel that prevented air from blowing against people in the room so that the product was designed in line with the users' needs.

With our base model method, many common parts are used in making a product, which means costs can be reduced through volume aggregation. Quality information on the common parts is centrally controlled in Japan, so if there is a problem, it can be quickly remedied around the world, thus allowing provision of consistently high-quality products.

To put the base model philosophy into action, however, we must grasp local needs and reflect these in our design, and this requires that we boost our marketing and development capabilities at our worldwide bases.



## Boosting Local Marketing and Development Capabilities By Grasping Regional Needs



## Opening More Overseas Development Bases and Dispatching Young Engineers from Japan for Marketing

The Daikin Group is opening up more overseas development bases and staffing them with local engineers. And to boost our development capabilities, we are sending these locally hired engineers to Japan for on-the-job training for approximately six-month periods.

In Japan, we are focusing on fostering engineers. In fiscal 2013, young Japanese engineers were dispatched to eight countries to survey what we believe are the most promising markets. Together with the marketers in overseas development bases, they are surveying how air conditioners are being used in these countries through efforts including discussions with local users. The survey revealed some new findings; for example, we saw residential air conditioners used in small retail stores, and users cooling two rooms with one air conditioner by placing it in a hole in the wall between two rooms. But these observations hinted at new ways we can meet market needs. We will continue these market surveys through interviews and other methods and reflect our findings in new product development.

These are just some of the ways we are striving to respond meticulously to individual market needs by developing products that truly please customers.



Marketing around the world

## **Astonished at Daikin's Enthusiastic Desire to Understand Needs and Meet These with New Product Releases**

It's been three years since we became an exclusive distributor for Daikin. We used to handle products from another Japanese manufacturer, but then we became extremely satisfied with Daikin products. I was impressed with how enthusiastic Daikin was about really understanding our needs: Daikin's Turkish sales company has locally tailored product planning functions, Daikin staff conduct periodic market surveys that include visits to our store to hear our opinions, and sometimes we receive visits by engineers from the European Head Office and Daikin in Japan. But what astonished me most was that the information garnered from the survey was reflected in products that came to market the very next year! I've never seen products developed and on the market so fast. Our customers love the new products' designs and affordability and our sales have been booming. I look forward to seeing Daikin release more products in line with market needs.



**Hakki Karasulek**  
Owner, Antsermak  
Ltd.





Human Resources Diversity Management

## Diversity Project — Maximizes the Talents of Female Employees

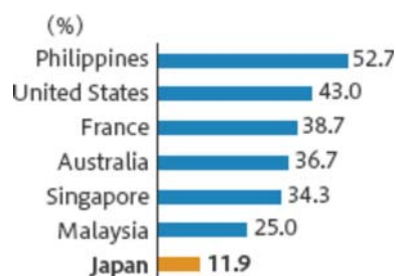
### Japan Needs Women to Take a Leading Role

Daikin has always striven to include the talents of a diverse range of people, whatever their nationality, race, age, or physical abilities.

As our business globalizes, so does the diversity of our customers and business partners. To respond to these market changes, we must further diversify our human resources; this is especially true for women in Japan, a valuable resource whose talents have up to now been under-utilized in this country.

Declining birthrates and an aging society are creating a labor shortage in Japan, and it is becoming increasingly important to effectively utilize the talents of women. Daikin Industries is focusing on putting female employees in a more active role in order to quickly respond to a changing market environment and market needs.

#### Percentage of Women in Management Positions, by Country



Source: Are Young People and Women Being Effectively Utilized in the Workforce, published by the Cabinet Office (February 2013)

## Allowing Female Employees to Use Their Capabilities to the Fullest

Since 2001, Daikin Industries has focused on maximizing the talents of women. We increased the number of female managers from two in 2001 to 22 in 2013; however, we are still below the average for the manufacturing industry.

To remedy this situation and get our female employees participating more fully in our operations, in 2011 we launched a project to maximize women's talents. We discovered that a barrier to more active participation by women was the mindset of both female employees and the Daikin male managers. We thus focused on changing people's way of thinking. In addition, we expanded our support programs that help achieve a work-life balance for enthusiastic, capable employees.

### Maximizing the Talents of Women

#### Increasing the number of female managers

- Training to foster female leaders
- Training to change women's mindset for their long-term career

#### Changing the mindset of male managers

- Female subordinate fostering sessions as part of management training
- Seminars for male managers and other workplace leaders

#### Maximizing talents of employees returning to workplace after childcare leave

- Measures to help employees transition smoothly and quickly to workplace after childcare leave
- Maintaining and developing skills and capabilities of workers while they are on childcare leave
- Measures to help returning workers on shorter hours transition back to full time

#### Stepping up efforts to hire women

- Focus on hiring women enthusiastic about a career
- Focus on hiring women with engineering backgrounds

## Changing the Mindset of Managers and Female Employees

Since fiscal 2012, Daikin Industries has been conducting training and other efforts to get female employees to think more about their careers by defining the role that their jobs play in their life long-term.

At the same time, we have tried to change the stereotypes and actions of male managers, who tend to think that women will leave the company when they get pregnant, and that certain jobs are not for women. Male managers also tend to believe that since female employees cannot do very much while they are raising children, they should not be given certain work or opportunities. To help remedy these problems, in fiscal 2013, male managers, as part of their management training, took sessions on how to foster the careers of their female subordinates. The sessions included sharing of best practices on training and case studies based on actual problems faced in the workplace. After the session, participants had comments like, "It's clear that maximizing women's talents propels diversity and creates new value," and "I realized that we have been stereotyping women and their roles." By changing our mindset in this way, we are aiming to step up the training of women and put more of them in management positions, thus creating more equality between women and men at Daikin.

Changing the Mindset of Male Managers

Main challenges for male managers with regards to female subordinates		Fostering careers of female employees as part of management training	
<p>Managers tend to stereotype women (“Women will leave the company when they get pregnant,” “Certain jobs are not for women”) and thus avoid giving them certain jobs.</p> <p>Managers give women returning from childcare leave too little work or only easy jobs, not work that will help advance their career.</p>		Sharing current state of utilization of female employees	Share best practices and current state of training of female employees, discuss these, and figure out what needs to be done in one’s own workplace.
		Basic knowledge of promoting diversity	Define diversity promotion and its benefits for company operations, and learn about the existing psychological and organizational barriers to diversity promotion.
		Case discussions	Debate measures by looking at case studies on the topics of what jobs to give women returning from childcare leave and the elimination of excessive working hours.
		Plans for maximizing women’s talents	Come up with visions and targets for the utilization of female personnel and study action plans for each workplace.



Female subordinate career-fostering session for male managers



Training to help female employees think more about their careers



Facilitating a Smooth Transition Back to Work Following Childcare Leave

One barrier to maximizing the talents of women is the problem of long waiting lists to get children into childcare facilities. One of Daikin Industries’ core policies is to create an environment that allows women motivated about work but currently giving birth or raising children to continue their jobs and use their talents to the fullest. To this end, we are boosting support for a smooth transition back to the workplace following childcare leave.

In December 2013, we introduced a service in which specialists help Daikin mothers find nursery schools for their children. The service supports mothers from the time they are pregnant to when they find a nursery school for their children, along the way providing individually geared advice and counseling on the most conveniently located and suitable nursery schools in a prompt and knowledgeable manner.

We also stepped up support systems for a smooth transition to the workplace following childcare leave. For employees returning to work less than six months after taking maternity leave, we have increased the company subsidy for childcare services from a maximum 200,000 yen annually to 600,000 yen. We also have shorter working hours (four hours a day) and a six-hour flex-time system as part of efforts to make it easier for motivated female employees to do their jobs.

## **Daikin Has Successfully Made Women's Career Advancement a Part of Management Strategy**

Daikin Industries' efforts to maximize the talents of women are unique in several ways. Company executives are taking strong leadership in making this issue core to management strategy; and women returning from childcare leave are helped into a smooth, rapid transition back to the workplace, moving from short working hours back to full time so that don't merely continue their jobs but rather advance their careers. These are admirable qualities that should be a model for other companies.

However, due to Daikin's relatively short history in employing women as core employees, the company has quite a low percentage of women in management positions. But we can foresee a rapid rise in this percentage in the next 10 years. I look forward to seeing Daikin publicize target figures for women in management as its target for fostering women's careers, but without giving them favorable treatment along the way.



**Kimie Iwata**  
Chairperson, Japan  
Institute of Workers'  
Evolution (JIWE)





**Social Contribution** Reforestation in Indonesia

## Supporting Sustainable Coexistence of People and the Forest

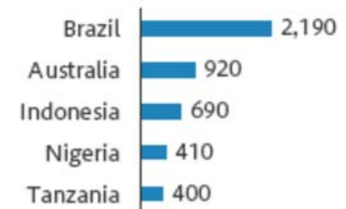
### Preserving “Nature’s Air Conditioner,” the Natural Gifts from the Forest

Forests provide us with oxygen through photosynthesis and act as natural air conditioners by giving off water vapor that keeps atmospheric temperature from rising. They are also rich in biodiversity and have a range of functions including providing a water source and alleviating flooding.

Apart from a few regions that enjoy the benefits of planting efforts, however, the world’s forest areas continue to decline. The reasons include clearing forest land for agricultural use to meet the needs of a growing population and to reduce poverty, and cutting down trees for fuel wood.

#### Countries with Largest Decreases in Forest Area

(Unit: thousand ha/year)



Source: “State of the World’s Forests 2010,” by the Food and Agriculture Organization of the United Nations

## Coexistence of People and the Forest, as “Nature’s Air Conditioner”

In 2008, Daikin and Conservation International (CI) launched a reforestation project in Indonesia. Besides tree planting, the project aims to alleviate poverty and furnish a sanitary living environment through efforts to create harmony between the local community and its forest. This project also contributes to several of the Millennium Development Goals of United Nations (UN), including to ensure environmental sustainability and to eradicate extreme poverty and hunger.

### Overview of Reforestation Project

- Planting trees in devastated forests
- Provision of water and electricity



- Agroforestry by the local community
- Training tour guides for ecotourism



### UN Millennium Development Goals

#### Goal 7 Ensure environmental sustainability

- Reverse the loss of environmental resources.
- Halve, by 2015, the proportion of population without sustainable access to safe drinking water and basic sanitation.

#### Goal 1 Eradicate extreme poverty and hunger

- Halve, between 1990 and 2015, the proportion of people whose income is less than \$1.25 a day.

## Agroforestry by the Local Community

The island of Java, Indonesia, has doubled in population over the past 40 years. People have migrated illegally to protected forest land, where they tend to engage in illegal logging. This area is one of the most rapidly vanishing forested regions in the world. The Daikin-CI joint project covers this area, in which most residents are impoverished farming families living on roughly US\$50.00 a month. Furthermore, most of their revenues are from single-crop farming, putting them at the mercy of the weather. They therefore tend to clear more forest land for farming. Unless a substitute source of income is made available, there is little hope that these people will stop logging and coexist sustainably with the forest.

The decision has therefore been made to seek a source of livelihood appropriate for the land. One solution is agroforestry, in which fruit trees are planted along with other types of trees that make up a natural forest. This approach reduces the need to cut down trees and makes long-term coexistence with the forest possible by protecting the forests and simultaneously providing income.

Local residents took part actively in this project. A new community of farmers held discussion meetings and selected farm products that can be sold for a good price on the market. They are harvesting common beans, cucumbers, and other crops and gradually enjoying a steady income and livelihood.

Planting  
more than  
**120,000**  
trees





Planting trees in Indonesia



Reforestation, together with customers



Cucumber cultivation provides a new source of income.

(c) Conservation International/photo by Anton Ario

## Provision of Water and Electricity as Nature's Gifts to Residents

Through this project, we are also improving the community's standard of living by providing residents with the forest's gifts in the form of water and electricity.

In February 2012, we installed a pico-hydro power generator that converts flowing water into electricity. In April 2012, we also installed water pipes and storage tanks to receive water from a water source, providing running water for areas that previously had none. This water made the establishment of freshwater fish aquaculture possible, providing additional income for local people. Moreover, in November 2013, the installation of flush toilets improved the community's sanitation level. Residents were instructed on how to manage these various new facilities as an important part of protecting the forest as a source of water.

This project has been well received, as it creates mechanisms that place local people in charge of protecting and revitalizing forests, resulted in a higher standard of living and a greater appreciation for the preservation of forests. In fact, the Indonesia's Forest Protection and Nature Conservation under the Ministry of Forestry has begun a similar project in a neighboring region. Daikin is now expanding this program for reforestation and community support beyond Indonesia, with the aim of contributing to sustainable reforestation and community development around the world. We have been implementing the program in Shiretoko, Japan, since fiscal 2011, and began programs in Brazil, Cambodia, India, China, and Liberia in fiscal 2014.



Providing water for communities



Freshwater fish aquaculture



Providing electricity for communities

(c) Conservation International/photo by Anton Ario

## Discovering the Importance of Forest's Blessings

I have lived in this village for nearly 60 years. Until recently, we had to walk about two kilometers to draw our water, carrying the heavy containers filled with water back to our houses every day. Without easy access to water and electricity, our lives were uncertain and hopeless. Thanks to the support and cooperation of Daikin, we now enjoy clean water. We no longer have to walk a long distance to draw water. More children are now attending school. We have an improved sanitary environment.

We now realize the importance of taking responsibility for protection of the forest, which has given us so many benefits. By doing so, our children, grandchildren, and subsequent generations can enjoy nature's blessings and an abundant lifestyle.

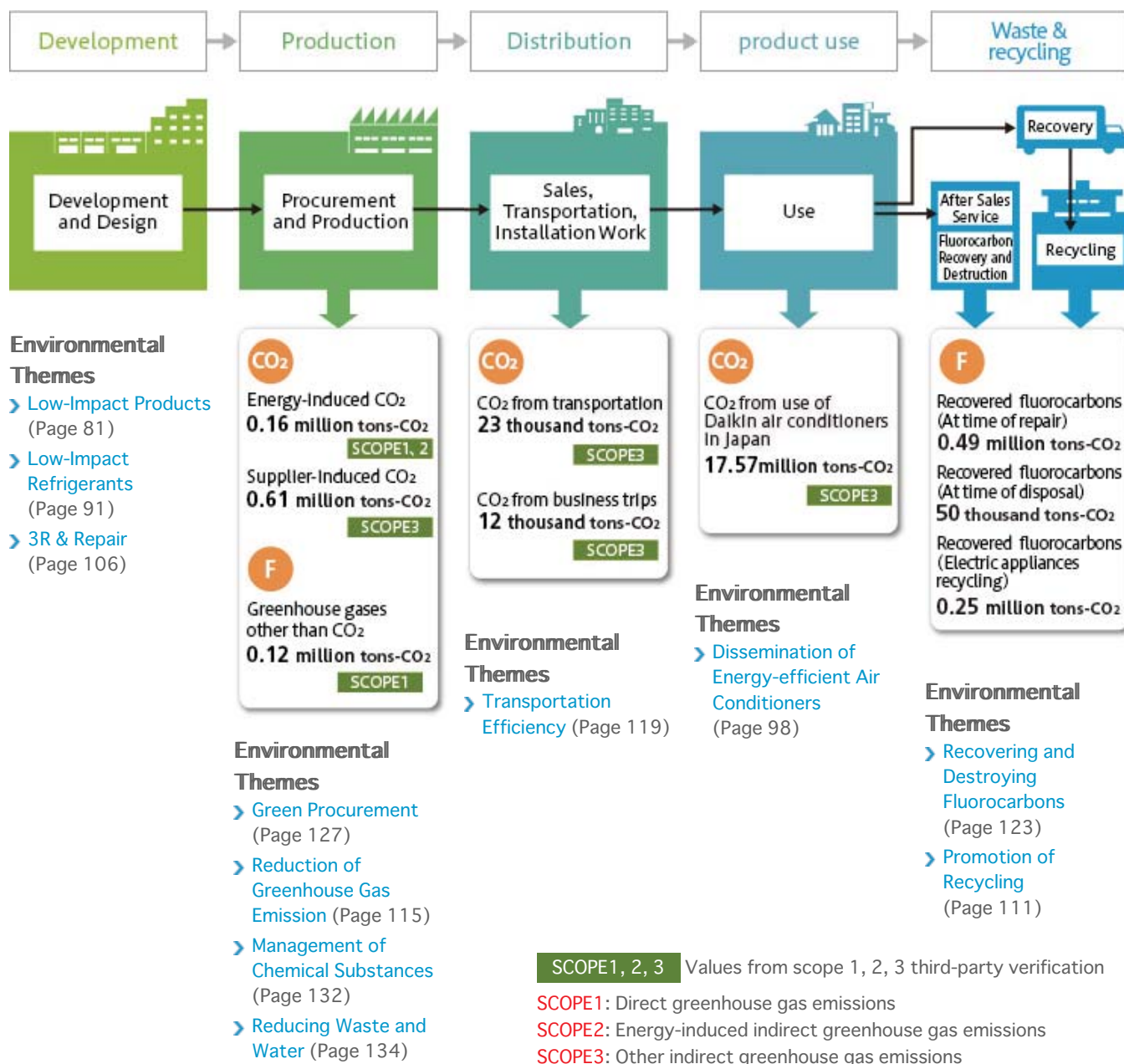


**Ujang Sarip**  
Chief of Panyusuhan  
Village

# Environment

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## ■ Reducing CO<sub>2</sub> and Fluorocarbon Emissions is a Top Priority

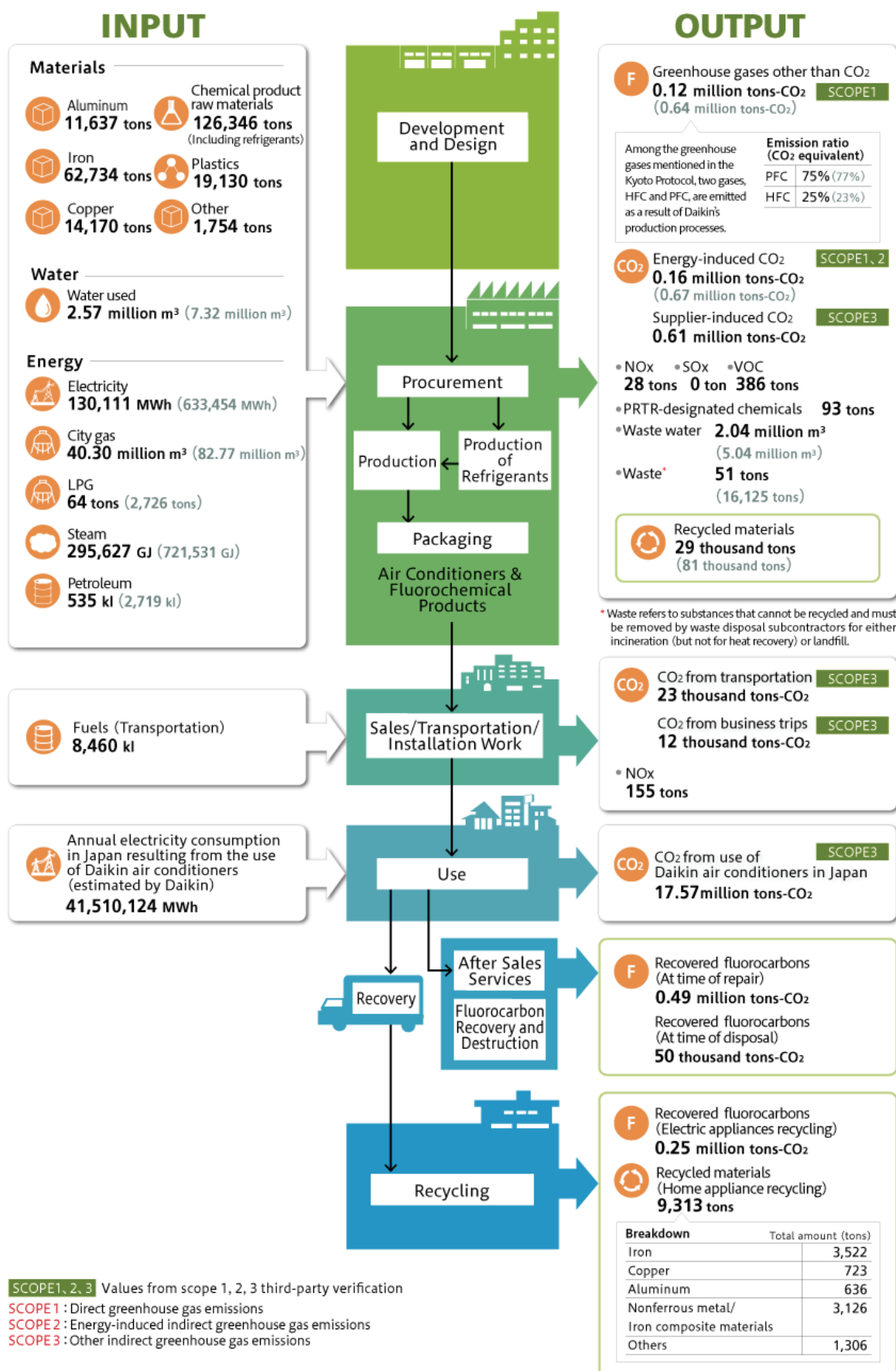


The Daikin Group focuses on reducing both fluorocarbon emissions generated during product manufacture and electricity used during air conditioner use, the major contributors to global warming.

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 FY2013. Figures in parentheses are global Group totals.





## ■ Overview of Fiscal 2013

### Progress Made With Environmental Action Plan 2015

With fiscal 2015 as its target year, Environmental Action Plan 2015 is being implemented based 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 CO<sub>2</sub> emissions through the provision of products. Our goal is to reduce CO<sub>2</sub> emissions by 30 million tons in emerging countries in fiscal 2015 through measures including spreading the use of inverter products, and in fiscal 2013 we were able to reduce emissions by 23 million tons. We also strove to spread the use of products such as air conditioners using R-32, a low global warming potential refrigerant, and heat-pump type heaters, which emit minimal CO<sub>2</sub>.

For (2), the energy consumption rate temporarily rose due to the construction and start-up of chemical plants overseas; however, we were able to reduce greenhouse gas emissions by 69%, which achieves our goal of reducing greenhouse gas emissions by fiscal 2015 to one-third fiscal 2005 levels (a target 67% reduction).

For (3), in 2014 we began a project called “Forests for the Air” in cooperation with international NGOs and other partners.

## ■ Environmental Action Plan 2015

Action targets	FY2015 target values	FY2013 results	Self assessment
<b>Providing Environmentally Conscious Products</b> Provide the world with products that help customers reduce CO <sub>2</sub> emissions.			
Spread use of energy-efficient air conditioners to reduce CO <sub>2</sub> 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 <sub>2</sub> emissions by 30 million* tons for emerging countries.	Estimated 23 million ton curtailment	★★★
	* Estimate of CO <sub>2</sub> emission reductions from the use of energy-efficient inverter products sold by Daikin, compared to CO <sub>2</sub> emissions from the use of non-inverter products. The emission reductions figure is annual reduction amount multiplied by product lifespan.  Proliferation of R-32 air conditioners	Note: Underwent third-party review  Sold in 19 countries	



Eco-conscious Factories & Offices Minimize environmental impact from production and other activities.					
Greenhouse gases	Reduce CO <sub>2</sub> emissions.	Reduce fiscal 2015 levels to 1/3 (67%) of the level compared with fiscal 2005.		69% reduction	★★★
		Japan	Reduce per-unit CO <sub>2</sub> from energy use by 20% against fiscal 2005.	26% reduction	★★★
		Overseas	Reduce per-unit CO <sub>2</sub> from energy use by 10% against fiscal 2010.	0.5% reduction	★
Waste	Reduce overall amount of waste by effectively using resources.	Japan	Machinery-related: Reduce per-unit emissions by 5% against fiscal 2010.	12% reduction	★★★
			Chemical-related: Reduce per-unit emissions by 10% against fiscal 2010.	14% reduction	★★★
		Overseas	Reduce per-unit emissions by 10% against fiscal 2010.	4% reduction	★
Water	Reduce amount of water used.	Japan	Reduce per-unit emissions by 5% against fiscal 2010.	5% reduction	★★★
		Overseas	Reduce per-unit emissions by 10% against fiscal 2010.	9% reduction	★★★
Chemicals	Minimize emissions of environmentally harmful substances.	Japan	Reduce PRTR substances by 15% against fiscal 2010.	19% reduction	★★★
			Reduce VOCs by 20% against fiscal 2010.	18% reduction	★★★
		Overseas	Reduce per-unit VOCs by 10% against fiscal 2010.	Currently analyzing data on substances	★
Green Heart Factories	Achieve environmentally conscious plants.	Have major production sites certified as Super Green Heart Factories.		3 bases in Japan, 1 base overseas	★★
		Have all production sites certified as Green Heart Factories.		5 bases in Japan, 9 bases overseas	
Green Heart Offices	Achieve environmentally conscious offices.	Have major bases in Japan certified as Green Heart Offices.		Entrenchment of activities and creation of assessment methods	★★

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.	Continue to carry out environmental and social contribution activities (forest restoration, tree-planting, environmental education, protection of biodiversity within Daikin bases) at worldwide bases.	Implemented at 13 bases worldwide	★★

Self assessment: Shows level of achievement of targets in three designations:

★★★ : Succeeded    ★★ : Will soon succeed    ★ : Doing all we can



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 >](#) (Page 84)

- Environmentally Conscious Design through Product Assessment
  - Product Assessment Items
- Improving Energy Efficiency of Air Conditioners
  - Sample of LCA: Comparison of Life Cycle CO<sub>2</sub> Emissions (Energy-Induced CO<sub>2</sub>)
  - Electricity Consumption and Energy Consumption Efficiency (residential air conditioners)
  - Electricity Consumption and Energy Consumption Efficiency (commercial air conditioners)

## ■ 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 >](#) (Page 91)

- Low-Impact Refrigerants
- Protecting the Ozone Layer
- Mitigate the Impact of Global Warming


➤ See Key Activities of Fiscal 2013: Dissemination of Next-Generation Refrigerants (Page 54)

## ■ Promoting the Use of Inverter Products

### Tap Markets of China, North America, and Other World Regions with Inverter Products

The Daikin Group aims to provide more highly energy efficient inverter air conditioners worldwide and thus reduce the amount of CO<sub>2</sub> emissions from energy consumption during product use.

[Read more >](#) (Page 94)


- > Inverter Technology
- > Promoting the Use of Inverter Products
  - Inverter-Products as Percentage of Residential Air Conditioner Demand (number of air conditioners) 

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

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

The Daikin Group is developing space and hot water heaters using highly energy efficient heat-pump technology. In heat-pump technology for air conditioning, heat is drawn from the air and transferred for use as cooling or heating. Compared to space or water heating methods that burn fossil fuels directly, it produces less than one-half the CO<sub>2</sub>.

[Read more >](#) (Page 96)

- > Heat-Pump Systems for Space Heating and Water Heaters
- > Promoting the Use of Heat-Pump Type Space and Hot Water Heaters
  - Comparison of Annual CO<sub>2</sub> Emissions: MEGA-Q Large-Scale Commercial Heat-Pump Water Heating System versus Combustion-Type Boiler 

## ■ Products That Help Customers Save Energy

### Daikin Helps Customers Reduce CO<sub>2</sub> Emissions with Air Conditioners, Chemicals, and Oil Hydraulic Products

Room air conditioners, large commercial air conditioners, fluorochemical products, and oil hydraulic products—Daikin develops environmentally conscious products so it can offer complete packages for helping customers reduce their overall CO<sub>2</sub> emissions.

[Read more >](#) (Page 98)

- > Air Conditioning Products
  - Building and Energy Management System (BEMS)
  - Products for Detached Homes Added to DESICA Series
  - Daikin Develops Products Compliant with EU's ErP Directive
- > 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

## ■ 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 >](#) (Page 104)

- > Fluorochemical Products That Contribute to Environmental Protection
  - Environmental Solutions Pioneered with Fluorochemical Products 
  - Automobile Fuel Hose Made of Fluororesin 
- > Eliminating PFOA Emissions

## ■ 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 >](#) (Page 106)

- > 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 Contact Center 
- > Recycling Residential Air Conditioners
  - Recycling of Residential Air Conditioners in FY2013 (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 life cycle assessment (LCA) method, which allows us to determine the environmental impact at each stage of a product's life cycle. Products only make it to market after we have assessed them against their predecessor products to confirm they exert less environmental impact.

#### ■ Product Assessment Items

- |  |  |
|--|--|
| 1. Weight reduction of products                                    | 2. Use of recycled materials and parts                     |
| 3. 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 87)

## ■ Improving Energy Efficiency of Air Conditioners

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

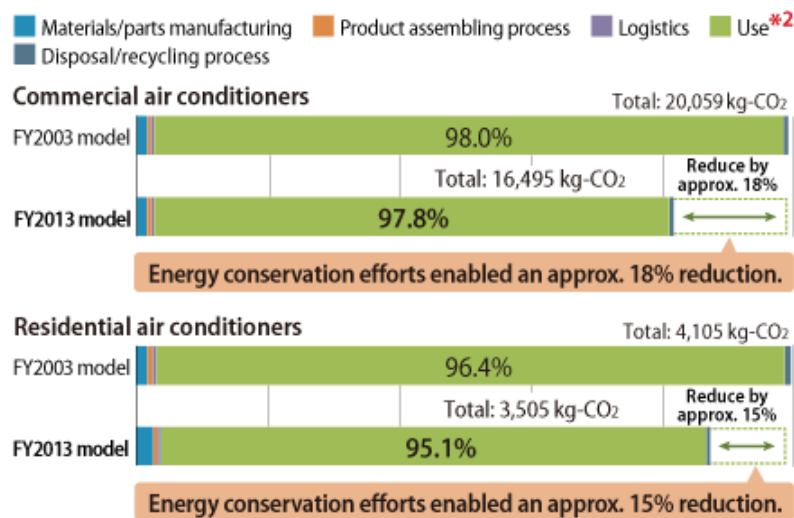
In the life cycle of an air conditioner, from design and manufacture to use and disposal, the majority of the CO<sub>2</sub> that is emitted occurs during product use: over 90% in fact.

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.

The FIVE STAR ZEAS commercial air conditioner, released in November 2013, achieved a 0.5 increase in APF, making it the industry's most energy-efficient product in the 4.0-kW class. We also boosted the APF and reduced the standby power consumption of residential air conditioners.

## ■ Sample of LCA: Comparison\*<sup>1</sup> of Life Cycle CO<sub>2</sub> Emissions (Energy-Induced CO<sub>2</sub>)

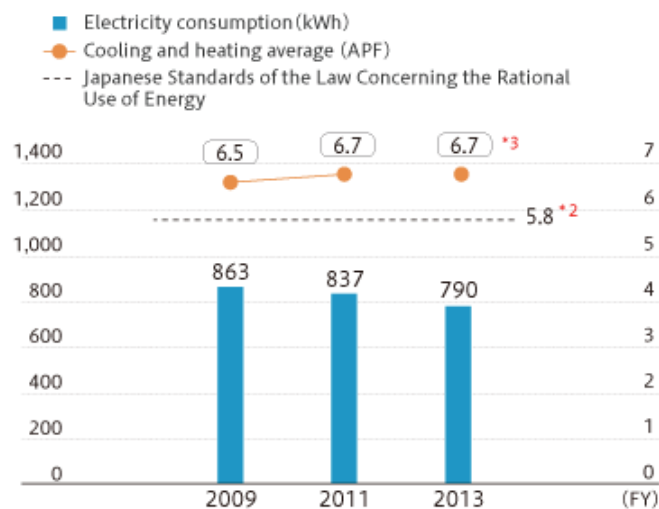
More than 90% of the CO<sub>2</sub> emissions (energy-induced CO<sub>2</sub>) during the life cycle of an air conditioner come during product use. That's why we put the majority of our efforts into making products more energy efficient.



\*<sup>1</sup> Based on Daikin standards for 14-kW class commercial air conditioners and 2.8-kW class residential air conditioners.

\*<sup>2</sup> The seasonal power consumption is calculated in accordance with the standard of the Japan Refrigeration and Air Conditioning Industry Association for commercial air conditioners and the Japanese Industrial Standards (JIS) for residential air conditioners.

## ■ Electricity Consumption and Energy Consumption Efficiency (residential air conditioners)\*<sup>1</sup>

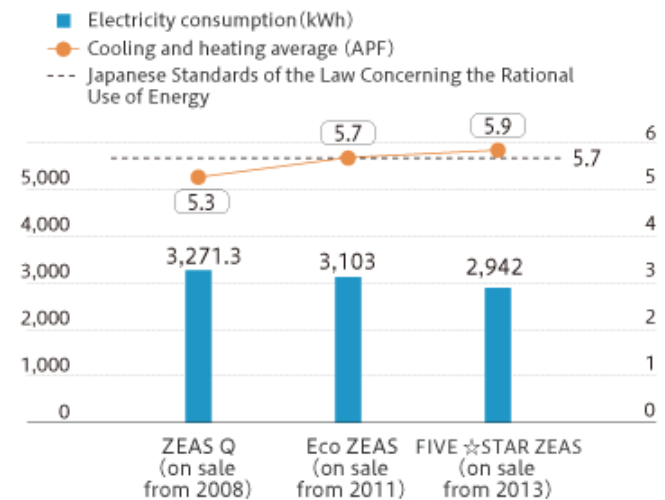


\*<sup>1</sup> Calculated for Daikin 2.8-kW class air conditioners. Under JIS conditions.

\*<sup>2</sup> For products with prescribed measurements

\*<sup>3</sup> Measures were based on the JIS C 9612:2005 standard up to fiscal 2012; from fiscal 2013 they are based on JIS C 9612: 2013.

## ■ 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 the Japanese Industrial Standards (JIS).

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.

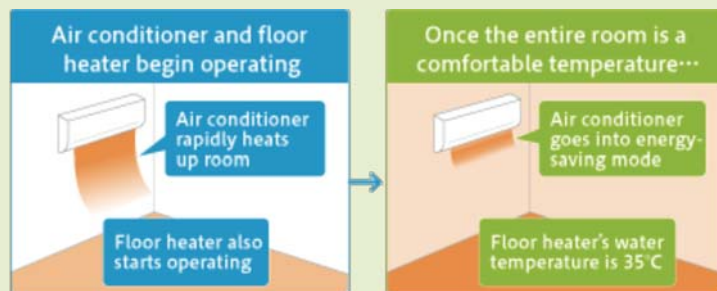
## T OPICS

### Hot Cool Floor Heating and Air Conditioning System Honored in Fiscal 2013 Awards by Energy Conservation Center, Japan

The Hot Cool floor heating and air conditioning system requires just one outdoor unit for both air conditioning and floor heating, giving users comfort with prompt air heating and evenly spaced floor heating. Besides heat-pump technology for superior energy efficiency, it runs air conditioning and floor heating so efficiently that it is approximately 20%\* more efficient than stand-alone floor heating. The room also reaches a comfortable temperature in just half the time of previous systems.

For its contribution to expanding the market for heat-pump hot-water floor heaters, the Hot Cool was awarded the Chairman's Prize in the Fiscal 2013 Grand Prize for Excellence in Energy Efficiency and Conservation by the Energy Conservation Center, Japan.

\* According to Daikin experiments; insulation specifications: equivalent to Area 4 of New Energy-Saving Standard; products tested: 1MUS56RV, C56NTCXV-W



## ■ 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"> <li>• Have parts requiring maintenance and repair been clearly indicated?</li> <li>• Are parts common across products?</li> <li>• Does construction allow for easy maintenance and repair?</li> </ul>
	4-5 Tell customers how to get longer use out of products	<ul style="list-style-type: none"> <li>• Has information been provided to end users and repair outlets on how to get longer use out of products?</li> <li>• Have repair outlets been provided with information on repair diagnosis and repair measures, and safety?</li> </ul>
05. Ease of collecting/transporting	5-1 Make work of collecting and transporting easier	<ul style="list-style-type: none"> <li>• Have items been loaded evenly and balanced, and can collection and transport take place safely?</li> <li>• For heavy, bulky items, are handles and wheels properly positioned?</li> </ul>
	5-2 More efficient loading when collecting and transporting	Is it easy to improve loading efficiency, and is there no danger of items falling off?

	Assessment item	Assessment standard
06. Ease of disassembly and separation of materials by hand	6-1 Make it easier to disassemble and separate items by hand	Does construction allow for easy removal of items to be disassembled and separated by hand?
	6-2 Make disassembly easier	<ul style="list-style-type: none"> <li>• Are construction and assembly such that disassembly by hand is easy?</li> <li>• Are there few screws that need to be removed during disassembly by hand?</li> <li>• Has information been provided that makes disassembly easy?</li> </ul>
	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"> <li>• Is shredding with a shredder easy?</li> <li>• Can products and parts fit into a shredder?</li> <li>• 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?</li> </ul>
	7-2 Make classifying easier	<ul style="list-style-type: none"> <li>• Are there any foreign materials containing similar properties?</li> <li>• Have common materials been used across products?</li> </ul>
08. Packaging	8-1 Reduce weight of packaging, simplify packaging	<ul style="list-style-type: none"> <li>• Has packaging weight been reduced, and packaging simplified?</li> <li>• Is used packaging compact, or is it easy to take apart, collect, and transport?</li> </ul>
	8-2 Make it possible to recycle more packaging	<ul style="list-style-type: none"> <li>• Has the use of compound materials been reduced?</li> <li>• Is it easy to separate each type of material in compound materials?</li> <li>• Have common materials been used across products?</li> <li>• Has packaging reuse been considered?</li> </ul>
	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?



	Assessment item	Assessment standard
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"> <li>• Is it safe to recycle the product?</li> <li>• Is it safe to disassemble and separate the product by hand?</li> </ul>
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"> <li>• Are products free of prohibited substances on the list of designated chemical substances in the Green Procurement Guidelines (4th edition)?</li> <li>• Prohibited substances are (1) previous prohibited substances, F gas from foaming agents, (2) RoHS substances.</li> </ul>
	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"> <li>• Has it been ensured that during disassembly, environmentally harmful substances will not leak or will not pose a danger to workers?</li> <li>• Has it been ensured that the recycling facilities will not be harmed in any way by the recycling process?</li> <li>• Have substances that may cause environmental impact during recycling or afterwards been reduced to the minimum?</li> <li>• Is it easy to remove parts containing environmentally harmful substances?</li> </ul>

	Assessment item	Assessment standard
10. Environmental conservation capabilities	10-5 Provide information to persons at all stages of the life cycle	<ul style="list-style-type: none"> <li>• Have users been given important information at time of purchasing?</li> <li>• Have users and repair persons been informed of important points to keep in mind during product use, repair, and movement?</li> <li>• Does the user manual and other documents give users important points to keep in mind when disposing of product?</li> <li>• Can retailers, or those transporting, installing, or collecting products easily know important points to keep in mind during product collection and transport?</li> <li>• Are important points to keep in mind written on the product itself for those recycling and disposing of the product?</li> </ul>
11. Energy and resource conservation in use	11-1 Include energy and resource saving functions	Are there energy and resource saving functions?
	11-2 Improve energy efficiency during use	Has the product been made more energy efficient during use?
	11-3 Reduce energy consumption in standby mode	Has the product been made more energy efficient in standby?
	11-4 Reduce amount of product consumables	Has the amount of consumables been reduced?
12. Disclosure of information	12-1 Label product, parts, user manual, packaging, etc.	Is labelling of product, parts, user manual, and packaging in line with labelling guidelines?
	12-2 Provide information on recycling and waste treatment	Are there sufficient documents (treatment manuals) with information on safety during processing so as to promote recycling and environmental protection?
13. Reduction in environmental impact in the manufacturing process	13-1 Reduce emissions from manufacturing	Has the amount of by-products (emissions from manufacturing) been reduced?
14. LCA	14-1 Determine the environmental impact at each lifecycle stage	Has environmental impact been determined for the material, production, transport, use, and disposal stages?
	14-2 Consider how to reduce environmental impact during the lifecycle	Is it possible to reduce environmental impact?

## ■ Low-Impact Refrigerants

### **Working Towards Practical Application of a Wide Range of Next-Generation Refrigerants**

The refrigerant conveys the heat between the indoor unit and the outdoor unit of air conditioners. Although HFC, currently the most widely used refrigerant in developing countries, has zero ozone depletion potential, 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 conventional refrigerants. In conducting research aimed at eventually launching products using such 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 make decisions based on all contributing factors: besides the environmental impact of refrigerants themselves, we look at safety factors like combustibility and toxicity, the cost and availability 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. That is why we have been conducting research that will enable the selection of refrigerant that is ideal for each application. We have so far conducted research on possible refrigerants among natural refrigerants, HFC refrigerants, and others, and have considered their application in products.

