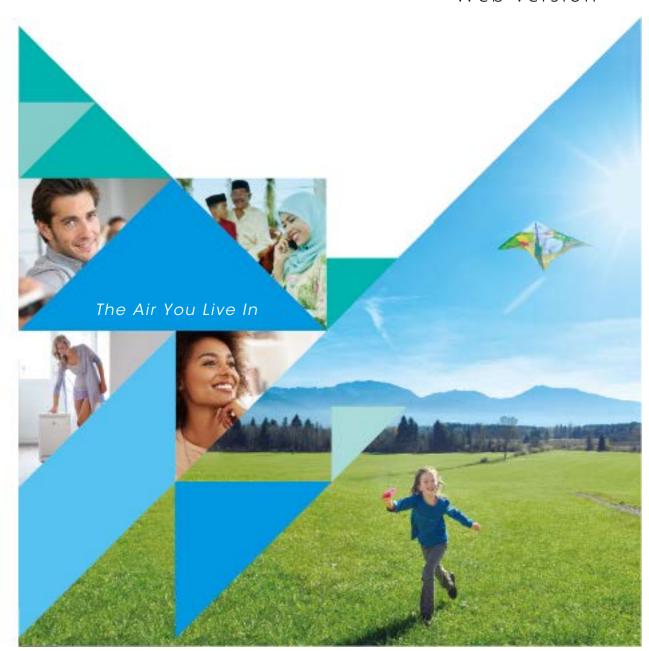


Sustainability Report

2016

— Web version —



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

This PDF file contains all the fiscal 2015 information from the Sustainability section of our Web site. You may download and print it out.

Note: The printed version of the Sustainability Report 2015 focuses on our main activities and efforts. It can also be downloaded as a PDF file.

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2016

-Web version -

Editorial Policy

Sustainability Report Editorial Policy



■ Editorial Policy

This report covers the basic philosophy of the Daikin Group with regards to sustainable growth, achievements in fiscal 2015, and plans for the future.

Information that, due to space limitations, could not fit into the Sustainability Report 2016 (printed version) released in July 2016 is included on this website.

Printed Version

In this Sustainability Report, we focus on the most important information from among the Daikin Group's strategies toward a sustainable society; the four key themes of CSR for Value Provision, which are environment, new value creation, customer satisfaction, and human resources; and Fundamental CSR, which forms the basis of these themes.

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

> Key Activities (Page 44)

Website

This website comprises detailed data and case studies and is divided into CSR and Strategy, which explains the policy, strategies, and plans of the Daikin Group's CSR; and nine CSR themes that the Daikin Group prioritizes (four themes of CSR for Value Provision, which are environment, new value creation, customer satisfaction, and human resources; and five themes of Fundamental CSR, which are corporate governance, respect for human rights, supply chain management, stakeholder engagement, and communities).

Third-Party Verification

To ensure reliability of the content of this report, the Daikin Group had a third-party verification conducted for data on greenhouse gas emissions, water use, and wastewater.

> Third-Party Verification (Page 335)

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 this Sustainability Report as an annual Communication on Progress (COP) to the United Nations.

> Guidelines (Page 342)

Note

In reporting on fiscal 2015 CSR activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual fiscal 2015 results and information reported for fiscal 2014. 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 2015 (April 1, 2015 to March 31, 2016).

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 42 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.

Overseas

42 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 Netherland)			
Daikin Airconditioning India Pvt. Ltd.	AAF International s.r.o. (Slovakia)			
Daikin Malaysia Sdn. Bhd.	Daikin Applied Europe S.p.A.			





2016

-Web version -

Daikin's Sustainability





What kind of company is Daikin?

We are a global company that operates on the three business pillars of air conditioning, chemicals, and filters.

Basic Management Policy

Corporate Policies

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

Our Group Philosophy People-Centered Management

Details here (Page 20)

Strategic Management Plan

FUSION20

Co-create New Value in the Air and Environment Fields with Wisdom and Passion

Daikin's business

Equipment for air conditioning and heating, hot water heaters, and refrigeration equipment

Next-generation refrigerants

Air conditioning

We handle all aspects of temperature management, including air conditioning equipment and refrigeration equipment, with the aim of providing both environmental performance and comfort.

Air environment engineering

Energy solutions

Chemicals

Utilizing our expertise in fluorochemicals, we provide new materials in the fields of medicine, automotive, and renewable energy.

Filters

We contribute to preventing atmospheric pollution and improving indoor air through, for example, dust-collecting filters for commercial equipment and high-performance filters for air purifiers.

Air filters, power and industrial systems

Details here (Page 22)



Q.2

What kind of value does Daikin provide to society?

Through our business activities, we provide healthy and comfortable daily lives while at the same time contributing to energy efficiency and the reduction of greenhouse gases.



Preventing air pollution and protecting health



Comfortable air that contributes to higher productivity and improved health



Energy savings through the use of highly efficient energy



Reduced greenhouse gas emissions through the development of refrigerants with low global warming potential







What does Daikin think about today's social problems?

Based on issues that arise with our changing global society, we respond to the increasing number of new needs and to people's changing awareness. Growing Changing Economic demand demographics progress for food Increasing Expansion and Increasing Uneven Urbanization, severity of concentration of severity of climate distribution of atmospheric industrialization energy and food change pollution electricity demand Increasing number of new needs, people's changing awareness Increasing need Increasing need to reduce Expanding energy greenhouse gases to use more Increasing need Increasing need needs to meet renewable energy to create an and use more growing air to curb energy renewable energy toward a efficient cold conditioner usage decarbonized chain system toward a demand decarbonized economy economy







What is Daikin doing about these problems?

We are creating new value that contributes to solutions and we are helping realize the sustainable development of society through our business.

Daikin's CSR

CSR for Value Provision

Create new value that helps solve society's problems

- Environment
- New value creation
- Customer satisfaction
- Human resources

Fundamental CSR

Grow sustainably in response to society's requests

- Corporate governance
- Respect for human rights
- Supply chain management
- Stakeholder engagement
- Communities

Social value created by Daikin



Value Creation for the Earth

We respond to the growing air conditioner demand related to issues such as climate change and economic advancement. At the same time, by using electricity efficiently and spreading the use of refrigerants with low global warming potential, we help reduce greenhouse gas emissions and prevent the acceleration of global warming.

Sustainable development goals (SDGs) targeted













Value Creation for Cities

We create spaces that respond to the various needs of both industrialized and developing countries. In addition, through city-wide air conditioning management methods such as zero-energy buildings, which achieve a net energy balance of zero, we are helping create comfortable and energy-efficient urban settings.

Sustainable development goals (SDGs) targeted









Value Creation for Health and Comfort

We are striving to reduce the amounts of hazardous chemicals in the atmosphere in order to contribute to both better living environments and economic development. In addition, by helping establish an efficient cold chain, we contribute to the provision of food and pharmaceuticals.

Sustainable development goals (SDGs) targeted











Details here (Page 173)





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CSR and Strategy

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CSR and Strategy



In 2016, Daikin began its Fusion 20 strategic management plan targeting 2020.

Under Fusion 20, we will increase demand mainly in emerging markets and seek solutions to numerous global challenges, such as climate change impact, through our business activities in order to help realize a sustainable society.

Daikin Sustainability Toward 2020

Basic Management Policy

Corporate Policies
Our Group Philosophy
People-Centered Management

External Factors

Impact on Climate Change
Increase in Air Conditioner Demand

Management
Strategy and CSR

Fusion 20 Strategic Management Plan

Co-create New Value in the Air and Environment Fields with Wisdom and Passion

Daikin Group CSR

CSR for Value Provision Fundamental CSR

∨ Goals for 2020

Net Sales of 3 Trillion Yen, Operating Income Margin of 12%

Create New Solutions to Address the Challenges of Customers and Society in Order to Contribute to the Sustainable Development of Society

Basic Management Policy

Corporate Policies

- 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

> CSR Philosophy (Page 20)

External Factors

Impact on Climate Change

 Growing Worldwide Energy Demand

Energy-induced CO2 in 2030

69 % increase compared to 2000 (IEA)

 Environmental Impact of Refrigerants

Global warming impact from fluorocarbons (HFCs) in 2030

5 times compared to 2010 (Daikin forecast)

Increase in Air Conditioner Demand

Air conditioner demand in 2020

4 times compared to 2000 (Daikin forecast)

Management Strategy and CSR

Fusion 20 Strategic Management Plan

Co-create New Value in the Air and Environment Fields with Wisdom and Passion

Key Strategies

- Strengthen Existing Businesses
- New Business Domains and New Business Structure
- Create More Sophisticated Technologies and Production Methods
- Create More Sophisticated Management Control
- Implement a Unique Daikin Philosophy

Daikin Group CSR

CSR for Value Provision

- Environment
- New Value Creation
- Customer Satisfaction
- Human Resources

Fundamental CSR

- Corporate Governance
- Respect for Human Rights
- Supply Chain Management
- Stakeholder Engagement
- Communities
- > CSR Philosophy (Page 20)

Up to fiscal 2015, we carried out CSR activities based on the four key CSR themes of the environment, quality and customer satisfaction, social contribution, and human resources. For details, see the following page.

> CSR Promotion Plan (CSR Management) (Page 33)

Goals for 2020

Net Sales of 3 Trillion Yen, Operating Income Margin of 12%

- Enhance existing businesses (air conditioning, chemicals, filters)
- Expand new business (heating/water heater, energy solutions, commercial refrigeration, refrigerants, air environment engineering)

FY2018 Medium-Term Implementation Plan

Net Sales 2.5 trillion yen

Operating Income 2,700 billion yen

Operating Income Margin $10.8\,\%$

Create New Solutions to Address the Challenges of Customers and Society in Order to Contribute to the Sustainable Development of Society

Contribute to mitigating global warming

FY2020 Target

Contribution to Greenhouse Gas Emission Reductions

60 million tons-CO2/year

- Contribute to sustainable urban development
- Contribute to people's health and comfort

CSR and Strategy Top Message





Co-create New Value in the Air and Environment Fields with Wisdom and Passion

Masanori Jegawa Masanori Togawa

Masanori Togawa President and CEO Daikin Industries, Ltd.

Under Fusion 15, our five-year strategic management plan to fiscal 2015, we have striven to expand new markets in emerging and other countries through environmentally conscious and energy-efficiency efforts with the goal of becoming a "Truly Global and Excellent Company." In five years, we increased net sales from approximately 1.2 trillion yen to more than 2 trillion yen, with overseas sales now accounting for 75% of the Daikin Group's total sales. Our worldwide workforce has also grown to more than 60,000 employees.

With this growth have come increasing demands and expectations from society. We aim to respond to these while creating totally new values contributing to the realization of a sustainable society.

Mitigating Impact on Climate Change through Technologies for Energy Efficiency and Refrigerants

Daikin's main business of air conditioning constitutes crucial social infrastructure that contributes to providing people with a healthy, culturally fulfilling lifestyle and achieving economic advancement. At the same time, air conditioners consume large amounts of energy. The Daikin Group is fully aware of the need to focus first and foremost on reducing greenhouse gas emissions in order to mitigate the impact on climate change.

To this end, we strive to spread the worldwide use of the low-global-warming-potential refrigerant HFC-32, one of our key environmental contribution technologies, and energy-efficient inverter technologies. HFC-32 has a global warming potential just one-third that of conventional refrigerants. If the refrigerants in all of the world's air conditioners were converted to HFC-32, greenhouse gas emissions would be reduced by approximately 800 million tons-CO2 in 2030. Energy-efficient inverter air conditioners and air conditioners using HFC-32 sold by the Daikin Group in emerging countries in fiscal 2015 contributed to emission reductions of approximately 35 million tons-CO2.

In December 2015, the Paris Agreement was adopted at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21), marking the start of a framework that all countries will strive to realize. Air conditioner demand is forecast to increase, mainly in emerging countries. Under its Fusion 20 strategic management plan, targeting 2020, the Daikin Group aims to reduce worldwide greenhouse gas emissions by 60 million tons-CO2.

Creating New Value as Solutions for Society

In September 2015, the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development were adopted in the United Nations. Under a shared vision of a sustainable world, the SDGs represent a plan of action that governments, industry, and other institutions will implement in their respective fields with the goal of solving society's problems.

In November 2015, the Daikin Group opened its Technology and Innovation Center. In addition to developing products and technologies that anticipate the future needs of customers, the center will collaborate with industry, government, and academia around the world to create new value that contributes to solutions for society's problems in environment, energy, health, and other areas.

Daikin will continue to take on new challenges, not only in its key businesses of air conditioning and chemicals, but also through a focus on areas such as filters that reduce air pollution, refrigeration technologies that facilitate food storage and transport, and engineering solutions that create air and indoor environments responding to customer needs.

Creating a Work Environment Where Employees Can Use Their Talents to the Fullest

Our 60,000 worldwide employees are the ones creating new value for customers and society. The Daikin Group makes people-centered management the driving force of its competitiveness and promotes diversity management in which a wide range of individual employees can contribute. Business success comes by creating a work environment where employees can maximize their own unique talents.

Daikin takes part in the United Nations Global Compact, an initiative to promote the implementation of 10 universally accepted principles in the areas of human rights, labor, the environment, and anti-corruption. As our business spreads further around the globe, we are doing everything possible to abide by laws and international norms and ensure that our activities are sound, transparent, and ethical throughout the entire value chain.

As a corporate group that continues to co-create new value in the air and environment fields, we will contribute to the betterment of society by meeting the expectations of customers, shareholders, procurement business partners, community members, and all of our other stakeholders.

Masanori Togawa President and CEO Daikin Industries, Ltd.

Masanori Togawa

CSR and Strategy CSR Philosophy



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

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

- 1. Through the strict implementation of Our Group Philosophy, the Daikin Group will fulfill its social responsibilities worldwide in all facets of relationships with stakeholders, thereby raising corporate value and contributing to the sustainable development of society.
- 2. Based upon thorough observance of legal compliance and corporate ethics, the Daikin Group will focus on contributing to society through its business activities. As a good corporate citizen, we will be highly sensitive to the needs of each world region in carrying out our social contribution activities.
- 3. We will incorporate CSR into business activities so that CSR and our business are integrally intertwined in an ongoing synergy that contributes to better business performance.
- 4. We will carry out CSR activities through open, two-way communication with society and always ensure that we are accountable for, and transparent in, our actions.

Key CSR Themes

When we formulated Fusion 20 in fiscal 2015, we revised the importance (materiality) of various efforts to the Daikin Group, and as a result came up with four key CSR themes — the environment, new value creation, customer satisfaction, and human resources — as ways to carry out CSR for value provision.

We also established five CSR themes fundamental to our business activities: corporate governance, respect for human rights, supply chain management, stakeholder engagement, and communities.

CSR for value provision New value Customer Human **Environment** creation satisfaction resources **Fundamental CSR** Corporate Respect for Supply chain Stakeholder Communities governance human rights management engagement

For key CSR themes up until fiscal 2015, see the following page.

> History of CSR Activities (CSR Management) (Page 33)



Daikin Group Business Overview

Contributing to Society and the Environment through Technology

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 CO2 emissions, thus contributing to sustainable development in society.



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

While air conditioners are indispensable to a healthy and comfortable life, they also consume large amounts of energy. Our top priority is to develop energy-efficient air conditioners that provide a comfortable air environment.

Residential Air Conditioners



Commercial Air Conditioners



Air Purifiers



E-11



Hot Water and Space Heaters



Air Conditioning Systems



Air conditioning network service system

Refrigeration Equipment





Utilizing the Characteristics of Fluorochemicals and Contributing to a Wide Range of Fields

We have the leading share of the world market for fluorochemical products used in fields such as automotive, IT, and energy. As the only company in the world to manufacture both air conditioners and their refrigerants, we are developing next-generation refrigerants with minimal environmental impact.

Energy Field



Materials for lithium-ion rechargeable batteries



Materials for solar cells

Automotive Field



Information and Telecommunication Field



Fluororesins, coating material (for tablets)

Refrigeration and Air Conditioning Field



Fluorocarbons (refrigerants)



Proprietary Technologies at Work in a Range of Industries, IT Solutions

We develop highly energy-efficient hydraulic pumps and units incorporating the inverter and other technologies built up through our air conditioner business. We also develop aerospace parts and home medical equipment that require advanced precision processing technologies and quality control technologies.

Machine Tools



Construction Equipment



In-Home Medical Equipment



Oxygen concentrator (defense systems)

Electronics



Improving product development process "Space Finder" (electronics)

Respecting the Diverse Cultures and Values of Each Country

Overseas sales now account for over 70% of the Daikin Group's total, and 80% of the Group's employees work outside Japan. Daikin is contributing to development in communities around the world by respecting the cultures and values of each country and region, by coming out with products that match regional needs, and by creating a work environment where employees work with high motivation and unique personalities.



Financial Highlights

The Daikin Group believes that improving performance and raising corporate value meet the expectations of shareholders, investors, and all other Daikin stakeholders. Under Fusion 15, our five-year strategic management plan that culminated in fiscal 2015, we strove to reach targets and increase profits by creating demand in our markets around the world.



Non-Financial Highlights

To continue growing sustainably, a company must contribute to solving social challenges and thus create value other than that indicated by financial data. We will continue to create new value through world-leading technologies under our key CSR themes including environment, new value creation and, customer satisfaction, with human resources as their key pillar.



CSR and Strategy Value Chain



Acting with Consideration for Our Impact on Society

The Daikin Group's business activities impact society in various stages of the value chain, and the scope of this impact is expanding with globalization. We therefore identify the importance (materiality) of our actions with consideration of these impacts and incorporate this into our strategic management plan.



Values from Scope 1,2,3 third-party verification

Scope 1: Direct greenhouse gas emissions

Scope 2: Energy-induced indirect greenhouse gas emissions

Scope 3: Other indirect greenhouse gas emissions



Demands and Expectations of Society

Throughout the globally expanding supply chain, Daikin is expected to respond to various procurement risks involving, for example, human rights, labor practices, compliance, and environmental protection.

Daikin Group Environmental Impact

CO2 Emissions from Procurement and Materials

1.53 million ton-CO2 Scope 3

(Japan, China, Asia, Oceania, Europe)

Actions Considering Daikin's Impact on Society

Supply chain management [Fundamental CSR]



Demands and Expectations of Society

As air conditioner demand grows in emerging markets and other countries, Daikin must develop products that satisfy customer needs by offering, for example, comfort, superb environmental performance, and quality that meets regional climate.

Actions Considering Daikin's Impact on Society

Development and design of products with superb environmental performance [Environment]

The Technology and Innovation Center will lead efforts to create technologies and products that differentiate Daikin. [New Value Creation]

R&D Expenditure **4.61** billion yen

Compared to previous fiscal year 107% (Global Group)

Number of Patent Applications (FY2014)

1,292 (Daikin Industries, Ltd. only)

Develop human resources with the goal of boosting R&D prowess [Human Resorces]



Manufacturing

Demands and Expectations of Society

It is crucial that Daikin increase productivity while at the same time improving manufacturing quality and reducing environmental impact at all worldwide production sites.

Daikin Group Environmental Impact

Energy-induced CO2 Emissions

710,000 tons-CO2 Scope 1.2

Compared to previous fiscal year 104% (Global Group)

Greenhouse Gas Emissions Other than CO2

550,000 tons-CO2 Scope 1

Compared to previous fiscal year 70% (Global Group)

Actions Considering Daikin's Impact on Society

Increase manufacturing efficiency and boost product quality [Customer Satisfaction]

Build global system for skills transfer [Human Resorces]



Demands and Expectations of Society

Faulty air conditioner installation not only causes quality problems but also leads to environmental problems such as refrigerant leakage. It is crucial that Daikin raises the level of installation skills of employees and retailers worldwide.

Daikin Group Environmental Impact

CO2 Emissions from Transportation

22,000 tons-CO₂ (Japan) Scope 3



Compared to previous fiscal year **85**%

Actions Considering Daikin's Impact on Society

Contribute to mitigation of global warming by preventing refrigerant leakage

Train Installation Technicians in Order to Prevent Fluorocarbon Leakage [environment]

19,360 (Japan, Asia)

Support retailers and dealers through, for example, information provision [Customer Satisfaction]



Demands and Expectations of Society

A look at the lifecycle of air conditioners reveals that CO2 emissions during their usage have the largest impact on climate change.

Daikin Group Environmental Impact

CO2 Emissions from Daikin Air Conditioners on the Market

101.5 million tons-CO2 Scope 3

(Japan, China, Asia, Oceania, Europe)

Actions Considering Daikin's Impact on Society

Contribute to mitigation of global warming through state-of-the-art technologies

Contribution to CO2 Emission Reductions Worldwide* [environment]

34.8 million tons-CO2 Third-Party Review

*Total of CO2 reductions as a result of using inverter products and conversion to HFC-32 refrigerant.



After-sales Service, Recovery, Recycling

Demands and Expectations of Society

To achieve a recycling-based society, it is crucial that we are thorough in recycling air conditioners and recovering/recycling refrigerants.

Actions Considering Daikin's Impact on Society

Thoroughly recycle in order to achieve a recycling-based society [environment]

Air conditioner recycling volume

9,419 tons (Japan) ⇒ Compared to previous fiscal year 98%

Fluorocarbon recovered during repair and final disposal

930,000 tons-CO2 (Japan) Compared

to previous fiscal year 96%

Improve ability to respond to customers After-sales service customer satisfaction rate [Customer Satisfaction]

4.05 (weighted average of five-stage assessment) (Japan)

CSR and Strategy CSR Management



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

In fiscal 2015, based on changes in the external environment, such as external expectations and demands and accelerating business expansion, we deliberated with the CSR Committee on the responsibilities Daikin must fulfill and the value it must provide. As a result, the Fusion 20 strategic management plan culminating in fiscal 2020 incorporates plans for Daikin to create social value through its business activities and to achieve sustainable growth together with society.

Materiality (of Key Initiatives)

Identifying Materiality Across the Entire Value Chain

When we formulated Fusion 20 in fiscal 2015, we took a look at what was important to Daikin and as a result came up with four key CSR themes— the environment, new value creation, customer satisfaction, and human resources—aimed at sustainable growth for both Daikin and society.

Our management focus on these four themes was incorporated into Fusion 20. We will consider the impact on society of our business strategies and globalization in relation to each of these four themes, and establish CSR targets and plans accordingly.

Materiality Selection Process

Materiality evaluation involves selecting which CSR initiatives should take top priority. Evaluation was conducted with consideration in two areas: concerns and impacts of stakeholders (on the right page), which include stakeholder engagement, international guidelines, and criteria of socially responsible investment survey institutes; and importance to Daikin, which includes Our Group Philosophy and medium-term management plans. In future, we will gather an even wider range of opinions from outside the company and reflect these in our medium-term CSR targets and plans.

Philosophy of Materiality Response to climate change Most important Biodiversity protection Respect for human rights Stakeholder concerns, impacts Stakeholder engagement Effective use of resources and energy Communities W New value creation Management of chemical substances Product quality and safety Customer satisfaction Occupational safety and health Human resource development Anti-corruption Labor-management relations Free competition and fair business Workplace diversity dealings Supply-chain management Corporate governance Information security Waste and water Important

Importance to Daikin

History of CSR Activities

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

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.

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, Ltd. 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 20)

2005

The Daikin Group Defines Its Philosophy on Responsibility toward Stakeholders

We expressed our belief 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 21)

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 established key CSR themes in four areas: the environment, quality & customer satisfaction, human resources, and social contribution.



2011 to 2015

Active CSR Based on the Fusion 15 Strategic Management Plan

In fiscal 2011, we launched our Fusion 15 strategic management plan to respond to the demands of society.

> CSR Targets and Achievements (Page 35)

2016 onward

Revision of Key Themes in Line with Fusion 20 Strategic Management Plan

When we formulated Fusion 20, we revised the materiality of various efforts to the Daikin Group, and as a result came up with four key CSR themes — the environment, new value creation, customer satisfaction, and human resources — as ways to carry out CSR for value provision. We added to this the theme of fundamental CSR, thus giving us five key themes under Fusion 20.

> CSR and Strategy (Page 15)

CSR and Strategy

CSR Targets and Achievements



In fiscal 2016, we began formulating new key CSR action themes. Here, we look at our fiscal 2015 results based on the targets and plans that we established in line with the key CSR action themes up until fiscal 2015.

Environment Quality and Customer 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 CO₂ Emissions

- Disseminating inverter products
- Disseminating 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 CO2 emissions in emerging countries by 30 million tons-CO2.

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

Fiscal 2015 Achievements

CO2 Emission Reductions in Emerging
Countries: Estimated*1 (Through Daikin Products)

29.93 million tons-CO2

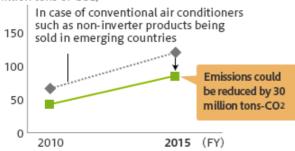
Proliferation of HFC-32 Air Conditioners

Sold in 48 Countries

CO2 Emission Reductions Worldwide: Estimated*2 (Through Daikin Products)

Contributing to CO₂ Emission Reductions through Daikin Products^{*}

CO2 emissions (Million tons of CO2)



*1 Estimate of CO2 emission reductions from the use of energy-efficient inverter products sold by Daikin, compared to CO2 emissions from the use of non-inverter products. The emission reductions figure is annual reduction amount multiplied by product lifespan.

34.8 million tons-CO2

*2 Total of CO2 reductions as a result of using inverter products and conversion to HFC-32 refrigerant

Response to Climate Change > (Page 74)

Key Activities: Environment—Creating a New Market that Contributes to the Mitigation of Global Warming (Page 47)



Key CSR Themes

Minimizing Environmental Impact in Production

- Reducing greenhouse gas emissions
- Effectively using water and other resources
- Minimize emissions of substances of concern





Boundaries (of impact)



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



Fiscal 2015 Achievements

70% Reduction
In Greenhouse Gases (by Daikin Group)

Response to Climate Change (Page 74)
Effective Use of Resources (Page 108)
Management and Reduction of Chemical
Substances (Page 116)



Expanding "Green Heart"

- Reforestation and tree-planting
- Environmental education





Fiscal 2015 Achievements

Employees at 21 Bases around the World Volunteer for the Environment

Boundaries (of impact)

Protecting Biodiversity > (Page 153)
Protecting the Environment (Communities) > (Page 282)



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

- Protect biodiversity around the world.
- *3 Green Heart: Think of the Earth and take care of the environment.