Using the knowledge we have built up, we are providing information worldwide at events such as international conferences and exhibits on refrigerants' global warming impact and prevention measures.

## ■ Protecting the Ozone Layer

### **Converting to Alternative Refrigerants and Recovering Fluorocarbons**

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 alternative refrigerants that do not deplete the ozone layer. In 1991 we began the first mass-production in Japan of HFC, a refrigerant with zero ozone depletion potential, and in 1995, we began selling air conditioners that use HFC as the refrigerant.

Besides converting 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.

- [See Key Activities of Fiscal 2013: Dissemination of Next-Generation Refrigerants](#) (Page 54)
- [Recovering and Destroying Fluorocarbons from Customers' Air Conditioners](#) (Page 123)

**Converting to Refrigerants with Zero Ozone Depletion Potential in the overseas markets as well as in Japan**

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

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 sell HFC residential air conditioners as well.

In developing countries where HCFC air conditioners are the major products, we are making the switchover (where possible given current infrastructure) to R-32, a low global warming potential refrigerant, in order to mitigate both ozone layer depletion and global warming at the same time.

**■ Mitigate the Impact of Global Warming**

**Start of Use of R-32, a Low Global Warming Potential Refrigerant**

In November 2012, Daikin became the first company in the world to use R-32 (HFC). Used in residential air conditioners for the Japanese market, R-32 has just one-third the global warming potential of conventional R-410A (HFC) refrigerant. In March 2013, we released a residential air conditioner using R-32 in India. We are in the process of releasing these R-32 air conditioners in other countries and using R-32 for commercial air conditioners as well.

To disseminate R-32 air conditioners in developing countries, in September 2011 Daikin began giving these countries free-of-charge access to the “Basic Patents, Indispensable for the Manufacture and Sale of Air Conditioners Using R-32 Single Component Refrigerant.”

**■ Launch of R-32 Air Conditioner by Daikin group (As of May 2014)**

Residential Air Conditioner	India, Australia, Thailand, Japan, the Philippines, Vietnam, and 26 countries in Europe and surrounding regions
Commercial Air Conditioner (partly)	Japan

- [See Key Activities of Fiscal 2013: Dissemination of Next-Generation Refrigerants](#) (Page 54)
- [Environmental Forums and Exhibits](#) (Page 155)

■ Daikin's Stance on the Environmental Impacts of Refrigerants

Refrigerants		ODP	GWP*	Flammability	Refrigerant characteristics	Daikin's stance
Current refrigerants in developing countries	R-22 (HCFC)	0.05	1,810	Nonflammable	Production to be completely phased out in industrialized countries by 2020. In developing countries, production to be decreased starting in 2013 and completely phased out by 2030.	Convert refrigerants for all of the major models c from HCFC to HFC
Current refrigerants in industrialized countries	R-410A (HFC)	0	2,090	Nonflammable	R-410A is being adopted in industrialized countries because it has no impact on the ozone layer and has the same global warming potential and efficiency as HCFC-22.	
Next-generation refrigerants	R-1234yf (HFO)	0	4	Lower flammability	No impact on the ozone layer and a low global warming potential. Lower flammability. Stability and price issues.	Candidate as an alternative to R-134a in automobile air conditioners, chillers, etc. Can be used for widespread application including air conditioners, heat pumps, etc. Promising candidate as next-generation refrigerant. Already in use in Japan
	R-32 (HFC)	0	675	Lower flammability	No impact on the ozone layer, and one of the lowest global warming potentials among HFCs. Lower flammability.	
	R-744 (CO <sub>2</sub> )	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
	R-290 (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.	Safety issues; could only be used in quite limited applications

**Note:** Source: IPCC Fourth Assessment Report, other documents. R-1234yf/ze values from ASHRAE (American Society of Heating, Refrigerating, and Air Conditioning Engineers).



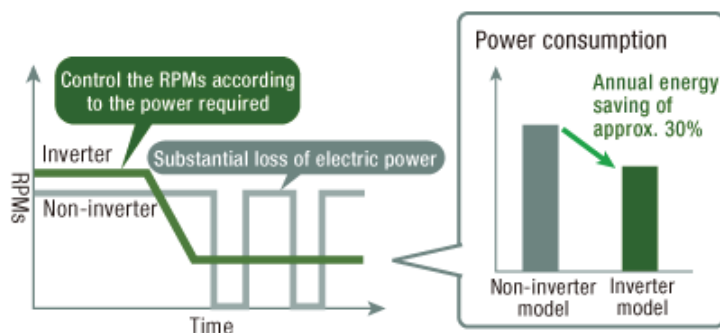
## ■ Inverter Technology

### Can Reduce Power Consumption by Approx. 30%

The Daikin Group aims to spread the use of highly energy-efficient inverter air conditioners so that consumers use less energy during air conditioner operation and thus emit less CO<sub>2</sub>.

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

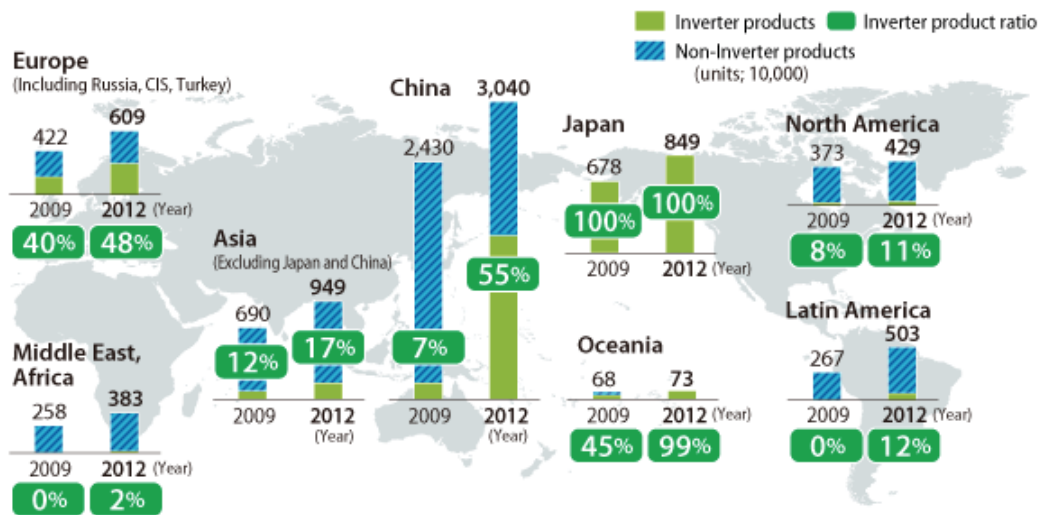
### Spreading the Use of Inverter Products Worldwide

The Daikin Group aims to spread the use of energy-efficient inverter products so that consumers use less energy during air conditioner operation and thus emit less CO<sub>2</sub>.

In China, we have been expanding our lineup of inverter products and selling them at an affordable price in order to build a market for inverter air conditioners. In April 2012, we began production at the Suzhou factory of inverter air conditioners for the worldwide market. Factors including stricter environmental regulations and increasing consumer awareness about saving energy have helped inverter products make up 55% of China's domestic air conditioner market, up from just 7% in 2009 (according to Daikin).

We will focus our efforts on spreading the use of inverter products in other world markets including North America and emerging countries.

■ Inverter-Products as Percentage of Residential Air Conditioner Demand (number of air conditioners)



\* Residential air conditioner: Ductless air conditioners, other than window and portable type products, for residential use. Only in North America does this category include duct-type air conditioners for residential use.

Source: Figures for market demand from report on estimates of worldwide air conditioner demand, published by Japan Refrigeration and Air Conditioning Industry Association; figures for inverter products as percentage of entire market, from Daikin Industries.

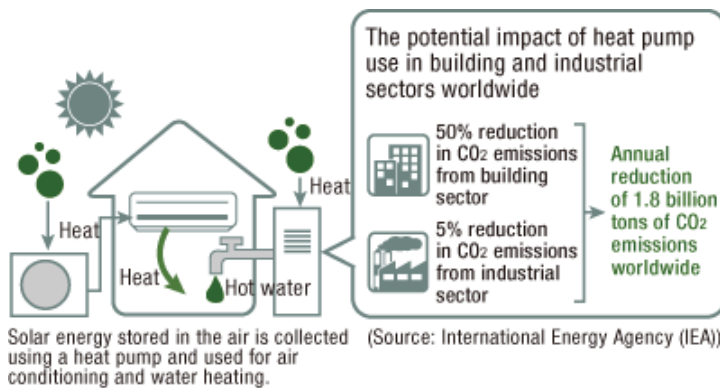
### ■ Heat-Pump Systems for Space Heating and Water Heaters

#### Less than Half the CO<sub>2</sub> Emissions Compared to Burning Fossil Fuels

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

Compared to carrying out space and water heating using methods in which fossil fuels such as gas, oil, and coal are directly burned, heat-pump systems emit less than half the CO<sub>2</sub>.

#### ■ The Heat Pump Mechanism



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

#### Bringing More CO<sub>2</sub>-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.

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.

In fiscal 2013, we released the Hybrid Altherma, which automatically switches to heat pump or gas combustion, whichever is more efficient. We are also taking part in the Smart Communities Project in Greater Manchester in the UK, which uses our heat-pump type space and water heating products.

In December 2013, we established the Asahikawa Laboratory in Asahikawa, Hokkaido. The facility develops new heating and hot-water systems that will offer comfort and energy efficiency for the world’s extremely cold regions. This will allow us to contribute to the spread of heat-pump products throughout Europe and markets around the world.

➤ For details, see [Key Activities of Fiscal 2013: Creating a Market for Heat-Pump Heating Systems](#) (Page 59)

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

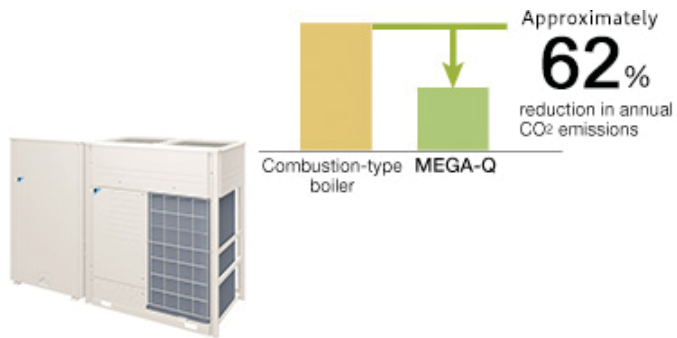
Daikin's heat-pump technology is incorporated into ECOCUTE heat-pump water heaters and Hot Eco-Floor heat-pump hot-water floor heaters. The Daikin Group is also developing space and hot water heaters for the commercial market as well using highly energy efficient heat-pump technology.

In November 2012, we began selling a new model of the commercial heat-pump water heating system (MEGA-Q) for large-scale facilities such as hotels and hospitals, which we first introduced in April 2009. Compared to combustion-type water heaters, this new model releases about 62% fewer CO2 emissions and reduces running cost by about 68%. 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 provides hot water during base periods with MEGA-Q and 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.

By replacing combustion-type water heaters with heat pump models, we are switching the source of heat and thus contributing to energy efficiency.

■ Comparison of Annual CO2 Emissions:  
MEGA-Q Large-Scale Commercial Heat-Pump Water Heating System versus Combustion-Type Boiler



## ■ Air Conditioning Products

### Building and Energy Management System (BEMS)

#### Focusing on Providing Energy-Saving Solutions for Commercial Air Conditioners

Air conditioning accounts for about 40% of the energy consumed by commercial buildings in Japan. 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. In response, we are picking up the pace at which we are providing 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. We installed 45 of these systems in fiscal 2012 and 28 in fiscal 2013.

This project was incorporated as a scheme under the category of using energy management companies of Japan's Subsidy for Companies Rationalizing the Use of Energy, Etc., which began in fiscal 2014. Accordingly, we have been registered as an energy management company and are further stepping up efforts.

In fiscal 2013, Daikin was selected as a diagnosis organization for the Ministry of the Environment's Model Project for Effective Renovation Towards Promoting Green Buildings. Under this project, we provided energy-efficiency diagnostic services for 10 projects. In these projects, by using operational data as a basis for improving air conditioning operation and providing energy-saving services, we were able to save 700,000 kWh for our customers who use our Air Conditioning Network Service System for remote monitoring of air conditioners. We will begin full-fledged provision of this service in fiscal 2014.

#### ■ Example of Improvement Proposal

Operation problems to be solved	Energy-efficiency services
<ul style="list-style-type: none"> <li>● Forget to turn off air conditioners</li> <li>● Overheating or over-cooling of room air</li> <li>● Energy loss due to dirty filters or heat exchangers</li> </ul>	<ul style="list-style-type: none"> <li>● "Intelligent Touch Manager" energy-efficiency controller for air conditioner</li> <li>● Energy-Saving Tuning System</li> <li>● VRV Energy-Saving Tuning for on-site energy-saving control</li> </ul>

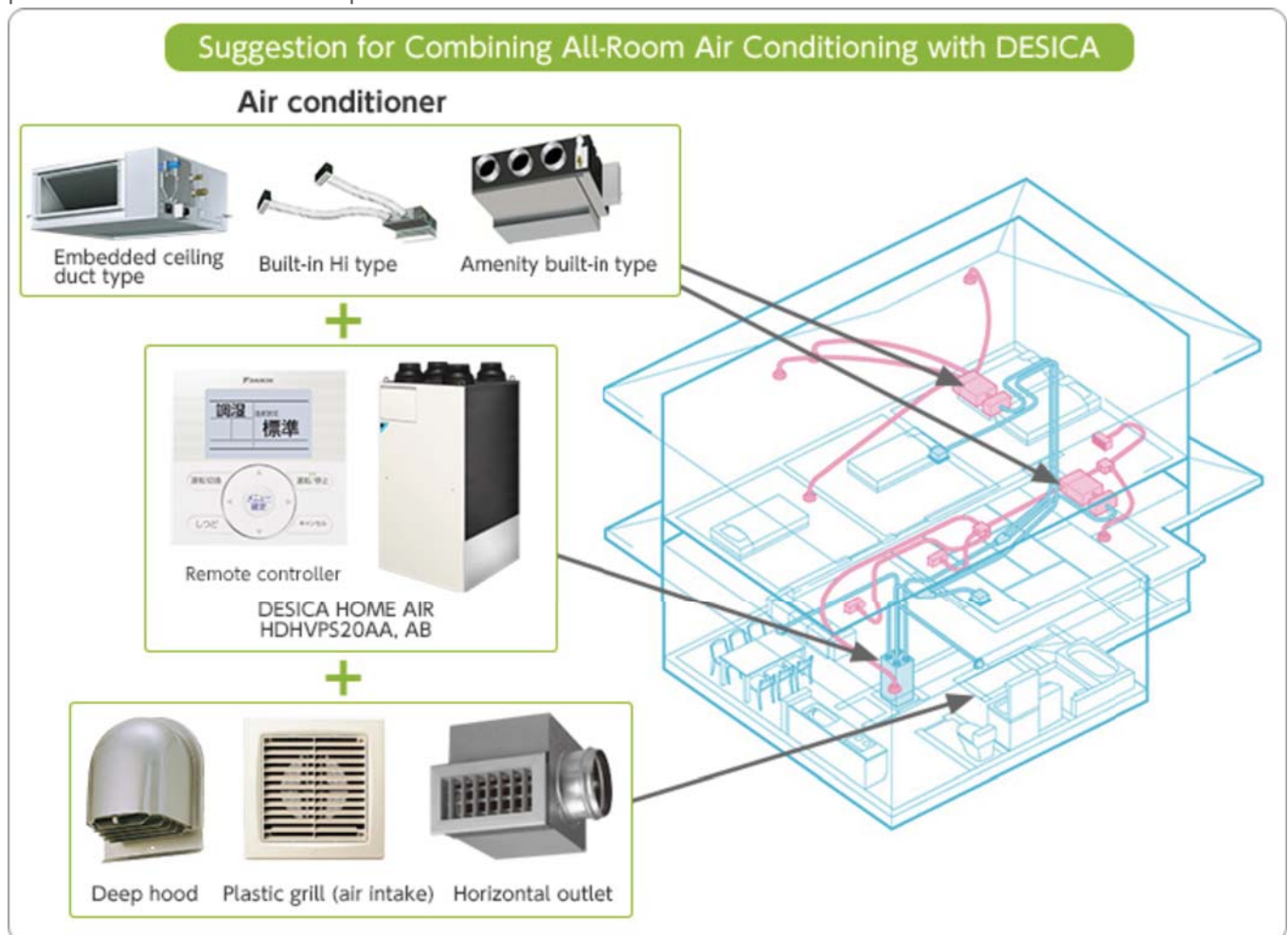
## Products for Detached Homes Added to DESICA Series

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).

In autumn 2012, Daikin released the DESICA HOME AIR for detached homes, which controls humidity and ventilation throughout the entire house. Just one unit offers round-the-clock, year-round comfort control for all rooms in homes with floor space of between 120 m<sup>2</sup> and 200 m<sup>2</sup>. Like the commercial DESICA, this product gives humidifying and dehumidifying without the need for water drainage or supply pipes. Because it is floor standing, maintenance such as replacement and cleaning of the high-performance filter is easy. With its ability to provide high-quality air and energy efficiency, the DESICA HOME AIR has already proved a hit in many homes.

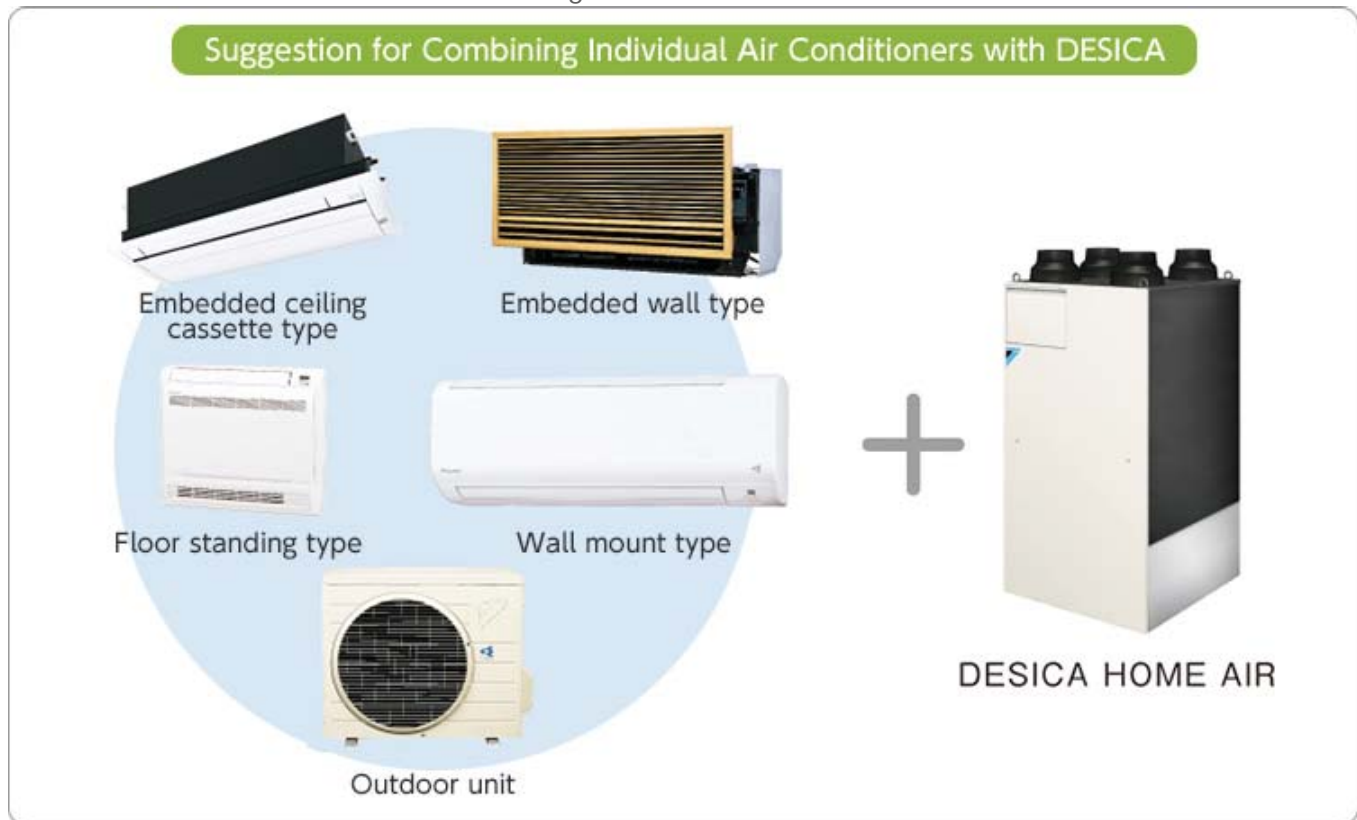
### ■ DESICA HOME AIR

Customers achieve the best balance of temperature and humidity by choosing a product and combination of parts from the extensive lineup.





Can be combined with individual air conditioning units



### 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). For air conditioning equipment up to 12 kW, the first set of minimum requirements was introduced in January 2013, and in January 2014 the second set was introduced, along with the requirement that products bear a certified energy label. In response to these requirements, Daikin developed and introduced the Seasonal Smart (2011) and the Seasonal Classic (2012) commercial air conditioners for offices and retailers.

In 2015, all boilers (electric boilers, fossil fuel boilers, cogeneration units and air/water/ground to water heat pumps) will have to comply with minimum requirements under the ErP directive as well, and boilers up to 70 kW will have to bear an energy label. There are also plans for the gradual introduction starting in 2016 of directives covering ventilation equipment, and freezing and refrigeration equipment.

Daikin will continue to develop products that comply with minimum requirements under the ErP directive.

## 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 Daikin floor heating, cooling, and dehumidification products using heat-pump technology. 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 project's net-energy balance in 2012 showed surplus energy of 977 kWh, thus proving the high energy efficiency of the building.



Daikin receives the Deutsche Kältepreis

Using the knowledge gained from the Net Zero Energy Project, Daikin will embark on new projects in Spain and the U.K. in which Daikin products achieve optimal operation in real-life building situations.

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

## ■ Fluorochemical Products

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

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

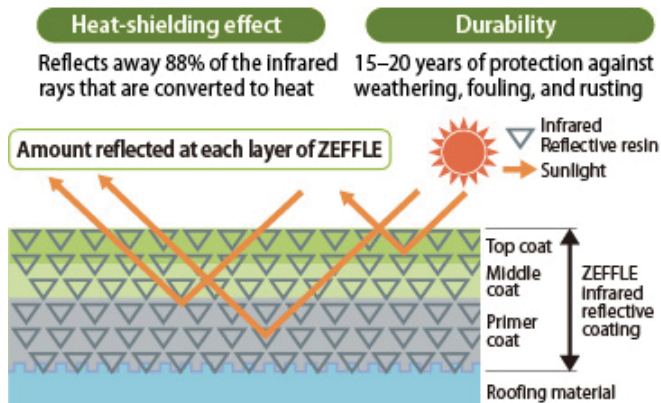
ZEFFLE could almost be called a "easy-to-install air conditioner." Used in combination with an energy-efficient air conditioner, ZEFFLE can help reduce electricity consumption.

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

We also have begun selling new products for building materials such as exterior wall panels and aluminum sashes. Building product manufacturers are also starting to sell products using this thermal insulation coating.

ZEFFLE is being sold in a growing number of countries and regions including China, Europe, and the Middle-East. The Changshu Plant of Daikin Fluorochemicals (China) installed facilities for the manufacture of the raw material resin and mass-production began in May 2013.

#### ■ Features of ZEFFLE Infrared Reflective Coating



#### ■ 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 fluoro resin (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. It is also beginning to replace glass film on crystalline solar cells and is expected to see increasing use in this area as well. We are also conducting research and development on other products; for example, light collecting film, which effectively gathers solar light on film covered with bumps; and fluoropolymer film, which contributes to smaller film capacitors mounted on power conditioners.

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. For these reasons it is being increasingly used on solar panels.

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

## ■ Oil Hydraulic Equipment

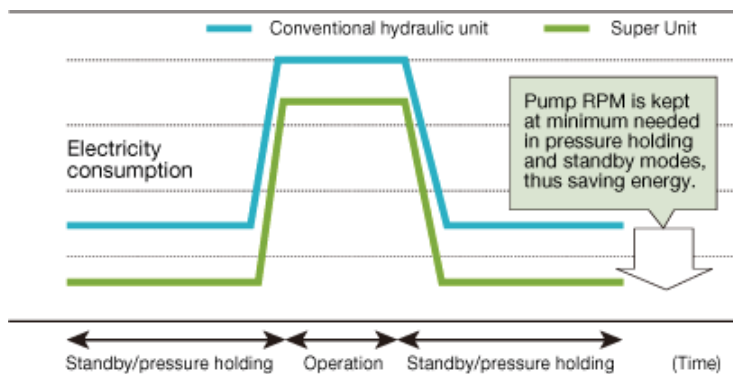
### Energy-Efficient Hybrid Hydraulic Super Unit Energy Savings and Lower CO<sub>2</sub> Emissions in Factories

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

The energy-efficient hybrid hydraulic Super Unit employs the same motor inverter technology that is used in Daikin's energy-efficient air conditioners. The Super Unit determines the load on the machine, depending on whether it is in standby, operation, or pressure holding mode, and electronically controls the pump at the necessary RPM. The result is energy savings of more than 50% in pressure holding mode (compared to Daikin piston pumps). For use on presses, molding equipment, and inspection devices, the Super Unit contributes to energy savings and lower CO<sub>2</sub> emissions. Due to factors including growing needs to save energy as electricity costs increase, and the fact that the Super Unit will not be subject to electric motor high-efficiency restrictions set to be enacted in 2015, Daikin expects inquiries to increase and will step up its marketing activities accordingly.

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 Complete Product Lineup to Meet Extensive Range of Needs

In machine tools, Daikin's 9 Series Oil Cooling Unit makes possible detailed temperature control of the lubricating and cooling oil, which has a major effect on the precision of the work.

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\*. Following the release of the full lineup of circulation type products in fiscal 2012, we rounded out our immersion type products lineup in December 2013 in order to meet a wide range of customer needs.

\* 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.



Immersion type products  
9 Series Oil Cooling Unit

## ■ 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. As well, fluorine contributes to the mass-production of lithium-ion batteries and so is becoming increasingly used in electrolyte and other materials.

### Daikin Develops New Binder for High-Voltage, High-Capacity Lithium-Ion Batteries

Fluorochemical products are gaining increasing attention for their ability to improve the performance and safety of lithium-ion batteries. Daikin has been developing and providing fluoropolymers for this application, such as electrolyte, binders, and packing.

In July 2014, we released the VW700 Series, a PVdF binder for fluorine-based cathodes for lithium-ion batteries with high voltage and high capacity. With conventional binder materials, the electrode tended to become hard and crack, but with Daikin's proprietary polymer technology, deterioration is delayed even at high voltages, allowing batteries to have higher capacities and lengthening battery life by 10%\*.

\* Under testing, a 4.4-V battery was drained and charged 200 times and its charge-retaining capacity improved from 80% to 90%.

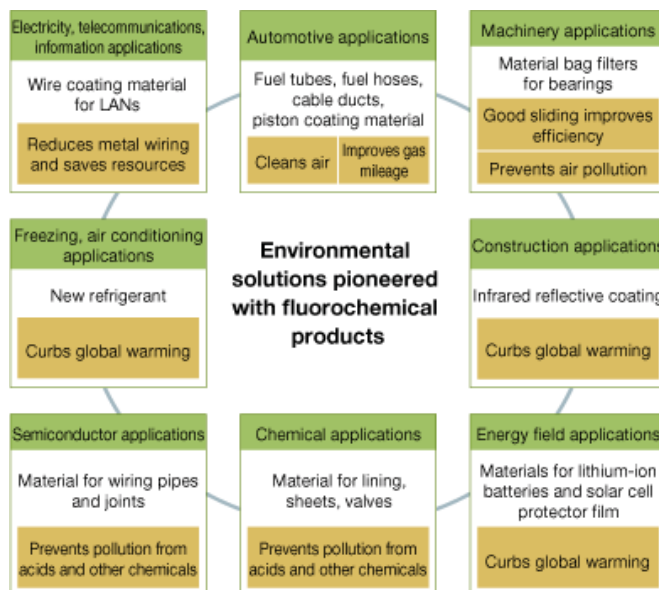
### In the Automotive Industry, Fluoride Materials Reduce Leaking of VOCs

In the automotive industry, the movement is towards stricter regulations to prevent the leaking of air-polluting volatile organic compounds (VOCs) from gasoline and other substances.

Fluororesins and fluoroelastomers are used to make automobile fuel hoses that prevent the permeation and leakage of VOCs in the hot engine surroundings. Daikin's newly developed NEOFLON CPT is a fluoropolymer with particularly excellent barrier properties against fuel; it reduces permeation to just one-fifth of Daikin's previous product, NEOFLON ETFE.

And NEOFLON CPT adheres to polyamide resins and general purpose rubbers used to make conventional fuel hoses, meaning it can be used for laminated tubes.

### ■ Environmental Solutions Pioneered with Fluorochemical Products





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. Fluorine materials are also beginning to see growing use in developed countries, where environmental regulations are increasing in scope and severity. Daikin aims to respond to the growing demand that will be created by these trends.

#### ■ Automobile Fuel Hose Made of Fluororesin



## 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.

### ■ Eliminating PFOA Emissions

## Developing Polymerization Aids That Do Not Give Off PFOA With The Goal of Eliminating PFOA Use and Reducing Emissions by 99% by 2015

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 2015.

Daikin used 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 PFOA Stewardship Program with the goal of totally eliminating PFOA emissions and PFOA use by the end of 2015. Daikin Industries and seven other of the world's leading fluorochemical manufacturers took part in this program.

After the program began, Daikin announced its own PFOA reduction program to achieve total elimination by the end of 2012, three years ahead of schedule. Under this program, Daikin has been switching to non-PFOA polymerization aids and developing fluorochemical products that do not give off PFOA during production processes. As of the end of October 2012, we had completed the switch to non-PFOA polymerization aids and phased out all PFOA used during production processes. As a result, compared to fiscal 2000, PFOA released into the environment was down more than 99%. However, we have not totally eliminated the use of products that give off PFOA as a by-product during production. We have therefore stepped up efforts to develop substitutes that do not give off PFOA as a by-product during production and have extended the deadline for total elimination to the end of 2015, the same deadline as the PFOA Stewardship Program.



## ■ 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.

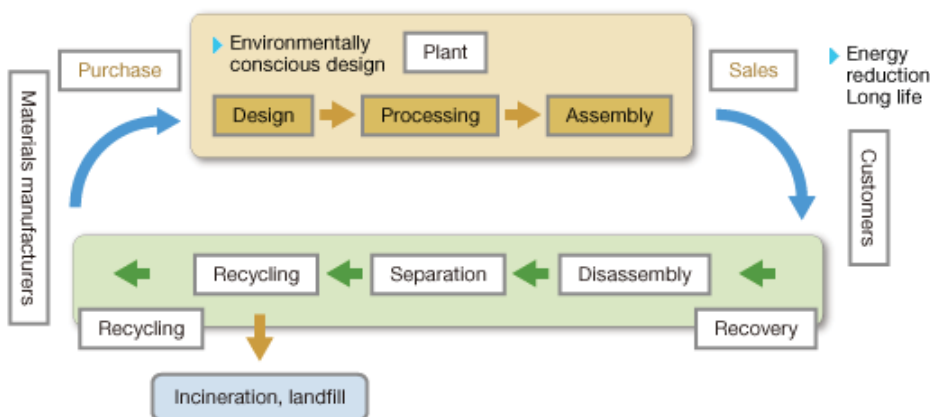
This initiative plays a key role in our product design and development. Based on product assessment, we design and develop products that are smaller and lighter, have fewer numbers of parts and screws, and that use materials and construction that make them easy to maintain, separate, and recycle.

➤ [Environmentally Conscious Design through Product Assessment](#) (Page 84)

### ■ 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"> <li>• Use plastics that are easy to recycle</li> <li>• Indicate the materials used</li> <li>• Construct products that are easy to disassemble</li> </ul>
	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.

In fiscal 2013, we improved the DESICA commercial heat pump desiccant humidity control OA unit to make it approximately 90% (by weight) recyclable.

## ■ 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, for each product 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.

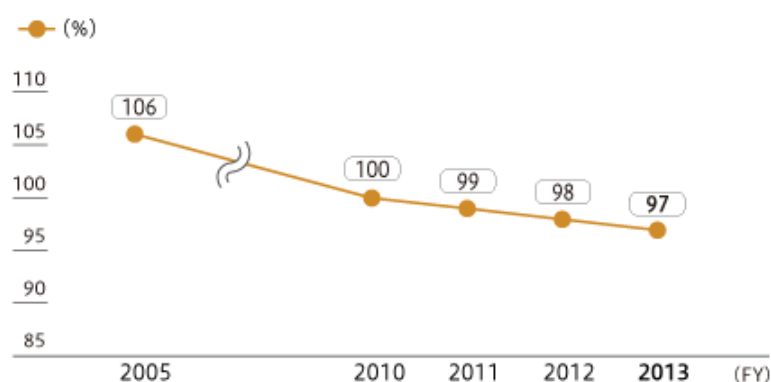
When the Daikin Group develops new products, we establish weight reduction targets for each product on the condition that the annual performance factor (APF) does not decrease. For example, the ECOCUTE P Series developed in fiscal 2013 is 4.8% lighter and takes up 50% less installation space thanks to improvement such as modifying the reheating circuit. The FIVE STAR ZEAS for stores and offices, the first commercial air conditioner to use the R-32 low global warming refrigerant, uses a trunk-shaped outdoor unit to achieve a 14% weight reduction over previous models (8.0-KW class).

### Product Packaging Weight Reduced by 3% Since Fiscal 2010

We set a target of reducing the amount of packaging for air conditioning products by 3% in fiscal 2013 compared to fiscal 2010. Besides changing the packaging shape to accommodate the change from horizontal storage to vertical storage, we used simulation technology during the R&D stage to reduce the weight of the product.

Because the simulation technology was only applicable to a portion of the products (the outdoor unit), we will expand this technology's use in future to reduce the amount of packaging material used.

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

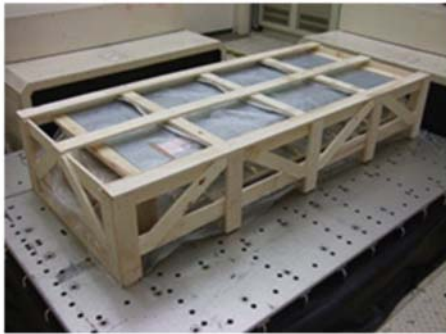


## 1. Packaging Material Reduced by Approximately 85% by Increasing Product Strength

In fiscal 2013, we increased the strength of the metal top plate of the air conditioner main unit by making it a unified structure. Since the product was stronger, several could be stacked on top of each other when they are stored. We were thus able to switch from wood-frame packaging to cardboard packaging, which reduced packaging material by about 85%.

Previously

Wood-frame



After modification

Cardboard



## 2. Storage Space Reduced by Approximately 60% for Commercial Air Conditioner Indoor Units (Duct Type)

Commercial air conditioner indoor units could previously only be stored flat on the ground, but we altered their structure so that they could be placed in an upright position. This reduced the storage floor space needed for each unit by approximately 60% and increased storage efficiency by 1.5 times. The cardboard trays could also be reduced in size, resulting in 66% less packaging material.

Previously

Stored flat on the ground

Tray



After modification

Stored in upright position

Tray



### 3. Increase Number of Products that Use Returnable Containers

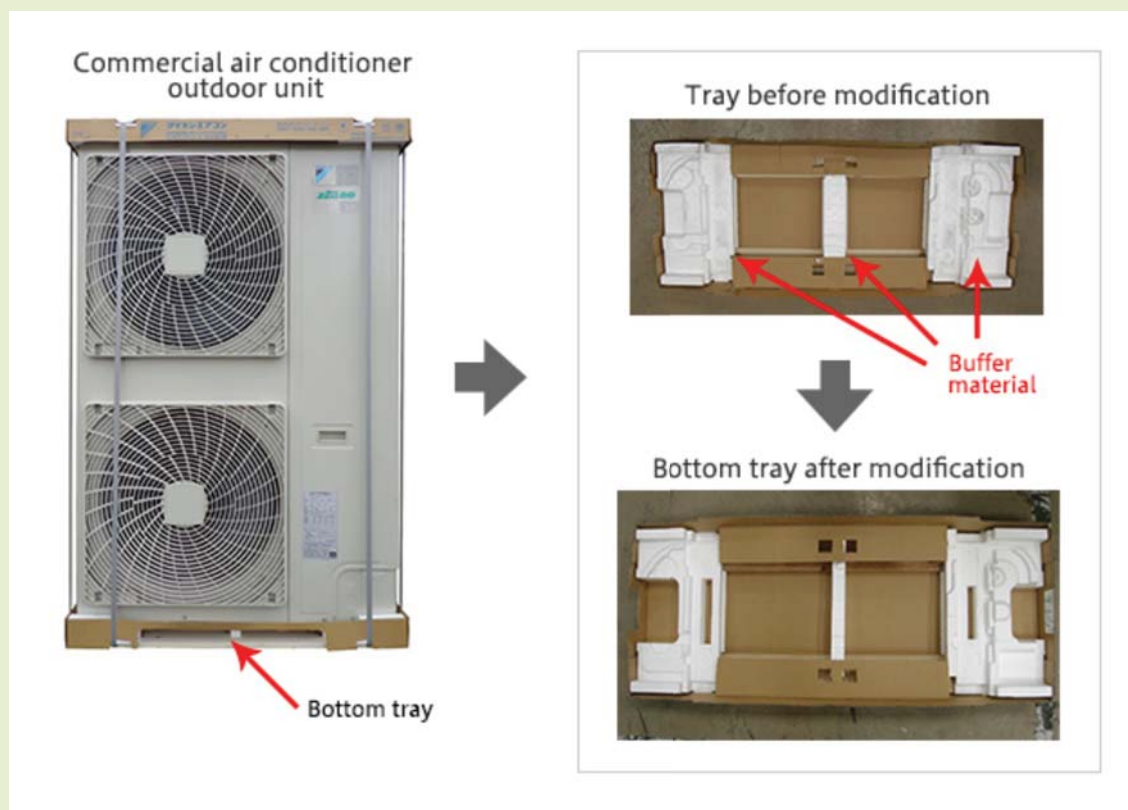
In the Service Division, conventional wooden containers used to ship service parts overseas are gradually being replaced by returnable steel containers that can be used repeatedly.

In fiscal 2007, we began using these in Europe, and Thailand started the following year. Currently about 75% of products being shipped used these returnable containers, and this has saved us about 330 tons of wood. We will increase the percentage of products using these returnable containers in Europe and Thailand, and we will use them in China as well.

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.

### 4. Packaging Material Reduced by Approximately 21%

We had reached the limit of how much we could reduce packaging material with conventional design technology. But using simulation technology, we were able to see exactly which parts of the buffer material in the packaging were necessary and which weren't, and eliminate the latter, all without the need to conduct actual drop tests. This allowed us to reduce packaging material for commercial air conditioner outdoor units by 21.4%. For this, we won the Director General, Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry Award in the Japan Packaging Contest 2013, sponsored by the Japan Packaging Institute.



## ■ 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. We will continue to strive for even greater customer satisfaction by improving the technical expertise and etiquette of our service engineers through an engineer certification system. To ensure that customers phoning with repair requests get prompt responses, we have a database of past repair cases, practical know-how, and rules of thumb that Contact Center staff can access immediately. By asking for necessary information and providing appropriate instructions to customers over the phone, we avoid unnecessary service calls, thus improving work efficiency and boosting customer satisfaction.

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 introduced a globally standardized individual techniques assessment system, divided by type of product, and we are creating a specific work process certification system in order to certify the techniques needed to perform each type of service job. The aim is to raise the level of service engineers' techniques and boost product quality.