Expanding a Green Heart



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 2015 Achievements

Customer satisfaction survey score:

4.05 (out of 5) (Daikin in Japan)

Customer Satisfaction (Page 176)

Key Activities: Customer Satisfaction

—Giving Customers a Selection of Products

That Meets Their Future Needs (Page 58)



Key Activities: New Value Creation
—Collaborative Innovation with Other
Industries and Fields > (Page 54)

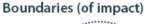


Employees are the lifeblood of all our activities, and we provide a workplace where each employee can grow in his or her own unique way.

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 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.











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.
- Maximizing the talents of women and experienced employees.



Fiscal 2015 Achievements

Diversity Management
Disability employment rate:

2.15%(in Japan)

Percentage re-employed after retiring at 60:

(Daikin Industries)

83.1%

Percentage of presidents hired locally:

50.8%

Percentage of local in executive positions:



Human Resources (Page 193)
Key Activities: Human Resources—
Transferring Japanese Skills to Ensure
High-Quality Production Worldwide (Page 62)



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

Key CSR Themes

Employees Taking the Initiative in Local Grassroots Action

 By working to protect the environment, support education, and live in harmony with communities, Daikin employees take the lead in community service aimed at providing each region with the support it needs.































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 2015 Achievements

Protecting the Environment > (Page 282)
Cooperation with NGOs

Cooperation with customers Employee volunteers



Educational support > (Page 284)

Technological support to emerging countries Educational support for future generations Scholarships, internships



Harmony with communities > (Page 288)

Support for arts and culture Support for promotion of sports Activities with local residents



CSR and **Strategy**

Participation in the Global Compact

Participation in the Global Compact

Building a System for Unified Group Action

In October 2008, Daikin Industries, Ltd.'s 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 243)
- > See Compliance and Risk Management Efforts (Page 246)

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.





2016 -Web version -

Key Activities

List of Fiscal 2015 Key Activities	45
Environment: Creating a New Market that Contributes to the Mitigation of Global Warming	47
New Value Creation: Collaborative Innovation with Other Industries and Fields	54
Customer Satisfaction: Giving Customers a Selection of Products That Meets Their Future Needs	58
Human Resources: Transferring Japanese Skills to Ensure High-Quality Production Worldwide	62

Fiscal 2015 Key Activities



Environment

Japan's Environmental Technologies Becoming the Global Standard

Creating a New Market that Contributes to the Mitigation of Global Warming



> DAIKIN'S APPROACH

- Disseminating Environmental Technologies that Mitigate the Effects of Air Conditioners on Climate Change
- Creating a New Market that Benefits Local Economies, Daikin Business, and Environment

> DAIKIN'S PERFORMANCE

- Free Access to Daikin Patents Worldwide Hastens Dissemination of Low-Global-Warming-Potential HFC-32 Refrigerant
- Adressing Local Challenges in India to Create a New Market for HFC-32 Dissemination
- Cooperating with Government and Industry on Technical Support in Thailand and Malaysia
- Daikin Helps Mitigate Environmental Impact of Refrigerants Worldwide through a Clear Policy Stance
- Creating the Performance Evaluation Standards Essential to Dissemination of Inverter Technology
- Supporting the Indian Government in the Introduction of an Index and Labeling System for the Proper Evaluation of Energy Performance

> NEXT CHALLENGE

• Continue to Create New Markets through Collaboration with Stakeholders



Creating New Value to Meet the Expectations of Customers and Society

Collaborative Innovation with Other Industries and Fields

> DAIKIN'S APPROACH

 Creating New Value Inside and Outside the Company



> DAIKIN'S PERFORMANCE

- The Technology and Innovation Center: A Core Facility Bringing Together Daikin's R&D Functions
- "Airitmo" Proprietary Technology Developed with Outside Collaboration for Next-Generation Offices

> NEXT CHALLENGE

• Contribute to Solutions for Society through New Value in Air Environment



Providing Products that Make Customers Happy in Turkey's Growing Market

Giving Customers a Selection of Products That Meets Their Future Needs



> DAIKIN'S APPROACH

 Developing Products and Providing Information in Response to Customer Needs

> DAIKIN'S PERFORMANCE

- Revamped Website and Catalogs Promote Better Customer Understanding
- Customers Experience Products at fuha: ISTANBUL
- Training Helps Dealers and Distributors Convey Information from the Customers Viewpoint

> NEXT CHALLENGE

• Help Both Customers and the Environment by Raising Awareness of Energy-Efficient Products



Rapid Growth in Overseas Production and Employees

Transferring Japanese Skills to Ensure High-Quality Production Worldwide

> DAIKIN'S APPROACH

 Global System for Skills Transfer Amid Expanding Overseas Production



> DAIKIN'S PERFORMANCE

- Takumi Skills Mentoring System Spreads Across the Globe
- Overseas Engineers Account for More Than 60% of Top Finishers in Global Skills Competition

> NEXT CHALLENGE

• Take Fast Track to Designating Takumi at Overseas Bases



Japan's Environmental Technologies Becoming the Global Standard

Creating a New Market that Contributes to the Mitigation of Global Warming

DAIKIN'S APPROACH

Disseminating Environmental Technologies that Mitigate the Effects of Air Conditioners on Climate Change

Air conditioners make people's lives more comfortable and productive, but we cannot overlook their contribution to climate change through hydrofluorocarbon refrigerants and energy consumption. Global warming is expected to become a growing problem in the economically advancing emerging countries where air conditioner demand is on the rise. An effective means of reducing the Earth's overall global warming is to spread the use of energy-efficient air conditioners that use refrigerants with low global warming potential in emerging countries and regions.

As the only company in the world producing both air conditioners and their refrigerants, Daikin has striven to mitigate the effects of climate change from the standpoint of both refrigerants and energy consumption. For example, we have been working toward greater worldwide dissemination of

Estimates for Reduction of Global Greenhouse Gas Emissions (Residential Air Conditioners)



* 2010 global greenhouse gas emissions: 49 billion tons-CO2 (Contribution of Working Group III to the Fifth Assessment Report of the IPCC)

2040

2050

2030

Note: Compiled by Daikin based on "Benefits of Leapfrogging to Superefficiency and Low Global Warming Potential Refrigerants in Room Air Conditioning (2015)," published by Ernest Orlando Lawrence Berkley National Laboratory

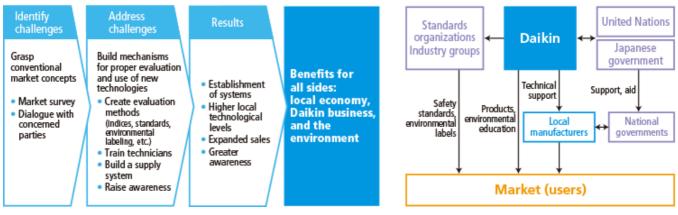
air conditioners using HFC-32, a refrigerant with lower global warming potential than conventional refrigerants. We have been striving to increase the ratio of highly efficient inverter (variable speed) products in countries where there is still a low penetration rate of such products.

Creating a New Market that Benefits Local Economies, Daikin Business, and Environment

In order to disseminate new low-global-warming-potential refrigerants and energy-efficient technologies, Daikin must demonstrate these refrigerants' reduced environmental impact and it must promote the proper understanding of their safety and economy. By changing conventional market concepts and building mechanisms that properly evaluate and use these new technologies, we have succeeded in creating a new market that is open to the application of these technologies. But Daikin cannot do it alone: efforts will only succeed through cooperation among many stakeholders, including local governments, industry groups, local manufacturers, and product installers.

Daikin works with the government of Japan, United Nations organs, and international organizations to spread the use of its environmental technologies and thus help create a new market. The thorough creation of a new market not only provides end users with high-performance products at the earliest possible time; it also leads to higher local technological levels and greater advancement of regional industry. Opportunities for Daikin to grow its business and contribute to the mitigation of environmental impact also extet. The result of all this is that we are aiming to ensure benefits for local economies, Daikin business, and the environment: a "win win win" situation.

Creating a New Market for the Dissemination of Environmentally Conscious Technologies ▼How We Are Creating New Markets ▼Collaboration with Stakeholders



Daikin Strives to Spread the Use of Refrigerants with Low Global Warming Potential by Collaborating with Governments and International Organizations on Technical Support in Emerging Countries

DAIKIN'S PERFORMANCE

Free Access to Daikin Patents Worldwide Hastens Dissemination of Low-Global- Warming-Potential HFC-32 Refrigerant

The Montreal Protocol and the Kyoto Protocol restrict the use of conventional refrigerants that deplete the ozone layer and contribute to global warming, making conversion to next-generation refrigerants a pressing issue. Choosing a next-generation refrigerant must of course take into account overall factors such as environmental performance, safety, and economic performance, but its suitability for use in different kinds of products including air conditioners, hot water

converting from R-410A to HFC-32 would reduce global warming impact in 2030 by approx. 800 million tons-CO2

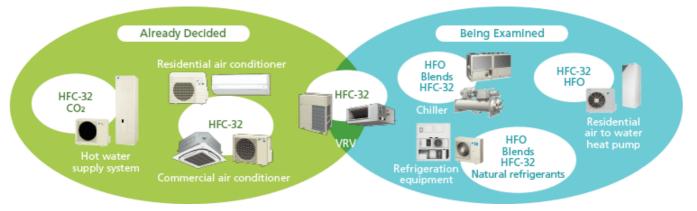
Note: Compiled by Daikin based on "The large contribution of projected HFC emissions to future dimate forcing," Velders et al. (World Meteorological Organization).

heaters, and refrigeration equipment must also be considered. As a result of international-level discussions and exhaustive evaluations and considerations, Daikin has concluded that HFC-32 is an optimal refrigerant for residential and commercial air conditioners and is working to promote its use worldwide. Daikin had sold 6.5 million HFC-32 air conditioners in 48 countries as of the end of fiscal 2015.

To allow manufacturers around the world to manufacture HFC-32 air conditioners and contribute to its further dissemination, since 2011 we have offered free access in emerging countries to a cumulative total of 93 patents related to the manufacture and sale of HFC-32 air conditioners. In September 2015, we extended this access to all countries, thus embarking on free access to those patents in developed countries, where regulations for refrigerants are becoming increasingly strict. It is estimated that if all air conditioners in developed countries using the conventional R-410A were converted to HFC-32, the global warming impact from HFCs in 2030 could be reduced by 19%, or 800 million tons CO2-equivalent.

Daikin's Refrigerant Direction

The following summary shows our direction of refrigerant choice for various products in the Daikin product portfolio.



Note: Other refrigerants not listed above are also applied in products outside of Daikin's portfolio, some examples include hydrocarbons (isobutane, propane, etc.) for residential refrigerators and window air conditioners or HFO refrigerants for mobile air conditioners.

Adressing Local Challenges in India to Create a New Market for HFC-32 Dissemination

Spreading the use of the new refrigerant HFC-32 requires efforts in manufacturing and sales as well as in promoting understanding and technical advancement. In many emerging countries, mildly flammable HFC-32 is considered the same as highly flammable refrigerants such as propane. The use of such refrigerants is limited.

In fiscal 2012, Daikin conducted HFC-32 inverter air conditioner demonstration tests in eight locations in four cities in India as part of the Study of Countermeasures Against Global Warming of the Ministry of Economy, Trade and Industry of Japan (METI). The results show that HFC-32 is safe to use when handled properly and that when used in combination with inverters can reduce CO2 emissions by at least 30% compared to conventional refrigerants. In December 2013, we held a seminar for Indian government officials, members of the Refrigeration and Air Conditioning Manufacturers Association (RAMA), and other concerned parties, where we promoted greater understanding of HFC-32 by explaining the results of the study and the benefits of HFC-32. We were also able to raise individual technical skills through training sessions on proper handling of HFC-32 for 3,600 air conditioner installers and service engineers.

As a result of these efforts, since Daikin began selling HFC-32 air conditioners in India in 2013, more than 10% of air conditioners sold each year, including those by local manufacturers, use HFC-32.

Cooperating with Government and Industry on Technical Support in Thailand and Malaysia

Through Daikin's efforts in India, the company acquired experience and know-how that would allow it to identify local needs and further spread the use of HFC-32 by cooperating with the governments of Japan and India and with international organizations. Leveraging our success in India, starting in fiscal 2015 in Thailand we took part in a METI-launched support project on request from the World Bank and the government of Thailand, and in April we started activities including technical support for conversion to HFC-32 for local manufacturers. In February 2016, we began a similar project in Malaysia on request from that country's government.