## ■ Daikin Contact Center



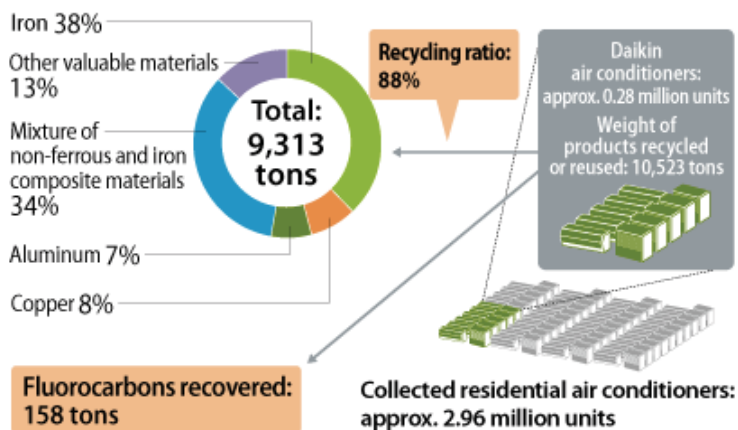
## ■ Recycling Residential Air Conditioners

### Daikin Achieves Recycling Ratio of 88%, 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 2013, we recovered about 280,000 products totaling 10,523 tons. The recycling ratio was 88% and the amount of fluorocarbons recovered was 158 tons.

#### ■ Recycling of Residential Air Conditioners in FY2013 (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 and water use. 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 CO<sub>2</sub> emissions during production and transportation by introducing energy-efficient technologies and raising transportation efficiency.

[Read more](#) > (Page 115)

- Reducing Overall Group Greenhouse Gas Emissions
  - Greenhouse Gas Emissions (during production)
- Reducing Fluorocarbon Emissions
  - HFC and PFC Emissions and Global Warming Impact
  - Inspecting for Refrigerant Leaks in the Air Conditioner Manufacturing Process
- Reducing Energy-Induced CO<sub>2</sub>
  - Total CO<sub>2</sub> Emissions, CO<sub>2</sub> Emissions per Unit of Production Output
- Reducing CO<sub>2</sub> Emissions during Transportation
  - CO<sub>2</sub> Emissions per Sales from Transportation (Japan)
- 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 >](#) (Page 123)

- [Recovery and Destruction of Fluorocarbons from Customers' Air Conditioners](#)
  - [Efforts to Prevent Environmental Burden from Fluorocarbon 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 \(Daikin Industries only\)](#) 🏢
- [Efforts Overseas](#)

## ■ Green Procurement

### Picking Up the Pace of Overseas Green Procurement: 98% in Thailand, 96% in China and 86% in Europe.

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

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

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

[Read more >](#) (Page 127)

- [Green Procurement](#)
  - [Green Procurement Rate \(All world regions\)](#) 🏢
  - [Green Procurement Rate by Region](#) 🏢
  - [Overview of Green Procurement Guidelines, 7th Edition](#) 🏢
- [Compliance with Restrictions on Toxic Chemicals](#)
  - [Specified Chemical Substance List \(for products\)](#) 🏢

## ■ Compliance with J-Moss

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

[Read more >](#) (Page 130)



- [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 it 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 >](#) (Page 132)

- Management of Chemical Substances
  - Release of Substances Designated by the Pollutant Release and Transfer Register Law (Japan) 
  - Compilation of PRTR Substances in FY2013 (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 >](#) (Page 134)

- Reducing Waste
  - Amount of Waste and Recycled Materials 
  - Recycling Efforts 
- Using Water Resources
  - Water Used/Water Use per Production Output 

## ■ Reducing Overall Group Greenhouse Gas Emissions

### Fiscal 2013 Emissions Down 69% from Fiscal 2005

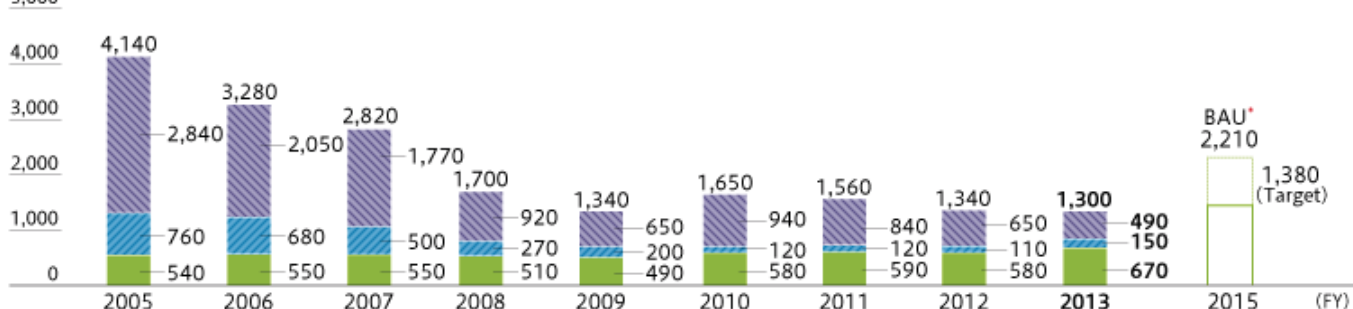
One of the key environmental targets of Fusion 15 strategic management plan is to reduce total Group CO<sub>2</sub> emissions to one-third of fiscal 2005 levels by fiscal 2015. This will go towards our aim of reducing the Daikin Group's greenhouse gas emissions in 2020 to one-quarter of fiscal 2005 emissions.

As a result of efforts to reduce fluorocarbon emissions in chemical production processes, overall Group greenhouse gas emissions in fiscal 2013 were 1.3 million tons-CO<sub>2</sub>, down by 69% over fiscal 2005.

#### ■ Greenhouse Gas Emissions (during production)

(Thousand tons-CO<sub>2</sub>) Substances designated by Kyoto Protocol

5,000



Note: BAU (Business as usual). Estimated value in the case measures are not taken.

Note: Data verified by third party.

## Terminology

### Greenhouse Gases

A major cause of global warming, greenhouse gases designated at the 1997 3rd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in Kyoto are CO<sub>2</sub>, methane, N<sub>2</sub>O, and three fluorocarbon alternatives (HFC, PFC, and SF-6).

## ■ Reducing Fluorocarbon Emissions

### Greenhouse Gases HFC and PFC Reduced by 73% in Fiscal 2013 Against 2005

The Daikin Group emits two kinds of greenhouse gases: CO<sub>2</sub> from energy use, and fluorocarbons handled in the production processes.

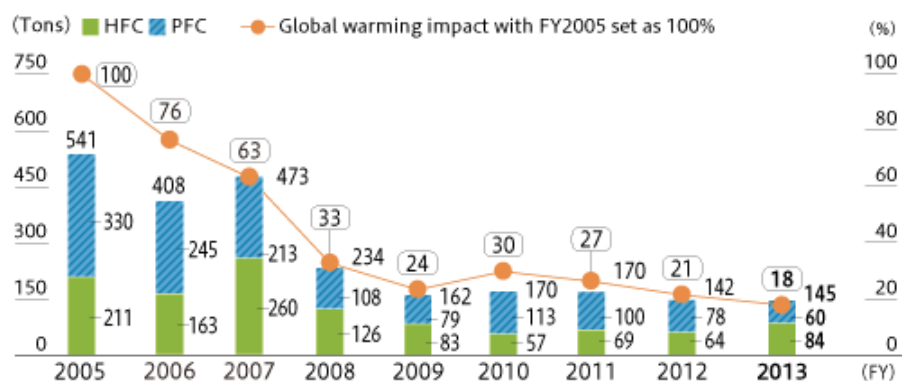
Of these, there are four kinds of fluorocarbons released during Daikin's production processes: HFC and PFC, which are covered by the Kyoto Protocol, and CFC and HCFC, which are not. We have set reduction targets for each of these fluorocarbons.

In fiscal 2013, we began gradual operation of expanded incinerators in fluorochemical production processes, and as a result, fiscal 2013 emissions of the HFC and PFC covered by the Kyoto Protocol were 145 tons (640,000 tons CO<sub>2</sub> equivalent), a 73% reduction over fiscal 2005.



Fluorocarbon incineration systems in the production process were improved (Daikin Fluorochemicals (China) Co., Ltd.)

## HFC and PFC 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 fluoride 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. In fiscal 2012, we expanded destruction facilities at manufacturing bases in China and are currently planning to upgrade destruction facilities in the U.S. We are proceeding with the substitution of fluorocarbons in efforts to reduce environmental impact.

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

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

These measures include the following:

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



Recovering refrigerant

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

In fiscal 2013, the refrigerant emissions ratio was 0.2% at Daikin in Japan and 0.6% overseas.

### **T**OPICS

#### **Switching from HCFC to Helium Gas in the Inspection Process**

In the Daikin Group machinery divisions, where air conditioners and other products are made, all products are inspected for air-tightness during manufacturing using inspection gas to prevent refrigerant gas from leaking from air conditioners.

The Daikin Group used to use low-cost HCFC as this inspection gas but 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. After inspection, the refrigerant system is vacuumed out to ensure no helium remains.

We have switched from HCFC to helium gas for inspections at 20 manufacturing bases around the world. With the switch to helium gas at all Daikin plants in Japan in 2009 and all overseas plants in 2010, all major worldwide production bases no longer use HCFC as inspection gas.

#### **■ Inspecting for Refrigerant Leaks in the Air Conditioner Manufacturing Process**

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





### 1. Air-tightness and pressure resistance inspection

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



### 2. Gas leak inspection

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



### 3. Pre-delivery inspection

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

## ■ Reducing Energy-Induced CO<sub>2</sub>

### Energy-Induced CO<sub>2</sub> Dropped by 19% Against Fiscal 2005

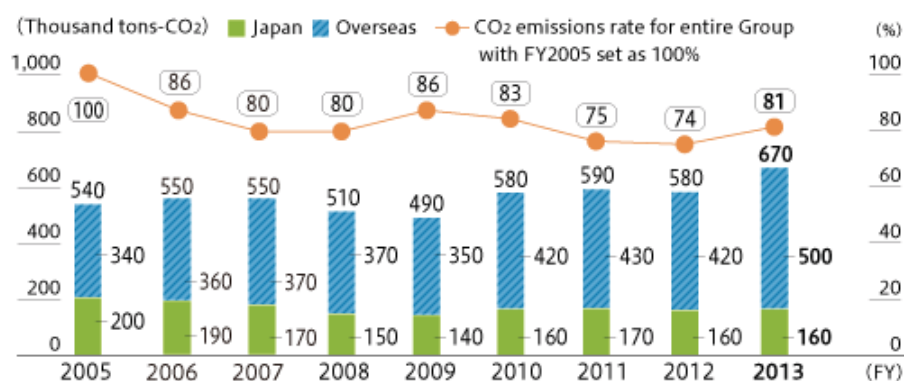
Fiscal 2013 energy-induced CO<sub>2</sub> was 670,000 tons-CO<sub>2</sub>, and CO<sub>2</sub> emissions per production output were down 19% over fiscal 2005. Despite steady efforts to improve energy efficiency in production processes, the construction and trial operation of chemical plants overseas resulted in temporarily higher CO<sub>2</sub> emissions per unit of production output.

To make our energy usage even more efficient, in March 2014 the Shiga Plant obtained certification for the ISO 50001 international standard for energy management.



This boiler supply system was altered to reduce steam transmission losses (Daikin Compressor Industries Ltd.)

### ■ Total CO<sub>2</sub> Emissions, CO<sub>2</sub> Emissions per Unit of Production Output



## CO<sub>2</sub> emissions per production output

The amount of CO<sub>2</sub> emitted by the amount of production. The lower this figure, the less CO<sub>2</sub> a company emits per unit of production and thus the more efficiently that company can make products.

## TOPICS

### 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 2013 in the Air Conditioning Manufacturing Division, efforts included reducing the steam by changing the chemical used in the cleaning machine for the compressor line and painting line; scaling-down the compressor line; reducing heat radiation loss of plastic mold equipment; and using “Karakuri”: improved non-motorized equipment. As well, the Sakai Plant conducted energy-efficiency patrols during June Environmental Month. Problems discovered with energy efficiency are compiled by an energy-efficiency sub-committee and improved on in future activities.

## Reducing CO<sub>2</sub> Emissions during Transportation

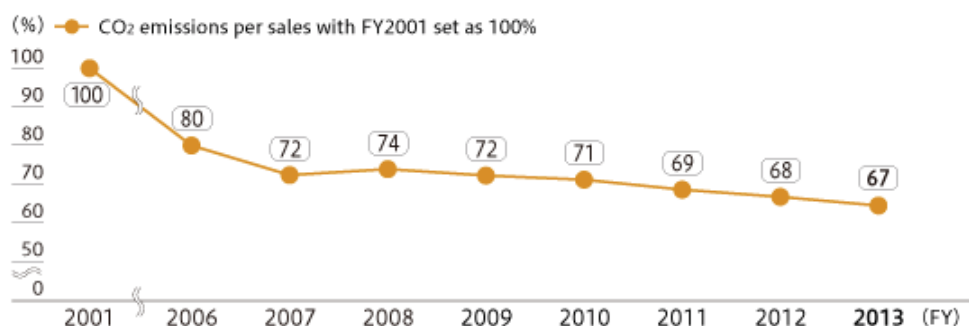
### CO<sub>2</sub> Emissions Reduced by 6.3% Over Fiscal 2010

Daikin Industries set a goal of decreasing CO<sub>2</sub> emissions (per sales) from transportation by 10% in fiscal 2015 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.

In fiscal 2013, we switched to greater use of containers and strove to reduce packaging volume. As a result, we reduced CO<sub>2</sub> emissions during transportation by 6.3% (per sales) over fiscal 2010.

Overseas as well, we did everything possible to reduce CO<sub>2</sub> emissions during transportation. Daikin Turkey A.S. is shifting to more efficient transport modes and concentrating its logistics warehouses to shorten delivery distances. The result was a reduction of 2,200 tons-CO<sub>2</sub> for the year.

### CO<sub>2</sub> Emissions per Sales from Transportation (Japan)



## ■ 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; changing the workplace layout has improved efficiency and contributed to a two-hour decrease in work 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.
- We are reducing CO2 emissions through improved transportation efficiency and decreased packaging volume, and reducing electricity consumption through shorter working hours.

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

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



Daikin will continue shifting more products to railway shipping.

## ■ Green Heart Factories and Green Heart Offices

### "Green Heart Factory" Initiative Expanded Overseas

The Daikin Group has been certifying environmentally conscious plants under its in-house Green Heart Factories initiative since fiscal 2005. Bases scoring at least 85 points out of 100 are certified as Green Heart Factories, while those scoring at least 95 points are certified as Super Green Heart Factories.

We have been striving to make major production bases Super Green Heart Factories and all other production bases Green Heart Factories by fiscal 2015. As of fiscal 2013, there are three Super Green Heart Factories in Japan and one overseas, and five Green Heart Factories in Japan and nine overseas.

### "Green Heart Office" Initiative

Daikin began the "Green Heart Office" initiative in fiscal 2011 to improve environmental consciousness at non-production bases. Awareness raising activities have included an environmental poster design contest aimed at promoting Green Heart Offices, with the winning entry being put up in Daikin offices for everyone to see.



Green Heart Office promotion poster

## ■ Saving Energy at Overseas Bases

### Belgium: Green Energy Use Helps Reduce CO<sub>2</sub> Emissions by 67%

Governments in Europe, using EU regulations on renewable energy like solar, wind, and hydro, are aiming to have renewable energy account for 20% of the energy mix by 2020. Daikin Europe N.V. has since fiscal 2007 been switching its factory and office power to hydro, and today 100% of the approximately 13 million kWh is covered by hydropower. This has eliminated the CO<sub>2</sub> previously emitted from purchased electricity, and so the company has reduced the previous 5,000 tons-CO<sub>2</sub> per year, or a total of approximately 1,660 tons-CO<sub>2</sub>.

In fiscal 2012, the company teamed up with a renewable energy contractor to install 1,932 solar panels, which provide approximately 440,000 kWh of power a year, about 3% of the annual consumption of Daikin Europe N.V.

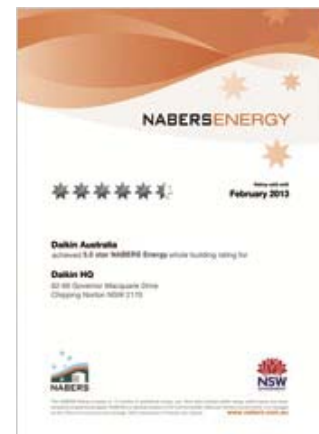


Daikin Europe N.V. installed 1,932 solar panels

### Overseas Bases Certified for Energy-Efficient Buildings

In fiscal 2011, the parts warehouse of Daikin Applied Americas Inc. in Dayton, Ohio earned Energy Star certification for meeting strict criteria including comfort and energy performance.

In addition, in fiscal 2013 Daikin Australia's head office building was again 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 Applied Development Center in the United States

In December 2010, the Applied Development Center of Daikin Applied Americas Inc. 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 Industries (Thailand) Ltd., a major plant in Southeast Asia, uses renewable energy, such as hydropower that utilizes the in-house cooling water, and wind and solar power.

The power generated is used in the factory and for nearby street lighting.



Wind power built by employees



Hydropower utilizing cooling water from the plant



# Recovering and Destroying Fluorocarbons from Customers' Air Conditioners

## Recovery and Destruction of Fluorocarbons from Customers' Air Conditioners

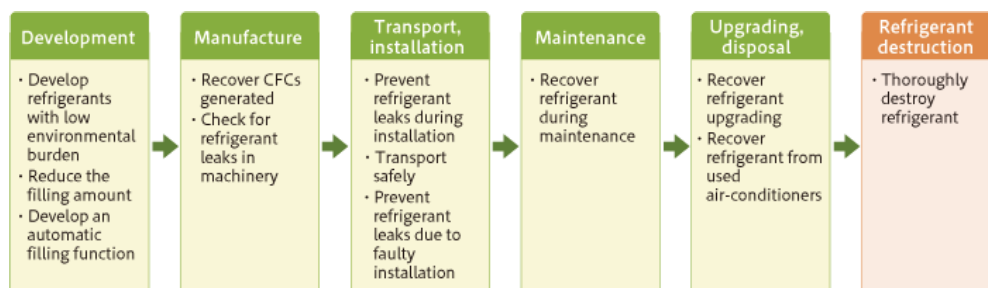
### Thorough Recovery during Production, Installation, Maintenance, and Upgrading

The fluorocarbons used as refrigerants in air conditioners have a global warming impact that is from several hundred times up to 2,000 times more than that of CO<sub>2</sub>.

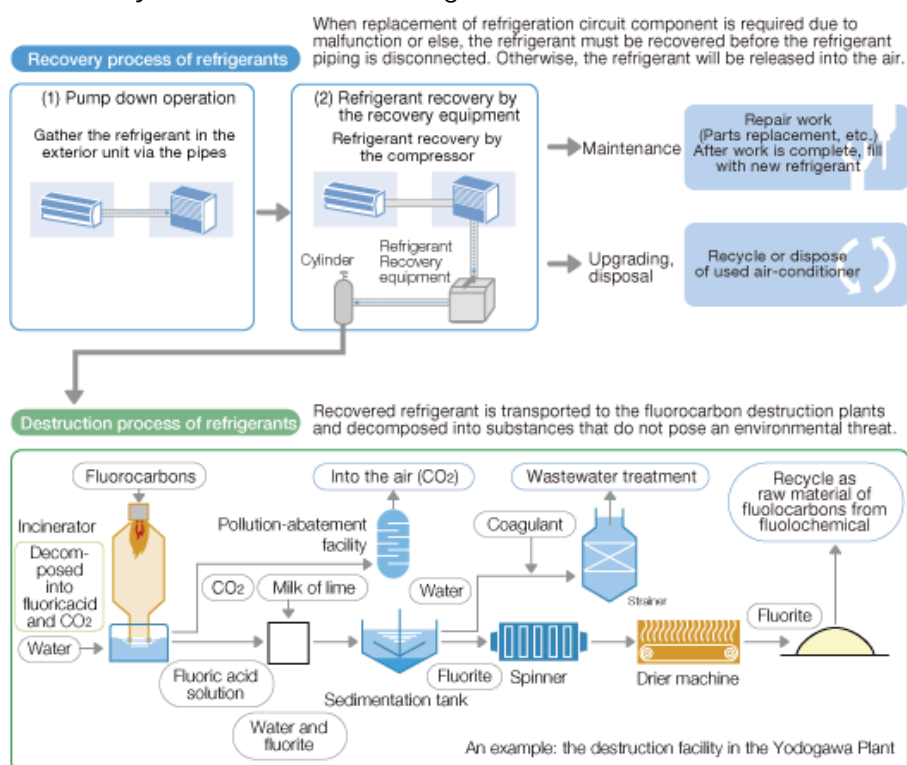
As an air conditioner manufacturer, Daikin has taken responsibility to conduct research and development into refrigerants with a low global warming potential and to prevent the release of fluorocarbons (refrigerants) into the atmosphere during production and post-sales.

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 Fluorocarbon Emissions



### Recovery and Destruction of Refrigerants





## ■ Efforts in Japan

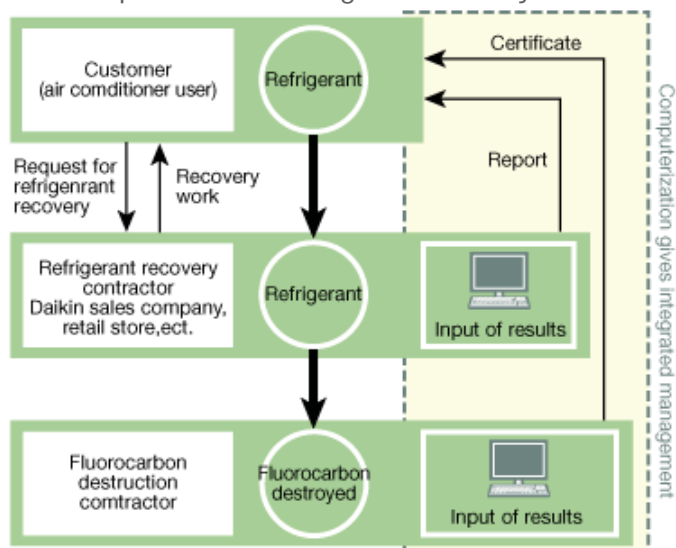
### Refrigerant Recovery Network System

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. This has made possible the integrated management of the reporting of things such as amount of refrigerant recovered and amount destroyed.

The companies recovering and destroying the refrigerants add up the totals and these are reported annually to the prefectural governments in Japan. Because the system can help in generating the reports, 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)

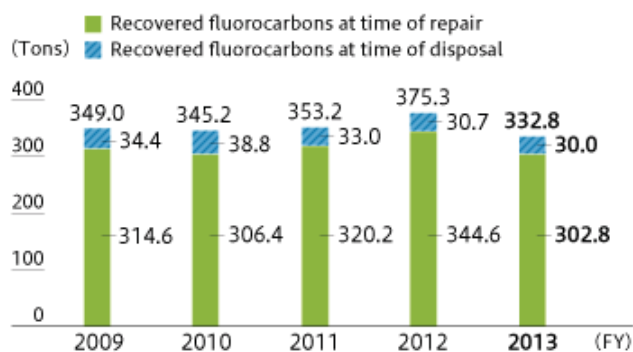
We take requests from retailers and other businesses for the proper recovery and destruction of refrigerants. The Daikin Contact Center takes calls all day, every day, and the recovered refrigerants are taken to our Yodogawa Plant, Kashima Plant, or one of the contracted destruction facilities around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

In fiscal 2013, 333 tons of fluorocarbons were recovered.



Fluorocarbon destruction facilities  
(Yodogawa Plant)

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

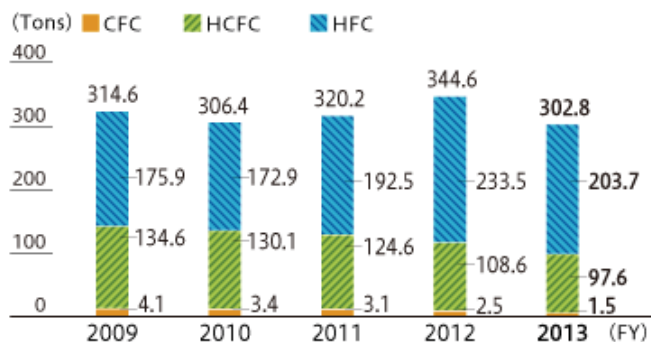


## Maintenance Only After Thorough Recovery of Refrigerant

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

In fiscal 2013, a total of approximately 303 tons of refrigerants was recovered at all service outlets.

## Types of Fluorocarbons Recovered during Maintenance (Daikin Industries only)



## Training Technicians for Refrigerant Recovery and Installation

The recovery of refrigerants requires special knowledge and skills, and Daikin Industries provides these through 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 2013, 1,206 people, mostly from retailers and installers, passed the test. Of all those registered as refrigerant recovery technicians in Japan, 37.0% took the Daikin technician training course.

As well, 266 employees of Daikin Industries, Group companies, and others around Japan took training in leak detection sponsored by the Japan Association of Refrigeration and Air-Conditioning Contractors.

In April 2013, Japan's Cabinet approved revisions to the Law Concerning the Recovery and Destruction of Fluorocarbons, and these are expected to go into effect within two years. Under the revised law, manufacturers are obligated to provide instruction not only to technicians carrying out fluorocarbon recovery but also technicians who inspect and prevent leaks of fluorocarbons during product use. In response, Daikin Industries is holding new courses for technicians.

## 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 2013, 907 retailers and installers had been certified.



Refrigerant pipe installation training

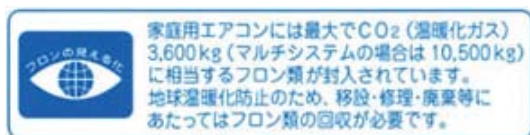
## Visual Representations of Refrigerants in Refrigeration and Air Conditioning Equipment

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)



### ■ Efforts Overseas

## Installing Recovery Equipment and Training Personnel in Refrigerant Recovery

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, Daikin sales companies' service divisions have refrigerant recovery equipment. We fully realize the environmental importance of such measures and recover refrigerants at the request of customers.

## ■ Green Procurement

### Daikin Group Requires Worldwide Suppliers to Abide by Green Procurement Guidelines

The Daikin Group established its Green Procurement Guidelines in fiscal 2000 and requires suppliers in Japan and overseas to abide by these in the procurement of materials and parts used in manufacturing. We mark suppliers on environmental protection activities using a green procurement checklist. As well, the ErP Directive obligates manufacturers of energy-using and energy-related products (ErP) to reduce their energy consumption. To comply with this directive, Daikin's green procurement survey for suppliers determines energy-induced CO<sub>2</sub>.

We are discussing individual measures that will remedy the particular problems of suppliers, and we are designating as 'green supplier' those who score 100 points on the survey.

In February 2014, we published the seventh edition of the Green Procurement Guidelines, reflecting the latest environmental laws and incorporating measures to deal with newly added prohibited chemicals and water resources.

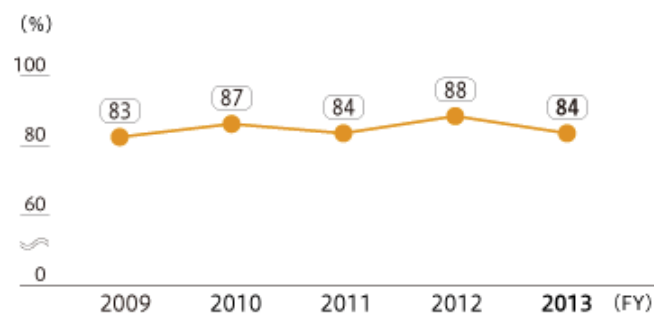
➤ For details, see [Products that Help Customers Save Energy in the section Low-Impact Products](#). (Page 98)

### Striving for a Higher Green Procurement Rate

We hold meetings for suppliers to explain the importance of green procurement in order to further raise the green procurement rate. At divisions in Japan and at bases overseas, we are striving to make green procurement a firmly rooted part of doing business.

The green procurement rate in fiscal 2013 was 84%, a drop over the previous year because of newly added prohibited substances and thus stricter survey criteria. We are striving to get green procurement firmly established at overseas bases as well. In fiscal 2013, green procurement got underway at bases in India and Turkey, as well as at the Goodman Global Group, Inc. in the U.S. We are aiming to raise the green procurement rate in these and other countries where we operate.

#### ■ Green Procurement Rate (All world regions)



Procurement meeting at Daikin Europe N.V.

## ■ 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
FY2012	99	92	98	90	83	36	88
FY2013	95	96	98	84	86	38	84

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

## ■ Overview of Green Procurement Guidelines, 7th Edition

### Essential conditions for suppliers' management

- Environmental Management System  
We request our suppliers to build an environmental management system in order to obtain ISO 14001 certification.
- Compliance
- Promotion of voluntary activities of improving environment energy conservation, waste reduction, and improvement of transport means.
- Provision of information

### Essential conditions for products

- Chemical substance management
  1. Restriction 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
- Packaging materials
- When designing work is involved, eco conscious design must be employed.

► For details, see the [Green Procurement Guidelines. \(Responsibility to Business Partners\)](#) (Page 227)

## ■ Compliance with Restrictions on Toxic Chemicals

### Establishing Standards for Managing Chemical Substances in Products

The Daikin Group has a list of SVHC (substance of very high concern) based on the RoHS Directive<sup>\*1</sup> and the REACH Regulation<sup>\*2</sup> regarding chemicals contained in products. These are stated in our Green Procurement Guidelines, which we require our suppliers to abide by.

<sup>\*1</sup> The RoHS Directive (Restriction of Hazardous Substances Directive) is a regulation in the EU prohibiting the use of certain hazardous substances in electrical and electronic equipment.

<sup>\*2</sup> 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 Chromium VI compounds Lead and lead compounds Mercury and mercury compounds Tributyl tin oxide (TBTO) Tributyl tins (TBTs) compounds *1 Triphenyl tins (TPTs) compounds *1 Dibutyltin 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 Polychlorinated naphthalenes (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 Dimethyl fumarate (DMF) *7 HBCD (Hecabromocyclododecane) PFOA (Perfluorooctane acid)
Scheduled Prohibition	DEHP, DBP, BBP, DIBP
Reduced	Polyvinyl chloride (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, or HBCD) 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.



## ■ 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 (indoor unit/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 labeling.

**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

### 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 19% Against Fiscal 2010

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

In fiscal 2013, we continued our efforts from the previous year of raising our recovery rate for methylene chloride, one of our main emission substances. The result was fiscal 2013 emissions of 95 tons, down 19% 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 FY2013 (PRTR substances of which at least 1 ton was handled)

Substance name	Amount emitted(tons)			Amount transported (tons)	
	Air	Public waterways	Soil	Waste	Sewage
Chlorodifluoromethane (also called HCFC-22)	53.22	0.00	0.00	0.50	0.00
Dichloromethane (also called methylene chloride)	20.12	0.00	0.00	0.08	0.00
1-chloro-1,1-difluoroethane (also called HCFC-142b)	10.00	0.00	0.00	0.00	0.00
Toluene	2.63	0.00	0.00	0.61	0.00
2-Chloro-1,1,1,2-tetrafluoroethane (also called HCFC-124)	1.40	0.00	0.00	0.00	0.00
Normal hexane	1.20	0.00	0.00	2.00	0.00
1-bromopropane	0.87	0.00	0.00	0.00	0.00
Chloroform	0.84	0.00	0.00	3.50	0.00
Xylene	0.73	0.00	0.00	0.33	0.00
Acetonitrile	0.29	0.00	0.00	1.70	0.04
Ethylbenzene	0.27	0.00	0.00	0.00	0.00
Hydrogen fluoride and other water-soluble salts	0.25	0.00	0.00	67.00	0.00
Hexakis (2-methyl-2-phenylpropyl) distannoxane (also called fenbutatin oxide)	0.81	0.00	0.00	0.00	0.00
N,N-dimethylacetamide	0.01	0.00	0.00	0.27	0.00
N,N-dimethylformamide	0.00	0.00	0.00	3.90	0.00
Carbon tetrachloride	0.00	0.00	0.00	0.00	0.00
Polyoxyethylene alkyl ether (those whose alkyl group carbon number is between 12 and 15, or compounds of these)	0.00	0.00	0.00	56.00	0.29
Ferric chloride	0.00	0.00	0.00	11.80	0.00
Antimony and its compounds	0.00	0.00	0.00	9.50	0.00
2-aminoethanol	0.00	0.00	0.00	1.37	0.19
3-methylpyridine	0.00	0.00	0.00	1.10	0.00
Water soluble lead compounds	0.00	0.00	0.00	0.62	0.07
Allyl alcohol	0.00	0.00	0.00	0.31	0.00
Tritolyl phosphate	0.00	0.00	0.00	0.05	0.00
Total	92.64	0.00	0.00	160.64	0.59

## ■ Reducing Waste

### Waste Generated Per Unit Reduced by 3% Against Fiscal 2010

All Daikin Group production bases in Japan had achieved zero waste\* as of fiscal 2005. We are currently striving to reduce the amount of unneeded materials (recycled materials and waste) generated.

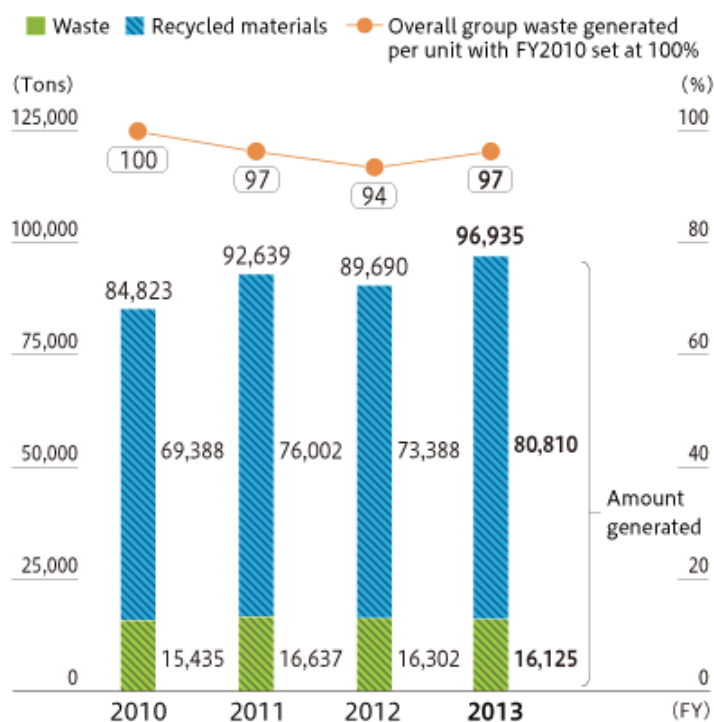
In fiscal 2013, we eliminated paper waste by marking products with laser markers instead of affixed seals, and we redesigned the exterior plate of commercial air conditioner outdoor units so as to reduce the amount of waste from steel plate punching.

Overseas, 15 bases had achieved zero waste as of the end of fiscal 2013 and are busy eliminating waste. Daikin Fluorochemicals (China) Co., Ltd. reduced the amount of water in sludge, thus lowering annual waste by 400 tons.

As a result, in fiscal 2013 the entire group achieved a reduction in waste per unit of 3% against fiscal 2010, as well as an 83% recycling ratio.

\* Zero Waste: The Daikin Group's zero waste goal is an effort to recycle waste from production processes so as to decrease the amount to landfill. Zero waste is defined as at least 99.5% recycled in Japan and at least 99% recycled overseas.

### ■ Amount of Waste and Recycled Materials



### Thailand: Recycling Grinding Sludge

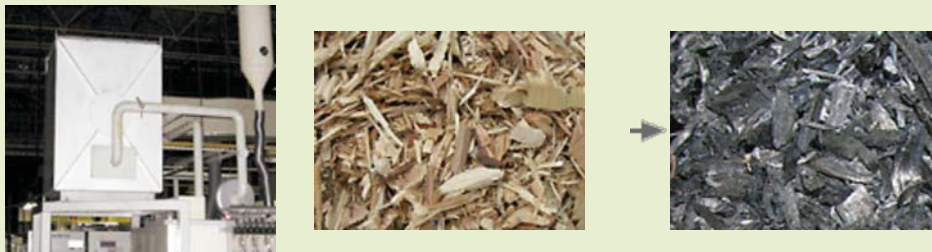
Daikin Compressor Industries Ltd. (DCI; head office: Thailand), the manufacturing base for compressors for residential air-conditioners, mixes the sludge from grinding and the cutting debris from casting (one part sludge to nine parts cutting debris), dries the mixture out, compresses it, and recycles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



### 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)

### Effectively Using Steel Plate Punching Debris in Japan and Thailand

The Shiga Plant recovers and recycles the debris from the steel plate punching process, using it for parts (the outlet grill) on air conditioner outdoor units. This effort has reduced waste by 10 tons a year.

Daikin Industries (Thailand) Ltd. recycles punching press debris from the top plate of outdoor units and removes the side plate, thus reducing waste by 34 tons a year.



## 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 holds paperless meetings to reduce paper used, and it uses the shredded paper from confidential documents to make paper blocks.

The Shiga Plant has reduced the amount of wood waste by 75% by reusing this valuable resource whenever possible.

It also reduces the amount of sludge requiring processing by reducing the water content following water treatment.

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](http://www.daikin.com/csr/environment/site_data/index.html))

## ■ Using Water Resources

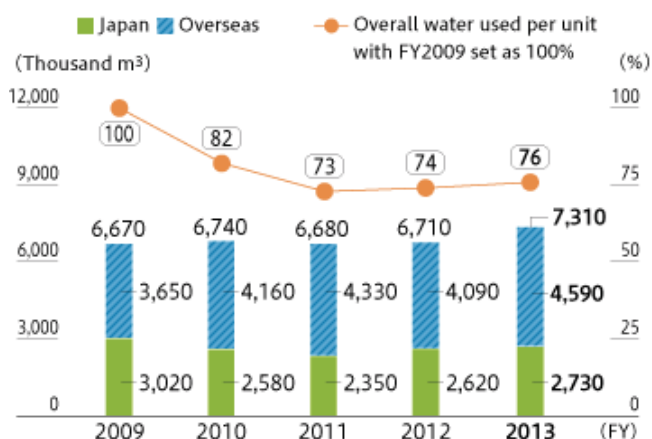
### Daikin Group in Japan Reduces Waste Per Unit by 5% Against Fiscal 2010

At our plants, we periodically repair and patrol equipment that uses water in the production processes. The Daikin Group strives to reduce the water it uses by measuring the amount of water used and trying to reuse as much waste water as possible. As targets for fiscal 2015 against fiscal 2010, we aim to reduce water use per unit by the Daikin Group in Japan by 5% and water use per unit at overseas bases by 10%.

In fiscal 2013, efforts including using less water in chemical production processes helped Daikin's Japan bases achieve a 5% reduction over fiscal 2010 for water use per unit, and overseas bases a 9% reduction.

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/Water Use per Production Output



## Daikin Cuts Water Use in Malaysia

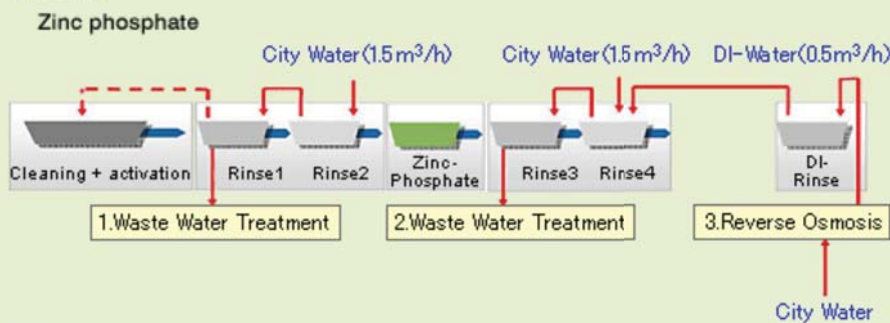
In fiscal 2013, O.Y.L. Manufacturing Company Sdn. Bhd. strove to reduce water usage. Besides using rainwater for toilets and fire extinguishing, it reused water from water cooling unit experiments. It also installed an underground concrete tank to gather as much rainwater as possible.

As a result of these efforts, the company foresees a reduction of 20,500 m<sup>3</sup> in annual water usage.

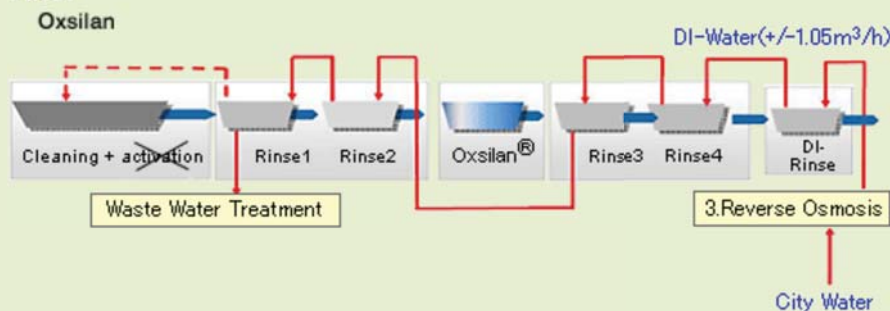
## Belgium: Metal Treatment Process Altered to Reduce Cleaning Water Use by 70%

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

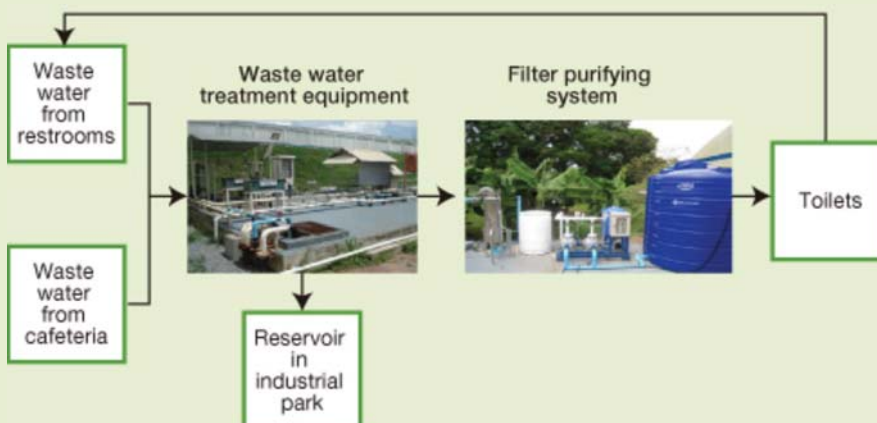


### After



## 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 m<sup>3</sup> 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 build an environmental management promotion system that includes recent additions to the Daikin Group: the OYL Group and Goodman Global Group, Inc.

[Read more](#) > (Page 140)

- > Environmental Management System
  - System Driving Environmental Management 
  - Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification (FY2013) 
  - 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](#) > (Page 145)

- > Environmental Audits
  - Report from Audits (FY2013) 

## ■ 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 >](#) (Page 146)


- > 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 FY2013, we spent 20% more than the previous year 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 >](#) (Page 149)

- > 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 >](#) (Page 152)

- > Environmental Education
  - FY2013 Environmental Education (All Daikin Group Companies in Japan) 

## ■ Environmental Management System

### Building a Group-Wide Environmental Management Promotion System

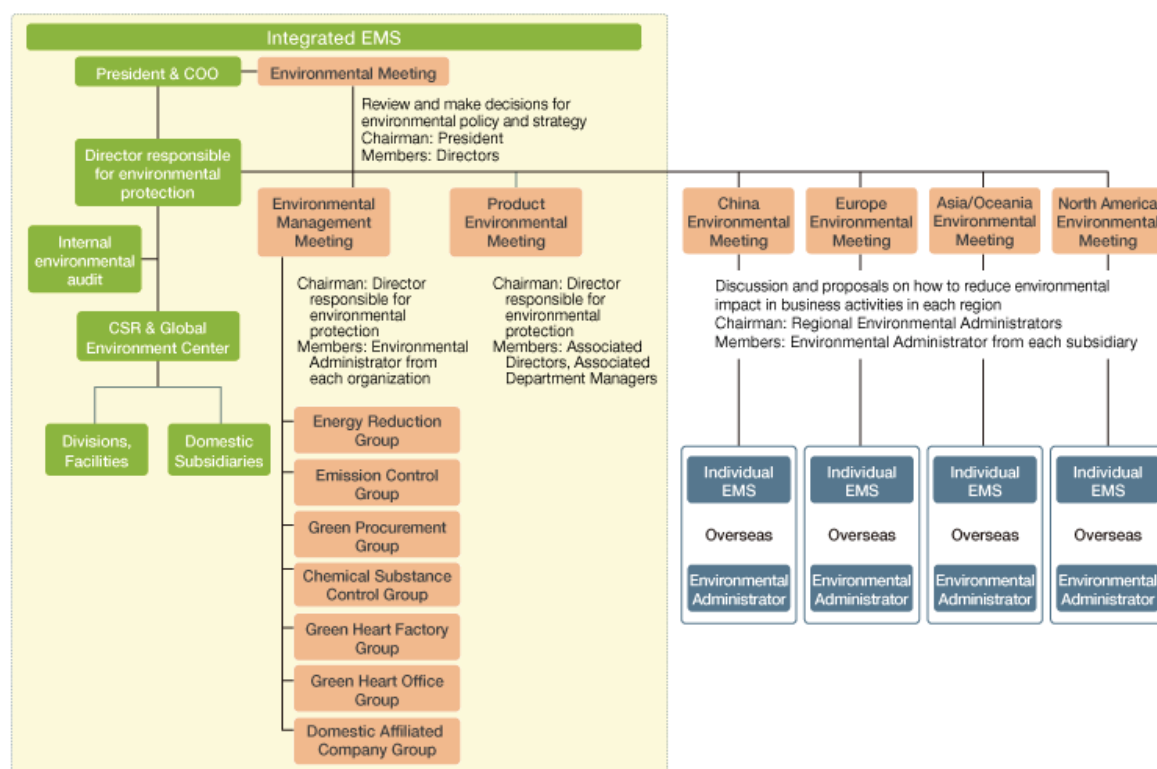
The diagram below shows the organization for the Daikin Group's environmental management system (EMS).

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.

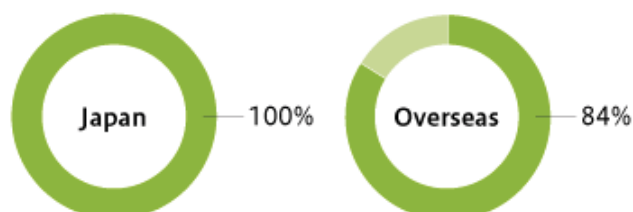
The creation of environmental management systems is also proceeding at companies that are new to the Daikin Group. By fiscal 2016, we aim to have all Daikin bases certified for ISO 14001.

To ensure the reliability of data and improve our mechanisms for environmental management, we are having data verified by a third party in fiscal 2013.

### ■ System Driving Environmental Management



### ■ Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification (FY2013)



## 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-conscious 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). At the meetings, the company presidents, environmental heads, and environmental managers in each division at worldwide bases, along with the environmental managers in each division in Japan, share Group policy and medium and long-term targets.

In future, environmental meetings will include factory visits and case-study-sharing sessions.



An environmental meeting in Europe



### Global Environmental Exchange Meeting Held

In June 2013, we held the Global Environmental Exchange Meeting as a way to step up environmental protection activities at production bases.

Attended by 39 environmental managers from overseas production bases, the meeting featured a tour of the Sakai Plant and the Shiga Plant, both certified Super Green Heart Factories\*, and sessions in which participants shared environmental improvement case studies.

\* Green Heart Factory:

A Daikin in-house standard for certifying environmentally conscious plants. Bases scoring at least 85 points out of 100 are certified as Green Heart Factories, while those scoring at least 95 points are certified as Super Green Heart Factories.





## ■ Daikin Bases Certified for ISO 14001 (Japan, Overseas)

### ■ Daikin Bases Certified for ISO 14001 (Japan)

Japan	1996: 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 2014)

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 Handels GmbH
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.

Date	Subsidiary certified
Mar. 2007	O.Y.L. Technology Sdn. Bhd.
May 2007	McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.
May 2007	Daikin (China) Investment Co., Ltd.
Jul. 2007	PT. O.Y.L. Sentra Manufacturing
Aug. 2007	Daikin Airconditioning (Malaysia) Sdn., Bhd.
Aug. 2007	Daikin Airconditioning (Hong Kong) Ltd.
Nov. 2007	Daikin Air-Conditioning Technology (Shanghai), Ltd.
Dec. 2007	Daikin Air-Conditioning Technology (Beijing), Ltd.
Dec. 2007	Daikin Air-Conditioning Technology (Guanghou), Ltd.
Dec. 2007	O.Y.L. Manufacturing Company 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 Air Conditioning & Refrigeration (Suzhou) Co., Ltd.
Jul. 2008	Daikin Device Czech Republic s.r.o.
Sep. 2008	Daikin Airconditioning Portugal S.A.
Nov. 2008	O.Y.L. Research & Development Centre Sdn. Bhd.
Jan. 2009	Daikin Airconditioning Greece S.A.
Jan. 2009	American Air Filter Manufacturing Sdn. Bhd.
Mar. 2009	O.Y.L. Steel Centre Sdn. Bhd.
Jun. 2009	O.Y.L. 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	Daikin Applied Americas (Faribault)
Jan. 2010	Daikin Applied Americas (Owatonna)
Jan. 2010	AAF-Limited (United Kingdom)
May 2010	Daikin Applied Americas (Dayton)
Jul. 2010	Daikin Refrigeration (Suzhou) Co., Ltd.
Oct. 2010	AAF International s.r.o. (Slovakia)

Date	Subsidiary certified
Jan. 2011	AAF-International B.V. (The Netherland)
Mar. 2011	Daikin Airconditioning Netherlands B.V.
Mar. 2011	AAF (Wuhan) Co., Ltd.
Mar. 2011	AAF (Columbia)
Mar. 2012	AAF S.A.(Spain)
Jun. 2012	AAF International (Louisville)
Jun. 2012	McQuay Technology
Aug. 2012	Daikin Airconditioning India Pvt. Ltd. (Neemrana Plant)
2013	Daikin Applied Americas (Staunton)

■ ISO 14001 Certification at Goodman Global Group, Inc.

Date	Division certified
Mar. 2010	Goodman Global Group, Inc (Cooling)
Mar. 2010	Goodman Global Group, Inc (Furnece)
Mar. 2010	Goodman Global Group, Inc (Fayetteville)
Mar. 2010	Goodman Global Group, Inc (Dayton)

## ■ Environmental Audits

### Audit by Internal Auditors and Third-Party Institutes

Daikin Group companies certified for the integrated EMS undergo annual internal audits performed by third-party certification institutes based on ISO 14001.

In fiscal 2013, based on the findings of fiscal 2012 audits, we performed internal audits with two focuses: legal compliance; and environmental activities directly connected to the true nature of business.

#### ■ Report from Audits (FY2013)

	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non-conformance	3	0
Minor non-conformance	37	0
Items improved	194	9

### Training Internal Auditors

There are currently 79 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. As well, 13 new auditors work as assistant auditors. Internal auditors also take annual training to improve their skills and ensure standards are being thoroughly met.

In fiscal 2013, participants learned about waste treatment laws, fluorocarbon recovery and destruction laws, and appliance recycling laws, and they practiced conducting audits. They also learned how to find and point out problems in a way that would lead to solution measures. In fiscal 2013, four auditors were promoted to audit managers, and four assistant auditors were promoted to auditors.

We will continue to hold training in the internal auditor program, as well as have auditors experience efforts in other company divisions so as to improve the level of their own division's auditing.

## ■ 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](http://www.daikin.com/csr/environment/site_data/index.html))

### **Drills Held to Prepare Chemical Plants for Accidents**

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 2013, we held drills that assumed the leakage of hazardous substances and a major earthquake.



Daikin Fluorochemicals (China) held joint firefighting drills

### **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.



Daikin Fluorochemicals (China) installed breathing apparatus

\* 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.

➤ [Daikin's efforts to create a relationship of trust with communities](#) (Page 245)

## **To Totally Eliminate PFOA Emissions in Fluorochemical Products by 2015, 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 2015. 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 105)

### **■ 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 environmental standards and local government by-laws. 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](http://www.daikin.com/csr/environment/site_data/index.html))

### **■ Measures for Soil and Groundwater Pollution**

## **Dealing with Soil Pollution at the Yodogawa Plant**

Following preparatory work on construction of R&D facilities, soil pollution testing was carried out, and it revealed that some parts of the site exceeded standard values for fluoride, lead, and mercury. The site was paved, and since there is no effect on groundwater, it is believed that there is no danger to nearby residents and employees.

In May 2013, the site was designated as an Area for which Changes to Form or Nature Require Notification. As was required, Daikin made a public announcement and held an explanation for the residents' association. The cause was determined to be residue from chemicals used in the past that had mixed with the soil. Steps were taken during construction to ensure that the polluted soil did not disperse or leak outside the site. As well, during construction of the Technology Innovation Center, we took continuous measures to deal with soil pollution under the guidance of Osaka Prefecture.



## 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](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 2013, we disposed of 12 condensers at the Yodogawa Plant.

Because JESCO does not yet have a disposal plan for ballasts, the remaining will be disposed of sometime after fiscal 2014.

### ■ Daikin's Storage of PCBs

Plants and products stored	Items disposed of (item and cost*)			Disposal plan (cost is approximated)
	FY2009	FY2011	FY2013	FY2014 and on
<b>Shiga Plant:</b> 5 condensers, 126 fluorescent ballasts		3 high-voltage condensers (approx. 1.8 million yen)		2 condensers, 126 ballasts (approx. 5 million yen)
<b>Sakai Plant:</b> 3 condensers, 7 ballasts, 36 liters of additional insulating oil, waste cloths for wiping off condenser oil	2 condensers (1.16 million yen)			7 ballasts, 36 liters of insulating oil, 1 condenser, waste cloths for wiping off condenser oil (approx. 1 million yen)
<b>Yodogawa Plant:</b> 6 transformers, 12 condensers, 448 ballasts			12 condensers (approx. 17 million yen)	6 transformers (approx. 16 million yen), 448 ballasts (approx. 15 million yen)

\* Cost is approximated, includes costs to recover, transport, and dispose of PCBs.



## ■ Environmental Accounting

### FY2013 Environmental Accounting Figures

Total environmental protection costs in FY2013 were ¥24.9 billion (investment in equipment: ¥4.6 billion; expenses: ¥20.4 billion). Research and development costs for environmentally conscious products and other areas were up significantly, 120% over the previous year.

For the air-conditioner business, we focused our R&D efforts on developing technologies for energy efficiency and refrigerants. Amidst the growing importance of preventing global warming, we proceeded with the development of products and technologies that reduce environmental impact. Examples are R-32, a refrigerant that reduces global warming impact to just one-third that of conventional refrigerants, heat pump-type heating systems, which result in CO<sub>2</sub> emissions less than half of those from conventional combustion-type heating, and inverter technology, which offers both comfort and energy efficiency.

## ■ 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 fully allocated to environmental protection were proportionally divided and totaled according to a relevant Daikin standard.

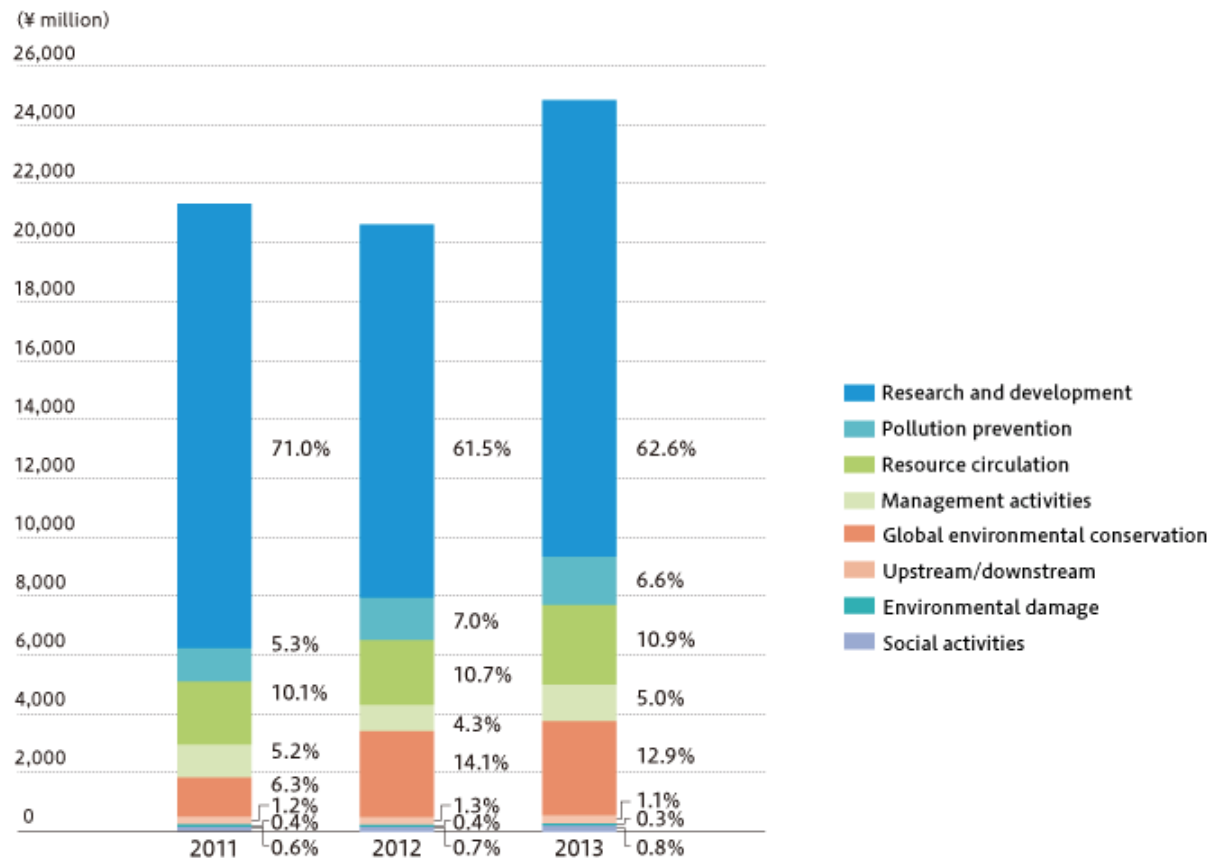
### **Effects of Environmental Conservation**

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)



## FY2013 Environmental Costs

(¥ million)

Cost of environmental conservation					
Category	Major activities	FY2012		FY2013	
		Amount of equipment invested	Expenses	Amount of equipment invested	Expenses
Cost in business area		2,016	4,580	1,940	5,620
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.	367	1,093	355	1,287
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	1,361	1,565	945	2,266
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	287	1,922	639	2,067
Upstream/downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	4	260	54	209

Cost of environmental conservation					
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	7	885	35	1,204
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	530	12,229	2,497	13,109
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	1	143	36	154
Environmental damage	Costs for purification of polluted groundwater and soil.	0	77	0	66
Total		2,558	18,174	4,560	20,362
Total of investment in facilities within the period			54,300		59,350
Total of investment in R&D activities within the period			33,600		40,177

Effects of environmental conservation				
Effects			FY2012 figures	FY2013 figures
Effects corresponding with costs within business area	1. Effects of the resources used for business activities	Energy consumption	4,821 tons-CO <sub>2</sub>	-54,071 tons-CO <sub>2</sub>
		Reduction in water consumption	-88,638m <sup>3</sup>	-240,613m <sup>3</sup>
	2. Effects against environmental impacts and waste resulting from business activities	Reduction in fluorocarbon emissions	91 tons	-38 tons
		Reduction in waste materials	179 tons	1,026 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	210,000 units 376 tons 156.9 tons	280,000 units 54 tons 155.3 tons

(¥ million)

Economic benefits of environmental conservation efforts (monetary benefits)				
Effects			FY2012	FY2013
Profit	Profit from sale of recycled waste		1,650	2,146
Reduction in expenses	Reduction in energy expenses resulting from energy conservation efforts		-287	-353
	Reduction in waste disposal expenses resulting from resource conservation or recycling resources		9	-10

## ■ 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.

At overseas bases certified for ISO 14001, we hold environmental education for employees geared to the needs of each base.

#### ■ PR and educational tools to raise employees' environmental awareness



In-house environmental newsletter



E-learning textbook

#### ■ FY2013 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
<p>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.</p> <p>In fiscal 2013, participants studied familiar climate change problems and once again studied the relation to global warming. They also studied the environmental effects of business from procurement all the way to final product disposal. An important area was use of products with a large environmental impact as a way to study the challenges that Daikin is tackling.</p>		
Environmental managers education	Environmental managers	Once
<p>In fiscal 2013, meetings reported on progress with the environmental action plan and revisions to the plan in fiscal 2015.</p> <p>Instructors from outside the company were also invited to give an unbiased view about how Daikin is viewed in terms of its strengths and weaknesses.</p> <p>Besides sharing current challenges, opinions were exchanged that will help propel environmental activities.</p>		

**Raising Employee Awareness About the Nature Around Them**

To raise biodiversity awareness among employees of the Daikin Group in Japan, during Environmental Month (June 2013), a flower- and plant-viewing and photo-taking event was held.

The 188 participants gathered information about the flowers and plants near where they live, sending in 605 reports of these and 407 photographs.



Some of the photos sent in by participants in an event to report on and photograph flowers near where they live





**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](#) > (Page 155)

- > [Daikin Cooperates in Formation of Environmental Policy](#)
- > [Environmental Forums and Exhibits](#)
- > [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](#) > (Page 158)

- > [Efforts Overseas](#)
- > [Efforts in Japan](#)



## ■ 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.

In fiscal 2013, we did all we could to provide information that would aid in selecting a next-generation refrigerant. In China, India, the Middle-East, the U.S., Europe, and Asia, at international conferences, exhibitions and other occasions, we spoke with key persons for various countries, discussing a wide range of issues including refrigerant trends and efforts to phase out certain refrigerants, regulations and standards, and how to select and put into practical use new refrigerants.

We plan to continue sharing information on refrigerant technology with the relevant people around the world.

### **Daikin Joins Projects by Japanese Government and International Organizations**

Daikin is participating in a developing country support program sponsored by various bodies such as Japan's Ministry of Economy, Trade and Industry (METI) and the Japan International Cooperation Agency (JICA) under which we host trainees from developing countries and provide manufacturers and sales companies in these countries with technical support.

METI had Daikin carry out a survey, under the Global Warming Mitigation Technology Promotion Project, aimed at finding ways to spread the use of air conditioners using R-32 in combination with inverter technology in India. The survey showed that adoption of R-32 and inverter technology could result in CO<sub>2</sub> reductions of up to 17.45 million tons-CO<sub>2</sub> in 2020.

Daikin is also taking part in a project to switch to R-32 in Thailand, where METI is offering bilateral financial aid as part of support for developing countries under the Montreal Protocol, and in a United Nations-led project to switch refrigerants in the Gulf nations.

➤ [See Key Activities of Fiscal 2013: Dissemination of Next-Generation Refrigerants](#) (Page 54)

## ■ Environmental Forums and Exhibits

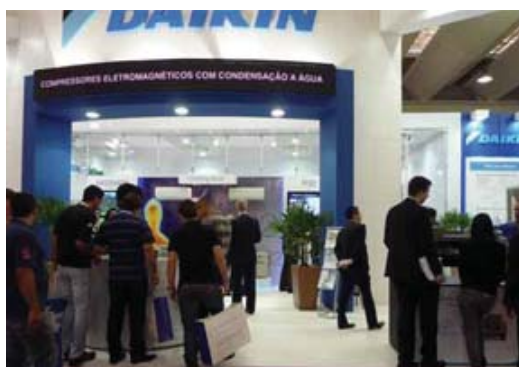
### Exchanging Opinions with Experts on Key Issues at Air Conditioner Forum

Since 1995, the Daikin Group has held air conditioner forums in Japan 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, North America, Asia, and Oceania that have given us ideas to use in our product and business development.

In fiscal 2013, in China the forums focused on the PM2.5 problem, while in other regions experts in the field were invited for an exchange on topics such as energy efficiency and refrigerants specific to their regions.



Air conditioner forum in China



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

## ■ 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

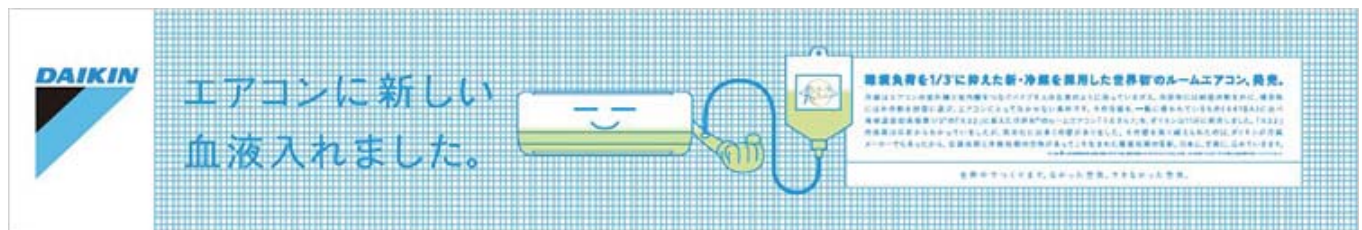
## ■ Environmental Ads

### 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

The new refrigerant R-32 was the theme of Daikin's fiscal 2013 ads. In January, ads inside trains told how the combination of Daikin's air conditioning and refrigerant technologies can reduce environmental impact to just one third.



In July, ads announced that all of Daikin's wall-mount air conditioners were now using the new refrigerant R-32, a world first.





## ■ Efforts Overseas

### Environmental Education for Pre-School Children in the Czech Republic

In March 2014, Daikin Industries Czech Republic s.r.o. teamed up with Ametyst, an NPO conducting environmental protection and education, to provide an eco-education session to pre-school children.

Attended by 21 kindergarten students and their teachers, the session combined learning and play as the youngsters saw a hands-on demonstration of garbage separation. A hit with children and teachers alike, the sessions are scheduled to continue in fiscal 2014.



Pre-school children learn how to separate garbage

## ■ Efforts in Japan

### Daikin Develops “Circle of Life” Free Environmental Education Program to Teach Elementary Students About Biodiversity

Daikin Industries, in cooperation with NGO Conservation International (CI), our partner in reforestation activities, has developed an environmental education program called "Circle of Life," to teach elementary school children about biodiversity.

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.

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."



Students role-play in a forestry issues discussion



A Daikin Industries employee leads an environmental lesson at a school

Since April 2010, Daikin has been providing schools all over Japan with free teaching materials. In fiscal 2013, 1,645 students from 27 schools took part in the program, and 10 of these welcomed Daikin employees to lead the lessons.

 [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 conscious 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. Daikin plans to continue providing information on topics such as air and environmental problems and how to save electricity.





**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 >](#) (Page 161)

- > 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 >](#) (Page 168)

- > Supporting Children's Education
- > Raising Employee Awareness

## ■ 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, they act as natural air conditioners by giving off water vapor that keeps atmospheric temperature from rising, and they act as air purifiers by removing pollutants from the atmosphere. 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

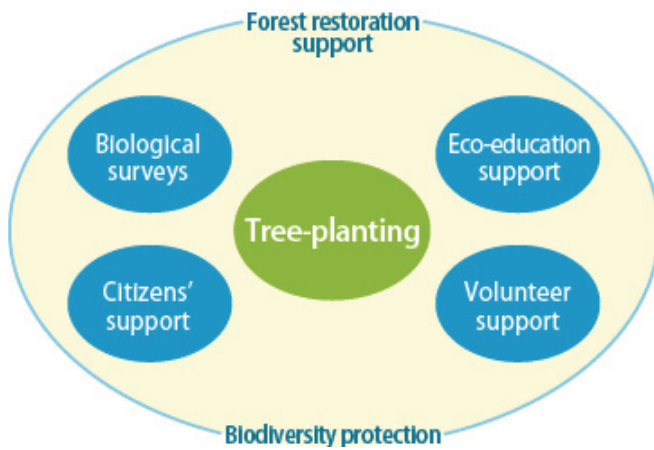
- Reduction of Greenhouse Gas Emissions throughout Our Business Activities
- Reduce greenhouse gas emissions throughout our entire business activities, including product development and production, transportation, sales, service, and the supply chain.

##### 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



## ■ Efforts in Nature Preservation Areas

### “Forests for the Air” Project Gets Underway

As a social contribution project to celebrate its 90th anniversary, in June 2014 Daikin Industries kicked off its 10-year “Forests for the Air” Project. Together with NGO Conventional International and the Shiretoko Nature Foundation, the project is expanding on previous reforestation and forest protection activities in seven locations around the world. The aim is to contribute to forest protection in cooperation with locals whose lives are intertwined with these forests.

🔗 [Forests for the Air project](http://www.daikin.com/csr/forests/) (<http://www.daikin.com/csr/forests/>)

### Daikin Supports 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 Natural Heritage Site. Under this agreement, for five years until the end of March 2016, Daikin will provide financial support and provide employee volunteers in efforts to restore forest and river ecosystems, and support efforts to ensure that the human and bear populations live in harmony.

In fiscal 2013, a total of 25 employees volunteered during May and September, repairing and extending a fence to keep out Sika deer (to prevent them from eating seedlings) and cutting underbrush to allow saplings to grow.



Employees erect a fence to keep out Sika deer

## ■ Wild animals in Shiretoko



Brown bears



Yezo deer



Steller's sea eagle



Trout

## ■ Dilapidated riparian forest (Iwaobetsu River Basin, Hokkaido)



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

## Working to Reforestation 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, supporting farming that utilizes the replanted areas (agroforestry), and providing residents with environmental education, thus contributing to the rejuvenation of forests that benefit both people and the environment.

In the six years up to June 2014, about 120,000 trees (local species) were planted on about 300 hectares with the help of 644 local farmers and 20 national park rangers. And under a 10-year project between Daikin Industries and CI, the parties will continue managing the reforested areas while at the same time working to ensure that local communities can coexist sustainably with their forests.

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.

The Daikin Japanese website describing this forest rejuvenation effort received a fiscal 2012 Environmental Goo Award in the biodiversity category.



The seedlings planted have grown into trees  
(c) Conservation International, Photo by Anton Ario



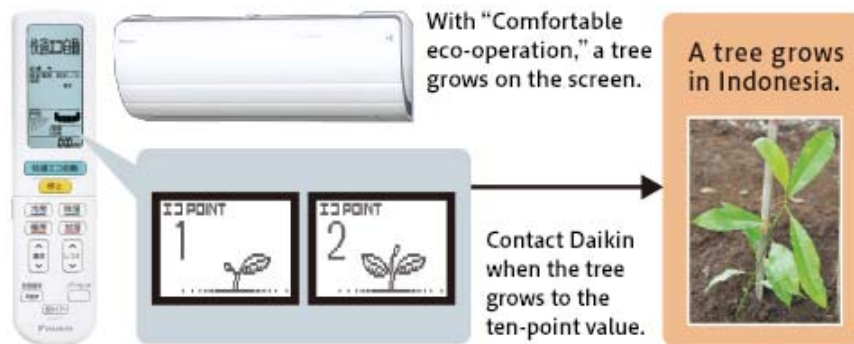


Helping create a livelihood for local farmers:

(Left) Preparing cucumbers grown in the planted forest to be sold in the market; (Right) fresh-water fish aquaculture

(c) Conservation International, Photo by Anton Ario

■ The reforestation project is a joint effort between Daikin and customers who use our products



The reforestation project allows Daikin customers to contribute to reforestation while they enjoy operating their air conditioners in an environmentally friendly way.

When the illustration of a tree on the customer's remote control becomes full grown (when 10 points are accumulated), the customer's name is listed as one of the supporters at a site of a reforestation project. In fiscal 2013, 583 customers were registered as project supporters.



The board shows the names of Daikin customers who support reforestation

➤ [See Key Activities of Fiscal 2013: Reforestation in Indonesia](#) (Page 71)

📄 [See Reforestation in Indonesia](http://www.daikin.com/csr/environment/reforestation/index.html) (<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 in May 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 community forests. In fiscal 2013, a total of 140 employees and their family members volunteered.



Adopt a Forest signing ceremony

## ■ 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.



Bird's-eye view of Daikin Ales Aoya

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.



Monitoring 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). In fiscal 2013, it was given the Green Society Contribution Award and the Green Cities Award Encouragement Prize from the Organization for Landscape and Urban Green Infrastructure.

Daikin Ales Aoya also acts as a multi-purpose training facility where employees can raise their environmental awareness through courses such as seedling-planting during new employee training.



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





Certificate for the Green Cities Award Encouragement Prize



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)

### 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

## Shiga Plant Rejuvenates a Community Forest for Coexistence Between People and Nature

The Shiga Plant of Daikin Industries began work to rejuvenate a community forest on its premises in fiscal 2012.

In fiscal 2013, the project area was named the Daikin Shiga Forest and it was decided to use fireflies as a way to assess the effectiveness of the rejuvenation efforts. To create an environment where fireflies could live, creeks running through the Daikin Shiga Forest were revitalized by planting vegetation such as *Carex dispalata*, *Carex thunbergii*, and *Oenanthe javanica*, which provide an environment conducive to wildlife.



Employees and their families line stones up along a creek with the hope of making it more conducive to wildlife

## Creating Biomes at Overseas Plants

Daikin bases around the world are creating biomes on-site, like the one at Daikin Industries Czech Republic s.r.o. in fiscal 2013. A small pond was created and surrounded by native plants and herbs. At the company's Family Day in September, 723 participants including employees and family members planted a total of 341 trees.



## ■ Supporting Children's Education

### **Daikin Develops “Circle of Life” Free Environmental Education Program to Teach Elementary Students About Biodiversity**

Daikin Industries, in cooperation with NGO Conservation International (CI), our partner in reforestation activities, has developed an environmental education program called "Circle of Life," to teach elementary school children about biodiversity.

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 2013, 1,645 students from 27 schools took part in the program, and 10 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.



Students role-play in a forestry issues discussion



A Daikin Industries employee leads an environmental lesson at a school

☞ [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>)



## ■ Raising Employee Awareness

### Employee Volunteers Help Protect Biodiversity

Daikin Industries supports the volunteer activities of its employees. Working together with “Do!,” the employees’ group for promoting environmental volunteer efforts, the company strives to help employees gain a greater awareness of the value of nature.

In fiscal 2013, a total of 165 Daikin Industries employees joined activities including rejuvenating a bamboo forest in Harashiroyama, Osaka Prefecture and preserving a forest in Shiretoko, Hokkaido Prefecture.

As well, Daikin provided environmental volunteer information through media including its website and an in-house environmental newsletter.



Employee volunteers in a bamboo forest in Harashiroyama

### Raising Employee Awareness About the Nature Around Them

To raise biodiversity awareness among employees of the Daikin Group in Japan, during Environmental Month (June 2013), a flower- and plant-viewing and photo-taking event was held.

The 188 participants gathered information about the flowers and plants near where they live, sending in 605 reports of these and 407 photographs.



Some of the photos sent in by participants in an event to report on and photograph flowers near where they live



## ■ History of Environmental Activities

	Daikin Group	Air Conditioning Divisions(Japan)	Chemicals Division(Japan)
1970s	<ul style="list-style-type: none"> <li>• Environmental Pollution Control System established</li> <li>Environmental Pollution Control Committee established</li> <li>Environmental Pollution Control Regulations enacted</li> <li>• Environmental Month started</li> </ul>		
1980s	<ul style="list-style-type: none"> <li>• Daikin Group Environmental Control Committee established</li> <li>• Daikin Group Environmental Management Regulations enacted</li> <li>• Began dealing with fluorocarbon problem</li> </ul>		
1991			<ul style="list-style-type: none"> <li>• Began HFC mass-production</li> </ul>
1992	<ul style="list-style-type: none"> <li>• Director responsible for environmental protection and Global Environment Dept.established</li> </ul>		
1993	<ul style="list-style-type: none"> <li>• Actions Principles on Environmental Protection enacted</li> <li>• Environmental Action Plan enacted</li> </ul>		
1994	<ul style="list-style-type: none"> <li>• Began building environmental management system</li> </ul>		
1995	Environmental audits launched	<ul style="list-style-type: none"> <li>• Released chiller using HFC refrigerant</li> <li>• Started air conditioner forums</li> </ul>	<ul style="list-style-type: none"> <li>• Ceased production of CFC</li> </ul>
1996	<ul style="list-style-type: none"> <li>• Acquired ISO 14001 certification in all Daikin Industries production bases in Japan</li> </ul>		
1997	<ul style="list-style-type: none"> <li>• Began working towards ISO 14001 certification in overseas production bases</li> </ul>		

	Daikin Group	Air Conditioning Divisions(Japan)	Chemicals Division(Japan)
1998	<ul style="list-style-type: none"> <li>First Environmental Report published</li> </ul>	<ul style="list-style-type: none"> <li>Released Super Inverter 60 ultra-energy-efficient commercial air conditioner</li> <li>Released HFC multi-purpose air conditioner for buildings, HFC residential air conditioners</li> </ul>	
1999	<ul style="list-style-type: none"> <li>Environmental accounting introduced, Environmental Meetings launched</li> </ul>		<ul style="list-style-type: none"> <li>Established fluorocarbon destruction facilities</li> </ul>
2000	<ul style="list-style-type: none"> <li>Start of green procurement</li> </ul>	<ul style="list-style-type: none"> <li>Released Super Inverter ZEAS ultra-energy-efficient HFC air conditioner</li> </ul>	
2001	<ul style="list-style-type: none"> <li>Environmental Action Plan 2005 enacted</li> <li>Achieved zero waste emissions in Daikin Industries production bases in Japan (machinery divisions)</li> <li>Regional Environmental Meetings launched</li> </ul> <p>Environmental meetings started in each of four regions (Europe, North America, China, and Asia/Oceania)</p>		
2002	<ul style="list-style-type: none"> <li>Basic Environmental Policy of the Daikin Group enacted</li> </ul>	<ul style="list-style-type: none"> <li>Began fluorocarbon recovery and destruction business</li> <li>Completed Conversion to HFC refrigerant for all major products (in Japan)</li> </ul>	
2003	<ul style="list-style-type: none"> <li>Aquired integrated ISO 14001 certification in Daikin Group in Japan</li> </ul>		
2004	<ul style="list-style-type: none"> <li>Achieved zero waste emissions in all Daikin Industries production bases in Japan</li> </ul>		
2006	<ul style="list-style-type: none"> <li>Environmental Action Plan 2010 enacted</li> </ul>	<ul style="list-style-type: none"> <li>Released Daikin Altherma air-to-water heat-pump space and hot water heater in Europe</li> </ul>	
2007		<ul style="list-style-type: none"> <li>Held air conditioner forums in Europe and the U.S.</li> </ul>	

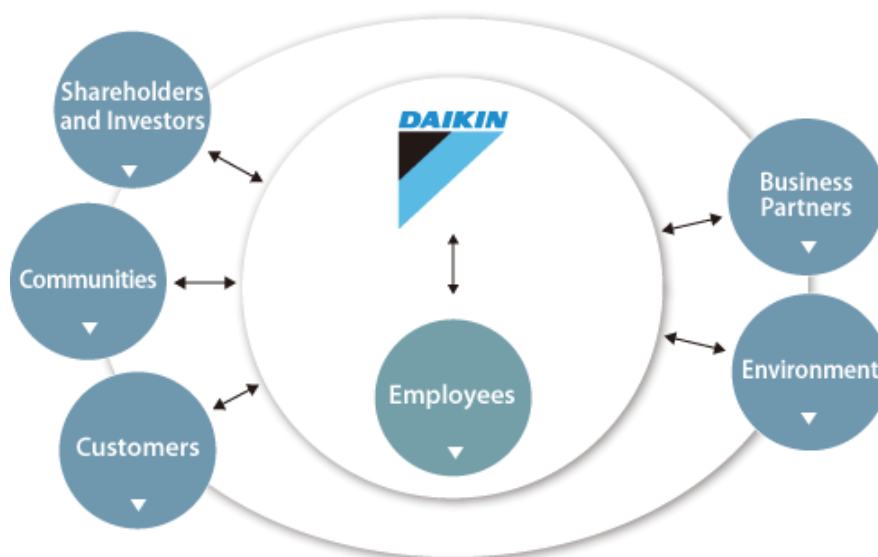


	Daikin Group	Air Conditioning Divisions(Japan)	Chemicals Division(Japan)
2008	<ul style="list-style-type: none"> <li>Formulated the latter half of the Fusion 10 strategic management plan, which stresses proactive contribution to solving environmental problems, as well as business expansion</li> </ul>	<ul style="list-style-type: none"> <li>Started Re: AIRCON Project for reforestation in Indonesia</li> <li>Released world's first VRV system (mult-split type air conditioner for building) using CO2 refrigerant</li> <li>Held air conditioner forums worldwide (Europe, U.S., Japan)</li> </ul>	
2009		<ul style="list-style-type: none"> <li>Held air conditioner forums in China</li> </ul>	
2010	<ul style="list-style-type: none"> <li>The Daikin Group worldwide achieved its targets for greenhouse gas emissions by a wide margin</li> </ul>	<ul style="list-style-type: none"> <li>Held air conditioner forums in Asia/Oceania</li> </ul>	
2011	<ul style="list-style-type: none"> <li>Formulated Environmental Action Plan 2015</li> </ul>		
	<ul style="list-style-type: none"> <li>Started environmental protection activities in Shiretoko</li> </ul>		
2012		<ul style="list-style-type: none"> <li>Released Urusara 7 residential air conditioner, world's first air conditioner to use the new R-32 refrigerant</li> </ul>	
2013		<ul style="list-style-type: none"> <li>Released FIVE STAR ZEAS, world's first commercial air conditioner to use new refrigerant R-32</li> </ul>	
2014	<ul style="list-style-type: none"> <li>Started "Forests for the Air" Project</li> </ul>		

# Responsibility to Stakeholders

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## Responsibility to Stakeholders



### ■ 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, Equal Opportunity
- › Work-Life Balance
- › Labor Management Relations
- › Occupational Safety and Health
- › Fostering Human Resources
- › Respect for Human Rights

## › Business Partners

- › Philosophy on Suppliers
- › Working Closely with Suppliers
- › Green Procurement Guidelines

## › Shareholders and Investors

- › For Shareholders
- › Information Disclosure Policy

### Daikin's main responsibilities

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Approximately 50,000 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

### Daikin's main responsibilities

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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

### Daikin's main responsibilities

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We operate on capital provided by approximately 40,000 shareholders. We make the best use of capital to achieve solid profitability and a firm financial base to maximize corporate value and meet shareholder and investor expectations with stable dividends. We provide the necessary information promptly and continuously interact with shareholders and investors.