Technical support activity in Malaysia

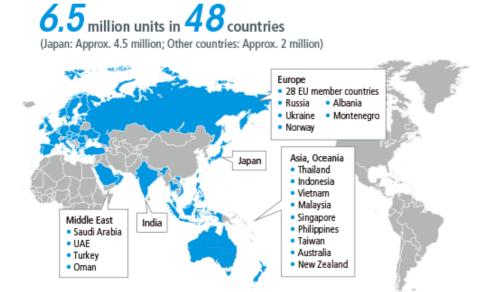
By building the market environment through efforts including training technicians and creating standards, in addition to building a distribution network and conducting marketing, Daikin has globally launched air conditioners using HFC-32 and thus contributed to the mitigation of global warming impact. For this, we received the Minister's Prize of Economy, Trade and Industry, the Fiscal 2015 Grand Prize for Excellence in Energy Efficiency and Conservation, organized by the Energy Conservation Center, Japan (ECCJ).

Daikin Helps Mitigate Environmental Impact of Refrigerants Worldwide through a Clear Policy Stance

Although we are working to spread the use of HFC-32 refrigerant in residential and commercial air conditioners around the world, our policy is to choose an optimal refrigerant for each application. We clarified this policy and published it in the Daikin's Policy and Comprehensive Actions on the Environmental Impact of Refrigerants in December 2015 so that concerned industry parties could refer to it when choosing refrigerants. In addition to Daikin's thoughts on choosing refrigerants detailed in sections on diversity of refrigerant selection, the policy paper declares Daikin's stance of working to further reduce environmental impact throughout the refrigerant's entire lifecycle.

As a leading air conditioner company, with the goal of solving the increasingly important issue of proper recovery and recycling of refrigerants, Daikin is clarifying its policy and building the necessary mechanisms for establishing appropriate systems and infrastructure together with relevant stakeholders.

Cumulative Number of HFC-32 Air Conditioners Sold by the Daikin Group



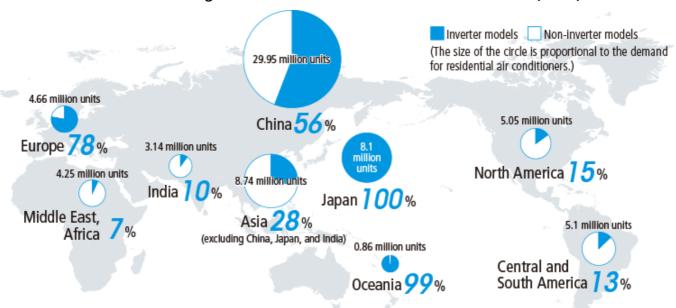
Helping Create Energy-Efficiency Performance Evaluation Standards and Working with Emerging Country Governments and Industry Groups to Boost Awareness of Inverter Products

Creating the Performance Evaluation Standards Essential to Dissemination of Inverter Technology

Highly energy-efficient inverter air conditioners are ideal for emerging countries, which face problems such as severe energy shortages due to rapid economic growth and which must take prompt measures to deal with global warming. An inverter air conditioner is a product using inverter technology for controlling the voltage, current, and frequency of the air conditioning mechanisms. It consumes about 30% less electricity than a non-inverter air conditioner. Although inverter air conditioners have a 100% penetration rate in Japan, the rate is still low in the rest of the world; for example, in Asian countries excluding Japan and China the rate is only about 20%.

One reason for this is that there are no mechanisms in place to evaluate the energy-efficiency performance of inverter products. In the past, the most common index for evaluating an air conditioner's energy-efficiency performance was COP (coefficient of performance), under which the amount of energy consumed was calculated at a fixed efficiency without adjusting for air temperature changes. However, COP cannot be used to properly evaluate the performance of inverter products, which operate at an optimal level depending on the changes in ambient temperature. Therefore, Japan's air conditioner industry has led calls for a switch to using APF (annual performance factor), and since 2013 APF has been used in ISO standards. Daikin is helping build evaluation standards in the emerging countries where this new index is in the process of being adopted.

Inverter Products as Percentage of All Residential Air Conditioners Worldwide (2015)



Note: Residential air conditioners: Ductless air conditioners other than window and portable type products. Only in North America does the category include duct-type air conditioners for residential use. Source: Compiled by Daikin based on data from the Japan Refrigeration and Air Conditioning Industries Association

Supporting the Indian Government in the Introduction of an Index and Labeling System for the Proper Evaluation of Energy Performance

In India in 2013, Daikin began assisting with the introduction of the CSPF (cooling seasonal performance factor) method for evaluation of cooling operation. Together with METI, the ECCJ, and other Japanese manufacturers, we explained the effectiveness of CSPF to the Indian government. As a result of support we provided in creating systems from a technical standpoint, in fiscal 2015 a new voluntary energy label system was launched that used CSPF as the evaluation standard for properly evaluating inverter products. Daikin residential air conditioners were the first to earn labels under this system.

In the ASEAN region, where it has already been decided to introduce an energy label system for inverter products, in fiscal 2016 we will continue collaborating with the Japan Refrigeration and Air Conditioning Industries Association to promote understanding of CSPF and provide support toward the harmonization of the system in all countries. It is hoped that standardization and energy label systems will raise awareness of inverter products and help disseminate energy efficient air conditioners, and in turn lead to a mitigation of the global warming impact from air conditioners.



A Daikin air conditioner in India bears a new energy label representing an index for the proper evaluation of inverter products.

As the Only Manufacturer of Both Air Conditioners and Their Refrigerants, Daikin Strives to Mitigate Global Warming Throughout the Entire Lifecycle

NEXT CHALLENGE

Continue to Create New Markets through Collaboration with Stakeholders

Daikin has worked with a range of stakeholders—including the governments of Japan and other countries, international organizations, and industry groups—to mitigate the impact of global warming through its refrigerant and inverter technologies. These efforts are beginning to carve out a path to a new market environment.

By forging ahead with the dissemination of its environmental technologies and promoting infrastructure building, Daikin is working with a range of stakeholders to benefit not just itself but local economies, Daikin business, and environment: a "win win win" situation. And as the only manufacturer of both air conditioners and their refrigerants, our mission is to reduce global warming impact throughout the entire lifecycle.

Stakeholder's Comment



Adoption of Standard Contributes to Climate Change Mitigation and Sustainable Development in India

The introduction of a seasonal energy efficiency ratio standard in India was an important step in accelerating the penetration of energy efficient air-conditioners in the Indian market. The increased market demand for energy-efficient air conditioners will not only help to reduce the peak loads but also contribute to mitigating climate change issues significantly. We acknowledge the support of the air conditioning industry for working closely with BEE and developing Indian Seasonal Energy Efficiency Ratio standards. We also recognize the lead taken by Daikin in increasing the energy efficiency of air conditioners and contributing to the overall sustainable development of India.





Sanjay Seth Energy Economist and Secretary (O), Bureau of Energy Efficiency (BEE), Ministry of Power, India



Creating New Value to Meet the Expectations of Customers and Society

Collaborative Innovation with Other Industries and Fields

DAIKIN'S APPROACH

Creating New Value Inside and Outside the Company

In order to meet diverse customer needs and create new value that contributes to society, it is important that Daikin first build up its technological superiority by leading further advanced technologies: inverters, heat pumps, and fluorochemicals. It is also important to combine state-of-the-art technologies from around the world—such as information-communication, sensors, materials, processing, medicine, and healthcare—with Daikin technologies to come out with products and services that provide new value to customers.

Internal Collaboration and External Collaboration

Internal Collaboration

- Collaboration across company divisions
- Collaboration with Dalkin's worldwide bases

External Collaboration

- Collaboration with universities and external research institutes
- Collaboration throughout the supply chain
- Collaboration with other industries and entrepreneurial ventures

Today's world of unprecedented and rapid

technological change requires the creation of new value, which is only possible through collaborative innovation that fuses a wide range of knowledge and technologies and takes us beyond current boundaries. The key to success will be how well we pool the strengths of Daikin and its external partners to create and provide new products and services that bring happiness and joy to people's lifestyles. Also crucial will be how well we come up with technologies that contribute to solving the problems society faces in the fields of environment, health, and medicine. To this end, Daikin established the Technology and Innovation Center in November 2015 with the aim of promoting collaboration with external partners in order to contribute to society through the creation of new value.

The Technology and Innovation Center: A Core Facility Bringing Together Daikin's R&D Functions

Located in Settsu City, Osaka Prefecture, the Technology and Innovation Center (TIC) is a core technology development facility that brings together about 700 Daikin engineers from a range of disciplines. Representing the collective power of the Daikin Group's engineers, the TIC does more than just create technologies: it delves deeply into research themes, researches and develops new technologies, and promptly brings them to market in new products and services through collaboration across TIC and the other divisions in Daikin.

At the same time, a key mission of the TIC is to strengthen cooperation and tie-ups with companies, universities, and research institutes possessing unique technologies in their particular industry or field, inviting people, information, and technologies from around the world, resulting in collaboration with Daikin in giving birth to innovation.

To facilitate collaboration inside and outside the company, the TIC features a range of facilities where engineers can gather for lively and meaningful discussion. These include the Waigaya Stage, which is always ready to spur-of-the-moment meetings; the Future LAB for debate among Daikin and other industry engineers; and the CHI-NO-MORI, where participants can brainstorm with regards to Daikin core technologies as well as cutting-edge technologies currently under development.

In addition, there are fellow rooms in which guests such as university professors and opinion leaders from around Japan and the world can give presentations. These rooms have so far been used as offices where Daikin can work with representatives of universities with which the company is conducting joint R&D, including Kyoto University, Osaka University, and the Nara Institute of Science and Technology. Eiichi Negishi, a distinguished professor at Purdue University and a recipient of the 2010 Nobel Prize in Chemistry, has also provided technological guidance to Daikin here.

The TIC has other world-class facilities. These include the Electromagnetic Semi-Anechoic Chamber, the first of its kind in the world, for the separate measurement of electromagnetic noise generated by the indoor and outdoor units of air conditioners; and the Sleep and Metabolism Laboratory, where actual human living conditions have been created for experimental purposes.

Collaborative Innovation Creates New Value for People's Lifestyles Based on the Relation between Air Environments and People's Bodies and Minds

"Airitmo" Proprietary Technology Developed with Outside Collaboration for Next-Generation Offices

Collaboration is more than just a way for Daikin to use air conditioning to control air environments. By undertaking extensive research covering themes such as living spaces, towns, cities, and infrastructure for regions, we seek to create new value for people's lifestyles through the study of physiology and psychology as it involves to the relation between air environments and people's bodies.

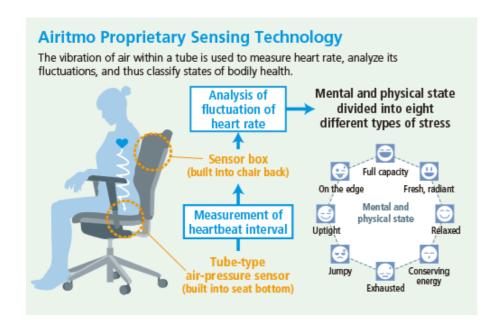
For example, for the past 15 years Daikin has been conducting R&D on the theme of improving people's sleeping environment through air conditioning by using sensing technology that monitors people's physical state. The result was the development of our proprietary sensing technology, called Airitmo. By measuring the vibration of air within a tube, the technology allows measurement of physical information such as heart rate, breathing, body movement, state of sleep, and stress. Since it does not involve attaching apparatus to a person, it places no burden on the human body. This technology made possible the development of Daikin's Soine controller, which measures how deeply a person is sleeping so that



Office chairs equipped with Airitmo technology in the 3X3 Lab Future, a next-generation office

the air conditioning can be adjusted to the most comfortable level.

In March 2016, office chairs equipped with Airitmo technology were installed in the 3x3 Lab Future of Mitsubishi Estate Co., Ltd., a site for the sharing of business ideas. The products are the result of two years of verification experiments on the correlation between office environments and people's physical and mental state in order to realize an air environment matched to an individual's current state of health. The aim is the realization of the next-generation office in which people enjoy greater comfort and productivity and thus get their work done smoothly.



Contribute to Solutions for Society through New Value in Air Environment

Daikin's Airitmo sensing technology is indispensable to the development of air conditioners that achieve a comfortable and healthy air environment, as well as a key development theme at the TIC. We will continue to promote collaborative innovation both inside and outside Daikin in order to realize air environments that help solve a range of social issues, such as our increasingly aging population. Coming up with solutions requires finding technologies that can make a range of thoughts and ideas into reality. At the TIC, engineers work closely with experts in fields such as sociology, anthropology, and cognitive science in order to create new value that improves the air environments where we live.

Stakeholder's Comment



Want to See Daikin Create Totally New Value Contributing to Solutions for Society

At TIC, we would like to see Daikin create totally new value solutions geared to a diverse society; for example, zero-net-energy air conditioning systems and portable mobile air conditioning systems. We believe that by developing air conditioning solutions with a focus not just on indoor air but on outdoor air as well, Daikin can contribute to solving problems such as air pollution and climate change.





Tai Lee Siang Vice-Chairman, World Green Building Council



Providing Products that Make Customers Happy in Turkey's Growing Market

Giving Customers a Selection of Products That Meets Their Future Needs

DAIKIN'S APPROACH

Developing Products and Providing Information in Response to Customer Needs

The Daikin Group continuously steps up its worldwide marketing research functions and uses customer opinions to improve R&D and services.