#### Opportunities to express opinions and make requests

- Ordinary General Meeting of Shareholders
- Briefings on financial results, briefings for investors
- Annual Report, business reports
- Information on 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
- › List of Daikin's Social Contribution Activities

## › Environment

### Daikin's main responsibilities

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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

### Daikin's main responsibilities

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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





**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](#) > (Page 179)

- > 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](#) > (Page 186)

- > Customer Satisfaction Policy
- > Customer Response and Support System
  - Daikin Contact Centers
- > Understanding and Reflecting Customer Needs
- > Using Customer Opinions
  - Number of Inquiries to the Contact Center (Japan)
- > Employee Education
- > Support for Distributors
- > Training for Distributors

## ■ Protecting Customer Information

### Protecting Customer Information in Every Way

[Read more >](#) (Page 192)

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.



## ■ 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

### **Thorough Management in Development, Procurement, and Production**

All major 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 undergoes an internal audit so that we can assess our quality situation and if necessary further improve it.

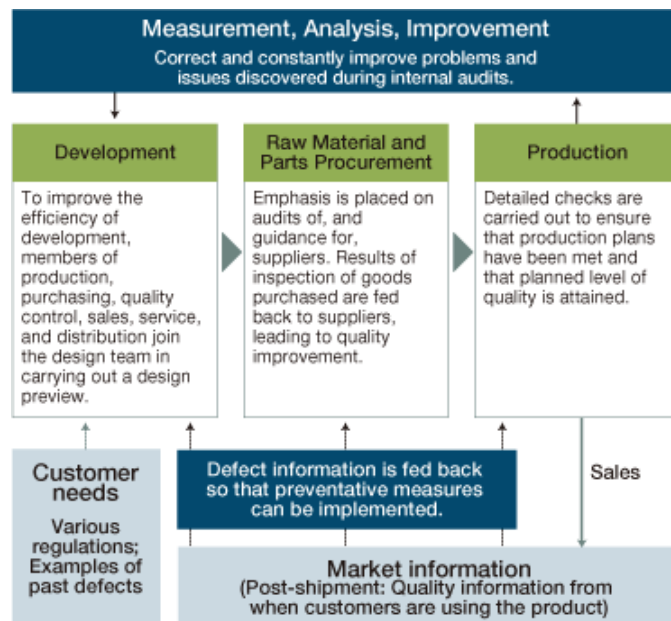
Based on our annual Daikin Group policy, each division formulates its key quality measures and targets, which are used to create a detailed quality program (fiscal year action plan) for all stages including design and development, materials and parts procurement, and production.

In fiscal 2013, we made ensuring thorough quality a top priority, increasing the speed at which we correct quality problems and limiting risk as we focused on measures to prevent the occurrence of new quality problems.

## ■ Quality Control System



## ■ Quality Control Process



## ■ Cooperation with Suppliers

➤ [Efforts with Suppliers to Raise Product Quality and Safety \(Responsibility to Business Partners\)](#) (Page 224)

## ■ 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.

In the air conditioning division, the 19th of every month is designated as quality day, when each division holds small-group discussions on product quality.

Each division also holds 10-minute daily quality meetings at which they share past examples of quality issues and discuss ways to solve current issues. Other ways we strengthen quality communication include small-group activities every Wednesday and monthly noon-time meetings at which we discuss ways to boost product quality and improve work processes.

In the Chemicals Division, new employee orientation for the sales, research, and production divisions includes guidance on the philosophy of quality assurance.

In fiscal 2013, we held training aimed at future managers, and in fiscal 2014 we will follow up on this by training leaders to assist in the workplace.

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

The air conditioning manufacturing division has 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.

We raised our product safety standards to ensure that products are safe to use by our customers, and we conduct design reviews in order to solve problems with previous products. 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.

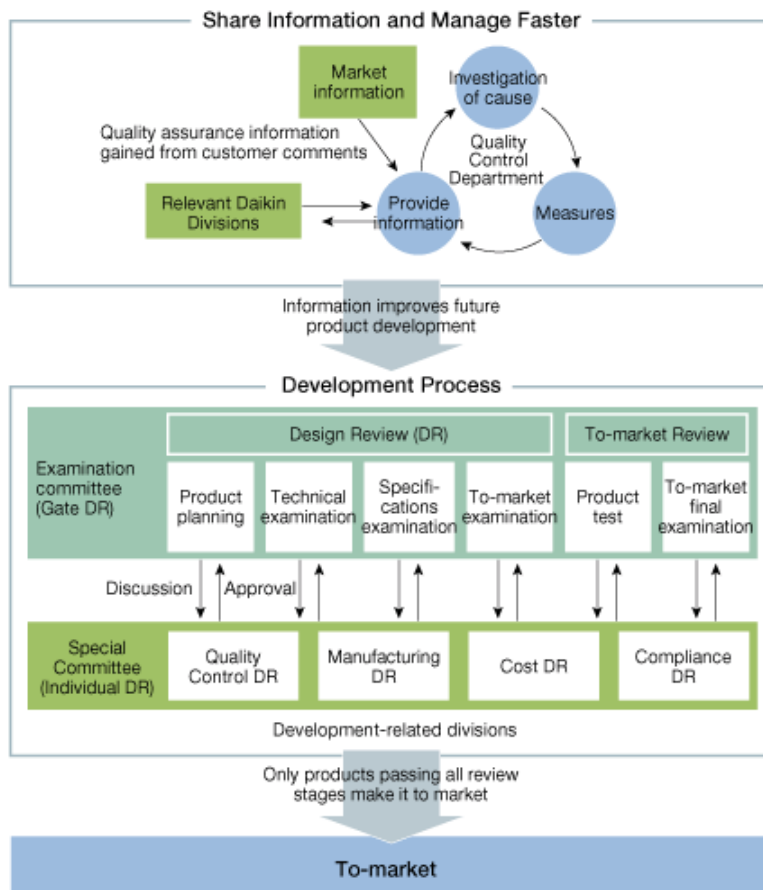
In the Chemicals Division, we have been conducting reviews based on a four-level management system consisting of development theme verification, technology establishment, business-viability establishment, and mass-productivity. As key review standards we added the four criteria of product quality, monotsukuri (the art of manufacturing), cost-effectiveness, and compliance, as well as the chemical substance criteria of safety and environmental friendliness.

As our business increasingly globalizes, we will conduct the same high level of design reviews at our overseas product development bases.

We will continue to make even safer and higher quality products by discovering and solving problems early in the development stage, and by developing products with a firm understanding of how customers will actually use them.

\* 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 (Air Conditioning Division)



## ■ 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.

In fiscal 2013, there were no cases of product recalls.



## **Free Inspection and Repair of Commercial Air Purifying Units**

On three types of air purifying units, sold separately for commercial embedded ceiling cassette indoor units manufactured by Daikin between November 2001 and April 4, 2014, an electrical short can occur near the electrode of the dust-collecting element inside the unit, which can lead to smoke and fire. To ensure our customers enjoy safe use of these products, we are offering free inspection and repair.

### **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)

## **■ 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.

(Formulated in June 2007)

### **Air Conditioning Division: 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.

### **Chemicals Division: 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 2013, 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.

Universal design is central to the concept of monotsukuri (the art of manufacturing), because it involves designing a product so that everyone, no matter what their age or physique, can use it with ease. We are continuing steady efforts in universal design training so that the concept becomes second nature to all engineers.

### ■ Example of Universal Design

#### Guidelines for Universal Design of Smartphone Software

In December 2012, Daikin began providing an application that allows users to control air conditioning using a smartphone. The application allows control not just from within the room; users can also easily check air conditioner operation, turn it on or off, and switch modes from an outside location.

We also created universal design guidelines to ensure applications were easy for anyone to use. Through a usability test, we sought the optimal button size and layout for preventing operation errors. This allows anyone to use the product intuitively and stress-free.



The button sizes and layout make it easy to use

#### Improved Remote Controller Display for Easy Power Savings

In fiscal 2012, some users said they couldn't use the power saving function because the set-up was too confusing. In response, we put a power saving button on the remote controller. Creating a large, easy-to-see button made it easy for anyone to use the power saving function.





## ■ 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. By providing high quality products, materials, and service, as well as earnestly proposing new products, we want to not only improve convenience and comfort for customers, but also increase the level of customer satisfaction.

Based on these principles, each division of Daikin Group formulates its policies according to the particular needs and circumstances of customers in order to improve customer satisfaction.

The air conditioning division's customers are end users and distributors. The division's basic policies for ensuring customer satisfaction are "stay ahead of customers' needs and present new products suggested by the sales division" for end user satisfaction, and "stay ahead of the times and one step ahead of our competitors by offering a tailored solution" for the satisfaction of distributors.

The After Sales Service Division of the air conditioning division, which bears responsibility for product maintenance, has the basic policy of "the ultimate in quality service through speed, accuracy, and good manners" and is working to increase the skills of its service engineers and raise the level of their response to customers.

The Chemicals Division has identified "improvement of quality," "stable supply," "appropriate cost," and "response to needs (development of new products)" as the main points to increase customer satisfaction, and aims to gain greater trust and satisfaction from customers by continually assessing information regarding the level of customer satisfaction and making improvements accordingly.

## ■ Customer Response and Support System

### Air Conditioning Division: Building a Worldwide Customer Service System

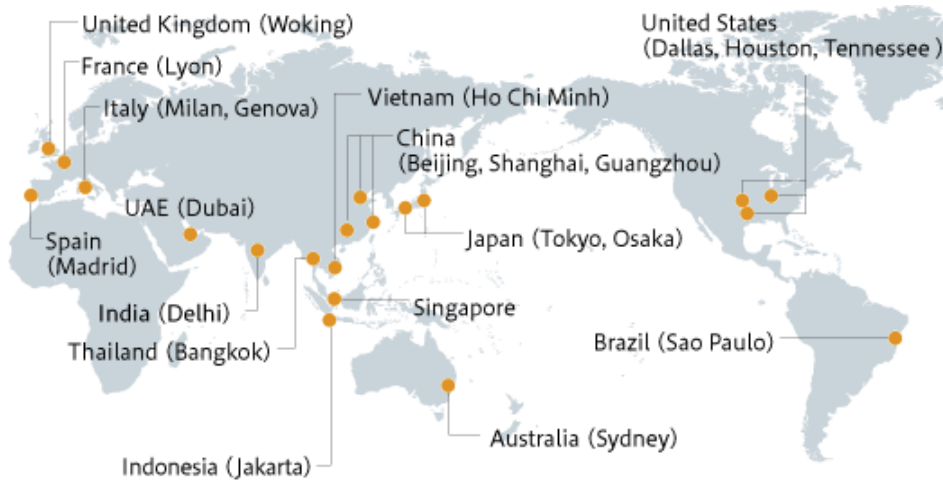
In the air conditioning division, the Daikin Contact Center is open 24 hours a day, every day of the year to take repair requests and offer technical advice to customers around the world. We are striving to enhance its service quality to ensure customers are satisfied with the responses they get from the Contact Center. In fiscal 2013, to ensure that customers calling with questions, queries, and repair requests can get the same consistently high level of service, whoever they speak to at the Contact Center, we created a database that systematizes practical know-how and rules of thumb for Contact Center staff to access, thus making possible one-stop service over the phone.



Shanghai Service Center

Overseas as well, we are building up our after-sales service system 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. We are establishing Contact Centers in all major countries in efforts to offer customers highly satisfying support.

#### ■ Daikin Contact Centers



### 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."



The Difreon Gas Meeting

In fiscal 2013, 54 members of 34 companies took part in the Difreon Gas Meeting. At the meeting, participants heard a lecture on the development of the Urasara 7 and its low global warming potential refrigerant R-32, and took a tour of the Shiga Plant.

Also, to help our customers benefit more from the products and technology of Daikin Industries, we hold a study seminar on fluorochemical products directed toward media outlets, who in turn can educate the public about what Daikin has to offer.

#### ■ Understanding and Reflecting Customer Needs

### Stepping Up Market Research Around the World

With the Daikin Group rapidly accelerating business expansion around the world, it is important that we raise customer satisfaction by accurately and promptly grasping customer needs in each world region and reflecting these in our products. To this end, we are switching from a development system centered in Japan to one in which regional bases also develop products for their local markets, and we are stepping up our worldwide market research.

We also conduct customer satisfaction surveys at all worldwide bases so that we can continue to analyze what customers think and use their ideas to improve products and services.

➤ [See Key Activities of Fiscal 2013: Accelerating Product Development Globally](#) (Page 63)

## 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.

### ■ Air Conditioning Division: Questionnaire on Products

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 2013, we received approximately 600 replies to the home page questionnaire. We also gathered information by questioning customers visiting volume retail outlets, and by having Daikin air purifier users be product monitors. According to customers, many use their products on auto mode and run them around the clock. From this, we decided to give the products a highly sensitive sensor needed for auto mode, and we improved dust-collecting functions such as electrical dust collecting and streamer.

### ■ Air Conditioning Division: Questionnaire on After-Sales Service

The After Sales Service Division strives to determine the level of customer satisfaction with after-sales service by every year sending surveys to a random sampling of customers within two weeks after a Daikin product is fixed. As a result of such efforts, in fiscal 2013 the overall satisfaction\* figure reached 4.06, a figure that is rising year by year. We believe this is 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."

\*Overall satisfaction: A weighted average of a five-stage assessment

### ■ Chemicals Division: Customer Questionnaire

In the Chemicals Division, we distribute questionnaires once a year that help us boost customer satisfaction.

The fiscal 2013 questionnaire results showed that customers were more satisfied with the speed of product delivery. However, they again expressed a desire to increase the amount of helpful information we provide. In response, sales divisions are holding study sessions so that personnel are equipped with a wider range of product knowledge to provide to customers.

## ■ Using Customer Opinions

## Customer Inquiries Used in Improving Products and Developing New Ones

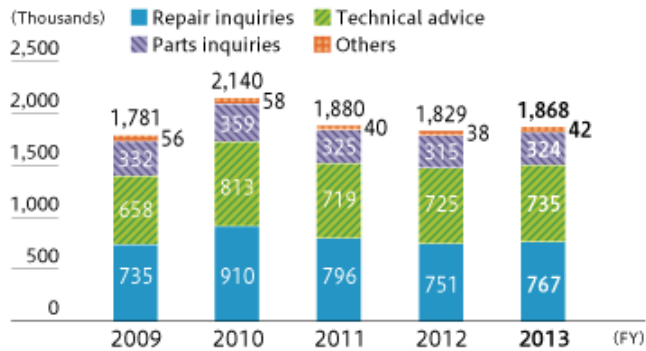
Requests, complaints, and other information obtained by the Contact Centers is recorded in a database. Information regarding the opinions and requests that sales representatives obtain from customers is shared among the Quality Division and relevant departments, who investigate causes and establish countermeasures to improve products and services.



In the technical questions that account for about 40% of the information gathered by the Contact Centers, we find ideas that help us improve quality; for example, the information enables us to make early detection of issues we face in the market. 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.

In order to continue creating products that anticipate future customer needs, we will use customer opinions as a guide to new product concepts.

**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.

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 Certification Begun for Service Engineers**

Service engineers' individual technical expertise is crucial to providing quality service.

We hold 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, we hold high-level training for chief engineers. As of March 2014, a total of 678 (cumulative total: 2,343) 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.

In fiscal 2013, to further step up service skills, we started a Daikin in-house service engineers certification system aimed at Daikin employees.

## **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.

In fiscal 2013, the sales division held study meetings once or twice a month so that participants could gain knowledge about products other than those they are directly in charge of.

The Chemicals Division will continue to train personnel so that they acquire a deep knowledge on the use of fluorine in various business situations.

### **■ Support for Distributors**

## **Providing Information for Distributors on the Daikin Website**

The air conditioning division provides distributors with solution sales support. Since June 2011, distributors can use the website's D-SEARCH and D-PORTAL functions. D-SEARCH is public access and allows anyone to use information from the past 10 years related to technical data, specifications, blueprints, user manuals, installation manuals, CAD symbols, and image data.

D-PORTAL is a members-only service with numerous useful functions; for example, online support that includes quotation software and tools to help customers save energy and thus reduce CO<sub>2</sub> emissions, and a portal site with member information related to the environment and renewable energy like solar power.

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.

## ■ Training for Distributors

### Training Courses Teach Air-Conditioning-Related Techniques

Daikin Industries has four training centers around Japan where we hold a variety of courses so that distributors can learn design, installation, and service techniques. 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.

### Environmental Solutions Training

To promote efforts in solving environmental problems, we are conducting five courses in environmental solutions for our distributors.

Trainees in all courses receive eco-booklets, which contain general knowledge on global warming and ozone layer destruction, handling fluorocarbons, and steps to preventing global warming. These issues are expanded on in the courses to raise awareness of the importance of environmental protection.

The fiscal 2013 courses used the eco-booklets' information on the low global warming potential refrigerant R-32, giving participants a deeper understanding with additional information on the characteristics and handling of R-32.



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.



Technical training for distributors provided by PT. Daikin Airconditioning Indonesia



## ■ 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. Since 2005, we have striven to strengthen information management through annual conferences of personal information managers, who make every effort to reduce risk related to confidential information and 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 Department conducts legal audits, and the Internal Auditing Department conducts audits.

➤ [Information Security \(CSR Management\)](#) (Page 47)



**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 273)

## ■ 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](#) ➤ (Page 197)

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

## ■ Workplace Diversity, Equal Opportunity

### 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—all genders, 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](#) ➤ (Page 198)

- [Workplace Diversity Policy](#)
  - [Employee Composition \(Data for Daikin Industries\)](#) 📊
- [Maximizing the Talents of Women](#)
- [Hiring Women](#)
  - [Number of People Periodically Hired and Women as Percentage of Total \(Daikin Industries only\)](#) 📊
- [Re-employment of Retired Employees](#)
  - [Number of Re-employed Workers & Rate of Re-employment \(Daikin Industries only\)](#) 📊
- [Employment of People with Disabilities](#)
  - [Number of People with Disabilities Employed and Employment Rate \(Group companies in Japan\)](#) 📊
  - [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 >](#) (Page 203)

- > [Work-Life Balance Policy](#)
- > [Helping Employees Match Work Schedule with Lifestyle](#)
  - [Number of Employees Leaving, Employee Turnover \(Daikin Industries only\)](#) 
- > [Support for Childcare While Working](#)
  - [Number of Employees Taking Leave Before and After Child Birth and Number Taking Childcare Leave \(Daikin Industries only\)](#) 
  - [Support Systems for the Balance of Work and Family](#) 
- > [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 >](#) (Page 207)

- > [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 >](#) (Page 208)

- > Occupational Safety and Health Policy
- > Occupational Safety and Health Management Structure
  - System for Occupational Safety and Health 
- > Occupational Safety and Health Management System
  - Daikin Bases Certified for OHSAS (Japan) 
  - Daikin Bases Certified for OHSAS (Overseas) 
- > Occurrence of Labor Accidents
  - Frequency Rate, Severity Rate (Daikin Industries only) 
  - Number of Accidents Resulting in Time off Work (Daikin Industries only) 
- > 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)\*<sup>1</sup>. We also supplement this with off-the-job training (Off JT)\*<sup>2</sup>, 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 >](#) (Page 214)

- > Philosophy
- > Education Systems
  - Education System 
- > Passing on Skills
- > Fostering Young Engineers and Technicians
- > Spurring the Creation of Intellectual Property
  - Number of Patent Applications (Daikin Industries only) 

\*<sup>1</sup> OJT: Employees learn and acquire the skills, knowledge, and degree of commitment required of their positions while performing their jobs.

\*<sup>2</sup> 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 >](#) (Page 50)

The Daikin Group 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.

## ■ Job Placement

### 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 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.

Based on this philosophy, we strive for diverse management in which we make the most of the talents of all genders, ages, nationalities, races, skin color, religions, physical abilities, and levels of occupational experience.

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)

	2009		2010		2011		2012		2013	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Number of employees	5,558	821	5,673	880	5,659	891	5,726	942	5,745	988
Average range of services (years)	17.9	10.8	17.1	9.96	16.8	10.5	16.5	10.4	16.4	10.3
Average age	41.8	33.6	41.8	34.2	41.8	34.9	41.7	35.1	41.6	34.6
Number of managers	695	12	751	14	702	18	697	19	698	19
Number of board members	45	1	44	1	45	1	47	1	47	1
Number of foreign nationals	27	16	30	21	34	21	38	20	38	20

## ■ Maximizing the Talents of Women

### Maximizing the Talents of Female Employee

To create identical working conditions for men and women in order to reach our goal of using the talents of both sexes to the fullest, since 2001 we have striven to maximize the talents of woman at Daikin Industries.

In 2001, we eliminated the barrier between general clerical work and management track jobs so that female employees have more career possibilities. As a result, we have increased the number of female managers from two in fiscal 2001 to 22 in fiscal 2013. However, the percentage of managers who are female is still below the average for the manufacturing industry. That's why we launched a project in fiscal 2011 to step up and accelerate efforts to maximize women's talents.

We discovered that a barrier to more active participation by women was the mindset of both female employees and the Daikin male managers. We thus focused on changing people’s way of thinking.

In fiscal 2013, we continued on the previous year’s career design seminars and skill-building training to raise awareness among women of the importance of making a career at Daikin. All 58 second-year female employees at Daikin took this training. In June, the Young Women’s Career Design Forum was held, consisting of eight companies that make up the Young Women’s Employee Career Vision Building Team of the Diversity West Japan Study Meeting\*.

To change the thinking of male managers and other leaders, we held a lecture under the theme of how management can foster female employees, led by guest speaker Kimie Iwata, Chairperson of the Japan Institute of Workers’ Evolution (JIWE). The approximately 700 attendees learned more about maximizing the talents of women and heard examples of how to establish a climate and management style that fosters female employees.

During fiscal 2013 and 2014, we held female subordinate career-fostering sessions as part of training for managers, with the participating 450 managers learning how to nurture women who can move up to management positions. There were also ongoing awareness activities such as article in the in-house newsletter about maximizing the talents of women.

\* The Diversity West Japan Study Meeting was launched in April 2004 so that companies and organizations in West Japan could share their experience and knowledge on issues such as promoting diversity and work-life balance.

▶ See Key Activities of Fiscal 2013: Diversity Management (Page 67)

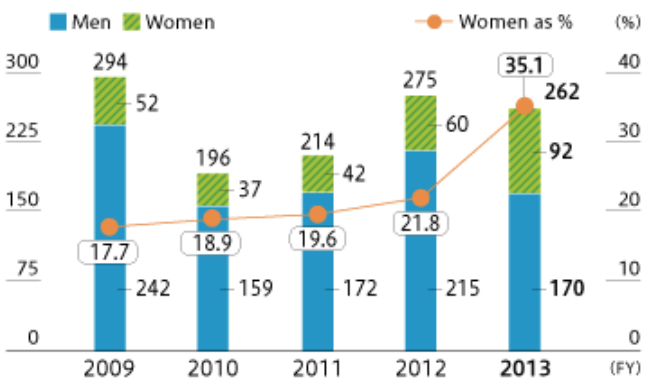
■ Hiring Women

Increasing Percentage of Female Employees

As of March 2014, women accounted for 13.7% of all employees of Daikin Industries, an increase of 0.6% over 2013.

In the past, job applicants for technical and skills positions were mostly men, which kept the ratio of female employees low. So starting in fiscal 2013, we began our policy of hiring more women overall. As a result, women periodically hired accounted for more than 30% of all new employees hired for the second consecutive year. There were 89 women newly hired in April 2014, 33.3% of all those hired.

■ Number of People Periodically Hired and Women as Percentage of Total (Daikin Industries only)



## ■ Re-employment of Retired Employees

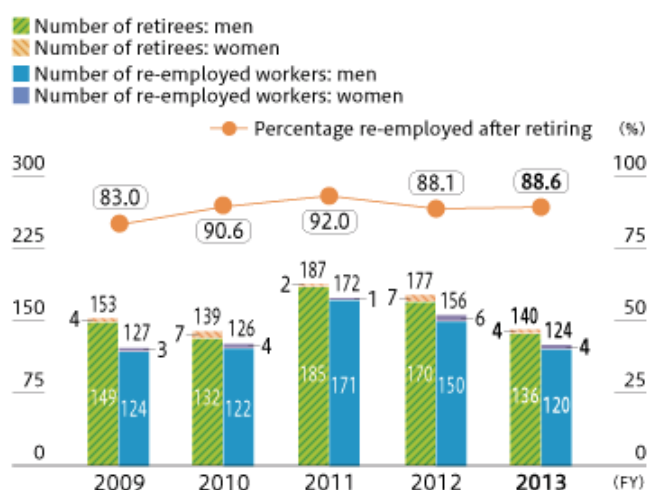
### About 90% of Veteran Workers Re-Employed

In 2001, Daikin Industries became one of the first companies in Japan to introduce a re-employment system. Retirees wishing to continue working at Daikin following retirement can use their skill and knowledge in a flexible employment system that allows them to work reduced hours and on call. Since introducing this system, over 100 have been re-employed each year. In fiscal 2013, there were 655 retirees working under this system at Daikin. Twelve 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 bonuses to those demonstrating outstanding contribution to company performance.

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.



## ■ Employment of People with Disabilities

### Hiring More People with Disabilities across the Entire Group

The Daikin Group strives to hire people with disabilities based on its policy of providing opportunities for them 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 their employment in mind. Including the employment of people with disabilities at many group companies and expanding their employment at special subsidiary companies, we are increasing the disabled employment ratio for Daikin Group as a whole.

As of March 2014, 2.07% of workers in the Daikin Group are disabled, a percentage above the legal requirement.

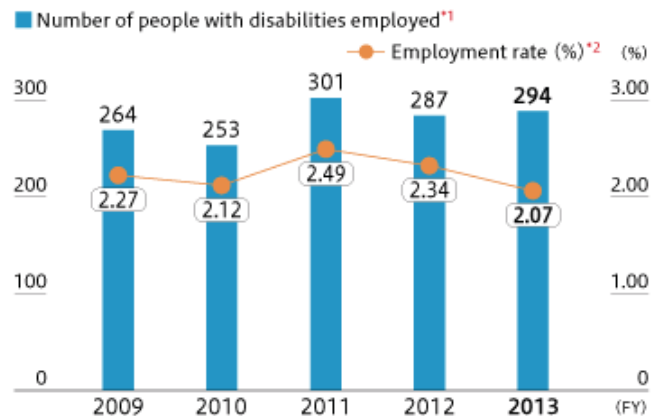


Daikin Sunrise Settsu (Japan)



New plant of Daikin Sunrise Settsu

### ■ Number of People with Disabilities Employed and Employment Rate (Group companies in Japan)



\*1 Legally, one severely disabled person employed is counted as two people with disabilities.

\*2 Employment rate = number of people with disabilities employed / number of people 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

Daikin Air-conditioning (Shanghai) Co., Ltd. has been doing all it can to hire people with disabilities and it currently has 66 disabled employees. In fiscal 2013, the families of these employees were invited to take part in a factory tour and get-together. The company also published a sign language booklet to help the hearing impaired and other employees communicate better.

Daikin Industries (Thailand) Ltd. has 23 disabled employees, and Daikin Compressor Industries Ltd. has 25 disabled employees.



Disabled worker at Daikin Industries (Thailand) 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. The Daikin Business School (D-BS) holds group training seminars for cultivating personnel to take on the tasks of local management, and this fiscal year it is starting up again with a renewed and more meaningful curriculum.

As of the end of fiscal 2013, about 40% of the presidents at overseas Daikin bases were local nationals and about 45% were directors. Of Daikin's 15 European sales bases, 13 of them had local nationals as presidents.

## ■ Diversity Education for Employees

### Training Japanese Employees for Work at Overseas Bases

Daikin Industries has a variety of training for Japanese employees who will be working at overseas bases so that they are able to respect the values of local employees and communicate with them properly.

The goal of this training is to help the appointees adapt as smoothly as possible to their new country by deepening their understanding of things like its current affairs, people's thinking and values, and the main considerations when doing business there. Some of the appointees will take language training if necessary. About 80 Daikin Industries employees took part in this training in fiscal 2013.



## ■ Work-Life Balance Policy

Daikin Industries stresses a work life balance for employees. We have a range of flexible work conditions that allow us to make use of a diverse range of human resources.

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 both childcare leave and childcare support.

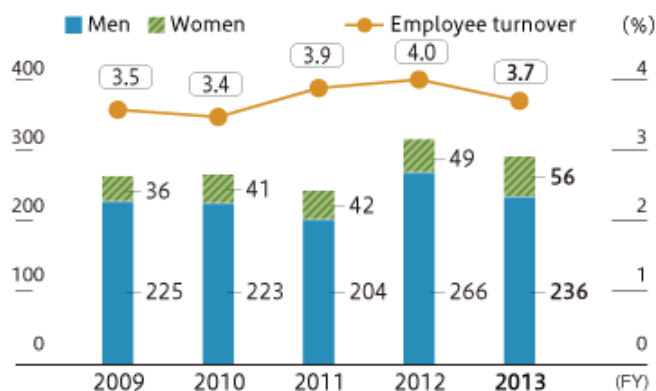
## ■ Helping Employees Match Work Schedule with Lifestyle

### Employing Flexible Work Systems such as Flex Time and Discretionary Work System

To allow this diverse range of employees to work under flexible conditions and working hours, we use the flex time system. We also have a discretionary work system that can be taken advantage of by not just the R&D department but also by employees in other company departments conducting duties such as planning, proposals, and surveys related to company operations.

Thanks to these efforts to give employees flexible working conditions and working hours, Daikin had an employee turnover of just 3.7% (including mandatory retirement age employees) in fiscal 2013: this is far below the average of 14.8% for all industries in Japan (according to a 2012 survey by Japan's Ministry of Health, Labour and Welfare).

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



### Creating a Workplace Where Employees Can Balance Their Jobs and Childcare

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. We achieved the targets of our second action plan in March 2012 and our third action plan in March 2014. For these successes we were certified by the Osaka Labour Bureau (Ministry of Health, Labour, and Welfare). Our fourth action plan got underway in April 2014.

In fiscal 2012, we improved the childcare support cafeteria plan<sup>\*1</sup>, and in fiscal 2013 we introduced a service<sup>\*2</sup> to help employees returning from childcare leave make a smooth return to the workplace by helping them find nursery schools for their children.

We also hold seminars on returning to the workplace for employees coming back to work from childcare leave and their bosses. Besides discussions on how employees could continue to advance in their jobs while balancing a family life, managers get together to talk about how to foster and manage returning employees.

In April 2014, we introduced flexible working conditions to help workers making an early return to work from childcare leave. We also improved the childcare support cafeteria plan by offering more options for employees and by increasing the amount of childcare service fees that the company subsidizes.

<sup>\*1</sup> Childcare support cafeteria plan: A system under which Daikin provides subsidies for childcare service fees incurred by employees with children whose spouse is also working. Fees may be daycare fees incurred when the employee is working overtime or on a business trip, or hospital bills when the child is sick.

<sup>\*2</sup> Under this service, Daikin meets individual employee needs by providing information such as what are the most appropriate nursery schools, and by consulting on when the child will begin nursery school and what working hours would suit the employee.

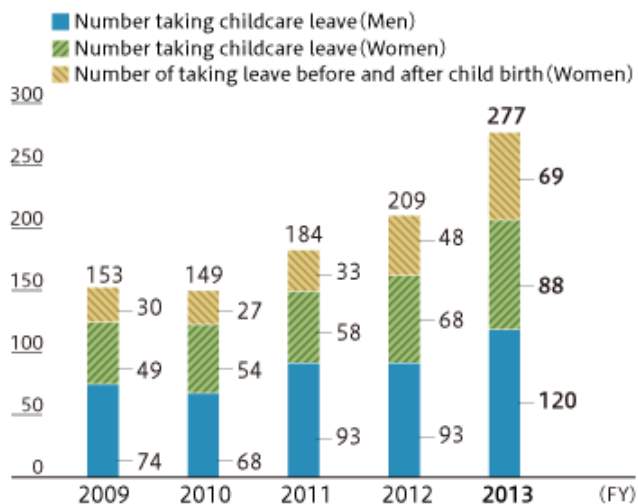
➤ [See Key Activities of Fiscal 2013: Diversity Management](#) (Page 67)

### 120 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 efforts to stay ahead of legal requirements through revisions to its second action plan based on the Law for Measures to Support the Development of the Next Generation. (Revisions: Eliminate restrictions on childcare leave for men with at-home spouses; and allow employees to take childcare leave twice as compared to only once previously).

As a result of our efforts to promote awareness and use of the childcare leave system among our employees, 120 men took childcare leave in fiscal 2013.

## ■ 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 (Ministry of Health, Labour, and Welfare).



Symbol Showing Certification as a Company Supporting Employees' Childcare Efforts

## ■ 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. Introduction of childcare cafeteria 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). Revision of childcare cafeteria plan.
2013	Introduction of nursery school assistance service.
2014	Creation of fourth action plan (April 2014 –March 2019). Revisions to childcare cafeteria plan. Introduced flexible working conditions and subsidies for childcare service fees to help workers making early return to work from childcare leave.

## ■ Support for Family Care

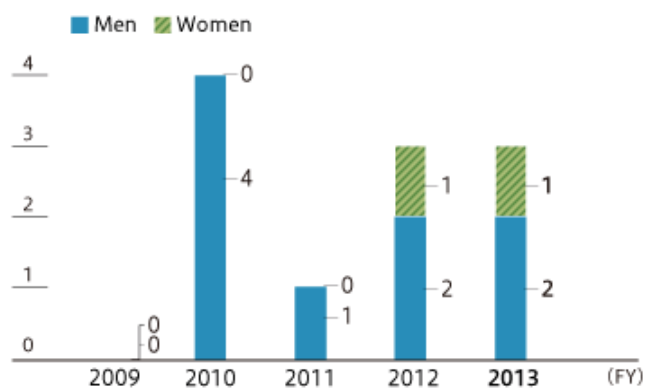
### Family Care Leave and Shortened Working Hours

Daikin Industries is doing all it can so that employees can take leave to care for their family when necessary, with minimal stress, and therefore create an environment in which employees can continue working for Daikin under these circumstances.

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 2013, there were 20 such meetings held at the head office. Participants discussed topics including what each division is doing to achieve the goals of the Fusion 15 strategic management plan, how to create synergy with the Goodman Global Group, Inc., which Daikin acquired in fiscal 2012, and how to maximize the talents of female employees. Meetings were held at branches as needed.

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 that besides ensuring a safe workplace, we will gain the trust of the community through a policy of safety first in which we are constantly aware of and taking action on the safe operation of our factories. 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.

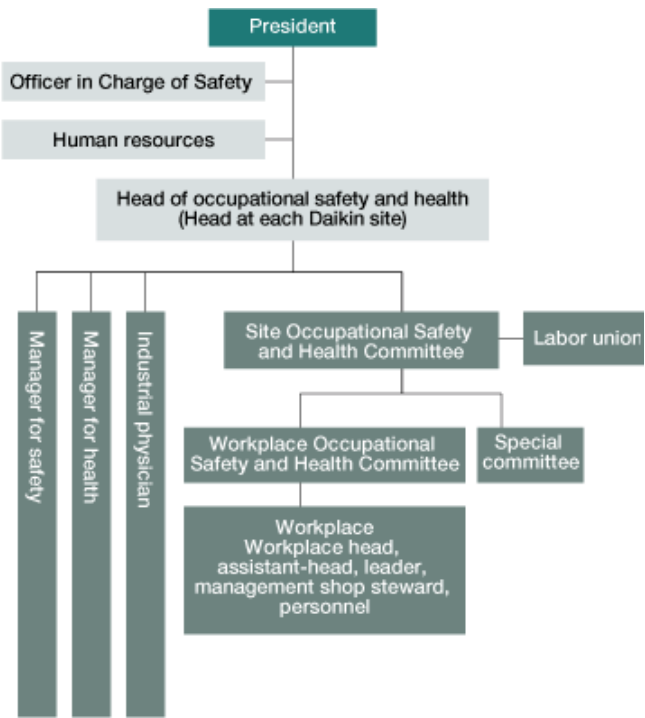
■ Occupational Safety and Health Management Structure

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

The chart below shows the Daikin Group's system for occupational safety and health and security. An Occupational Safety and Health Committee at each Daikin site leads efforts through the creation of voluntary annual 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



## ■ Occupational Safety and Health Management System

The Daikin Group has production bases around the world and we ensure safe plant operation and worker safety through the creation of occupational safety and health management systems (OHSAS) at each base. Some bases are also certified for the international standards such as OHSAS 18001. Under this system, we use risk assessment to reduce the risk of health and safety problems, and we ensure that we are continuously in compliance with laws and regulations.

### ■ Daikin Bases Certified for OHSAS (Japan)

Date	Certification	Base certified
Sept. 2006	JISHA OSHMS	Kashima Plant, Daikin Industries
Aug. 2012	OHSAS 18001	Sakai Plant, Daikin Industries
Dec. 2012	OHSAS 18001	Shiga Plant, Daikin Industries

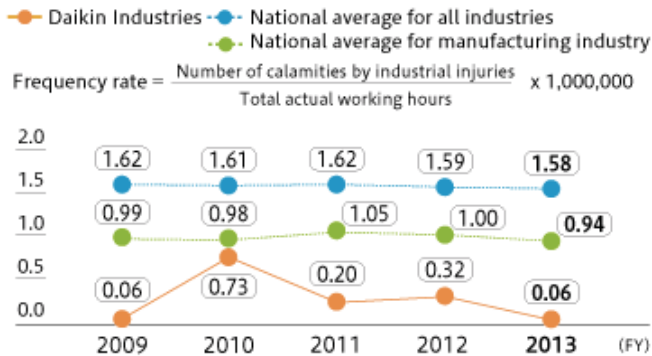
### ■ Daikin Bases Certified for OHSAS (Overseas)

Date	Certification	Subsidiary certified
Dec. 2002	OHSAS 18001	Daikin Industries (Thailand) Ltd.
2007	OHSAS 18001	Daikin Device (Suzhou) Co., Ltd.
Aug. 2009	OHSAS 18001	Daikin Motor (Suzhou) Co., Ltd.
Oct. 2009	OHSAS 18001	Daikin Industries Czech Republic s.r.o.
Mar. 2010	OHSAS 18001	Daikin Device Czech Republic s.r.o
Jun. 2010	OHSAS 18001	Daikin Turkey A.S.
Jun. 2010	OHSAS 18001	Daikin Refrigeration (Suzhou) Co., Ltd.
2010	OHSAS 18001	McQuay Air Conditioning & Refrigeration (Suzhou) Co., Ltd.
2010	OHSAS 18001	Daikin Air-conditioning (Shanghai) Co., Ltd.
Jan. 2011	OHSAS 18001	Daikin Europe N.V.
Jan. 2011	OHSAS 18001	OYL Manufacturing Company Sdn. Bhd.
Feb. 2012	OHSAS 18001	Daikin Applied Europe S.p.A.
Feb. 2012	OHSAS 18001	Daikin Compressor Industries Czech Republic s.r.o.
Mar. 2012	AS/NZS 4801:2001 certification	Daikin Australia Pty., Ltd.
Jun. 2013	OHSAS 18001	Daikin Air-conditioning (Suzhou) Co., Ltd.
Dec. 2013	OHSAS 18001	Daikin Hydraulics (Suzhou) Co., Ltd.