A local market survey by Daikin Isıtma ve Soğutma Sistemleri San. Tic. A.Ş. (Daikin Turkey) found that customers like modern-looking interiors, so the company introduced a new model especially for the





The Miyora model employs a simply designed panel that proved popular with Turkish consumers

Turkish market that featured a newly designed indoor unit. Called Miyora, this fiscal 2015 model won the Good Design Award.

Turkey's burgeoning economic growth is spurring rapid expansion of the air conditioning market. But the use of air conditioners in family homes has only begun to spread in the past few years. Since Turkish homes have varying room sizes and ceiling heights, it was difficult to choose an appropriate capacity of air conditioner. Another issue was that many customers said they didn't understand the effect of functions other than cooling; for example, functions related to energy efficiency, humidifying and dehumidifying, and air sterilization.

Daikin Turkey wanted to offer air conditioner customers more than just cooling; they wanted to offer environmental benefits, comfort, and convenience as well. So it began providing customers with more extensive information, knowing that selecting the optimal air conditioner size and energy efficiency doesn't just save electricity expenses but also helps protect the environment. The company conveyed the benefits of certain functions; for example, how humidity control prevents over-cooling to contribute to health and comfort. As a result of this information, customers have been better able to choose suitable products for them.

DAIKIN'S PERFORMANCE

Revamped Website and Catalogs Promote Better Customer Understanding

Daikin Turkey strives to provide information on its website that makes it easier for customers to select the best air conditioner for their needs.

For example, the website has a product search program in which customers input information about the room where the air conditioner is to be installed. The program automatically calculates the necessary air conditioner capacity and displays a list of relevant models. Customers can also search by price and energy-efficiency ranking, making it easier for them to get the information that is relevant to them.

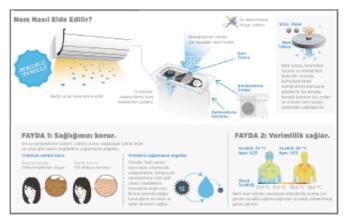
Product catalogs have undergone a drastic overhaul in order to give customers comprehensive information on product features such as quality and functions.

For example, to clearly explain the no-water-supply humidification function on Ururu Sarara, there are diagrams of the function's mechanism, explanations of the need for humidification and the comfort provided by humidity control, and data and photographs on the benefits of air sterilization and other functions.



Product Search Program on Website

Users input information such as how a room is used, its ceiling height, number of windows and which direction they face, and the city they live in, and the program automatically calculates the air conditioner capacity and models that are right for them.



The improved, easy-to-understand catalog uses data and photographs.

Developing Human Resources Dedicated to Helping Customers Choose Satisfactory Products

Customers Experience Products at fuha: ISTANBUL

Daikin's worldwide showrooms display state-of-the-art products and solutions that give customers a reference point from which to select their Daikin air conditioner. June 2015 marked the opening of fuha:ISTANBUL, where customers can not only see air conditioners but also experience firsthand the air provided by Daikin air conditioners. Although the majority of visitors are dealers and construction companies, Daikin Turkey makes the showroom accessible to end-users as well. By providing firsthand experience of functions and effects, the showroom is also a place to gather opinions on Daikin products.



fuha:ISTANBUL is promoting understanding of product performance among dealers and distributors

Training Helps Dealers and Distributors Convey Information from the Customers Viewpoint

To allow customers to select products they are convinced about and satisfied with, it is first necessary for sales representatives to understand products and offer customers quality solutions and service. Daikin Turkey runs the Daikin Turkey Academy to train not only its own employees but those of dealers and distributors as well. The academy improves the skills of participants through a wide range of training held in major Turkish cities and surrounding countries; for example, training in sales products, service, and foreign language training.

In fiscal 2016, Daikin Turkey plans to train approximately 1,500 participants from dealers and distributors in Daikin's flagship energy-efficient products, using newly published catalogs as reference materials. The company also offers courses on subjects including the ErP Directive and energy labeling, and the LEED green building energy certification program, as part of efforts to work with dealers and distributors in responding promptly to customers' increasingly advancing environmental needs.



At the Daikin Turkey Academy, participants learn about HFC-32 refrigerant.

NEXT CHALLENGE

Help Both Customers and the Environment by Raising Awareness of Energy-Efficient Products

Daikin Turkey is working to increase its strength in planning and proposals in order to help customers choose energy-efficient air conditioners with confidence. The company wants customers to be satisfied with benefits such as comfort and economy, but it also wants to spread the use of environmentally conscious products so that the air conditioner market will have less of an impact on the environment.

Stakeholder's Comment



New, Easy-to-Understand Catalog Helps Convince Our Customers of Daikin Quality

In Turkey, we often visit customers' houses to help them select an air conditioner. Catalogs are an indispensable part of this process. The latest Daikin product catalog uses illustrations and photographs to show the necessity and effectiveness of air conditioner functions. It helps customers not wellversed in air conditioners understand the products and allows them to ask more detailed questions. This makes the catalog a valuable tool for enhancing communication. The catalog explains Daikin's track record and technological prowess and thus helps convince customers that Daikin air conditioners are well worth the price.





Mira Demir President, Koneva Mühendislik (Daikin dealer)



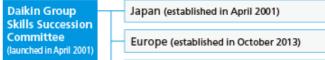
Rapid Growth in Overseas Production and Employees

Transferring Japanese Skills to Ensure High-Quality Production Worldwide

DAIKIN'S APPROACH

Global System for Skills Transfer Amid Expanding Overseas Production

Brazing, lathing, sheet metal processing, arc welding, die and mold making, jig and tool making —these are just some of the skills that form the foundation of manufacturing. Even today, amid the increasing automation of lines where air conditioners are manufactured, people working the lines still have to be taught these manual skills. This is because transferring these skills gives technicians passion and pride in their work, and because taking the initiative to improve quality leads to continuous



System for Global Skills Transfer

ASEAN (established in April 2014)

China (established in October 2014)

Americas (established in September 2015)

better products. Daikin possesses superior fundamental skills and focuses on training engineers so that they can teach these skills to others.

In the first decade of the 21st century in Japan, Japan's baby boomer generation began retiring in large numbers, and at Daikin we had to ensure that our unique skills were properly transferred on to the next generation. It was also a time when the number of overseas manufacturing bases was growing rapidly, and we were pressed to train engineers at our bases in regions around the world.

To this end, we launched the Daikin Group Skills Succession Committee, creating a system for training engineers under which engineers with outstanding skills are designated as "Takumi" and Takumi candidates are designated as "Trainers." Since 2013, succession committees have been established in four regions around the world, working to create an environment in which Takumi and Trainers provide skills guidance to their colleagues. Daikin bases around the world have also been working autonomously to transfer skills.

DAIKIN'S PERFORMANCE

Takumi Skills Mentoring System Spreads Across the Globe

For trainers to be designated as Takumi, they must possess a high level of skills and coaching ability. At the Daikin Ales Aoya Global Training Center in Tottori Prefecture, Japan, Takumi provide trainers with guidance in a 16-week training program. Besides learning guidance theories and basic skills knowledge, trainers undergo practical hands-on lessons that help them acquire the ability to give clear explanations to others and to come up with improvement solutions when problems arise during manufacturing processes. Being taught directly by Takumi in a free and open atmosphere ignites the trainers' passion and pride in being a Daikin engineer, and further spurs their enthusiasm to, in turn, become Takumi themselves who provide guidance to the next generation of trainers.

To give an example, a Belgian trainer at Daikin Europe N.V. who possessed outstanding brazing skills, improved the teaching methods used in training engineers at the company's factory, which led to quality improvements. This trainer succeeded in reducing brazing defects by one-third, and went on to teach engineers at other bases and Daikin suppliers, as a result becoming the first overseas engineer to earn the designation of Takumi. This is a big step towards Daikin's European bases taking control of skills transfer themselves, and will motivate more Daikin engineers in the region to seek Takumi designation.

System for Training Excellent Skilled Engineers



Fostering Takumi the Core of Autonomy in Skills at Overseas Bases

Overseas Engineers Account for More Than 60% of Top Finishers in Global Skills Competition

Daikin's skills competitions constitute another pillar of skills transfer. Held every second year since 2004, the Global Skills Competition raises the level engineers by having them face off against each other in contests of the skills they have learned. Engineers who give exemplary performances in this event become Trainer candidates.

Of the top finishers in the sixth Global Skills Competition

64 % were from Daikin overseas bases

With each successive competition, more overseas bases take part and a greater percentage of overseas participants account for the top finishers. At the sixth Global Skills Competition in October 2014, 145 competitors (70 of them from overseas bases) took part after getting through the preliminary rounds held at 28 bases in 13 countries. Of the top 33 finishers in the final, 21 (64%) were from overseas. Through this competition, the Daikin Group is able to boost employee motivation, give overseas engineers better skills, and prevent the loss of valuable technical skills.





The Daikin Global Skills Competition

Take Fast Track to Designating Takumi at Overseas Bases

Daikin's regional skills succession committees have been striving to foster Takumi, who lead efforts in skills transfer, at the earliest possible date. The aim is to have each Daikin worldwide base build a better system for autonomously fostering engineers who possess skills, leadership, and the ability to come up with solutions on the fly during manufacturing. By boosting the level of skills and enthusiasm, we want ensure the same high level of Daikin quality worldwide and become a corporate group that continues to stay ahead of our competitors.

Stakeholder's Comment



I Will Continue to Pass on My Skills and Dreams to Young Engineers Worldwide

It is a joy and an honor to be able to share my experiences with the younger generation of engineers, to teach them skills, and to show them respect. When teaching them, I stress the following three points: have pride and loyalty; never lose sight of your dream; and take on challenges with passion and dedication. So, have the passion to realize your dreams and the determination to never give up. I want to continue sharing my skills and my dreams with people around the world.





Marc Bertens
Daikin Europe N.V.





2016

— Web version —

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CSR for Value Provision Environment



Why is it Important?

Achieving both Environmental Protection and Business Expansion

Environmental problems such as climate change constitute top priorities for manufacturers. In addition, air conditioners, which represent a pilar of Daikin's business, consume large amounts of energy during their operation, and hydrofluorocarbons that are used as refrigerants contribute to climate change. We are striving to reduce greenhouse gas emissions throughout the entire supply chain, develop products and services, and carry out environmental and social contribution to contribute to sustainable growth both for Daikin and for the Earth.

DAIKIN'S POLICY

Introduce State-of-the-art Technologies to the Market in Order to Address Environmental and Energy Issues

In all aspects of our management —product development, manufacture, and sales — we strive to improve environmental sustainability in every way possible, develop products and advanced technologies that realize a more environmentally healthy world, and contribute to the solution of environmental and energy problems.

Among these efforts, we focus on reducing both hydrofluorocarbon emissions generated during product manufacture and energy consumed during air conditioner operation, which are the major contributors to climate change.

Basic Environmental Policy > and Environmental Action

Plan

Overview of Environmental **Impact**

History of Environmental **Activities**

The Daikin Group works systematically to protect the environment through the formulation of the Basic Environmental Policy and five-year Environmental Action Plans.

We report on the overall impact of our business activities on the environment (through the categories of input and output).

We present an annual report of the environmental protection activities of the Daikin Group.

Response to Climate Change

We place top priority on the development and dissemination of energy-efficient air conditioners and low-globalwarming-potential refrigerants, and we focus on minimizing greenhouse gas emissions during the manufacturing stage.

> Effective Use of Resources

We work to reduce and recycle waste. We also strive to make effective use of water resources.

Management of Chemical Substances

Based on Daikin's voluntary restrictions, we strictly manage chemical substances used in production processes.

Environmental Management

We have built a global environmental management system covering the entire Daikin Group.

> Protecting Biodiversity

We strive to protect biodiversity through our business activities and environmental contribution activities.

Endorsement as an **Eco-First Company**

Daikin Industries, Ltd. has been endorsed as an Eco First Company under the Eco First Program of Japan's Ministry of the Environment.



■ 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.

The Daikin Environment Symbol

In February 2002, we created an environmental symbol for the Daikin Group. In environmental protection activities, the little efforts that individuals make add up to big things. The symbol, the Earth in the shape of a green heart, represents a determination on the part of each and every employee of Daikin to think green (think of the Earth and take care of the environment).



Environmental Action Plan 2015

The Daikin Group positions environmental protection as one of its most important management tasks. Based on our strategic management plans, we formulate environmental action plans toward our goal of contributing to environmental protection in every way possible while simultaneously growing our business.

Under our Environmental Action Plan 2015, which targeted fiscal 2015, we strove for results based on the three pillars of (1) providing environmentally conscious products, (2) eco-conscious factories and offices, and (3) environmental cooperation with stakeholders.

For (1), we calculated that we were able to reduce CO₂ emissions by 29.93 million tons-CO₂ in emerging countries by spreading the use of energy-efficient inverter products. We also calculated that we were able to reduce CO₂ emissions by 4.87 million tons-CO₂ in industrialized countries through the spread of energy-efficient air conditioners and the low-global-warming-potential refrigerant HFC-32. The result was total worldwide CO₂ emission reductions of 34.8 million tons-CO₂ in fiscal 2015.

For (2), we were able to reduce greenhouse gas emissions by 70% (from 4.14 million tons-CO₂ to 1.26 million tons-CO₂), thus exceeding our target of a two-thirds (67%) reduction.

For (3), we continued biodiversity protection activities at 21 bases worldwide as we were able to strengthen ties with local communities and boost environmental awareness among our employees.

In fiscal 2016, we embarked upon Environmental Action Plan 2020, which is based on the Fusion 20 strategic management plan. Besides targeting the spread of inverter products in emerging countries, conversion to low-global-warming-potential refrigerants, and the spread of energy-efficient products in industrialized countries, we aim to contribute to CO2 reductions of 60 million tons-CO2 through our products.

■ Environmental Action Plan 2015

Action targets		FY2015 target values		FY2015 results	Self assessment
	entally Conscious Prod n products that help cust		uce CO2 emissions.		
Disseminating energy- conditioners to reduce Develop next-generati Disseminate heat-pum systems. Offer energy-saving se	e CO2 emissions. on refrigerants. np type heating	widespread saving produsing inverse curtail CO million* to countries. Disseminate using HFC * Estimate of reductions energy-efficients sold by Date emissions non-inverse emission in annual reductions and reductions an	expansion in the d use of energy- aducts such as those of energy- aducts such as those of the series, aim to help as emissions by 30 and for emerging and the series of th	Estimated 29.93 million tons-CO2 curtailment Note: Underwent third-party review Sold 6.5 million units in 48 countries	***
	scious Factories & Off al impact from production		er activities.		
Greenhouse gases		Reduce fiscal 2015 levels to 1/3 (67%) of the level compared with fiscal 2005.		70% reduction	***
	Reduce CO2 emissions.	Japan	Reduce per-unit CO2 from energy use by 20% against fiscal 2005.	23% reduction	***
		Overseas	Reduce per-unit CO2 from energy use by 10% against fiscal 2010.	3% increase	*
Waste	Reduce overall amount of waste by effectively using resources.	Japan	Machinery-related: Reduce per-unit emissions by 5% against fiscal 2010.	9% reduction	***
			Chemical-related: Reduce per-unit emissions by 10% against fiscal 2010.	19% reduction	***
		Overseas	Reduce per-unit emissions at all bases by 10% against fiscal 2010.	3% reduction	*

Water	Reduce amount used.	Japan	Reduce per-unit emissions by 5% against fiscal 2010.	4% reduction	**	
		Overseas	Reduce per-unit emissions at all bases by 10% against fiscal 2010.	18% reduction	***	
Chemicals	Reduce emissions of substances of concern	Japan	Reduce PRTR substances by 15% against fiscal 2010.	23% reduction	***	
			Reduce VOCs by 20% against fiscal 2010.	19% reduction	**	
		Overseas	Reduce per-unit VOCs by 10% against fiscal 2010.	19% reduction	***	
Green Heart Factories	Achieve environmentally conscious plants.	Have major production sites certified as Super Green Heart Factories.		3 bases in Japan, 4 bases overseas	**	
		Have all production sites certified as Green Heart Factories.		5 bases in Japan, 20 bases overseas		
Green Heart Offices	Achieve environmentally conscious offices.	Have major bases in Japan certified as Green Heart Offices.		2 bases in Japan	*	
Environmental Cooperation with Stakeholders Expand the Green Heart circle to Daikin worldwide.						
Environmental and social contribution activities	Join local governments, citizens, and NPOs to make environmental and social contributions at each global base according to regional characteristics.	Carry out environmental and social contribution activities (forest restoration, tree-planting, environmental education, protection of biodiversity within Daikin bases) at worldwide bases.		Implemented at 21 bases worldwide	**	

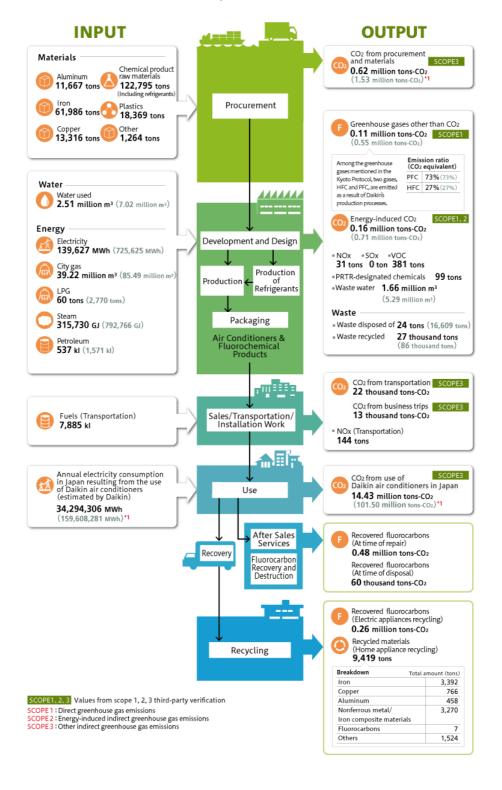
Self assessment: Shows level of achievement of targets in three designations:

 $\bigstar \bigstar \star$: Succeeded $\bigstar \star$: Will soon succeed \bigstar : Doing all we can

Data on this page is only from Daikin Industries, Ltd. in FY2015.

Figures in parentheses are global Group totals.

*1 Figures in parentheses marked with *1 are totals for Japan, China, Asia, and Oceania.



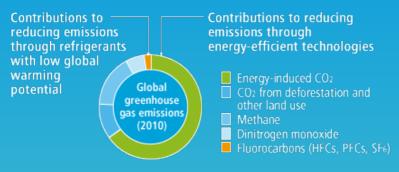


Basic Policy on Response to Climate Change

Air conditioners consume large amounts of electricity, and the fluorocarbons they use as refrigerants deplete the ozone layer and contribute to global warming. Particularly in the rapidly developing economies of emerging countries, growing demand for air conditioners is expected to have an increasingly severe effect on climate change.

The Daikin Group is focusing on alleviating the effect that products have on climate change through refrigerants with low global warming impact and energy-efficient technologies.

In addition, we strive to reduce emissions of greenhouse gases during production and transportation, and we recover and destroy fluorocarbons during all stages from production to final product disposal.



Note: Contribution of Working Group III to the Fifth Assessment Report of the IPCC

> Increasing Air Conditioner
> Efficiency

We conduct quantitative environmental assessments for each product life cycle and use this knowledge to develop products and solutions that use minimal electricity.

> Low Environmental Impact Refrigerants

We strive to develop and disseminate refrigerants with minimal effect on climate change.

> Promoting the Use of Inverter Products

We focus on the worldwide dissemination of highly energy-efficient inverter air conditioners.

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

Energy-Efficiency through
> Fluorochemical Products
and Oil Hydraulic Products

Reducing Greenhouse
> Gases during Production
and Transportation

We develop space and hot water heaters that use highly energyefficient heat-pump technology. We develop products that consume minimal electricity by using our fluorochemical products and oil hydraulic equipment.

We strive to reduce emissions of energy-induced CO₂ during the production and transportation stages.

Recovery and Destruction of Fluorocarbons

To prevent refrigerants from being released into the atmosphere, we have systems in place for their proper recovery and destruction.

■ Life Cycle Assessment

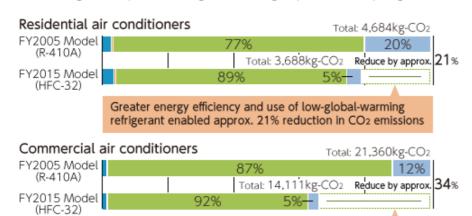
Focusing on Increasing Energy Efficiency and Reducing Refrigerant Impact during Product Use

We 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.

Greenhouse gas emissions from air conditioners have their greatest environmental effect during product use. This is followed by the effect caused by refrigerants. By using HFC-32, a refrigerant with low global warming impact, we have been able to make air conditioners more energy efficient, reducing the amount of CO₂ emissions by 21% for residential air conditioners and 34% for commercial air conditioners.

■ Sample of LCA: Comparison*1 of Life Cycle CO2 Emissions (Energy-Induced CO2)

- Materials/parts manufacturing Disposal/recycling process Product assembling process Logistics Use*2
- Refrigerant impact*3 (during use + during disposal and recycling)



Greater energy efficiency and use of low-global-warming refrigerant enabled approx. 34% reduction in CO₂ emissions

*1 Based on Daikin standards for 2.8-kW class residential air conditioners and 14-kW class commercial air conditioners.

*3 Refrigerant impact is calculated by obtaining the .global warming potential per unit of weight, while factoring in the average leakage rate during the product use, disposal, and recycling stages.

^{*2} The seasonal power consumption is calculated in accordance with the standard of the Japanese Industrial Standards (JIS) for residential air conditioners and the Japan Refrigeration and Air Conditioning Industries Association for commercial air conditioners.

■ Improving Energy Efficiency of Air Conditioners

Improving Annual Performance Factor (APF)*1 and Integrated Part Load Value (IPLV)*2

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

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

In February 2016, we released commercial air conditioner series in the 1.5 to 6-HP classes using the HFC-32 refrigerant and achieving an annual performance factor (APF) increase of between 0.1 and 0.4.. We are also using HFC-32 refrigerant in residential air conditioners, floor heaters, and water heaters. For example, in November 2015 we released the New Urusara 7 as part of efforts to increase APF.

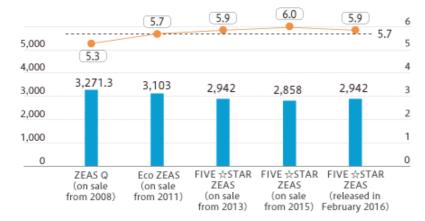
In December 2015, we released a versatile air conditioning heat source chiller, the JIZAI, for buildings and factories. This product employs a new scroll compressor that is used on Daikin's VRV multi-split type air conditioners for commercial buildings, which dramatically minimizes compression leakage during low-speed operation and improves integrated part load value (IPLV) by approximately 16%.

- *1 Annual performance factor (APF): The APF represents heating and cooling capacity per kWh over one year of use of an air conditioner under specific conditions. The higher the APF, the greater an air conditioner's energy efficiency.
- *2 Integrated part load value (IPLV): The IPLV is an energy efficiency indicator obtained by calculating the weighted average of cooling COPs at four different capacities of machine operation. It corresponds to the APF of a packaged air conditioner. In reality, air conditioners often operate at partial capacity. The higher the IPLV, the greater the actual energy efficiency of a product.
- Electricity Consumption and Energy Consumption Efficiency (residential air conditioners)*1
 - Electricity consumption (kWh)
 - -- Cooling and heating average (APF)
 - --- Japanese Standards of the Law Concerning the Rational Use of Energy



- *1 Calculated for Daikin 2.8-kW class air conditioners. Under JIS conditions.
- *2 For products with prescribed measurements
- *3 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)*
 - Electricity consumption(kWh)
 - Cooling and heating average (APF)
 - --- Japanese Standards of the Law Concerning the Rational Use of Energy (APF2006)



* 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).



VRV Series of Multi-split Type Air Conditioners for Commercial Buildings Honored in Fiscal 2015 Energy Conservation Center, Japan Awards

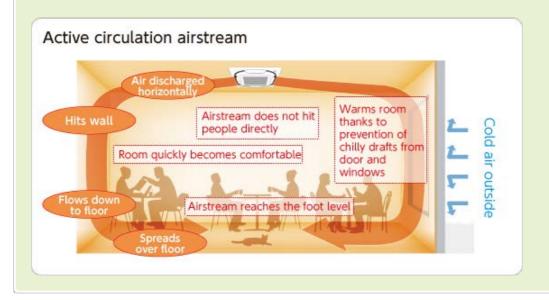
Throughout the course of a year, building air conditioners operate under varying conditions. They only operate at full capacity during the mid-summer and mid-winter, and for the rest of the approximately 90% of the time operate at low capacity when there is little difference between their set temperature and outdoor air temperatures. This means that in order to reduce electricity use, it is crucial to achieve highly efficient operation during these low capacity times.

The VRV series of multi-split type air conditioners for commercial buildings maintains a comfortable room environment while reducing energy waste in order to lower electricity consumption by approximately 21% compared to our previous products. It achieves this through, for example, a new scroll compressor that dramatically reduces compression leakage and loss, and new control technology that automatically controls refrigerant temperature according to load during heating and cooling. Daikin Industries, Ltd. was awarded the Chairman Prize of Energy Conservation Center, Japan (ECCJ) for the VRV series in Japan in the Energy Conservation Grand Prize for excellent energy conservation equipment (Product and Business Model Category) for fiscal 2015 by ECCJ.



FIVE STAR ZEAS for Stores and Offices New Airflow Method Gives 15% Greater Energy Efficiency

Released in February 2016, the FIVE STAR ZEAS for stores and offices employs active circulation airstream. To develop this new method of airstream, we completely rethought the heating method of the conventional ceiling-mounted cassette air conditioner, which discharges air in a downward direction, instead having the FIVE STAR ZEAS discharge air in a horizontal direction. This horizontal direction airstream quickly spreads to the entire floor, prevents cold air from coming in through walls and windows, and gives warm from your feet up. In addition, it reduces inconsistent temperatures throughout a room, helping give the FIVE STAR ZEAS 15% higher energy efficiency than our previous products.