## ■ Occurrence of Labor Accidents

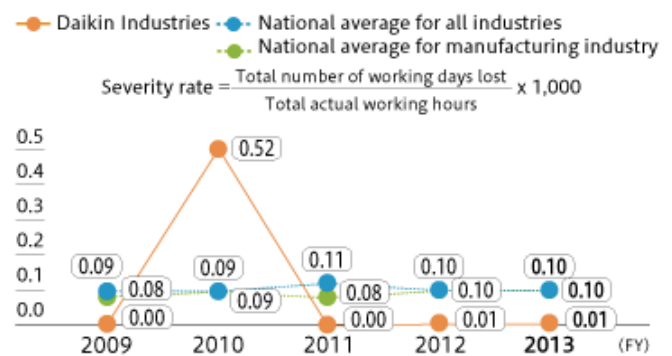
The Daikin Group aims for a “zero accident” workplace through a range of safety and health efforts. Both the ratio of occupational accidents and the severity rate at Daikin Industries continue to be far below the average for the manufacturing industry in Japan.

### ■ Frequency Rate\*1 (Daikin Industries only)



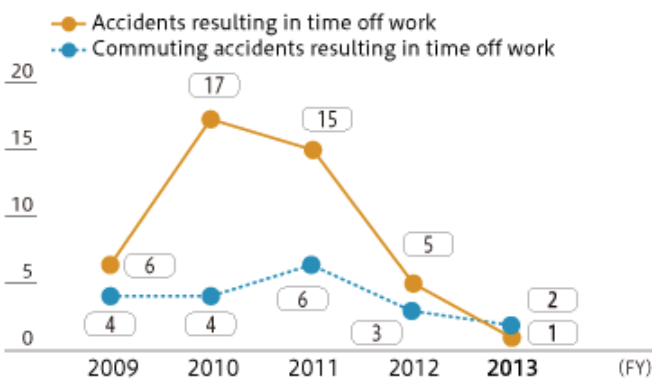
\*1: This shows the frequency of work-related calamities, expressed in number of casualties for every 1,000,000 working hours.

### ■ 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)



## ■ Employee Education and Training

### 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 that simulates situations where certain actions or situations could invite danger. Using specially made devices and machines, employees take part in hands-on training in which they experience what it is like to caught in or trapped by machinery in the equipment manufacturing industry, where such accidents are common; and where they see firsthand the danger of fire and pressure caused by chemical reactions common in the chemicals manufacturing industry. Combined with theoretical learning in the classroom, the hands-on training makes for an effective program.



Safety training center (Thailand)

We also aim for zero workplace accidents at overseas bases through efforts such as safety education and safety patrols. For example, Daikin Industries Czech Republic s.r.o. holds a Green Cross competition to completely eliminate workplace injuries, and Daikin Compressor Industries Ltd. in Thailand has established a training center on its plant site at which to conduct safety training.

➤ [Ensuring Plant Safety for Business Partners \(Responsibility to Business Partners\)](#) (Page 225)

## T OPICS

### **BizSAFE Partner Certification in Recognition of Subcontractor's High Safety Level**

Daikin Airconditioning (Singapore) Pte. Ltd. has maintained its Level Star rating, the highest possible, in the Singapore government's BizSAFE program for promoting health and safety in the workplace. In fiscal 2013, it was certified under the BizSAFE Partner program for the efforts of its subcontractors. This certification is for companies whose subcontractors have achieved at least BizSAFE level 3 and who have established a safety and health committee in their own workplace.



BizSAFE Partner logo

Some of the subcontractors of Daikin Airconditioning (Singapore) Pte. Ltd. had not met these conditions, but thanks to safety drills, preparations for BizSAFE inspections, and financial assistance, as of May 2014 almost all subcontractors had met the BizSAFE conditions.

## ■ 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. These have been taken by 97% of employees. In fiscal 2013, 61% of employees had problems that needed attending to, and we will strive to lower this rate.

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 depending on the needs of each base.

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

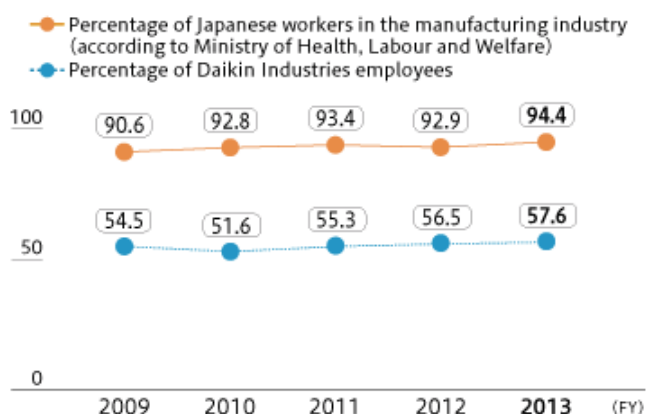
Daikin Industries strives to eliminate long working hours by obligating employees to leave the office at closing time once a week and prohibiting employees from coming to work on their days off (unless absolutely necessary and approved by the department head).

In this way, we are making a concerted effort to improve both work rule compliance and work efficiency. Yearly plans are made for each employee's duties and working hours, and to ensure that work and personnel management are in line with the plans, checklists are filled out to manage daily work.

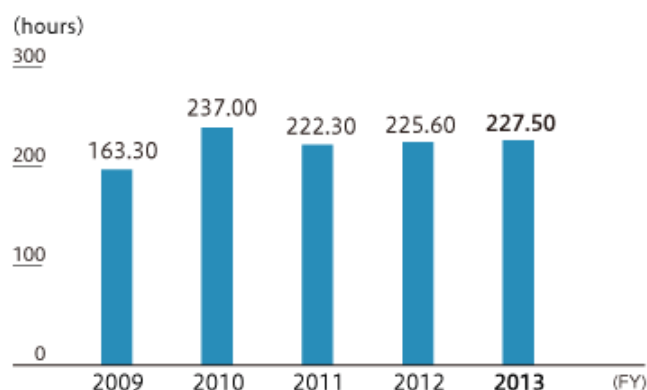
Furthermore, by implementing a planned 5-day paid work leave system and establishing 3 days of general paid leave, we aim to promote respect for work-life balance and a more vibrant work environment.

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 Our Group Philosophy and "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)\*<sup>1</sup> in which each person is given the job most suitable to using unique talent and fostering individual growth.

We also supplement this with off-the-job training (Off JT)\*<sup>2</sup>, such as the Daikin Leadership Development Program for training executives who can work at the front line of global business operations, and overseas base practical training for fostering young, globally minded employees. We also provide opportunities for independent learning through language training and correspondence courses.

In fiscal 2013, we introduced new management training to boost the managers' talents (for 450 people over two years), and in fiscal 2013 the focus was on general managers' training.

\*<sup>1</sup> OJT: Employees learn and acquire the skills, knowledge, and degree of commitment required of their positions while performing their jobs.

\*<sup>2</sup> Off-JT: Employees study outside of their workplaces in order to acquire the knowledge and skills needed for their jobs.

## ■ Education Systems

### Raising up Personnel through Work Experience to Take the World Stage

With the 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.

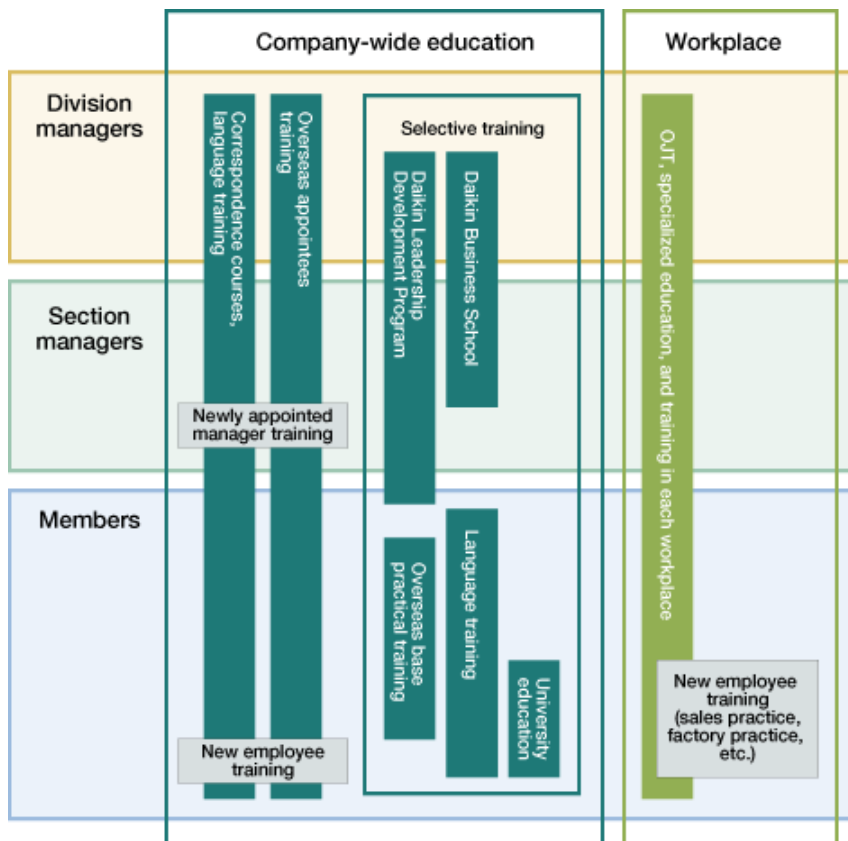
To this end, in May 2008, we established the Daikin Ales Aoya Global Training Center in Tottori Prefecture, Japan. With the goal of fostering the leaders of our worldwide bases, this center hosted skill trainers workshops for Daikin Group employees, group training for new employees, the Daikin Leadership Development Program, which fosters the next generation of Daikin executives, and overseas base practical training for fostering young, globally minded employees. In fiscal 2013, about 12,000 employees made use of the training center.



Daikin Ales Aoya Global Training Center

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.

## Education System



## New Employee Training

The goal of new employee training is to foster business people capable of frankly expressing their own opinions and communicating with people with differing opinions. Trainees learn what it takes to be a company employee, and about the past, present, and future direction of the Daikin Group. There are also five days of English-language training as part of efforts to help new employees become global citizens and understand other cultures.

New employees also spend five nights and six days at the Daikin Ales Aoya global training center in Tottori Prefecture, Japan. There, hands-on, participatory training has new employees holding discussions and practicing concepts focusing on Daikin's People-Centered Management and how to become an ideal employee.

## 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 2013, 40 young employees took part in this training. Since the program started in fiscal 1999, a total of 155 employees have participated. Starting this year, Daikin will send about 40 employees a year to newly emerging and other countries.

## 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 2013, there were eight 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 and our "People-Centered Management," the program turns out executives who can lead and manage their company for the common good of the entire Daikin Group.

In fiscal 2013, we opened the Daikin Leadership Development Program up to other employees besides managers to step up the training of next-generation leaders. We are also looking at a new and improved curriculum for the Daikin Business School.

In fiscal 2013, there were 155 people studying in the Daikin Leadership Program and 57 at the Daikin Business School.

### **T**OPICS

#### **Training in U.S. for Teaching Daikin's Group Philosophy**

In fiscal 2013, Daikin America Inc. held training, which it dubbed "Daikin Boot Camp," related to Daikin's Group Philosophy. At these overnight sessions, participants looked at case studies, performed role plays, and held discussions, all with the aim of making the Group Philosophy and People-Centered Management a core of their management work at Daikin. There were 96 participants in all.



Daikin Boot Camp at Daikin America Inc.

#### **■ Passing on Skills**

#### **Focus on Trainers Conveying Techniques to Overseas Bases**

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 manufacturing divisions, workers with advanced skills are designated as "Meisters" after demonstrating their mastery in the areas of brazing, lathing, sheet metal working, arc welding, die making, and tooling. The Chemicals Division has since fiscal 2006 had a system to designate Experts, who pass their advanced skills on to others. These Meisters and Experts teach their skills at Daikin bases worldwide, thus fostering future engineers and technical leaders.

In April 2010, we established a new trainer system to foster future Meisters and Experts and thus make up for a shortage of their numbers. These Meisters, Experts, and Trainers go on to become instructors who teach selected employees in periodic skills training held at production bases around the world.

As of the end of fiscal 2013, there were 32 Meisters and Experts, and 50 Trainers (20 in Japan, 30 at overseas bases). Daikin plans to have 34 Meisters and Experts and 132 Trainers by fiscal 2015. This will raise the skills level at overseas bases and allow Daikin to respond to base expansion resulting from the construction of new plants and the acquisition of other companies.



A course for overseas skills trainers

## TOPICS

### Skills Competitions and Skills Training Boost Level of Production Workers

In fiscal 2003, Daikin began a techniques competition to boost the skills level at its production bases in Japan. The next year, overseas bases were included in a new biannual event called the Global Skills Competition.

In years when there are no skills competition held, we have skills training sessions for selected employees from worldwide bases led by Daikin Meisters, Experts, and Trainers. In fiscal 2013, 18 employees from Japanese and overseas bases took part. We also hold skills competitions in regions such as Asia and Oceania at which participants engage in Skills Workshop in order to boost their knowledge and learn where they need to improve.



Skills Workshop for the Asia and Oceania regions

## ■ Fostering Young Engineers and Technicians

### Experienced Workers Pass On Techniques and Skills

Since 1994, the Shiga Plant of Daikin Industries has worked to boost the level of its manufacturing by having a Kaizen Team of experienced workers lead training for young employees in the production division.

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.

The system began with training for mid-level employees but now focuses on passing on skills and techniques to young employees. Apart from the passing on of techniques and skills, this training is aimed at giving the young employees a rare opportunity to interact with veterans and thus raise their awareness about the value of carrying on Daikin's tradition of skill. This training has been particularly helpful in raising productivity in the Air Conditioner Manufacturing Division as participants can use what they have learned immediately on the job.

As of fiscal 2013, a total of 106 employees have taken this training.

## ■ Spurring the Creation of Intellectual Property

### Two Systems Stimulate Creation of Intellectual Property

Daikin Industries has two systems for stimulating employees' motivation to invent and for spurring the creation of intellectual property.

The first is the Compensation System for Employee Inventions, a system in which Daikin pays employees for inventions created on the job that result in patent applications as well as successful uses of the patent. In fiscal 2013, Daikin compensated employees for 1,293 patent applications and 529 successful uses of the patent.

The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. In fiscal 2013, we awarded incentive bonuses to the creators of 83 patents.



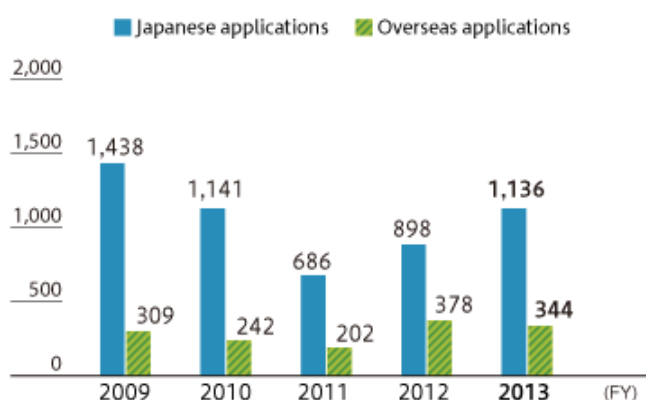
Awarding incentive bonuses to inventor group representatives

While these systems are aimed at stepping up Daikin's intellectual creativity, they also represent an effort to promptly tackle pressing issues, such as increasing the quality and quantity of patents in competitive fields, and increasing the number of patents in our key technological fields, in particular in emerging countries.

In fiscal 2013 in the air conditioning divisions, our policy was to set key patent themes in which we didn't just pursue patents related to our own technological strengths; rather, we sought to protect our business by also applying for patents that would prevent other companies from coming out with products similar to our own. Accordingly, we built up a network of patents, which included air conditioners using the R-32 refrigerant, which is energy efficient and has a low global warming potential. As well, in the Chemicals Division, we aimed to expand our sphere of business through application development, pursuing a patent-application strategy from the three perspectives of patents, technology, and business.

We will also continue to conduct thorough advance patent surveys so that we can deal with problem patents early on and thus ensure that we eliminate patents that could hinder our development.

### ■ Number of Patent Applications (Daikin Industries only)







**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 >](#) (Page 220)

- > Philosophy on Fair Dealings
  - Purchasing Philosophy and Purchasing Policy
  - Basic Concept of Green Procurement
  - Basic Policy Regarding Conflict Minerals
- > 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 >](#) (Page 223)

- > Ensuring Legal Compliance in the Entire Supply Chain
- > Helping Suppliers Build Quality Management Systems
- > Raising Product Quality and Ensuring Safety Together with Suppliers
  - Helping Suppliers Improve Quality
  - ZD Activities with Suppliers
- > Business Partners Contribute to Plant Safety
- > Building a Relationship of Growth

## ■ Green Procurement Guidelines

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

Daikin's Green Procurement Guidelines went into effect in fiscal 2000 to help our suppliers procure green parts and materials. These guidelines are consulted during the procurement stage in Japan, China and Southeast Asia, and the EU.

[Read more >](#) (Page 227)



## ■ Philosophy on Fair Dealings

### Dealings Based on Our Purchasing Policy

The Daikin Group formulated a Purchasing Policy in 1992 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.

### Dealing with the Key CSR Issues of Chemicals Management and Conflict Minerals Throughout the Supply Chain

Throughout the supply chain, we tackle CSR issues like the environment, human rights, and labor. We place particular emphasis on conducting green procurement in order to contribute to reduced CO<sub>2</sub> emissions and forbidding the use of conflict minerals.

#### Green Procurement Ensures Thorough Chemicals Management

Under the Daikin Group's Green Procurement Guidelines, we restrict the use of certain chemicals in the products we purchase, and we make sure that our suppliers around the world also follow these guidelines. By having our suppliers fill out the green procurement checklist, we can assess and manage how well they are doing in protecting the environment.

➤ [Green Procurement \(see Low-Impact Production\)](#) (Page 127)

➤ [Green Procurement Guidelines](#) (Page 227)

## ■ Basic Concept of Green Procurement

- Daikin give priority to suppliers who actively undertake initiatives implementing our requests.
- In particular, adherence to Daikin requests related to chemical substances is essential.
- For the purpose of reduction of green house gases in collaboration with our suppliers,
- we request them to provide their CO<sub>2</sub> equivalent emission amount.
- Through resource conservation by the waste volume reduction and prevention of global warming activity, we promote the Green procurement activity which leads to the biological diversity protection.

## Dealings Based on Our Basic Policy Regarding Conflict Minerals

The Daikin Group is concerned that some of the conflict minerals have been funding armed conflicts and is linked in the process to serious human rights violations. We established our Basic Policy Regarding Conflict Minerals in July 2013.

## ■ Basic Policy Regarding Conflict Minerals

To ensure that the Daikin Group does not inadvertently provide assistance to inhuman acts of armed groups in the Democratic Republic of the Congo and surrounding countries, we are taking active measures to uphold appropriate mineral procurement by raising transparency of the supply chain in cooperation with our global business partners.

## ■ 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 divisions, 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 Division as well, we do business with any supplier meeting our criteria for specifications, 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 divisions, 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. In fiscal 2013, such assessments resulted in Daikin bringing on one new supplier. Suppliers continue to be assessed every year based on our Assessment System for Continuation of Business. Companies that do not meet our assessment standards are required to make improvement plans that Daikin follows up on.

In the Chemicals Division, we assess new and existing suppliers based on ISO 9001 from the perspective of five criteria: management control, safety control, quality control, environmental control, and supply capability. In fiscal 2013, such assessments resulted in Daikin bringing on nine new suppliers. We strive to fairly assess suppliers from multiple perspectives, having numerous Daikin representatives negotiate with them and making regular visits to their companies.

## **Awards System for Suppliers**

The Daikin Group recognizes the ongoing contribution suppliers make through annual awards: the CEO Award, the COO Award, and the Special Award.

Every fiscal year in each division, the supplier demonstrating the most outstanding contribution to development, production, quality, price, delivery, environment, and globalization receives the Special Award. From among the Special Award winners, all Daikin divisions get together to choose exemplary contribution and present the COO (chief operating officer) Award and the CEO (chief executive officer) Award. As well, every 10 years, suppliers who achieve a certain average level of sales volume over five years and are poised to continue this level are rewarded for their years of service with the Long-Term Suppliers Award.



## ■ Ensuring Legal Compliance in the Entire Supply Chain

### Doing Everything Possible to Help Suppliers Achieve Compliance

The Daikin Group strives to achieve legal compliance throughout the supply chain by doing everything possible to help suppliers abide by laws.

In the air conditioning divisions, we raise supplier awareness through written requests for legal compliance and meetings four 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 information on compliance with environment-related laws on a special website for suppliers.

In the chemicals division, we carry out unscheduled audits. We also have 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 several thousand 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

### Supporting Suppliers in Creating Complete Management Systems

The Daikin Group requires that its suppliers follow the Green Procurement Guidelines and that they establish and operate their own environmental management systems.

Amidst increasingly strict chemical control laws, we require suppliers to have an environment- and quality-based supply chain under which they properly execute environmental management systems they have established themselves. Using a green procurement survey, Daikin Industries determines the effectiveness of suppliers' environmental management systems and help's suppliers improve these systems when necessary.

In fiscal 2013, as a new part of our CSR procurement efforts, we surveyed suppliers on their use of conflict minerals (the four minerals of gold, tantalum, tin, and tungsten, which are mined in the Democratic Republic of the Congo and surrounding countries and are used by rebel groups to purchase weapons). We held a briefing on the conflict minerals issue, where we explained to suppliers how to determine whether any of the minerals they use are conflict minerals.

➤ [See Green Procurement \(Low-Impact Production\)](#) (Page 127)

➤ [See Green Procurement Guidelines](#) (Page 227)

## ■ 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 divisions, 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. If a supplier delivers defective parts, we assess and analyze the quality of the parts we purchase and, in serious cases, request that suppliers report on improvement efforts at quality improvement announcement meetings and quality improvement proposal meetings. Other measures we take include going to visit suppliers' factories to offer assistance.

In our Chemicals Division, 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.

Besides conducting periodic quality surveys at the production sites of suppliers to our worldwide bases, we hold meetings where we engage in dialogue with suppliers on ways to improve their quality.

We will continue to strengthen communication with suppliers to ensure our products are of the highest quality.



Supplier Quality Conference



Annual Quality Forum



A supplier activities announcement meeting in Thailand



## ■ 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 times/year, 135 companies took part in fiscal 2013)
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 2013, six quality improvement announcement meetings were held for a total of 109 companies and 193 quality improvement proposal meetings were held for 34 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

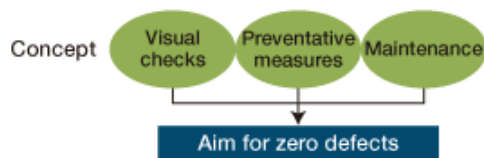
Quality Forum	Introduction of Daikin Industries' quality policy, defect rate and quality cost of purchased goods, quality differences among companies, and activities aimed at improving quality. (Once a year, 66 companies took part in fiscal 2013.)
Technical exchange meeting	Daikin Industries and engineers at suppliers work together to solve quality issues. (Three companies took part in a total of 12 meetings in fiscal 2013.)
Quality audits	Suppliers who provided defective products underwent audits based on ISO 9001. (Conducted at 20 companies in fiscal 2013.)

## 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).

As of the end of fiscal 2013, 20 suppliers in Japan and three outside Japan take part. Semiannual announcement meetings and visits to suppliers allow for the exchange of information on best practices.

### ■ 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. Safety patrols of the plants are conducted to help keep these people safe. We hold bi-monthly plant safety liaison meetings and weekly meetings for managers of human resource dispatch companies, all part of our efforts to provide awareness and information on safety in the plants.

With so many vehicles entering and exiting plants, safe driving is crucial. That's why we hold regular driving safety seminars for delivery vehicle drivers to teach them traffic rules and promote safe driving.

In the Chemicals Division, where the majority of the plants are staffed by partner companies, major safety inspection and maintenance work is conducted once a year. We have numerous measures to ensure the safety of all workers; for example, we hold practice sessions and other advance preparation, and we provide workers with information on chemical substance toxicity with SDS (safety data sheets). In fiscal 2013, we held a safety workshop for employees of business partners. In fiscal 2014, we will step up safety guidance for business partner employees carrying out installation and construction work.

In fiscal 2013, the Chemicals Division held four safety workshops with participation by approximately 400 drivers and truck delivery managers. .

➤ [See Occupational Safety and Health \(Responsibility to Employees\)](#) (Page 208)

## ■ 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, the head and officers of the Global Procurement Division, and executives regularly visit suppliers, where they lead briefings, goodwill gatherings, and awards ceremonies as part of communication enhancement efforts. In fiscal 2013, we held four supplier briefings, sharing production information with suppliers and providing those considering starting overseas operations with advice.

In April 2014, we re-started our air conditioner purchasing cooperation association. The aim of this association is to provide the impetus for innovation leading to new and better manufacturing; for example, counter the weakening of Japan's manufacturing amidst intensifying globalization by helping make Japanese suppliers more internationally competitive and by boosting our ability to quickly respond to sudden changes such as exchange rates and market conditions. Through this association we are promoting information sharing among suppliers, as well as debate among those in different sectors, so that we can build among them a relationship of mutual benefit and growth.

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.

### Overview of the Green Procurement Guidelines (PDF file)

- [Guidelines PDF Data \(926KB !\[\]\(e492b5d52ab457a7a3c2826c4091dfee\_img.jpg\)](http://www.daikin.com/csr/social/supplier/guidelines.pdf)) (Feb. 2014 revised)  
(<http://www.daikin.com/csr/social/supplier/guidelines.pdf>)
- [Green Procurement Inspection List PDF Data \(929KB !\[\]\(1d9440fab1f214291ce1c26a75f9c2cd\_img.jpg\)](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.

We also strive to respect shareholders' rights by making it as easy as possible for them to exercise their voting rights.

[Read more >](#) (Page 229)

- > 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 >](#) (Page 231)

- > 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.

In fiscal 2013, we felt that an improving economy made the timing right for action, and so we accelerated the growth strategies of our Fusion 15 strategic management plan. Besides expanding sales of air conditioners with superior added value in the form of energy efficiency and environmental performance in Japan, China, and the rest of Asia, and other world markets, we strove to reduce costs through efforts including local parts procurement and reduction of fixed costs. As a result, net sales were 1.783 trillion yen, up 38.1%, and operating income was 155.1 billion yen, up 75.0%.

In fiscal 2014, we will further boost our growth strategy by achieving faster and more flexible response to changing environments; for example, we will strengthen the foundation of our sales and marketing by expanding sales networks and tapping new markets, build up our solutions business, and expand environmentally innovative business including heating and the development of next-generation refrigerants.

#### ■ Fiscal Year End Stock Prices



#### ■ Operating Income Margin



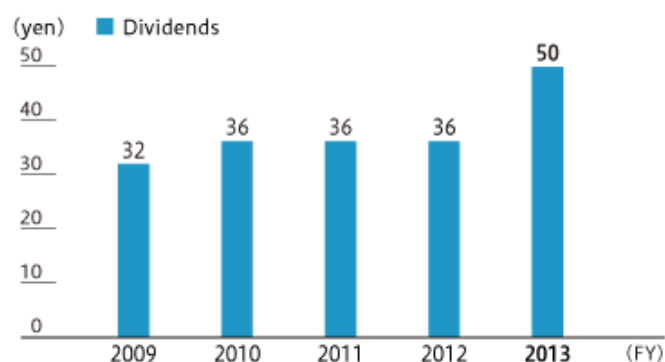
## ■ Distribution of Profit

### 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 2013 was 50 yen.

With regard to fiscal 2013 internal reserves, we will allot them to strategic investments aimed at strengthening the management structure, accelerating the development of global business, promoting the development of environmentally conscious products, achieving business expansion, and improving competitiveness.

## ■ Dividends



## ■ 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.

We strive to get as many shareholders as possible to exercise their voting rights by allowing voting over the Internet: those who cannot attend meetings in person can still exercise their voting rights by personal computer or mobile phone. We have also adopted a platform for exercising voting rights, which makes it even easier for institutional investors to vote.

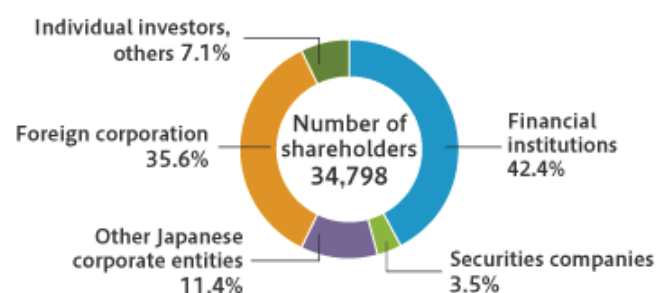
As a result of these efforts, the percentage of voting rights exercised reached 82.07% in fiscal 2013. The number of votes cast over the Internet also increased to 1,337,000 in fiscal 2013 (874 shareholders).

Starting in fiscal 2013, results of the exercise of voting rights has been shown on the English version of our website.

## ■ Voting Rights Exercised

	Voting rights exercised	Votes cast over the Internet	Shareholders voting online
Fiscal 2009	81.50	897,490	779
Fiscal 2010	79.49	1,012,927	998
Fiscal 2011	78.18	1,056,103	1,115
Fiscal 2012	81.55	1,244,629	900
Fiscal 2013	82.07	1,337,000	868

## ■ Breakdown of Shareholders (March 31, 2014)







## ■ Philosophy

Daikin Industries places the utmost importance on its responsibility of providing stakeholders with timely, proper information disclosure. In particular, we believe it is our duty to raise management transparency by disclosing information to shareholders and investors in every possible way. To this end, we have a Disclosure Policy that stipulates standards and methods for information disclosure.

In accordance with our Disclosure Policy and the Tokyo Stock Exchange's standards for timely information disclosure, we use our website, news organizations, and the TD-NET online system provided by the Tokyo Stock Exchange to disclose information on recalls, the occurrence of loss on valuation of securities, and decisions such as the establishment of sales companies. As well, for product, technical, and other information that we decide must be made public, we do so after consultation between the relevant company divisions.

## ■ Disclosing Information in a Fair and Timely Manner

### Maximizing Information Disclosure through Briefings and Our Website

Daikin Industries conducts a range of IR activities aimed at improving understanding in areas like our company's current state and management philosophy for shareholders and investors.

For analysts and institutional investors, we hold interim and end-of-year financial performance briefings, and conference calls every first and third financial quarter. As well, we visit and hold talks with institutional investors in Japan and other countries. We speak with investors on nearly 350 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 through which we strive to be a locally rooted company dedicated to protecting the environment, supporting education, and promoting arts and culture.**

## ■ Promoting Art and Culture

### Daikin Supports National Museum of Art

Established to promote art and culture, the Daikin Foundation for Contemporary Arts 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.

➤ [List of Support for Promotion of Arts and Culture](#)  
(Page 264)

[Read more](#) ➤ (Page 234)

- Policy on Contributing to Furthering Art and Culture
- Efforts in Japan
  - The Daikin Foundation for Contemporary Arts 🏛️
  - Daikin Supports the Kansai Philharmonic Orchestra 🎻
- Efforts Overseas

## ■ Promoting Sports

### Daikin Employees Run Golf Tournament and Foster Future Golfers

With the aim of deepening relations between Okinawa and mainland Japan, every spring Daikin Industries sponsors the Daikin Orchid Ladies Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour. We also sponsor leagues and teams overseas as part of efforts to promote sports.

➤ [List of Support for Promotion of Sports](#) (Page 265)

[Read more](#) ➤ (Page 236)

- Efforts in Japan
- Efforts Overseas

## ■ 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.

➤ [List of Support for Education](#) (Page 265)

[Read more](#) ➤ (Page 238)

- Policy on Contributing to Education
- Efforts in Japan
- 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.

- [See Key Activities of Fiscal 2013: Reforestation in Indonesia](#) (Page 71)
- [List of Support for Environmental Protection](#) (Page 267)

[Read more](#) ➤ (Page 242)

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

## ■ A Good Corporate Citizen—Activities in Each Community

### Employees Will Continue to Be Front and Center by Listening to the Needs of the Community

We want to be a good corporate citizen by being keen to the problems of the communities we operate in and conducting activities that lead to solutions.

Employees at regional Daikin bases have planned ways to interact with local communities. Employees will continue to be front and center by listening to the needs of the community: this will make Daikin a known and trusted member of local society.

- [List of Activities for Local Citizens](#) (Page 268)
- [List of Support for Disaster Victims](#) (Page 272)

[Read more](#) ➤ (Page 244)

- [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](#) 🏢
  - [Contributing to Local Safety](#) 🏢
- [Interactions with Local Communities \(Japan\)](#)
- [Interactions with Local Communities \(Overseas\)](#)
- [Charitable Activities](#)
  - [Donations in FY2013 \(Daikin Industries only\)](#) 🏢
  - [Daikin Aids Victims of Natural Disaster](#) 🏢

## ■ List of Daikin's Social Contribution Activities

Here is a list of social contribution activities carried out by Daikin Group companies around the world.

[Read more](#) ➤ (Page 264)

- [List of Support for Promoting Art and Culture](#)
- [List of Support for Promoting Sports](#)
- [List of Support for Education](#)
- [List of Support for Environmental Protection](#)
- [List of Activities for Local Citizens](#)
- [List of Support for Disaster Victims](#)



## ■ Policy on Contributing to Furthering Art and Culture

Established to promote art and culture, the Daikin Foundation for Contemporary Arts 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.

## ■ Efforts in Japan

### The Daikin Foundation for Contemporary Arts

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 Foundation for Contemporary Arts 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.

In April 2013, the foundation became a public interest incorporated foundation, after which we stepped up efforts 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 Chairman of board Noriyuki Inoue has been a director on the orchestra's committee.



Kansai Philharmonic Orchestra

### ■ Efforts Overseas

Daikin Industries Czech Republic s.r.o. supports Pilsen Philharmonic Orchestra.

Daikin (China) Investment Co., Ltd. has held an annual concert since 2007 with the aim of promoting arts and culture.

➤ [List of Support for Promotion of Arts and Culture](#) (Page 264)



Concert in China





## ■ Efforts in Japan

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.



Onnarin Sattayabanphot was the winner of the tournament's 27th 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 2013, 500 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 2014, Orchid Bounty donated ¥7.2 million to a total of 13 organizations and individuals, bringing the total contributions since 1995 to ¥118.2 million.



The Orchid Bounty donation ceremony

## Local Junior High School Students Invited to Watch Tournament

Every year, many of the 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. In fiscal 2013, about 150 first-year students were invited.

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.

### ■ Efforts Overseas

Volleyball is a popular sport in Turkey, and many of the world's top Asian and European players take part in leagues there. Daikin Turkey A.S. has sponsored a volleyball team, Galatasaray Daikin, since October 2012. The company also promotes sports through other sponsorships such as a billiard league and a soccer league.



Japanese volleyball player Saori Kimura is a member of Galatasaray Daikin

➤ [List of Support for Promotion of Sports](#) (Page 265)



## ■ 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

### Daikin Leads Science Classes at Elementary Schools

In support of the Sakai Municipal Board of Education's initiative to foster creative children who love science, Daikin employees take on the role of teachers in science experiments in schools. The children conduct actual experiments in which, for example, they see how an air conditioner conveys heat and cools the air, and how an air purifier uses electricity to collect dust. In fiscal 2013, approximately 990 students at 11 elementary schools took part.

### Participation in Local Education Programs

Following a request from the Kamisu Municipal Board of Education, the Daikin Industries Kashima plant has been conducting educational presentations at local elementary schools since 2010 to get children interested in science. Members of the company's Security Control Department, Chemicals Division, Kashima Production Division, and Engineering Division take the role of instructors and give upper-class students hands-on lessons. Daikin brought enough teaching materials and equipment for all students to observe and take part in experiments and thus ensure that each and every student experienced firsthand the joy of science. The program is improved each year by having students write their feelings and opinions following the classes.

In fiscal 2013, presentations were held at two elementary schools with a total of 116 students taking part.

Employees of the Yodogawa Plant go to Settsu City Second Junior High School to help students with an assignment to interview professionals. In fiscal 2013, employees joined two class sessions for a discussion with 34 students on what working life is like.

➤ [Environmental Education and Awareness Activities](#) (Page 158)

### Hands-On Events Foster Interest in Technology

Since 2011, Daikin's Solution Plaza fuha:TOKYO has been holding an event called "Become an Air Professor!" in order to get children interested in the air around them.



Daikin employees conduct a science experiment for students using an air conditioner



Daikin employees (from the Kashima Plant) lead an elementary school class

In fiscal 2014, from Saturday to Monday from mid-July to August, there were hands-on heat pump education events where participants actually took apart air conditioners, and workshops that taught the connection between humidity and heat. Taking part in these events were 491 children (out of a total of 791 visitors).

During the June Environment Month, Daikin cooperated with the NPO Weather Caster Network on an initiative titled "Know Fluorocarbons and Save the Earth" under which environmental education events were held for elementary school students.

Daikin also gave combination lecture-experiment presentations focusing on the company's efforts to preserve our precious Earth.

In April 2013, Daikin opened fuha:OSAKA in the Knowledge Capital of the Grand Front Osaka business and shopping complex. There, Daikin hosted hands-on educational events on weekends during August, with 160 children taking part. Besides events for children, Daikin made the most of all that Knowledge Capital has to offer by teaming up with two other companies, Sekisui House, Ltd. and Lion Corporation. The joint seminar, titled "Helpful Hints for Clean Living," introduced ways to live green while keeping your home clean, healthy, and beautiful.



Children learn how a heat pump works at fuha:TOKYO



Hands-on learning at fuha:OSAKA



At a seminar held jointly with two other companies

## Daikin Develops the "Circle of Life" Free Environmental Education Program on Biodiversity for Elementary School Children

Daikin Industries, in cooperation with NGO Conservation International (CI), our partner in reforestation activities, has developed an environmental education program called "Circle of Life," to teach elementary school children about biodiversity.

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 2013, 1,645 students from 27 schools took part in the program, and 10 of these welcomed Daikin employees to lead the lessons



Students role-play in a forestry issues discussion



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) (<http://www.daikin.co.jp/csr/edu/index.html>)



## ■ 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.

#### 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.

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.

In 2012, Daikin gave scholarships to outstanding students majoring in the air conditioning program at ITE. Two scholarship winners graduated and in January 2013 became employees of Daikin Air Conditioning (Singapore) Pte.

In June 2014, Daikin signed a memorandum of understanding with MES (Myanmar Engineering Society) under which Daikin will provide state-of-the-art air conditioning education to young engineering university graduates registered at MES. The aim is to advance Myanmar's air conditioning industry and foster outstanding engineers.



Explanatory pamphlet for government-approved courses



Daikin signs an agreement to foster engineers in Myanmar

#### 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.

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.

Since fiscal 2011, Daikin has been holding air conditioning technology workshops where university students can learn state-of-the-art technologies for VRV Multi Air Conditioning systems and other products. In fiscal 2013, a total of 485 students took part in the 22 sessions that were held.



University students taking part in the "Daikin Air Conditioning Cup" Chinese Air Conditioning University Student Contest

## Factory Tours for Children

Daikin Industries Czech Republic s.r.o. held factory tours for elementary and high school students to heighten their interest in technology.



Youngsters tour the Daikin factory in the Czech Republic

➤ [List of Support for Education](#) (Page 265)



## ■ 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.

In 2014, to celebrate Daikin's 90th anniversary, seven bases around the world began a project to protect forests, vital resources that "Forests for the Air" project.