Developing Energy-Efficient Products

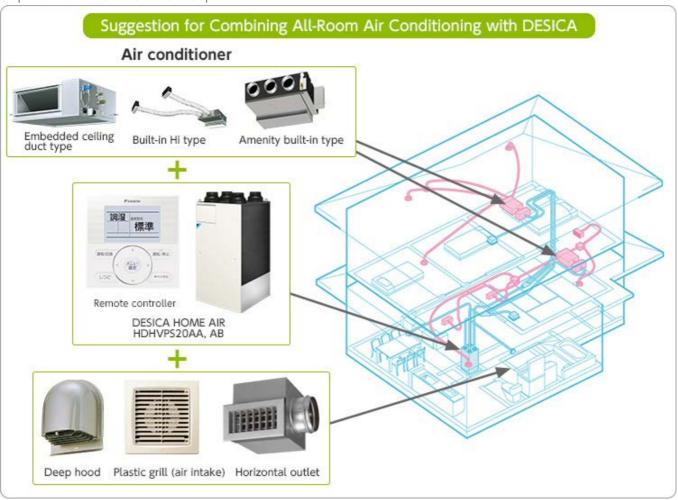
Products for Detached Homes Added to DESICA Series

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 Industries, Ltd. 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 m² and 200 m². 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





Industry and Academia Team Up to Spread Use of Net Zero Energy Buildings

Like the name suggests, a net zero energy building is one that utilizes energy efficiency in its structure and facilities while also creating its own energy through renewable sources so that its net energy use becomes zero. There are more and more of these buildings appearing in Japan and other developed countries. The Daikin Group is striving to achieve net zero energy buildings by boosting the energy efficiency of VRV (multi-split type air conditioners for commercial buildings) and other types of air conditioners, and by providing optimal energy management that meets customer needs in all world regions.



Daikin receives the Deutsche Kältepreis

For example, 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.

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.

Providing Energy-Efficient Solutions

Energy Efficiency throughout Entire Buildings and Cities

The Daikin Group uses environmental technologies in areas such as inverters and refrigerants to provide solutions for not just reducing the environmental impact of individual air conditioners but also for reducing the impact throughout an entire building or city.

Energy management systems (EMS) are an effective way to save energy while keeping a building comfortable. Japan's Ministry of Economy, Trade and Industry (METI) is conducting a project to hasten the spread of EMS, and in April 2012 Daikin Industries, Ltd. was selected as a BEMS aggregator under this project: a company charged with managing a BEMS. Under this project, 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.

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. In fiscal 2015, we installed 20 systems under this scheme.

Since fiscal 2013, Daikin Industries, Ltd. has been selected as a diagnosis organization for projects such as the Ministry of the Environment's Model Project for Effective Renovation Toward Promoting Green Buildings. For customers who use our Air Conditioning Network Service System for remote monitoring of air conditioners, we use operational data as a basis for improving their air conditioning operation and providing energy-efficient services. In fiscal 2015, we provided energy-efficiency diagnostic services for a cumulative total of 71 projects, resulting in savings for customers of approximately 5,000,000 kWh per year, and a cumulative total of 18,000,000 kWh so far. Since fiscal 2014, along with Hitachi, Ltd. and Mizuho Bank, Ltd., we have been participating in the Smart Communities Project in Greater Manchester, UK, which is being implemented by Japan's New Energy Development Organization (NEDO). Under this project, heating systems in 600 homes are being converted from combustion-type boilers and electric heaters to heat-pump models. One aim is to reduce energy consumption. Another aim is to conduct a demonstration project for a business model in which the electricity usage at multiple residences is aggregated, operation is automatically carried out based on the demand situation, and excess electricity is sold.

■ Low Environmental Impact Refrigerants

Working Toward 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 developed 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 flammability and toxicity, the cost and availability of the refrigerant, and the cost of producing air conditioners that use the refrigerant.

Daikin's View: Action on Refrigerant and Goals Evaluation Index of Refrigerant Selection (common for all application)

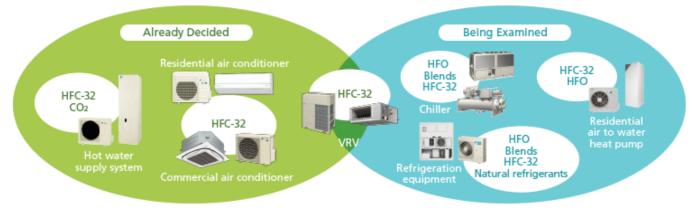


Choosing the Right Refrigerant for Each Application to Mitigate Environmental Impact

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 refrigeration equipment. That is why we have spent years conducting research that will enable the selection of refrigerant that is ideal for each application. We have so far conducted research on next-generation refrigerants such as natural refrigerants and HFC refrigerants, 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, academic conferences, and exhibitions, as well as through research paper presentations, on the global warming impact of refrigerants and measures against it.

Example of Daikin's Choice of Refrigerants



Note: Other refrigerants not listed above are also applied in products outside of Daikin's portfolio, some examples include hydrocarbons (isobutane, propane, etc.) for residential refrigerators and window air conditioners or HFO refrigerants for mobile air conditioners.

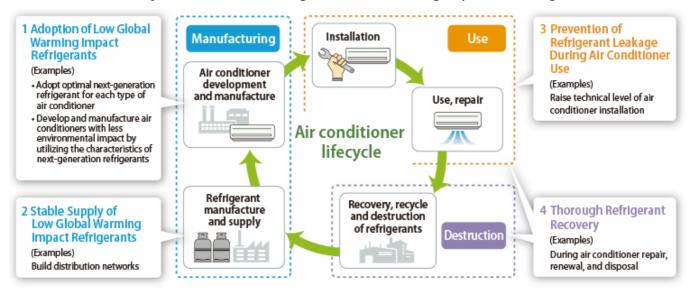
■ Protecting the Ozone Layer

Focusing on Converting to Alternative Refrigerants and Recovering Fluorocarbons

HCFCs used to be the most commonly used refrigerant, but in the 1980s experts suspected it was depleting the ozone layer, so under the Montreal Protocol developed nations agreed to phase out its production in developed countries by 2020. Daikin's chemicals business has for years worked to mitigate 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, under our air conditioner business we developed and began selling air conditioners that use HFC as the refrigerant.

Besides converting to HFC refrigerants, we have also been working to minimize leakage into the atmosphere: we design and develop products that are easy to recover refrigerant and that minimize 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.

Air Conditioner Lifecycle, Measures to Mitigate Global Warming Impact of Refrigerants



- > See Key Activities of Fiscal 2015: Environment Creating a New Market that Contributes to the Mitigation of Global Warming (Page 47)
- > Recovery and Destruction of Fluorocarbons (Page 101)

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

The Daikin Group is converting refrigerants for air conditioners from conventional HCFCs to HFCs with zero ozone depletion potential.

Daikin sells air conditioners using only HFC in Japan and Europe. We are also the first company in China to offer HFC VRV (multi-split type air conditioners for commercial buildings), and we currently sell HFC residential air conditioners as well.

In developing countries where HCFCs are the most commonly used refrigerants for air conditioners, we are making the conversion (where possible given current infrastructure) to HFC-32, a refrigerant with lower global warming potential, in order to mitigate both ozone layer depletion and global warming at the same time.

Mitigate the Global Warming Impact

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

In November 2012, Daikin became the first company in the world to launch residential air conditioners using HFC-32 for the Japanese market; HFC-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 HFC-32 in India. We are in the process of releasing these HFC-32 air conditioners in other countries and using HFC-32 for commercial air conditioners and water heaters as well.

To disseminate HFC-32 air conditioning, cooling and heat pump equipment globally, in September 2011 Daikin began offering companies worldwide 93 patents for developing and commercializing such products using HFC-32 single component refrigerant.

■ Launch of HFC-32 Air Conditioner by the Daikin group (As of end of March 2016)

Residential Air Conditioner	Japan, Taiwan, the Philippines, Indonesia, Vietnam, Thailand, Malaysia, Australia, India, Singapore, New Zealand, 28 countries in Europe, the Ukraine, Russia, Norway, Montenegro, Albania, Turkey, UAE, Saudi Arabia, Oman, Sri Lanka	
Commercial Air Conditioner (certain models)	Japan	
Water Heaters (certain models)	Japan	

- > See Key Activities of Fiscal 2015: Environment Creating a New Market that Contributes to the Mitigation of Global Warming (Page 47)
- > Dialogue with Governments and Industry Groups (Page 274)

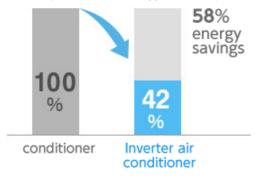
Inverter Technology

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 CO₂.

Inverters are frequency conversion devices that control electrical voltage, current, and frequency. Inverters precisely control the compressor motor, the heart of an air conditioner. Furthermore, with modified conventional motors and heat exchangers, inverter air conditioners use approximately 58% less energy than non-inverter models.

■ Comparison of energy consumptionNon-inverter air conditioner 100%



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 CO₂.

Because inverter products are more expensive than non-inverter products, they have been slow to achieve market penetration in emerging countries. However, in fiscal 2014, we developed an inverter air conditioner at an affordable price especially for the Asian air conditioner market. Such products are gradually achieving greater market penetration due to factors including stricter energy efficiency standards and rising energy awareness among the general public stemming from rising electricity prices in Southeast Asia.

To help promote the spread of inverter products, we are in the process of creating mechanisms to evaluate their energy-efficiency performance. In the past, the most common index for evaluating an air conditioner's energy-efficiency performance was COP (coefficient of performance), under which the amount of energy consumed was calculated at a fixed efficiency without adjusting for air temperature changes. However, COP cannot be used to properly evaluate the performance of inverter products, which operate at an optimal level depending on the changes in ambient temperature. Therefore, Japan's air conditioner industry has led calls for a switch to using APF (annual performance factor), and since 2013 APF has been used in ISO standards.

In emerging countries, where APF is starting to come into use, Daikin is working with the Japanese government and industry groups to get APF adopted as the industry standard and to create energy labelling systems as part of support for creating evaluation standards.

> See Key Activities of Fiscal 2015: Environment — Creating a New Market that Contributes to the Mitigation of Global Warming (Page 47)





Note: Residential air conditioners: Ductless air conditioners other than window and portable type products. Only in North America does the category include duct-type air conditioners for residential use.

Source: Compiled by Daikin based on data from the Japan Refrigeration and Air Conditioning Industries Association

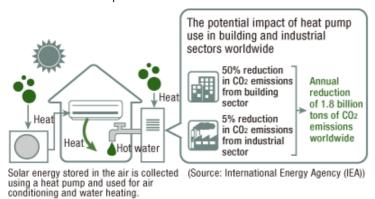
Heat-Pump Systems for Space Heating and Water Heaters

Less than 2/3 of the CO₂ Emissions Compared to Burning Fossil Fuels

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

Compared to carrying out space and water heating using methods in which fossil fuels such as gas, oil, and coal are directly burned, heat-pump systems emit less than half of the CO₂.

■ The Heat Pump Mechanism



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

Bringing More CO2-Reducing Heat-Pump Type and Gas Combustion 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.

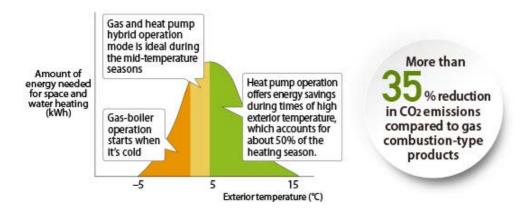
The EU has set a target of having renewable energy such as wind and solar power account for 20% of the energy mix by 2020. In January 2009, heat pumps were recognized in the EU as technology that captures renewable energy and heat-pump heaters are being recommended as part of this target. In 2006, the 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 addition, in fiscal 2014 we began focusing on the development of highly energy-efficient gas combustion space heaters and moving to energy-efficient models that meet user needs. We have been working to spread the use of energy-efficient models through a policy that consists of switching from space heaters with a large environmental impact heat-pump type, switching medium-range products to the Hybrid Altherma, which automatically changes between heat pump mode or gas combustion mode, whichever is more efficient, and switching models with a small environmental impact to energy-efficient gas-combustion type.

Our Asahikawa Laboratory in Asahikawa, Hokkaido, which we established in December 2013, has led efforts to develop new heating and hot-water systems that will offer comfort and energy efficiency for the world's extremely cold regions. We will continue to contribute to decreasing CO2 emissions by developing heat-pump and gas-combustion-type energy-efficient products not only for the European heating market but for markets in all regions of the world.

Daikin Altherma Hybrid Heat Pump

In September 2013 in Europe, we released the Altherma Hybrid Heat Pump, which automatically switches from heat pump to gas combustion mode when outside temperature drops significantly, thus providing the most efficient and economical heating possible. This product offers a more-than 35% reduction in CO2 emissions compared to gas combustion-type products.



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.