🔗 ["Forests for the Air" Project](http://www.daikin.com/csr/forests/) (<http://www.daikin.com/csr/forests/>)

## ■ Efforts in Japan

### Daikin Supports Environmental Protection in Shiretoko, a UNESCO World Natural 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 Natural Heritage Site. Under the agreement, which runs for five years until March 2016, Daikin 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.

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

## ■ Efforts Overseas

### Indonesia: Promoting Reforestation

Daikin Industries works with the Indonesia Ministry of Forestry and the NGO Conservation International (CI) in a reforestation project in which seedlings are raised and planted in a national park in Indonesia.

➤ [See Key Activities of Fiscal 2013: Reforestation in Indonesia](#) (Page 71)

🔗 [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>)



## Protecting the Environment in Unison with Customers in Portugal

On March 21, International Day of Forests, Daikin Airconditioning Portugal S.A. invited customers and their families to a tree-planting event.

On World Environment Day (June 5), the company held an environmental event with customers at the Sado River, a crucial habitat for dolphins and a designated nature preserve.



Participants planted pine trees suitable for a Mediterranean climate



Participants were given tee-shirts with a design drawn by Daikin employees' children

## U.K.: Tree-Planting to Absorb CO<sub>2</sub> from Business Activities

Since 2010, Daikin Airconditioning U.K., Ltd. has been conducting an initiative under which it plants enough trees to absorb the CO<sub>2</sub> it emits through its business activities. The company plants trees in a protected forest in Scotland.

In fiscal 2014, it plans to plant enough trees to offset double the amount of CO<sub>2</sub> it emits.

## Thailand: Planting Mangrove Trees and Endangered 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 2013, it planted 500 trees.

Daikin Compressor Industries Ltd. (DCI) has been planting trees since fiscal 2007. This includes the planting of mangrove trees, which play a key role in protecting biodiversity in coastal areas. In fiscal 2013, it planted a total of 850 trees on two days: Mothers' Day in August and Fathers' Day in December.



Employees of Daikin Industries (Thailand) Ltd. plant a tree

› [List of Support for Environmental Protection](#) (Page 267)



## ■ 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**

#### ■ Comprehensive Industry-Academia Collaboration with Kyoto University

In June 2013, Daikin Industries and Kyoto University concluded a comprehensive collaboration agreement with the goal of creating and researching new themes focusing on social values towards future-oriented solutions in the fields of air quality, environment, and energy.

The aim of this program goes beyond the sciences as the two parties will actively engage the participation of researchers in the arts as well in order to create innovations that contribute to society and economy.

#### ■ Future Joint Research Laboratories Established with Nara Institute of Science and Technology

In October 2012, Daikin Industries and the Nara Institute of Science and Technology (NAIST) established the Future Joint Research Laboratories. 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. The first two research projects focus on (1) intelligent vegetable growth to produce affordable bio-based medicine, and (2) clean innovations aimed at high-level anti-fouling. In the first project, Daikin combines its research capabilities with the industrialization technologies it has built up, using environmental control technologies to maximize the amount of protein in vegetables in order to improve the health of people worldwide. Besides these, every two months meetings are held to discuss the next projects to embark upon.

#### ■ Collaboration with Kansai University

In November 2012, Daikin signed an agreement with Kansai University to collaborate fully on ways to contribute to communities in education, research, and human resource development. Through this collaboration, we are offering free lectures on fluorine and helping accelerate joint research.

## Daikin Air Forum Launched

In May 2013, Daikin Industries launched the Air Forum as a platform to take on society's challenges with regards to air. The aim is to promote open discussions between Daikin engineers and outside experts in fields such as air conditioning, architecture, medicine, and quality of life so as to decide on issues that require solutions.

The first two gatherings of the forum saw frank and open discussion on the issues of how to create a healthy air environment for the elderly, and controlling heat and humidity.



A meeting of the Daikin Air Forum

### ■ 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 people with disabilities 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. People with disabilities 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 201)

### ■ Building Trust with Communities

## Responding Sincerely to Opinions from Local Communities

Each company site has an office or representative assigned to promote communication with local communities. Assigned personnel hold regular meetings with local community representatives and take other measures to proactively promote company-community interactions and receive any community complaints.

Designees at each company site look into complaints and suggestions from local community members and, if necessary, discuss them to the relevant departments of the Headquarters, and then make a sincere effort to respond.



Dialogue meeting at the Soka Station

At the Soka Station, Daikin received a request from the Saitama Prefectural government to hold an opinion-exchange meeting to discuss the dramatic reduction in recent years of Fluorocarbon gas emissions. In October 2013, therefore, an environmental dialogue meeting was held between local residents, government officials (from the prefectural and municipal governments, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment), and Soka Station managers. Participants were happy that they could better understand what the Soka Station does and how it has reduced Fluorocarbon gas emissions.

## ■ Correspondence between Company Sites and Local Community Members

Site	Type of Correspondence
Sakai Plant	<ul style="list-style-type: none"> <li>• Group meeting with local community association (once yearly)</li> <li>• Community interactions via municipal government, police, fire departments, and labor standards office</li> <li>• Participation in the Sakai City environmental executive committee</li> </ul>
Shiga Plant	<ul style="list-style-type: none"> <li>• Visits to local businesses and neighboring community association boards</li> <li>• 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)</li> </ul>
Yodogawa Plant	<ul style="list-style-type: none"> <li>• Local community association board factory tour and group meeting (once yearly)</li> <li>• Exchange with local community association (4 times a year)</li> <li>• Topic-based group meetings with municipal government, police, fire departments, and labor standards office, etc.</li> <li>• Upon construction of Technology Innovation Center (TIC), individual briefings were held for the Settsu City mayor and other government officials, the Settsu fire department, and the Settsu police.</li> <li>• Briefings were held for local school district community associations, and for three neighboring community associations.</li> <li>• At the request of neighboring community associations, the Yodogawa Plant publishes a newsletter twice a year. It is distributed with local circulars to promote communication with the community (first published in December 2013).</li> <li>• Providing human resources and other assistance for various local community activities</li> </ul>
Kashima Plant	<ul style="list-style-type: none"> <li>• Administrative board factory tour</li> <li>• Attendance at cordial gatherings meetings</li> <li>• Attendance at regional meetings of the Japan Responsible Care Council</li> </ul>
Soka Station	<ul style="list-style-type: none"> <li>• Meetings and talks with municipal government and nearby neighborhood associations</li> <li>• Participation in the Soka City Environmental Committee</li> <li>• Participation in fire department, police, and industry associations</li> </ul>

## 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, near-miss training, and inspections related to past accidents, 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 the fire 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 208)

## **Disaster Preparedness and Disaster Prevention Drills at All Sites**

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.

In August 2012, Japan's Central Disaster Management Council announced the damage estimated in case of the possible future major earthquake along the Nankai trough. In case of such an earthquake, all relevant Daikin bases are ready to use their experience from the Great East Japan Earthquake of March 2011, and they have revised measures based on the predictions of the Central Disaster Management Council.

At the Sakai Plant, earthquake reinforcement work has been completed on buildings No. 1, 2, and 3 of the Kanaoka factory. On the assumption that the site could be struck by a tsunami due to its seaside location, we have mapped out evacuation routes and have been carrying out safety assurance measures and evacuation drills (four times a year) for the past two years.

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. In fiscal 2013, earthquake reinforcement was completed on the two plants.

At the Yodogawa Plant, we are proceeding with measures that assume damage greater than that predicted by Japan's Central Disaster Management Council (earthquake with a seismic intensity of 6 and a 2-meter tsunami). In fiscal 2013, we were on schedule with measures to respond to the loss of power infrastructure. In the chemical plant, we newly installed emergency power generators for research and plastics development, and added 10 portable fire-fighting pumps. We are now working on measures against equipment and fixtures falling from ceilings and other high places. Fiscal 2013 disaster prevention drills were held in unison with the Settsu fire department, and Daikin employees learned how to take commands from fire department personnel.

At the Kashima Plant, we established two tsunami evacuation shelters in high locations to use in case of a large tsunami warning, and we hold 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 2013 about 736 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.

All Daikin bases are holding annual disaster prevention drills and using the lessons learned from these drills to study new measures. In fiscal 2013, four bases studied and made proposals on how to secure reliable and multiple means of communication in case of disaster.



## **Applying System for Confirming People's Safety in Emergencies**

The Tokyo Head Office has emergency food and water, and portable toilets for employees not able to return home in case of a disaster.

In fiscal 2013, it worked out measures for when disasters occur at night or during company holidays. Instead of contacting emergency workers who go to the office before regular employees do, the Tokyo Head Office changed to using an employees safety confirmation system incorporating centralized notification functions. Notification drills were conducted and the system's effectiveness was confirmed. Dispatch workers are also being registered in the employees safety confirmation system.

## **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 110 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](#) (Page 253)

[Contributing to Local Safety](#) (Page 261)

### **■ 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 Industries 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. Instead of this Local Community Section, today 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 abundant 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. 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 has been reported in media around the world as a successful example of interactions between companies and the community.



Daikin Festival (Daikin America)

In fiscal 2013 at the Yodogawa Plant, a torrential downpour caused the unfortunate cancelation of the Bon dance for the first time in its 42-year history. The sudden rain turned the site into a giant puddle and but the event organizing committee and Daikin employees calmly evacuated the over 20,000 visitors, who all got quickly off site and back home. This showed the cooperative power of the Yodogawa Plant staff, and despite its sudden cancelation it was, in a way, a memorable Bon dance.

The fiscal 2013 event at the Sakai Plant was a summer festival enjoyed by the approximately 13,000 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. The bon dance at the Shiga Plant welcomed 7,800 from the community.

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.



## 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 2013, in the team event at the Suita City kendo spring tournament, Yushinkan students came in second place in the grade 6 division, while the team of students in the lower grades placed third. 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, regular cleanups were held and total participation came to 1,666 employees (cumulative total) for 2013. In June, 736 employees held a comprehensive cleanup of the area surrounding the Yodogawa Plant. As well, 38 Daikin employees and 15 members of partner companies (total of 53 people) joined a local association dedicated to maintaining waterways in a cleanup aimed at ensuring wastewater would be available in case of fire.



Yodogawa Plant employees pick up litter

Once a month at the Sakai Plant, employees take turns joining a Sakai City beautification program to pick up litter and create an esthetically pleasing local environment. At the Kanaoka Plant, employees plant vegetation and clean up around the plant; and at the Rinkai Factory, employees pick up litter around the factory and along the median of the road. About 50 employees take part in each activity.

At the Shiga Plant in fiscal 2013, a cumulative total of 2,000 employees took part in four cleanups of the surrounding area aimed at totally eliminating litter.

## **Conducting Factory tours**

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

In fiscal 2013, the Yodogawa plant held factory tours for 143 grade 3 students of two nearby elementary schools. The students observed the Eco-Cute storage tank line and the oil hydraulic equipment line, took part in fluorochemical experiments, and joined in electricity, chemistry, and machinery hands-on experiments. The factory also invited nearby junior high school students to experience a workday in the industry, with two second year students seeing firsthand things like nameplate making and the operation of plant utilities such as steam and electricity.



A factory tour at the Yodogawa Plant

The Sakai Plant invited 220 students from three elementary schools for factory tours. The Shiga Plant, meanwhile, hosted about 3,000 students for tours.

Students expressed their opinions of the plant tours and work experience tours in letters to Daikin and all spoke highly of the Daikin work places. Daikin will use the opinions expressed by students in these letters to make factory tours even more fulfilling and further strengthen the open relationship with the community.

## ■ Interactions with Local Communities (Overseas)

### Contributing to Communities Around the World

Daikin meets local needs by interacting with and contributing to each of the communities it is located in.

For example, in fiscal 2013 Daikin Europe N.V. celebrated its 40th anniversary with events such as a party and exchange gathering for suppliers, government officials, local residents, and employees. The company also donated a total of 45,000 euros to national, state, and local charities.



Anniversary celebration at Daikin Europe N.V.

### 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.



A factory tour at Daikin Industries (Thailand) Ltd.

### Overseas Bases Hold Cleanup Activities in the Community

Employees at Daikin's worldwide bases take part in cleanups of surrounding areas and scenic spots.

Every year in June, employees of Daikin Industries (Thailand) Ltd. take part in a cleanup of the seaside near the company plant. In June 2013, 46 employees of O.Y.L. Manufacturing Company Sdn. Bhd. joined in a cleanup of a protected forest.



Cleaning up the beach (Daikin Industries (Thailand) Ltd.)

➤ [List of Activities for Local Citizens](#) (Page 268)



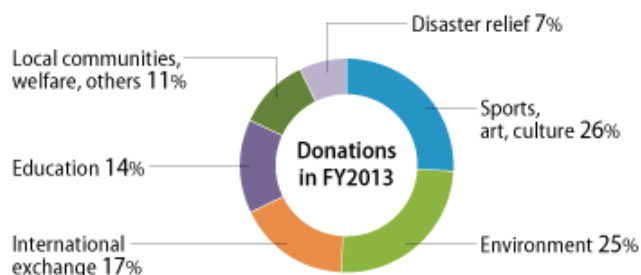
Cleaning up a protected forest (O.Y.L. Manufacturing Company Sdn. Bhd.)

## ■ 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 Foundation for Contemporary Arts, 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 FY2013 (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.

In fiscal 2013, the Daikin Group made a monetary donation of 1 million yuan (approx. US\$163,000) for the relief and recovery of victims of an earthquake in April in Ya'an city, Sichuan province, China. In December, Daikin Industries made a monetary donation of 10 million yen (approx. US\$92,000) to aid victims of a typhoon in the Philippines.

▶ [List of Support for Disaster Victims](#) (Page 272)










## ■ Safety and Disaster Prevention at Plants

	Site	Activity	Overview, results
Support for firefighting	Sakai Plant	Formation of in-house firefighting unit	The plants formed an in-house firefighting division, and in each division a firefighting unit was formed.
	Shiga Plant	Formation of in-house firefighting unit	The plants formed an in-house firefighting division, and in each division a firefighting unit was formed.
	Yodogawa Plant	Joined the special firefighting team of Settsu City 	Thirteen employees from the Yodogawa Plant joined the special firefighting team of Settsu City, which is the first of its kind in Japan. Since January 2010, in the case of a large fire in the Settsu area, the Yodogawa Plant firefighters drive their fire engine to the scene and help under the guidance of the Settsu City Fire Department.
	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"> <li>Each division formed its own in-house firefighting unit.</li> <li>At site disaster drills (November each year), the unit conducts firefighting drills with the fire department.</li> </ul>
	Tsukuba Training Center	Formation of in-house firefighting unit	Members in all divisions of Tsukuba site formed their own in-house firefighting units. Once a year they hold evacuation training and firefighting practice jointly with the local fire department.
	Head Office	Formation of in-house firefighting unit	Units formed in the Head Office and Esaka site. Periodic firefighting drills held.
Communication with neighboring companies and residents	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.
	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.


	Site	Activity	Overview, results
Communication with neighboring companies and residents	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 110 employees living nearby who are registered. When necessary, a team is gathered by rounding up employees either from their homes or workplace. ➤ <a href="#">For details, see Building Trust with Communities</a> (Page 245)
	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 2013, 736 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 (July), and in firefighting drills of the building's restaurants (March). This helped confirm the firefighting system of the building.
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.)



	Site	Activity	Overview, results
Use equipment during disasters, and secure supplies for emergencies	Sakai Plant	Evacuation training drills	Conducted periodic drills in preparation for earthquake and tsunami (measures for initial response, evacuation, and for cases of late-night disaster and cut-off lifelines, early fire response, rescue)
	Shiga Plant	Secure supplies for emergencies	Emergency supplies are stocked (megaphones, flashlights, emergency food and water, etc.).
	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"> <li>• The plant makes effective use of site equipment (fire engines, firefighting equipment; sends employees as well).</li> <li>• Sufficient supplies have been set aside for all local residents in case of a major earthquake.</li> <li>• Emergency materials and equipment are placed in all major buildings.</li> </ul> 
	Kashima Plant	<p>Secure emergency equipment and food</p> 	<p>Stored emergency supplies (gas masks, flashlights, megaphones) and emergency necessities to last employees 3 days (food, water, portable toilets, blankets, etc.)</p> 
	Soka Station	<ul style="list-style-type: none"> <li>• Secure supplies for emergencies</li> <li>• Joint regional disaster training held</li> </ul>	<ul style="list-style-type: none"> <li>• Stored water, food, firefighting equipment, etc.</li> <li>• Exhibit and disaster drills were held with the surrounding community.</li> </ul>
	Tsukuba Training Center	Secure supplies for employees who cannot return home during a disaster	Stored three days worth of food, drink, and emergency supplies (flashlights, blankets, gas burners, portable toilets, etc.) for employees and training participants.

	Site	Activity	Overview, results
Use equipment during disasters, and secure supplies for emergencies	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, ensure presence of registered AED personnel 	<ul style="list-style-type: none"> <li>Emergency supplies are stocked (helmets, gloves, towels, stretchers, etc.); these are inspected regularly.</li> <li>According to a new Tokyo by-law regarding measures for people in Tokyo who cannot return home in a disaster (enacted in April 2013), extra purchases were made of emergency supplies (emergency food and drinking water), and enough was stored to last 3 days for approximately 400 people.</li> <li>The local fire department was invited to give a workshop on life-saving techniques (once a year). The goal is to get more people certified in life-saving skills (to be in charge of AEDs).</li> </ul>
Earthquake measures	Sakai Plant	Measures against tidal wave and tsunami Earthquake reinforcement and evacuation training drills 	<ul style="list-style-type: none"> <li>Established code of conduct for tsunami disaster response, and secured emergency supplies.</li> <li>All buildings on-site have been inspected for earthquake resistance. Reinforcement work is proceeding as planned.</li> <li>Evacuation training drills were held. Conducted periodic drills in preparation for earthquake and tsunami (measures for initial response, evacuation, and for cases of late-night disaster and cut-off lifelines, early fire response, rescue)</li> </ul> 

	Site	Activity	Overview, results
Earthquake measures	Shiga Plant	Earthquake reinforcement and evacuation training drills	<ul style="list-style-type: none"> <li>• Earthquake reinforcement completed (cafeteria, No. 1 plant, No. 2 plant, product warehouse), earthquake reinforcement work in progress (water tank wing, parts warehouse, jig and tool plant).</li> <li>• Evacuation training drills were also held (Disaster drills once, fire drills once).</li> <li>• Installed walky-talkies for use in disasters (21 in plant, 1 at company housing building).</li> </ul>
	Yodogawa Plant	Revise earthquake scale assumptions and conduct Earthquake reinforcement Infrastructure loss measures Evacuation and emergency measures	<p>Basic earthquake measures policy: Save people above all, ensure safety</p> <p>Measures for an earthquake with a seismic intensity of 6: Reinforcement work completed on main buildings under current earthquake-resistance standard (fiscal 2009)</p> <p>Measures for 2-meter tsunami: Measures for loss of infrastructure such as power.</p> <ol style="list-style-type: none"> <li>1. Complete emergency measures before tsunami arrives (within 2 hours), ensure the chemical plant is safe, and evacuate employees to a high, safe place.</li> <li>2. Use secured emergency power, close up dangerous chemicals to render them harmless, and safely shut down plant (turn off, cool down, close).</li> </ol> <p>Disaster drills (3 times a year)</p> <ul style="list-style-type: none"> <li>• Evacuation drills held at all locations (evacuation shelters in high places)               <ul style="list-style-type: none"> <li>◦ Ensure unified evacuation time and safety confirmation within 2 hours.</li> <li>◦ Verify that disaster materials and equipment are usable and can be accessed quickly.</li> <li>◦ Verify measures for night shift.</li> <li>◦ Emergency stoppage of equipment and machinery, drills for measures.</li> </ul> </li> </ul> <p>Measures to prevent equipment and machinery from falling over</p> <ul style="list-style-type: none"> <li>• Formulate unified standards (guidelines) (implement at all bases).</li> <li>• Execute measures in each division (completion expected in fiscal 2014).</li> </ul>

	Site	Activity	Overview, results
Earthquake measures	Yodogawa Plant	Revise earthquake scale assumptions and conduct Earthquake reinforcement Infrastructure loss measures Evacuation and emergency measures	<p>Create hazard map (danger sources, evacuation)</p> <ul style="list-style-type: none"> <li>• Revise evacuation routes, evacuation shelters, sources of danger.</li> <li>• Revise all evacuation routes and evacuation shelters for the site.</li> </ul> <p>Emergency measures manual Secure communication protocol</p> <ul style="list-style-type: none"> <li>• Install satellite phones (communication among work sites)</li> <li>• Use walkie-talkies (one for each division, one for division headquarters)</li> </ul>
	Kashima Plant	Tsunami measures	<p>Established two new tsunami evacuation shelters in high locations to use in case of a large tsunami warning, and held evacuation drills using these shelters.</p> 
	Soka Station	<ul style="list-style-type: none"> <li>• Revision of disaster drills at bases</li> <li>• Revision of product storage rules</li> <li>• Measures to prevent falling over of fixtures</li> </ul>	<ul style="list-style-type: none"> <li>• Revised disaster drills at bases (based on past earthquake experience, changed evacuation routes etc.). Held specialized earthquake evacuation drills (April, November)</li> <li>• Revised product storage rules based on past earthquake experience.</li> <li>• Took measures to prevent falling over of fixtures and other equipment in offices.</li> </ul>
	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 (a seismic intensity of 6)</p>
	Head Office	Improve earthquake risk measures	<p>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.</p>




	Site	Activity	Overview, results
Earthquake measures	Tokyo Office	Earthquake reinforcement, evacuation drills, measures for employees who cannot return home	<ul style="list-style-type: none"> <li>• Fixtures and equipment on the site were reinforced.</li> <li>• Joined in disaster training sponsored by the fire and disaster prevention association of the JR Shinagawa East Building (September).</li> <li>• Held drills in using satellite telephones (September).</li> <li>• In case of a disaster occurring at night or on a holiday, appointed emergency staff to be dispatched to confirm the extent of damage at the JR Shinagawa East Building prior to setting up a disaster task force.</li> <li>• Established guidelines outlining initial response in case of earthquake. The guidelines state that, as a rule, employees should wait inside the Shinagawa East Building if an earthquake occurs during working hours.</li> </ul>
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	Sakai Plant	Safety confirmation system	Built a confirmation system that uses safety confirmation and broadcast services. Hold response drills once a year.
	Shiga Plant	Safety confirmation system	Established a system for confirming employee safety following a disaster. Drills held in replying to this system (once every fiscal quarter); drills held since December 2013.
	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	Drills held in replying to this system (twice a year).
	Tsukuba Training Center	Safety confirmation system	Drills held in replying to this system (once a year); also checked ability to respond to this system at all times.

	Site	Activity	Overview, results
Safety confirmation system	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	Held communication drills to confirm a system for contacting employees to ensure they are safe following a disaster (once a year). Established a system for confirming the safety of employees after a disaster occurs. As a way to get in immediate contact with emergency staff, established a system using a broadcast function for the safety confirmation system. Drills held in replying using the broadcast function (once a year).



## ■ Contributing to Local Safety

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 (October); 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 	Konan Fire Department: Took part in joint disaster training.
	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.

Site	Activity	Overview, results
Yodogawa Plant	<p>Joint disaster training held (with participation of local fire and police departments)</p> 	<p>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).</p>
	Participation in local safety activities	<p>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.</p>
	Held safety seminars	<p>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)</p>
	Children's protection shelter	<p>The Yodogawa Plant is registered as a place children can take sanctuary from threats.</p>
Kashima Plant	Disaster training	<p>Held disaster training (twice a year), joined fire hydrant usage training (once a year)</p>
	<p>Participation in local safety events</p> 	<p>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.</p> 
	Safe driving course held	<p>Police officers were invited to be instructors at a traffic safety training conference (once a year) to help drivers improve their road manners.</p>
	Campaign to stop drunk driving over the winter season.	<p>Traffic safety committee members handed out drunk driving leaflets urging people to follow the rules.</p>

Site	Activity	Overview, results
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.
	Regional joint disaster training	Held disaster training with five neighborhood associations. (May 2013; 736 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 disaster training sponsored by the fire and disaster prevention association of the JR Shinagawa East Building.



## ■ List of Support for Promotion of Arts and Culture

Base	Recipient of support, details of support
Daikin Industries, Inc. (Japan)	National Museum of Art, Osaka
	Kansai Philharmonic Orchestra
	Kansai Nikikai Public Interest Incorporated Association
	Osaka Philharmonic Orchestra
	Telemann Institute Japan Support Group
	Tokyo Nikikai Opera Foundation
	New Japan Philharmonic
	NHK Symphony Orchestra
	New National Theatre, Tokyo
	JAPAN CHAMBER MUSIC FOUNDATION
	Association for Corporate Support of the Arts
	Kamigata Entertainment Culture Society
	National Association of High School Guitar and Mandolin Music
	Friendship Society of National Museum of Art, Osaka
	Takarazuka Review Supporters
	Osaka Nohgaku Youseikai Kouenkai
	Osaka Symphony Orchestra
	National Museum of Ethnology
	Fan Club of Mozart-Kammerorchester Japan
	Art Stream 2013
	CAADRIA2013
	Shigeyama Otofu Kyogen 2013
	Dojima Yakushido
	Kaitokudo
	Osaka Wasso Cultural Exchange Association
	Exhibition of Shosoin Treasures
	Japanese Red Cross Society, Osaka Chapter
	Midosuji Illumination
	Living & Design 2013
Daikin Industries Czech Republic s.r.o.	Pilsen Philharmonic Orchestra
	International music festival Young Prague
Daikin Turkey A.S.	Donated air conditioners to arts center.
Daikin Airconditioning Italy S.p.A.	Tokaghe Cultural Association Japan Film Festival
	Italian Japan Association
Daikin (China) Investment Co., Ltd.	Has held an annual concert since 2007 with the aim of promoting arts and culture.
Daikin America, Inc.	Made donation to local theater, supported art contest at school.

## ■ List of Support for Promotion of Sports

Base	Recipient of support, details of support
Daikin Industries, Inc. (Japan)	Daikin Orchid Ladies Golf Tournament
Daikin Turkey A.S.	Supported the Galatasaray women's volleyball team, a billiard league, a soccer league, and other sports.
Rotex Heating Systems GmbH	Supported local sports clubs and a road race.
Daikin Chemical Europe GmbH	Supported the SV Germania 08 Bieber soccer club.
Daikin Airconditioning Belgium N.V.	Sponsored a soccer team and events such as a cycling competition and a track and field competition.
Daikin (China) Investment Co., Ltd.	Sponsored Greentown soccer team (China).
O.Y.L. Manufacturing Company Sdn. Bhd.	Organized a volleyball game with the Malaysian Ministry of Health.



## ■ List of Support for Education

Base	Details of support
Daikin Industries, Inc. (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 2013, 128 junior high school rugby players took part. <a href="#">▶ For details, see Support for Rugby School in Interactions with Local Communities (Japan) (Page 249)</a>
	Factory tours to educate local elementary school students about working society In fiscal 2013, 220 students from three schools took tours.
Daikin Industries, Inc. (Shiga Plant)	Factory tours to educate elementary schools in the city about local industry Factory tours were offered for elementary school students in the city as part of social studies lessons on local industry. In fiscal 2013, 389 students from three schools took part.
	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.
	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.



Base	Details of support
Daikin Industries, Inc. (Yodogawa Plant)	Kendo Training Hall for Children Classes were held three times a week, with 10 students each time. ▶ For details, see <a href="#">Kendo Training Hall for Children</a> (Page 249)
	Factory tours for local elementary schools In fiscal 2013, 143 students from two schools took tours.
	Experience work days for local junior high school students In fiscal 2013, two second-year junior high students from a Junior High School in Settsu City took part.
	Daikin employees visit junior high schools to lead lessons Employees of the Yodogawa Plant went to a Junior High School in Settsu City to help first-year students with an assignment to interview professionals. 34 students took part.
Daikin Industries, Inc. (Kashima Plant)	Daikin employees give lessons at local elementary schools Starting in autumn 2010, employees led fluorochemical experiments for upper-class elementary school students. In fiscal 2013, 116 students from two elementary schools took part.
Daikin Industries, Inc. (Soka Station)	On weekends and holidays, children and teenagers used the field for sports, while the activities plaza was used for pitch-and-putt golf.
Daikin Europe N.V.	Hosted internships for university students, gave factory tours, made donations to schools.
Daikin Device Czech Republic s.r.o.	Held factory tours for students, accepted student trainees, provided Japanese lessons, cooperated with university.
Daikin Industries Czech Republic s.r.o.	Held factory tours for students, accepted six university trainees, cooperated with university.
Rotex Heating Systems GmbH	Accepted internship students and held factory tours.
Daikin Chemical France S.A.S.	Accepted university students for internship and training.
Daikin Airconditioning Belgium N.V.	Accepted students for technical training, held factory tours and small-group seminars for students.
Daikin Airconditioning Poland Sp. z o.o	Accepted 10 internship students, hosted training of air-conditioning for students to Daikin Technical Center.
Daikin Airconditioning France S.A.S.	Accepted internship students.
Daikin Turkey A.S.	Accepted approx. 30 students from local universities and 12 students from technical schools, conducted joint research with universities.
	Awarded scholarships and supported university entering technical competition.
Daikin Air-Conditioning Technology (Beijing), Ltd. (Service)	Held technical training session on air conditioning servicing for university students.
Daikin Air-Conditioning (Shanghai) Co., Ltd.	Held tours and get-togethers for more than 900 university students at the factory and Solution Plaza.
	Established Daikin Class at local trade school. Provided scholarships to 152 students.
Daikin Fluoro Coatings (Shanghai) Co., Ltd.	Held factory tours.
Daikin Fluorochemicals (China) Co., Ltd.	Held factory tours for 500 people.
	Opened cherry tree park on site to the public and held environmental event.
	Awarded scholarships to local elementary and junior high school.
Daikin Refrigeration (Suzhou) Co., Ltd.	Held factory tours.





Base	Details of support
O.Y.L. Manufacturing Company Sdn. Bhd.	Hosted internship of 50 Malaysian students from local university or the overseas university for a two-to-three-month period.
	Held factory tours for students: total of 100 participants over three tours.
	Provided scholarships to eight students. Donated air conditioner to school library.
Daikin Compressor Industries Ltd.	Held factory tours for 340 people ranging from elementary school to university students.
	On Children's Day in January, donated scholarship to industrial park in Amata City.
Daikin Industries (Thailand) Ltd.	Held factory tours for university students.
	Provided scholarships to 22 students.
Daikin Australia Pty., Ltd.	IT division provided work experience to students, hosted practical training for participants vying for refrigerant engineer license.
Daikin Applied Americas Inc.	Hosted internship students.
Daikin America, Inc.	Provided scholarships.



## ■ List of Support for Environmental Protection




Base	Recipient of support, details of support
Daikin Industries, Inc. (Japan)	Carries out environmental protection activities in Shiretoko.
	Conducting reforestation project in Indonesia.
Daikin Airconditioning Portugal S.A.	Planted trees on International Day of Forests.
Daikin Airconditioning U.K., Ltd.	Planting trees to offset CO2 emissions from its business activities.
Daikin Industries (Thailand) Ltd.	Conducting tree-planting activities.

## ■ List of Activities for Local Citizens

Base	Recipient of support, details of support
Daikin Industries, Inc. (Sakai Plant)	Holds annual Bon dance festival.
	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.
	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.
	Aesthetic measures To improve the view from the adjacent high-rise apartment building, the plant roof had its rust removed and was painted.
Daikin Industries, Inc. (Shiga Plant)	Holds annual Bon dance festival.
	Weeding and cleanup Employees removed weeds that had spread to adjoining public roads and picked up litter.
	Cleanup Litter was picked up around the plant (4 times a year).
	Greenery enhancement Weeding, flower planting, and care for the cherry trees was carried out. To mark the Shiga Plant's 40th anniversary, in fiscal 2010, 40 cherry trees were planted on the premises and cherry trees were donated to Kusatsu City.
Daikin Industries, Inc. (Yodogawa Plant)	Holds annual Bon dance festival.
	Cleanup Areas around the site cleaned up (once a month). Employees took part in cleanup of local waterways (once a year). Area around main and west gates (near bus stops) was cleaned up (everyday).
	Aesthetic improvement of urban area Sponsored a 'tulip art' event in Settsu. Won award of excellence in corporate category of Settsu City environmental festival.



Base	Details of support
Daikin Industries, Inc. (Kashima Plant)	<p>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).</p>  <p>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.</p>
Daikin Industries, Inc. (Soka Station)	Holds annual Bon dance festival.
Daikin Europe N.V.	<p>Celebrated 40th anniversary with events such as a party and exchange gathering for suppliers, government officials, local residents, and employees. Also donated a total of 45,000 euros to national, state, and local charities.</p> <p>Holds annual Bon dance festival.</p>
Daikin Device Czech Republic, s.r.o.	<p>Donated used PCs to schools, youth centers, and health facilities.</p> <p>Gathered donations from company and employees before Christmas and donated money to local orphanage.</p> <p>Made donation to fire department to purchase first-aid kits for small children.</p>
Daikin Industries Czech Republic s.r.o.	<p>Donated air conditioners for families with infants.</p> <p>Donated to charity for children with disabilities, gathered plastic bottle caps to raise money in support of young hospital patients.</p>
Rotex Heating Systems GmbH	Planned event in support of bone-marrow donors.
Daikin Chemical Europe GmbH	Made donation to UNICEF.
Daikin Chemical Netherlands B.V.	<p>Sponsored a quarterly publication on rheumatism, donated coloring books to a children's hospital.</p> <p>Gathered stamps and plastic bottle caps to raise money to purchase guide dogs for the blind and to support people with cystic fibrosis, a type of genetic disorder.</p>
Daikin Turkey A.S.	<p>Donated air conditioners to a Japanese school in Istanbul.</p> <p>Made donation to the WWF to protect endangered species.</p>
Daikin Airconditioning Greece S.A.	<p>As sales promotion items for 2013 new product releases, the company used candies sold by Médecins Sans Frontières (Doctors Without Borders) and mouse pads sold by To Hamogelo Tou Paidiou, an NPO dedicated to children's issues.</p> <p>Established the Daikin Blood Bank as a way to support blood-donation activities.</p>
Daikin Airconditioning Portugal S.A.	<p>Donated air conditioners to the laboratories of several universities.</p> <p>Donated air conditioners to a hospital.</p> <p>Joined a charity drive in support of cancer patients.</p>
Daikin Airconditioning Central Europe	Supported children with cancer, made donations to social support facilities for children and children with disabilities in Bulgaria, Croatia, and Hungary, and made a donation of baby goods to an NGO in Serbia.
Daikin Airconditioning Poland Sp. z o.o.	Joined a charity drive for children with disabilities and sent clothing to the Ukraine.
Daikin Airconditioning Belgium N.V.	Made donations to the Olivia Hendrickx Research Fund, which supports cancer research, and an organization that supports children in Ghana.
Daikin Airconditioning Italy S.p.A.	<p>Donated air conditioners to a pediatric ward of a hospital.</p> <p>Provided products, financial aid, and Daikin employee volunteers to Roma Tre University, which was taking part in a solar decathlon, a competition among universities with the aim of designing and creating next-generation solar home solutions. The competition is run by students and supported by private companies.</p>

Base	Details of support
Daikin Airconditioning France S.A.S.	Donated air conditioners to a school.
Daikin (China) Investment Co., Ltd.	Donated heaters to 'River Sunvelop', the entry of Shanghai Jiao Tong University in a solar decathlon competition.
	Employees donated a total of 489 items including warm clothing, stationery supplies, and books, as well as 8,200 yuan, to needy children in a mountainous area of Guizhou Province.
Daikin Air-conditioning (Shanghai) Co., Ltd.	Holds annual Bon dance festival.
	79 employees joined a blood donor clinic.
Daikin Device (Suzhou) Co., Ltd.	Donated 500,000 yuan to the Suzhou Industrial Park charity to be used to support needy families in the area.
Daikin Motor (Suzhou) Co., Ltd.	
Daikin Air-conditioning (Suzhou) Co., Ltd.	
Daikin Device (Suzhou) Co., Ltd.	20 employees volunteered in a cleanup of Suzhou Industrial Park.
	Employees got together and formed a group to take part in a blood donor clinic.
Daikin Fluorochemicals (China) Co., Ltd.	236 employees took part in a cleanup of a riverbank of the Yangtze River
	63 employees joined a blood donor clinic.
	Provided goods and scholarships to needy students in a mountainous area of Guizhou Province.
O.Y.L. Manufacturing Company Sdn. Bhd.	Held a blood drive in cooperation with the National Blood Bank Malaysia in which 50 employees took part.
	Held cleanup of protected forest area.
Daikin Airconditioning (Singapore) Pte. Ltd.	<p>Sponsored charity events, such as the August 2013 ComChest Heartstrings Walk and the December 2013 Christmas ChariTrees.</p> 
Daikin Industries (Thailand) Ltd.	<p>Donated air conditioners to the police department and schools.</p> 
	<p>Joined blood donor clinics for the Thai Red Cross.</p> 
	Held factory tours.
	Cleanup up coastal areas.

Base	Details of support
Daikin Compressor Industries Ltd.	Donated air conditioners to hospitals, local governments, and associations.
	Joined blood donor clinics sponsored by Thai Red Cross.
Daikin Australia Pty. Ltd. (DAS)	Employees and their families held a Christmas carol gathering in the community and the money collected was donated to children's hospital.
	DAS took part in charity events (Biggest Morning Tea and Movember) 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. As well, in support of victims of forest fires in New South Wales, employees held a charity barbecue.
	Made donations to the Heart Foundation, CanTeen (organization supporting young cancer patients), Cancer Council Australia, Bright Pink Lipstick Day (campaign to educate public about breast cancer and ovarian cancer), Ride to Cure Diabetes (charity event by Juvenile Diabetes Research Foundation, an organization that collects donations in support of research on young people's diabetes), Sydney-Surfers Cycle Ride (charity bicycle race), New South Wales Fire & Rescue Band and Marching Team, etc.
	Donated equipment to Brighter Futures, an organization supporting autism patients.
Daikin America, Inc. (DAI)	Holds annual Bon dance festival.
	Held a Christmas party for the people with disabilities.
	Since 1994, DAI has been supporting the community through donations to the NPO United Way. It also holds a charity golf tournament.
	On the United Way's Day of Caring, employees volunteered to do jobs such as gardening and other cleanup for hospice patients.
	Employees volunteered to help out on Community Chemical Recycling Day, the goal of which is to remove and properly recycle dangerous chemicals in people's homes so that they are not put into a landfill.
Daikin Applied Americas Inc.	Cooperated with international NGO habitat for humanity in which homes are built for families that need them.
	Held a blood donor clinic at the Memorial Blood Center in Plymouth, Massachusetts in December 2013.



## ■ List of Support for Disaster Victims

Base	Recipient of support, details of support
Daikin Airconditioning Greece S.A.	Donated 500 euros in support of victims of an earthquake in Kefalonia, Greece.
Daikin Airconditioning Central Europe	Donated heaters to victims of flooding.
Xi'an Daikin Qing'an Compressor Co., Ltd.	In support of victims of a major earthquake in Ya'an City, Sichuan Province, the company gathered in-house donations and donated 12,862 yuan via the Xi'an Red Cross.
O.Y.L. Manufacturing Company Sdn. Bhd.	Gathered donations in support of victims of flooding in Kuantan City, Pahang State, Malaysia.
Daikin Industries (Thailand) Ltd.	Donated emergency supply bags to victims of flooding in the Panton district of Chonburi Province.
Daikin Compressor Industries Ltd.	Donated emergency supply bags to victims of flooding.







# 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)

	2009	2010	2011	2012	2013
Repair inquiries	735	910	796	751	767
Technical advice	658	813	719	725	735
Parts inquiries	332	359	325	315	324
Others	56	58	40	38	42

## ■ Low-Impact Products

### ■ Materials Used **D** (tons)

	2009	2010	2011	2012	2013
Iron	40,637	49,972	52,349	48,757	62,734
Copper	15,698	14,766	6,833	7,131	14,170
Aluminium	8,962	9,031	8,297	8,043	11,637
Plastics	9,147	11,343	11,319	11,348	19,130
Chemicals (PRTR-designated)	95,197	101,247	107,165	98,187	126,346* <sup>1</sup>
Packaging	7,579	10,857	10,990	13,515	10,253* <sup>2</sup>
Other metals					1,754

**Note 1:** From fiscal 2009 to 2012, calculation covered PRTR substances and refrigerants, but starting in fiscal 2013 other materials were included as well.

**Note 2:** Classification was changed in fiscal 2013, with packaging material other than wood and paper being included in each item.

## ■ Recycling of Residential Air Conditioners **JG**

	2009	2010	2011	2012	2013
Residential air conditioners collected by 4 major manufacturers (including Daikin) (units: million)	2.15	3.14	2.34	2.36	2.96
Residential air conditioners collected by Daikin only (units: thousand)	170	250	200	210	280
Weight of products recycled or reused				8,998	10,523
Amount recycled (tons)	5,927	8,648	7,776	7,947	9,313
Recycling ratio (%)	84	84	86	88	88
(Breakdown)	Iron (%)	42	42	39	38
	Copper (%)	8	8	8	8
	Aluminium (%)	7	7	7	7
	Mixture of non-ferrous and iron composite materials (%)	34	34	33	34
	Other valuable materials (%)	9	9	13	13
Fluorocarbons recovered (tons)	100	145	128	135	158

## ■ Low-Impact Production

### 1) Greenhouse Gas Emissions

#### ■ Greenhouse Gas Emissions (Production) **OJG**

(Thousand tons-CO<sub>2</sub>)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
CO <sub>2</sub> (Energy)	540	550	550	510	490	580	590	580	670
HFC	760	680	500	270	200	120	120	110	150
PFC	2,840	2,050	1,770	920	650	940	840	650	490
Total	4,140	3,280	2,820	1,700	1,340	1,650	1,560	1,340	1,300

#### ■ CO<sub>2</sub> Emissions per Production Output **OJG**

(%)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
CO <sub>2</sub> emissions rate for entire Group with FY2005 set as 100%	100	86	80	81	86	83	75	74	81

#### ■ CO<sub>2</sub> Emissions per Sales from Transportation (Air-conditioning) **D**

(%)

	2001	2008	2009	2010	2011	2012	2013
CO <sub>2</sub> emissions per sales with FY2001 set as 100%	100	74	72	71	69	68	67

#### ■ Recovered Fluorocarbons (at time of repair and at time of disposal) **D**

(tons)

	2009	2010	2011	2012	2013
Recovered fluorocarbons at time of disposal	34.4	38.8	33.0	30.7	30.0
Recovered fluorocarbons at time of repair	314.6	306.4	320.2	344.6	302.8

## 2) Energy Consumption

### ■ Energy Consumption **D**

	2009	2010	2011	2012	2013
Electricity (MWh)	409,044	472,360	586,423	568,186	633,454
City Gas (m <sup>3</sup> )	6,173	7,193	7,902	7,586	8,277
LPG (tons)	1,916	2,227	2,606	2,946	2,726
Steam (GJ)	482,870	613,499	658,963	285,391	721,531
Petroleum (kl)	602	815	4,108	5,366	2,719

## 3) Green Procurement

### ■ Green Procurement Rate by Region\* **OJG**

(%)

	2009	2010	2011	2012	2013
Japan	99	99	96	99	95
Thailand	97	97	98	98	98
China	89	89	91	92	96
Europe	63	82	81	83	86
Other countries in Asia and Oceania	85	85	87	90	84
North America	-	45	3	3	38
All regions	83	87	84	89	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**

(Thousand m<sup>3</sup>)

	2009	2010	2011	2012	2013
Water Used	6,670	6,740	6,680	6,710	7,310

### ■ Water Use per Unit of Production Output **OJG**

(%)

	2009	2010	2011	2012	2013
Overall water used per unit with FY2009 set as 100%	100	82	73	74	76

### ■ Waste Water **OJG**

(Thousand m<sup>3</sup>)

	2009	2010	2011	2012	2013
Waste Water	4,440	4,910	4,940	4,820	5,040

## 5) Water Pollutant and Air Pollutant Emissions

### Air Pollutant Emissions **D**

(tons)

	2009	2010	2011	2012	2013
NOx	63	27	24	39	28
SOx	0.0	0.0	0.0	0.0	0.0
VOC	32	56	426*	379	386

**Note:** The number of VOCs covered was increased in fiscal 2011.

### Air Pollutant Emissions **JG**

(tons)

	2009	2010	2011	2012	2013
NOx	63	27	27	39	28
SOx	0.0	0.0	0.0	0.0	0.0
VOC	35	59	427*	380	387

**Note:** The number of VOCs covered was increased in fiscal 2011.

### Air Pollutant Emissions **OG**

(tons)

	2009	2010	2011	2012	2013
NOx	55	100	75	94	77
SOx	6	14	30	20	5
VOC	105	133	114	111	229

## 6) Chemical Substance Emissions

### Release of Substances Designated by the Pollutant Release and Transfer Register Law **D**

(tons)

	2009	2010	2011	2012	2013
Release of substances designated by PRTR Law	115	121*	114	108	93

**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)

	2009	2010	2011	2012	2013
Release of substances designated by PRTR Law	118	132*	115	111	95

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

■ Compilation of PRTR Substances (PRTR substances of which at least 1 ton was handled) **JG** (tons)

2013					
Substance name	Amount emitted (tons)			Amount transported (tons)	
	Air	Public waterways	Soil	Waste	Sewage
Chlorodifluoromethane (also called HCFC-22)	53.22	0.00	0.00	0.50	0.00
Dichloromethane (also called methylene chloride)	20.12	0.00	0.00	0.08	0.00
1-chloro-1,1-difluoroethane (also called HCFC-142b)	10.00	0.00	0.00	0.00	0.00
Toluene	2.63	0.00	0.00	0.61	0.00
2-Chloro-1,1,1,2-tetrafluoroethane (also called HCFC-124)	1.40	0.00	0.00	0.00	0.00
Normal hexane	1.20	0.00	0.00	2.00	0.00
1-bromopropane	0.87	0.00	0.00	0.00	0.00
Chloroform	0.84	0.00	0.00	3.50	0.00
Xylene	0.73	0.00	0.00	0.33	0.00
Acetonitrile	0.29	0.00	0.00	1.70	0.04
Ethylbenzene	0.27	0.00	0.00	0.00	0.00
Hydrogen fluoride and other water-soluble salts	0.25	0.00	0.00	67.00	0.00
Hexakis (2-methyl-2-phenylpropyl) distannoxane (also called fenbutatin oxide)	0.81	0.00	0.00	0.00	0.00
N,N-dimethylacetamide	0.01	0.00	0.00	0.27	0.00
N,N-dimethylformamide	0.00	0.00	0.00	3.90	0.00
Carbon tetrachloride	0.00	0.00	0.00	0.00	0.00
Polyoxyethylene alkyl ether (those whose alkyl group carbon number is between 12 and 15, or compounds of these)	0.00	0.00	0.00	56.00	0.29
Ferric chloride	0.00	0.00	0.00	11.80	0.00
Antimony and its compounds	0.00	0.00	0.00	9.50	0.00
2-aminoethanol	0.00	0.00	0.00	1.37	0.19
3-methylpyridine	0.00	0.00	0.00	1.10	0.00
Water soluble lead compounds	0.00	0.00	0.00	0.62	0.07
Allyl alcohol	0.00	0.00	0.00	0.31	0.00
Tritolyl phosphate	0.00	0.00	0.00	0.05	0.00
Total	92.64	0.00	0.00	160.64	0.59

## 7) Waste

■ Amount of Waste and Recycled Materials **OJG** (tons)

	2009	2010	2011	2012	2013
Amount of Waste and Recycled Materials	70,664	84,823	92,639	89,690	96,935

■ Amount of Waste and Recycled Materials per Unit of Production Output **OJG** (%)

	2009	2010	2011	2012	2013
Overall waste generated per unit with FY2009 set as 100%	100	97	95	92	94



## ■ Recycling Ratio **OJG**

(%)

	2009	2010	2011	2012	2013
Japan	99.7	99.7	99.8	99.8	99.7
Overseas	76.1	73.6	72.3	72.6	76.6
Entire Group	83.4	81.8	82.0	81.8	83.4

## ■ Environmental Management

## ■ Report from Audits **JG**

	2009		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	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non-conformance	3	0	0	0	2	0
Minor non-conformance	99	1	43	0	38	0
Items improved	214	10	219	5	219	5

	2012		2013	
	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	5	0	3	0
Minor non-conformance	43	0	37	0
Items improved	229	6	194	9

## ■ Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification **OJG**

(%)

	2009	2010	2011	2012	2013
Japan	100	100	100	100	100
Overseas	99	96	83	83	84

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**

	2009		2010		2011		2012		2013	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of employees	5,558	821	5,673	880	5,659	891	5,726	942	5,745	988
Average range of services (years)	17.9	10.8	17.1	9.96	16.8	10.5	16.5	10.4	16.4	10.3
Average age	41.8	33.6	41.8	34.2	41.8	34.9	41.7	35.1	41.6	34.6
Number of managers	695	12	751	14	702	18	697	19	698	19
Number of board members	45	1	44	1	45	1	47	1	47	1
Number of foreign nationals	27	16	30	21	34	21	38	20	38	20

## ■ Employee Make-up by Region **OJG**

	2009		2010		2011		2012		2013	
	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	6,379	1	6,553	1	6,550	1	6,668	1	6,733
Domestic Group (Excluding Daikin Industries)	42	4,665	40	4,593	29	4,594	28	4,673	28	4,707
China	31	10,072	30	11,434	32	12,471	34	13,824	33	16,857
Southeast Asia, Oceania	40	7,968	37	8,714	37	9,377	39	10,149	40	10,739
Europe, Middle East, Africa	58	5,654	54	5,798	59	6,466	58	6,476	57	6,605
North America, Latin America	27	4,136	30	4,477	25	4,652	48	9,608	51	10,599
Total	199	38,874	192	41,569	183	44,110	208	51,398	210	56,240

## ■ Number of Employees Leaving, Employee Turnover **D**

	2009	2010	2011	2012	2013
Men	225	223	204	266	236
Women	36	41	42	49	56
Employee turnover	3.5%	3.4%	3.9%	4.0%	3.7%

## ■ Number of People periodically Hired and Women as Percentage of Total **D**

	2009	2010	2011	2012	2013
Men	242	159	172	215	170
Women	52	37	42	60	92
Women as %	17.7%	18.9%	19.6%	21.8%	35.1%

## 2) Occupational Safety and Health

### ■ Frequency Rate\* **D**

	2009	2010	2011	2012	2013
Daikin Industries	0.06	0.73	0.20	0.32	0.06
National average for all industries	1.62	1.61	1.62	1.59	1.58
National average for manufacturing industry	0.99	0.98	1.05	1.00	0.94

**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**

	2009	2010	2011	2012	2013
Daikin Industries	0.00	0.52	0.00	0.01	0.01
National average for all industries	0.09	0.09	0.11	0.10	0.10
National average for manufacturing industry	0.08	0.09	0.08	0.10	0.10

**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 actual working hours × 1,000

## 3) Re-employed Workers

### ■ Number of Re-employed Workers **D**

	2009		2010		2011		2012		2013	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of retirees	149	4	132	7	185	2	170	7	136	4
Number of re-employed workers	124	3	122	4	171	1	150	6	120	4
Percentage re-employed after retiring	83.0%		90.6%		92.0%		88.1%		88.6%	

## 4) Disabled People Employed

### ■ Number of People with Disabilities Employed **JG**

	2009	2010	2011	2012	2013
Number of people with disabilities employed*1	264	284	301	287	294
Employment rate*2	2.27	2.34	2.49	2.34	2.07

\*1 Legally, one severely disabled person employed is counted as two people with disabilities.

\*2 Employment rate = number of people with disabilities employed / number of people employed

## 5) Work-Life Balance

### ■ Number Taking Leave Before and After Child Birth and Employees Taking Childcare Leave **D**

		2009	2010	2011	2012	2013
Number taking leave before and after child birth	Women	30	27	33	48	69
	Men	75	68	93	93	120
Number taking childcare leave	Women	49	54	58	68	88
	Men					

### ■ Number Taking Family Care Leave **D**

		2009	2010	2011	2012	2013
Number taking family care leave	Men	0	4	1	2	2
	Women	0	0	0	1	1

## ■ Number of Accidents Resulting in Time Off Work **D**

		2009	2010	2011	2012	2013
Number of accidents resulting in time off work	Accidents resulting in time off work	6	17	15	5	1
	Commuting accidents resulting in time off work	4	4	6	3	2
Frequency rate		0.06	0.73	0.20	0.32	0.06
Severity rate		0.00	0.52	0.00	0.01	0.01

## ■ Percentage of Employees Taking All Paid Leave **D**

(%)

	2009	2010	2011	2012	2013
Percentage of Daikin Industries employees	90.6	92.8	93.4	92.9	94.4
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	54.5	51.6	55.3	56.5	57.6

## 6) Patent Applications

### ■ Number of Patent Applications

	2009	2010	2011	2012	2013
Japanese applications	1,438	1,141	686	898	1,136
Overseas applications	309	242	202	378	344

## ■ Shareholders and Investors

### ■ Consolidated Sales by Business Segments

(%)

	2009	2010	2011	2012	2013
Air Conditioning/Refrigeration Equipment	88.7	86.6	85.5	86.8	89.3
Chemicals	8.4	9.9	10.9	9.6	7.9
Oil Hydraulics, Defense Systems, and Electronics	2.9	3.5	3.6	3.6	2.8

### ■ Consolidated Sales by Region

(%)

	2009	2010	2011	2012	2013
Japan	37.6	38.5	38.9	38.3	28.8
China	26.9	15.7	17.7	18.2	18.1
Asia and Oceania		14.0	13.4	14.4	13.4
Europe, Middle East, and Africa	24.9	21.5	19.5	18.4	17.0
North America, Latin America	10.6	10.3	10.5	10.7	22.7

## ■ Net Sales

(¥ billion)

	2009	2010	2011	2012	2013
Consolidated	1,024.0	1,160.3	1,218.7	1,290.9	1,783.1
Non-consolidated	365.4	426.7	446.6	462.7	499.2

## ■ Total Assets

(¥ billion)

	2009	2010	2011	2012	2013
Consolidated	1,139.7	1,132.5	1,160.6	1,735.8	2,012.5
Non-consolidated	783.2	772.5	797.7	1,140.1	1,265.4

## ■ Ordinary Profit

(¥ billion)

	2009	2010	2011	2012	2013
Consolidated	43.8	74.8	81.8	94.1	154.1
Non-consolidated	15.0	34.2	35.4	35.7	43.4

## ■ Fiscal Year End Stock Prices

(yen)

	2009	2010	2011	2012	2013
Fiscal year end stock prices	3,825	2,491	2,253	3,690	5,782

## ■ Dividends

(yen)

	2009	2010	2011	2012	2013
Dividends	32	36	36	36	50

## ■ Breakdown of Shareholders

	2009			2010			2011		
	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	171	138,391,233	47.2%	167	123,782,330	42.2%	160	135,128,030	46.1%
Securities companies	65	8,358,282	2.9%	98	9,364,720	3.2%	96	11,044,961	3.8%
Other corporations	567	42,336,605	14.4%	638	42,495,914	14.5%	653	34,995,334	11.9%
Foreign corporation	472	79,918,106	27.3%	473	86,060,485	29.4%	476	77,871,495	26.6%
Individuals, other	32,513	24,109,747	8.2%	46,815	31,410,524	10.7%	48,782	34,074,153	11.6%
Total	33,788	293,113,973	100.0%	48,191	293,113,973	100.0%	50,167	293,113,973	100.0%

	2012			2013		
	Number of voters	Shares held	As % of all shareholders	Number of voters	Shares held	As % of all shareholders
Financial institutions	137	133,897,630	45.7%	139	124,217,630	42.4%
Securities companies	69	6,489,682	2.2%	84	10,276,183	3.5%
Other corporations	580	29,567,732	10.1%	558	33,388,138	11.4%
Foreign corporation	478	94,612,756	32.3%	586	104,370,042	35.6%
Individuals, other	40,398	28,546,173	9.7%	33,431	20,861,980	7.1%
Total	41,662	293,113,973	100.0%	34,798	293,113,973	100.0%

## ■ Dividends to Shareholders Equity

(%)

	2009	2010	2011	2012	2013
Dividends to shareholders equity	43.5	43.1	43.3	35.6	39.9

## ■ Voting Rights Exercised

	2009	2010	2011	2012	2013
Voting rights exercised (%)	81.50	79.49	78.18	81.55	82.07
Votes cast over the Internet	897,490	1,012,927	1,056,103	1,244,629	1,337,000
Shareholders voting online	779	998	1,115	900	868

## ■ Business / Financial Data (Consolidated)

	2009	2010	2011	2012	2013	2014
	Years ended March 31, 2010	Years ended March 31, 2011	Years ended March 31, 2012	Years ended March 31, 2013	Years ended March 31, 2014	(Forecast)
Net Sales (¥ billion)	1,024.0	1,160.3	1,218.7	1,290.9	1,783.1	1,980.0
Operating Income (¥ billion)	44.0	75.5	81.2	88.6	155.1	170.0
Ordinary Income (¥ billion)	43.8	74.8	81.8	94.1	154.1	166.0
Net Income (¥ billion)	19.4	19.9	41.2	43.6	91.9	98.0
Earnings Per Share (yen)	66.44	68.14	141.37	149.73	315.21	335.86
Overseas Business Ratio (%)	62	62	61	62	71	-
Free Cash Flow (¥ billion)	80.7	38.2	-35.0	35.7	86.9	-
Return on Assets (%)	1.7	1.7	3.6	3.5	4.9	-
Return on Equity (%)	4.0	4.0	8.3	7.8	12.7	-
Shareholders' Equity Ratio (%)	43.5	43.1	43.3	35.6	39.9	-
Plant-and-Equipment Investment (¥ billion)	30.5	30.0	48.3	54.3	59.4	-
Research & Development Costs (¥ billion)	28.2	30.8	33.0	33.6	40.2	-
Liability with Interest Ratio (%)	35.0	32.9	33.6	40.7	34.5	-



## ■ Donations **D**

(%)

	2009	2010	2011	2012	2013
Art, culture, sports	16	11	12	12	26
Environment	15	6	26	22	25
International exchange	15	5	10	13	17
Education	34	23	19	40	14
Disaster relief	0	40	24	0	7
Local communities, welfare, others	20	16	9	14	11

## ■ Governance

### ■ Executive Compensation

		2009	2010	2011	2012	2013
Directors	Number	10	13	13	13	12
	Amount of compensation (¥ million)	717	708	801	823	979
Audit & Supervisory Board Member	Number	5	4	5	4	6
	Amount of compensation (¥ million)	90	90	89	89	89
Total	Number	15	17	18	17	18
	Amount of compensation (¥ million)	808	798	891	913	1,069

**Note:** About compensation amounts

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)

	2010	2011	2012	2013	2014
University grad	215,000	215,000	215,000	215,000	220,000
Masters	234,800	234,800	234,800	234,800	239,800
PhD	258,800	258,800	258,800	258,800	263,800

**Note:** Figures are those during April of each year.



# Third-Party Verification

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To ensure reliability of the content of this report, the Daikin Group had Bureau Veritas Japan Co., Ltd., conduct a third-party verification of the greenhouse gas emission data.

#### ■ Data Covered by Verification

### Environmental Impact Data on Business Operations in FY2013

- Scope 1 and Scope 2 greenhouse gas (GHG) emissions from business operations of four production bases in Japan of Daikin Industries, Ltd., eight production subsidiaries in Japan, and 43 production subsidiaries overseas.
- Category 1 (purchased goods and services), 4 (upstream transportation and distribution), 6 (business travel), and 11 (use of sold products) emissions of Scope 3 GHG emissions calculated in line with the GHG Protocol's 'Corporate Value Chain (Scope3) Accounting and Reporting Standard.'

#### ■ Scope of Review

### Contribution to CO<sub>2</sub> Emission Reduction through the Use of Products

- Contribution to CO<sub>2</sub> emission reduction through the use of inverter air conditioners sold in emerging countries in FY2013.

# Daikin Group CSR Report 2014 Independent Verification Report

To: Daikin Industries, Ltd.



BUREAU  
VERITAS

June 25, 2014



Bureau Veritas Japan Co., Ltd.  
System Certification Services Headquarters

Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by Daikin Industries, Ltd. (Daikin) to conduct an independent verification and review of its environmental data selected by Daikin for inclusion in the Daikin Group CSR Report 2014 (the Report), issued under the responsibility of Daikin. The aim of the verification is to consider the accuracy of environmental data within the Report and to provide a verification opinion based on objective evidence. The aim of the review is to make an independent statement concerning the reliability and accuracy of the environmental data.

## 1. Verification and Review Outline

### 1) Environmental impact data generated through business operations in FY2013

Bureau Veritas conducted a verification of the following data.

Data verified	Site Visited	Verification or Review Methodology
Scope 1 and Scope 2 GHG emissions through business operations of four production bases of Daikin, eight production subsidiaries in Japan and 43 production subsidiaries overseas	- Daikin Head Office - Daikin Industries, Ltd. Yodogawa Plant - Daikin Industries, Ltd. Shiga Plant - Daikin Device Czech Republic s.r.o. - Daikin Industries Czech Republic s.r.o. - OYL Condair Industries Sdn Bhd - Daikin Air-conditioning (Shanghai) Co., Ltd. - Daikin Fluorochemicals (China) Co., Ltd.	- Review of documentary evidence produced by Daikin Head Office and the sites visited - Interviews with relevant personnel of Daikin Head Office and the sites visited - Site inspection assessing data monitoring procedure - Comparison between the reported data and the supporting documentary evidence
Categories 1, 4, 6 and 11 of Scope 3 GHG emissions accounted in line with the GHG Protocol's 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard'	- Daikin Head Office	

The verification was conducted using Bureau Veritas' standard procedures and guidelines for external verification of non-financial reporting, based on current best practice. Bureau Veritas refers to the International Standard on Assurance Engagements (ISAE) 3000 in providing a limited assurance for the scope of work stated herein.

### 2) Amount of contribution to CO<sub>2</sub> emission reduction through the use of products

Bureau Veritas conducted a review of the following data.

Data Reviewed	Site Visited	Review Methodology
The amount of contribution to CO <sub>2</sub> emission reduction through the use of inverter air conditioners sold for emerging countries in FY2013	Daikin Head Office	- Review of documentary evidence produced by Daikin Head Office and the departments of the relevant products and services - Interviews with relevant personnel of Daikin Head Office and the departments of the relevant products and services - Comparison between the data used in the calculation of emissions reductions and the supporting documentary evidence

## 2. Findings

### 1) Environmental impact data generated through business operations in FY2013

- Based on the verification work and processed followed, the environmental impact data stated in the Report is consistent with the data collected and consolidated by Daikin Head Office.
- Based on the verification work and processes followed, there is no evidence to suggest that environmental impact data reported by the sites visited to Daikin Head Office are not free from significant error.

### 2) The amount of contribution to CO<sub>2</sub> emission reduction through the use of stated products

- The criteria used in the calculation of CO<sub>2</sub> emissions reductions are consistent with the calculation criteria prepared by Daikin Head Office for the purpose.
- No significant error was detected in the source data or the calculation results for CO<sub>2</sub> emissions reductions.

Bureau Veritas has implemented a code of ethics across its business which is intended to ensure that all our staff maintain high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest. Bureau Veritas activities for Daikin are for social reporting verification only and we believe our verification assignment did not raise any conflicts of interest.

# GREENHOUSE GAS EMISSIONS VERIFICATION STATEMENT

To: Daikin Industries, Ltd.



**BUREAU  
VERITAS**

June 25, 2014



Bureau Veritas Japan Co., Ltd.  
System Certification Services Headquarters

Bureau Veritas Japan Co., Ltd. (Bureau Veritas) was engaged by Daikin Industries, Ltd. (Daikin) to conduct verification to a limited level of assurance of the greenhouse gas (GHG) emissions reported in the Daikin Group CSR Report 2014 for the period of April 1, 2013 through March 31, 2014.

## 1. Scope of Verification

Daikin requested Bureau Veritas to verify the accuracy of the following GHG information:

- 1) Scope 1 and Scope 2 GHG emissions:
  - CO<sub>2</sub> from energy use, HFCs, PFCs: GHG emissions through business operations of four production bases of Daikin, eight production subsidiaries in Japan and 43 production subsidiaries overseas
  - CO<sub>2</sub> from non-energy use, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub>: GHG emissions through business operations of four production bases of Daikin
- 2) Categories 1, 4, 6 and 11 of Scope 3 GHG emissions accounted in line with the GHG Protocol's 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard', and the boundaries defined by Daikin for each category.

## 2. Methodology

Bureau Veritas conducted the verification in accordance with the requirements of the international standard 'ISO 14064-3(2006): Greenhouse gases - Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions'.

As part of Bureau Veritas' assurance, the following activities were undertaken:

- Interviews with relevant personnel of Daikin responsible for the identification and calculation of GHG emissions;
- Review of Daikin's information systems and methodology for collection, aggregation, analysis and review of information used to determine GHG emissions; and
- Audit of a sample of source data to check accuracy of quantified GHG emissions.

## 3. Conclusion

Based on the verification work and processes followed, there is no evidence to suggest that the GHG emissions assertions shown below:

- are not materially correct and are not a fair representation of the GHG emissions, as per the scope of work;
- are not prepared in accordance with the methodology for calculating GHG emissions established and implemented by Daikin.

Verified greenhouse gas emissions		
Scope 1 828,718 t-CO <sub>2</sub> e	Scope 2 476,000 t-CO <sub>2</sub> e	Scope 3 18,212,136 t-CO <sub>2</sub> e

The breakdown of Scope 3 emissions are as follows.

Category 1: 608,740 t-CO<sub>2</sub>e | Category 4: 23,344 t-CO<sub>2</sub>e | Category 6: 11,608 t-CO<sub>2</sub>e  
Category 11: 17,568,444 t-CO<sub>2</sub>e

### 【Statement of independence, impartiality and competence】

Bureau Veritas is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 180 years history in providing independent assurance services. No member of the verification team has a business relationship with Daikin, its Directors or Managers beyond that required of this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest. Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities. The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes.



Greenhouse gas emissions data are calculated as follows.

## (1) Use of fuel at sites (Energy-induced CO<sub>2</sub>)

Scope 1

- The scope of calculation covers four manufacturing bases of Daikin Industries, eight manufacturing subsidiaries in Japan, and 43 manufacturing subsidiaries overseas.
- However, the following may not be included in calculation: newly consolidated bases, sites that are newly established and that don't yet have a data collection system in place, and sites whose emissions are negligible. As well, for sites where data procurement is difficult, calculation is based on estimates of past data, for example.
- Heat generation per unit, CO<sub>2</sub> emissions coefficient: Based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment); for natural gas in Japan, the coefficient used is based on the Act on the Promotion of Global Warming Countermeasures.

## (2) Emissions of HFC and PFC in production processes at sites

Scope 1

- The scope of calculation covers four manufacturing bases of Daikin Industries, eight manufacturing subsidiaries in Japan, and 43 manufacturing subsidiaries overseas.
- For estimates of HFC and PFC emissions, material balances and emissions coefficients are set and calculated based on methods stipulated in the Act on the Promotion of Global Warming Countermeasures.
- Global warming coefficients of HFC and PFC: Coefficients provided in the IPCC Second Assessment Report.

## (3) Non-energy-induced CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub> emissions in production processes at sites

Scope 1

- The scope of calculation is as follows.  
Four manufacturing bases of Daikin Industries (Non-energy-induced CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub>).
- Calculations are based on emissions coefficients stipulated in the Act on the Promotion of Global Warming Countermeasures.
- Global warming coefficients: Coefficients provided in the IPCC Second Assessment Report.



#### **(4) Use of electricity and heat at sites (Energy-induced CO<sub>2</sub>)** Scope 2

- The scope of calculation covers four manufacturing bases of Daikin Industries, eight manufacturing subsidiaries in Japan, and 43 manufacturing subsidiaries overseas.
- CO<sub>2</sub> emissions coefficients are as follows.
  - Purchased electricity: In Japan: 0.384 kg-CO<sub>2</sub>/kWh  
Based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment)
  - Overseas: Based on Report on Survey of Estimates of CO<sub>2</sub> Unit Emissions in Power Generation Fields in Countries of the World (Japan Electrical Manufacturers' Association), or on coefficients confirmed by power companies servicing each site.
  - Purchased heat: 0.068kg-CO<sub>2</sub>/MJ  
Based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment)  
For Kashima Plant, 0.05 kg-CO<sub>2</sub>/MJ (surveyed value by site)

#### **(5) Purchased products and services (Energy-induced CO<sub>2</sub>)** Scope 3

- Period: April 1, 2013 to March 31, 2014
- Scope of calculation covers components and materials purchased for air conditioners, water heaters, oil hydraulic products, and fluorochemical products produced in Japan.
- For each, purchased amount is multiplied by CO<sub>2</sub> emission coefficient.
- CO<sub>2</sub> emission coefficient is based on CFP Program Basic Database Ver. 1.01 (data in Japan), by the Japan Environmental Management Association for Industry, and the Inventory Database for Environment Analysis, by the National Institute of Advanced Industrial Science and Technology, and the Japan Environmental Management Association for Industry
- For chemicals, approximately 80% of the highest volume ones were selected, and a 100% value estimate calculation was done.

#### **(6) Transport and transmission (Upstream) (Energy-induced CO<sub>2</sub>)** Scope 3

- Period: April 1, 2013 to March 31, 2014
- Scope of calculation covers transport, including imports, of products and parts (compressors) sold in Japan by Daikin Industries.
- For calculation method, transport in ton-kilometers (transport amount X transport distance) is multiplied by CO<sub>2</sub> conversion coefficient.
- CO<sub>2</sub> conversion coefficient:
  - Within Japan: Based on Act on the Promotion of Global Warming Countermeasures.
  - From overseas to Japan: Based on simple calculation tool for logistics CO<sub>2</sub> emissions, by Policy Research Institute for Land, Infrastructure, Transport and Tourism.

## **(7) Business trips (Energy-induced CO<sub>2</sub>)**

Scope 3

- Period: April 1, 2013 to March 31, 2014
- Scope of calculation covers business trips in Japan and overseas by employees of Daikin Industries and its consolidated subsidiaries in Japan.
- Transportation cost is multiplied by CO<sub>2</sub> emission coefficient. Transportation cost is cost of travel minus lodging, daily allowance, and other expenses that can be excluded.  
In Japan: Transportation cost X emission coefficient per amount paid (Air flight: Domestic).  
Overseas: Transportation cost X emission coefficient per amount paid (Air flight: International).
- CO<sub>2</sub> emission coefficient is based on the database of emission unit values (Ver. 2.0) of the Report on Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain, by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. Emission coefficient uses the most expensive air flights.

## **(8) CO<sub>2</sub> emissions in use of products sold in Japan (Energy-induced CO<sub>2</sub>)**

Scope 3

- Scope of calculation covers CO<sub>2</sub> emissions from the use of residential air purifiers, central air conditioners, residential water heaters, residential air conditioners, factory air conditioners, and air conditioners for buildings, stores, and offices sold in Japan in fiscal 2013.
- Calculation method: Annual electricity consumption X product lifecycle X electricity CO<sub>2</sub> emission coefficient X products sold in fiscal 2013.
- Annual electricity consumption and others are as follows.
  - Annual electricity consumption: Catalog values for room air conditioners, assumed conditions of actual use for other products.
  - Product lifecycle: 10 years for room air conditioners, water heaters, and air purifiers, 13 years for other products.
  - Electricity CO<sub>2</sub> emission coefficient: 0.348 kg-CO<sub>2</sub>/kWh; based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment).
- Up to 80% of the total sales volume, in order of highest selling products, was calculated, and a 100% value estimate calculation was done.

## **(9) Refrigerant leakage in use of products sold in Japan**

Scope 3

- Scope of calculation covers refrigerant leakage during use of refrigeration and air conditioning equipment sold in Japan in fiscal 2013.
- Calculation method: Annual leakage rate X product lifecycle X global warming coefficient of refrigerant X products sold in fiscal 2013.
- Annual leakage rate and others are as follows.
  - Annual leakage rate: Revisions of Emission Coefficient, Etc. During Use of Refrigeration and Air Conditioning Equipment, by Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry, March 17, 2009.
  - Product lifecycle: 10 years for residential products, 13 years for commercial refrigeration and air conditioning equipment.
  - Global warming coefficient of refrigerant: Coefficients provided in the IPCC Second Assessment Report.
- Up to 80% of the total sales volume, in order of highest selling products, was calculated, and a 100% value estimate calculation was done.



# Overview of GRI Guidelines

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## ■ GRI Sustainability Reporting Guidelines Version 3.1 (G3.1)

➤ See Data, environmental performance information and social performance indicators can be found here.  
(Page 273)

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	▶ <a href="#">Top Message</a>
1.2	Description of key impacts, risks, and opportunities.			
2.Organizational Profile				
2.1	Name of the organization.			▶ <a href="#">Daikin Group Business Overview</a>
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.			

Indicators		GC Principle	ISO 26000 Core Subjects / Issue	WEB
2.9	Significant changes during the reporting period regarding size, structure, or ownership including:-The location of, or changes in operations, including facility openings, closings, and expansions; and-Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).			-
2.10	Awards received in the reporting period.			► Honors for Daikin
3.Report Parameters				
Report Profile				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.			► Editorial Policy
3.2	Date of most recent previous report (if any)			
3.3	Reporting cycle (annual, biennial, etc.)			
3.4	Contact point for questions regarding the report or its contents.			
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 Method
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

Indicators		GC Principle	ISO 26000 Core Subjects / Issue	WEB
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	▶ <a href="#">Third-Party Verification</a>
				▶ <a href="#">Independent Opinions</a>
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	▶ <a href="#">CSR Management</a>
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.			▶ <a href="#">Corporate Governance</a>
				▶ <a href="#">Responsibility to Shareholders and Investors</a>
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).			▶ <a href="#">Labor Management Relations</a>
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.			-
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.		▶ <a href="#">CSR Management</a>	



Indicators		GC Principle	ISO 26000 Core Subjects / Issue	WEB
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.		6.2 Organizational governance	► CSR Philosophy
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.			► CSR Management
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.			-
Commitments to External Initiatives				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	GC principle 7	6.2 Organizational governance	► Compliance and Risk Management
				► Environmental Risk Management
				► Product Quality and Safety
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.			► Participation in the Global Compact
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: -Has positions in governance bodies; -Participates in projects or committees; -Provides substantive funding beyond routine membership dues; or Views membership as strategic.			► 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.			

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
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.			-
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	▶ Promotion of Local Personnel at Overseas Bases

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
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
Environmental					
Management Approach					
	Goals and Performance	GC principle 7,8,9	6.2 Organizational governance 6.5 The Environment	► Environmental Action Plan 2015	
	Policy			► Basic Environmental Policy of the Daikin Group	
	Organizational Responsibility			► Environmental Management System	
	Training and Awareness			► Environmental Education	

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
		Monitoring and Follow-up	GC principle 7,8,9	6.2 Organizational governance	► Environmental Audits
		Additional Contextual Information		6.5 The Environment	-
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.			► Environmentally Conscious Design
					► Promoting the Use of Inverter Products
					► Promoting the Use of Heat-Pump Type Space and Hot Water Heaters
EN7.	Initiatives to reduce indirect energy consumption and reductions achieved.	-			
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
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 of the environment, biodiversity and restoration of natural habitats	-
	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 of the environment, biodiversity and restoration of natural habitats 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 of the environment, biodiversity and restoration of natural habitats	-
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
Core	EN19.	Emissions of ozone-depleting substances by weight.	GC principle 8	6.5 The Environment 6.5.3 Prevention of pollution	<a href="#">▶ Dissemination of Next-Generation Refrigerants</a>
					<a href="#">▶ Overview of Environmental Impact</a>
					<a href="#">▶ Low-Impact Refrigerants</a>
					<a href="#">▶ Preventing Global Warming — Production, Transportation</a>
					<a href="#">▶ Recovering and Destroying Fluorocarbons from Customers' Air Conditioners</a>
	EN20.	NO, SO, and other significant air emissions by type and weight.			<a href="#">▶ Overview of Environmental Impact</a>
	EN21.	Total water discharge by quality and destination.			<a href="#">▶ Overview of Environmental Impact</a>
EN22.	Total weight of waste by type and disposal method.	<a href="#">▶ Overview of Environmental Impact</a>			
		<a href="#">▶ Reducing Waste and Water</a>			
		<a href="#">▶ Environmental Risk Management</a>			
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 of the environment, biodiversity and restoration of natural habitats	-



Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
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	<a href="#">▶ Dissemination of Next-Generation Refrigerants</a> <a href="#">▶ Creating a Market for Heat-Pump Heating Systems</a> <a href="#">▶ Low-Impact Products</a>
	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	<a href="#">▶ 3R &amp; Repair</a>
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	<a href="#">▶ Overview of Environmental Impact</a>
					<a href="#">▶ Reducing CO2 Emissions during Transportation</a>
Overall					
Additional	EN30.	Total environmental protection expenditures and investments by type.	GC principle 7,8,9	6.5 The Environment	<a href="#">▶ Environmental Accounting</a>

▶ See Data, environmental performance information and social performance indicators can be found here. (Page 273)

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	▶ <a href="#">CSR Targets and Achievements</a>
	Policy				▶ <a href="#">Employee Evaluation and Treatment Policy</a>
					▶ <a href="#">Workplace Diversity Policy</a>
					▶ <a href="#">Work-Life Balance Policy</a>
					▶ <a href="#">Labor Management Relations Policy</a>
					▶ <a href="#">Occupational Safety and Health Policy</a>
					▶ <a href="#">Fostering Human Resources Philosophy</a>
	Organizational Responsibility	-			
	Training and Awareness				▶ <a href="#">Fostering Human Resources</a>
					▶ <a href="#">Occupational Safety and Health</a>
	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	▶ <a href="#">Daikin Group Business Overview</a>
	LA2.	Total number and rate of new employee hires and employee turnover by age group, gender, and region.			▶ <a href="#">Workplace Diversity, Equal Opportunity</a>
					▶ <a href="#">Work-Life Balance</a>
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/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	-
Core	LA7.	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.		► Occupational Safety and Health	
	LA8.	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		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

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
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	<a href="#">▶ Fostering Human Resources</a>
	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	<a href="#">▶ Employee Evaluation and Treatment</a>
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	<a href="#">▶ Corporate Governance</a>
					<a href="#">▶ Workplace Diversity, Equal Opportunity</a>
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				<a href="#">▶ Respect for Human Rights</a>
	Organizational Responsibility				<a href="#">▶ Respect for Human Rights</a>
					<a href="#">▶ Compliance and Risk Management</a>
	Training and Awareness				<a href="#">▶ Human Rights Education</a>
	Monitoring and Follow-Up				<a href="#">▶ Compliance and Risk Management</a>
					<a href="#">▶ Suppliers Must Be in Legal Compliance</a>
	Additional Contextual Information				-

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
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	► Respect for Human Rights
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
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
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	► <a href="#">CSR Targets and Achievements</a>
		Policy			► <a href="#">Compliance and Risk Management</a>
					► <a href="#">Group Compliance Guidelines</a>
		Organizational Responsibility			► <a href="#">Compliance and Risk Management</a>
		Training and Awareness			► <a href="#">Education</a>
		Monitoring and Follow-Up			► <a href="#">Compliance and Risk Management</a>
		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	► <a href="#">Reforestation in Indonesia</a>
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 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats	-
Core	SO10.	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		6.8 Community involvement and development	-

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
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	<a href="#">► Compliance and Risk Management</a> <a href="#">► Prohibiting Bribes</a>
	SO3.	Percentage of employees trained in organization's anti-corruption policies and procedures.			
	SO4.	Actions taken in response to incidents of corruption.			
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	<a href="#">► Dissemination of Next-Generation Refrigerants</a>
					<a href="#">► Daikin Cooperates in Formation of Environmental Policy</a>
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	<a href="#">► Compliance and Risk Management</a> <a href="#">► Free Competition and Fair Business Dealings</a>
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

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
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
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
					► Product Quality and Safety

Indicators			GC Principle	ISO 26000 Core Subjects / Issue	WEB
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	<a href="#">▶ Accelerating Product Development Globally</a>  <a href="#">▶ Customer Satisfaction</a>
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	<a href="#">▶ Product Quality and Safety</a>
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	<a href="#">▶ Protecting Customer Information</a>
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	<a href="#">▶ Product Quality and Safety</a>

▶ See Data, environmental performance information and social performance indicators can be found here.  
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