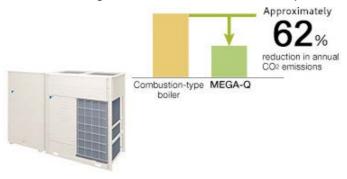
In November 2012, we began selling a new model of the commercial heat-pump water heating system (MEGA-Q) for large-scale facilities such as hotels and hospitals, which we first introduced in April 2009. Compared to combustion-type water heaters, this new model releases about 62% fewer CO2 emissions and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

We are also 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



Response to Climate Change Energy-Efficiency through Fluorochemical Products and Oil Hydraulic Products

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. 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.

Example of Use of ZEFFLE Infrared Reflective Coating

Ship

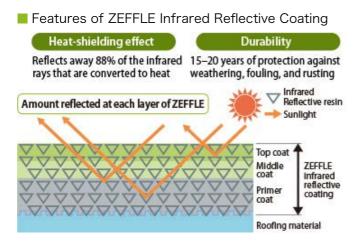


On this ship, ZEFFLE helps prevent salt corrosion, keep temperatures down, and maintain the appearance

Oil tank



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



Fluorine Characteristics Help Solar Cells Last Longer

Making the most of fluoropolymers' chemical resistance, heat resistance, and weather resistance, Daikin provides materials that contribute to the spread of solar cells.

For example, the fluororesin material ZEFFLE is used in the back sheet of solar cells to prevent the infiltration of infrared rays and moisture, both of which harm the interior of solar cells. Thinner than conventional fluoropolymer film while offering the same weather-proofing and durability, ZEFFLE is being increasingly used on solar panels.

The fluororesin (ETFE)* used for the surface protection film on solar cells has high light transmittance and lasts for more than 20 years under the sunlight. It is lighter than the glass film conventionally used for surface protection, and it is used in flexible solar cells that bring solar energy to a wider range of applications. 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.

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

Oil Hydraulic Equipment

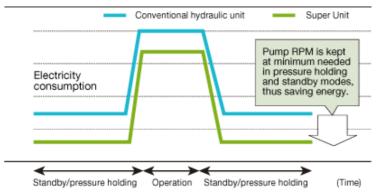
Energy-Efficient Hybrid Hydraulic Super Unit Energy Savings and Lower CO₂ Emissions in Factories

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

The energy-efficient hybrid hydraulic Super Unit employs the same motor inverter technology that is used in Daikin's energy-efficient air conditioners. The Super Unit determines the load on the machine, depending on whether it is in standby, operation, or pressure holding mode, and electronically controls the pump at the necessary RPM. The result is energy savings of more than 50% in pressure holding mode (compared to Daikin piston pumps). For use on presses, vulcanizers, casting machines, and a wide range of other industrial equipment, it contributes to dramatic energy savings and lower CO2 emissions. We introduced new models and expanded the lineup in 2014. Because the Super Unit is not subject to electric motor high-efficiency restrictions enacted in April 2015, more and more customers have been looking at the Super Unit as a way to achieve greater energy efficiency.

The Super Unit is widely used on industrial equipment around the world and has been highly rated for its superior precision and energy efficiency.

■ 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 $\pm 0.1^{\circ}$ C. In addition, with inverter control and the most advanced compressor, it offers 45% greater energy efficiency than conventional on/off controllers. It was also one of the first oil cooling units for industrial machinery to be certified for the EU's RoHS Directive*.

In September 2014, we added to the lineup an immersion type large-capacity series (5HP) and a large-capacity series (2-3HP) for industrial machinery chillers, allowing us to meet a wider range of customer needs than ever.



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.

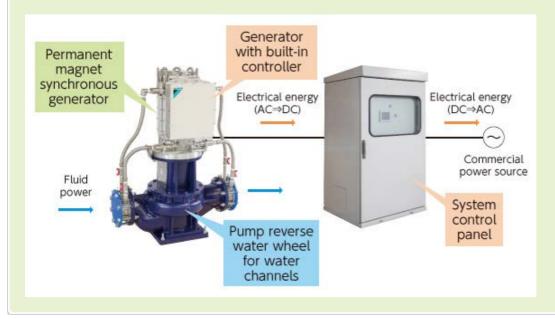


Immersion type products 9 Series Oil Cooling Unit



Micro-Hydroelectric Power Generation System Demonstration Testing in Toyama, Fukushima, and Kobe

Daikin Industries, Ltd. developed a compact, low-cost pipeline-type micro-hydroelectric power generation system on which it has been conducting demonstration testing. This demonstration testing has been adopted under a project under Japan's Ministry of the Environment to conduct testing and develop inductive technologies to reduce CO2 emissions. In fiscal 2014 and 2015, we conducted demonstration testing in Nanto City, Toyama Prefecture, and Soma City, Fukushima Prefecture, which resulted in us achieving practical product application. In fiscal 2016, we began a joint effort with Kobe City to evaluate long-term performance and operational costs, with the aim of using previously untapped sources of hydropower to reduce CO2 emissions.



■ Reducing Overall Group Greenhouse Gas Emissions

Target Reached: 70% Reduction Compared to Fiscal 2005

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

The Daikin Group set a target of a 67% reduction in greenhouse gases by fiscal 2015.

Daikin America, Inc. reached this target by striving to recover fluorocarbons and replace them with substitutes, resulting in fiscal 2015 greenhouse gas emissions of 1.26 million tons-CO₂, a reduction of 70% over fiscal 2005.

We are currently working toward a target of reducing fiscal 2020 emissions by 75% over fiscal 2005.

150

2015 (FY)

2015

■ Groupwide Greenhouse Gas Emissions (during production)

Note Data verified by third party.

(Thousand tons-CO₂) Substances designated by Kyoto Protocol ■CO₂ (Energy) 4,500 HFC SPFC 4.140 3,000 2,840 BAU* 2,210 1.560 1,500 1,300 1.260 1,380 840 490 400 (Target) 760

110

580

2012

120

590

2011

540

2005

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

2014

2013

150

M 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 CO₂, methane, N₂O, and three fluorocarbon alternatives (HFC, PFC, and SF-6).

Reducing Energy-Induced CO2

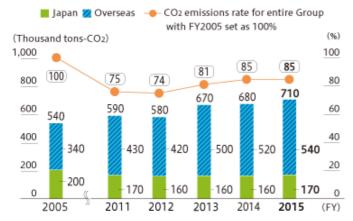
CO2 Emissions per Production Unit Dropped by 15% Against Fiscal 2005

Fiscal 2015 energy-induced CO2 was 710,000 tons-CO2, and CO2 emissions per production output were down 15% over fiscal 2005. Main efforts in fiscal 2015 included the introduction at the Air Conditioning Manufacturing Division of the Sakai Plant of a mobile app for viewing energy usage in the factory. An environmental practice hall was also set up to help raise employee's awareness. Another major event on the theme of energy efficiency was the 2nd Global Environmental Meeting, which was held in Thailand.

We received certification for the ISO 50001 international standard for energy management at Daikin Europe N.V. and Daikin Industries Czech Republic s.r.o. in January 2015, and at the Sakai Plant in March 2015.

As a new target for reducing CO₂ emissions, we are working toward decreasing emissions per production output in fiscal 2020 by 5% against fiscal 2015 (average value from 2013 to 2015) and to this end we are seeking further energy efficiency.

■ Total CO₂ Emissions, CO₂ Emissions per Unit of Production Output





CO₂ emissions per production output

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



40% Reduction in Energy Usage of Shiga Plant Drying Furnace

At the Shiga Production Division, rather than seeking improvements in individual workplaces, based on visual data obtained from surveys, we have identified the most important ways to achieve energy efficiency. As a result, it was determined that there was poor thermal efficiency in the drying furnace, a facility that uses significant amounts of energy, and that there was room for improvement of this furnace. We therefore removed one of the two air heaters and changed the position of the one remaining air heater. By circulating the hot air with a blower and switching to a method that makes the best use of the wind volume, we successfully shortened the drying time. We also put dividers to narrow the space inside the furnace and thus reduce the heat loss and improve the thermal efficiency.

Thanks to these improvements, the drying furnace used 69.143 kWh of electricity and achieved electricity cost reductions of 968,000 yen, a significant improvement in efficiency.

Reducing CO₂ Emissions during Transportation

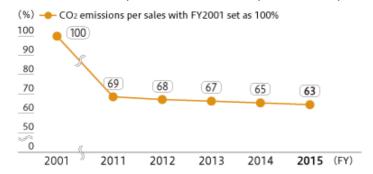
CO₂ Emissions Reduced by 10.7% Over Fiscal 2010

Daikin Industries, Ltd. set a goal of decreasing CO₂ emissions (per sales) from transportation by 10% in fiscal 2015 compared to fiscal 2010 by switching from trucks to trains and ferries. We also increased the use of direct shipping from overseas production sites to Japan to ensure the shortest possible transportation route.

In fiscal 2015, we improved the efficiency of transportation of concurrent production items at overseas plants and the Shiga Plant. For example, we decided to locate products made at the Shiga Plant in the Kansai region, and locate items manufactured at overseas plants in other regions in Japan. As a result, we reduced the amount transported between Shiga and Tokyo by the equivalent of the volume carried by 200 ten-ton trucks. Along with other facilities, we reduced emissions by 315 tons-CO2. This represents a per-unit reduction of 10.7% over fiscal 2010, which achieved our target of a 10% reduction. Our modal shift ratio in fiscal 2015 was 27%, the same as in fiscal 2014.

Our target for fiscal 2020 is a 5% decrease (per sales) over fiscal 2015.

■ CO₂ 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.
- To improve work effectiveness both in Japan and overseas, we continuously revise the warehouse layout to boost work efficiency and thus shorten the time on each task.

Using Renewable Energy

Using More Solar, Wind, and Hydro Power

The Daikin Group is working to expand the use of renewable energy such as solar, wind, and hydro power.

An example is in Europe, where governments 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 CO2 previously emitted from purchased electricity, and so the company has reduced the previous 5,000 tons-CO2 per year, or a total of approximately 1,660 tons-CO2.



Solar power generation system has panels that move to track the sun's position

In fiscal 2015, we used proprietary technology in installing a solar power generation system that uses tracking solar panels on the Technology and Innovation Center.

Green Building Certification

Overseas Bases Certified for Energy-Efficient Buildings

Daikin Group companies around the world are working aggressively to achieve green building certification for having building that are designed, built, and operated with concern for the environment and the local community.

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.

In July 2016, the Technology and Innovation Center earned LEED® Platinum certification. It has also earned the highest certification (S class) in CASBEE (Comprehensive Assessment System for Built Environment Efficiency) a highly recognized system in Japan for the comprehensive assessment of the environmental performance of buildings, districts, and cities. CASBEE was created by the Institute for Building Environment and Energy Conservation (IBEC).

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.

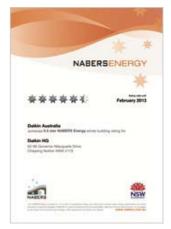
In addition, in fiscal 2013 Daikin Australia's head office building was again one of just a handful to receive a rating of 5.5 stars in NABERS (National Australian Built Environment Rating System) ratings.



The Applied Development Center of Daikin Applied Americas Inc. in Minnesota earned LEED® Gold certification



CASBEE building assessment certification (for the Technology and Innovation Center of Daikin Industries, Ltd.)



Certificate of NABERS certification (Daikin Australia Pty. Ltd.)

■ Recovery and Destruction of Fluorocarbons from Air Conditioners

Reducing Impact throughout the Entire Life Cycle

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 CO₂.

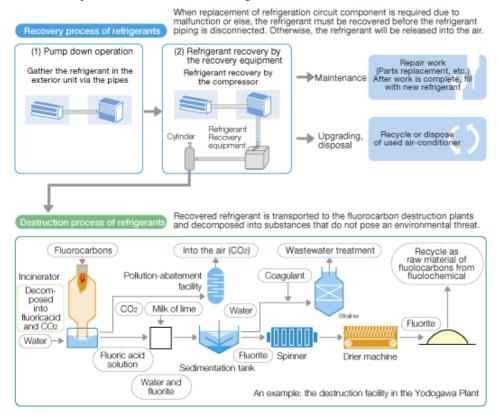
The Daikin Group is the only comprehensive air conditioner manufacturer developing everything from refrigerant to air conditioners. In addition to disseminating low-global-warming-impact refrigerants worldwide, we strictly manage refrigerants during the production, after-sales, and other stages, and we recover, destroy, and recycle refrigerants at the end of air conditioner life so that we can reduce environmental impact throughout the entire life cycle.

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

Destruction Transport, installation Upgrading, disposal Manufacture and recycling of refrigerants Development Maintenance Develop Recover CFCs Prevent Recover Recover Recycling or refrigerants generated refrigerant refrigerant refrigerant complete with low Check for leaks during during upgrading destruction environmental installation maintenance refrigerant Recover burden Preventing leaks in Transport refrigerant from Reduce the used machinery safely refrigerant filling amount Prevent leakage air-conditioners through Develop an refrigerant periodic automatic leaks due to inspections filling function faulty installation

Recovery and Destruction of Refrigerants



Efforts During Production

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

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

In fiscal 2015, we expanded destruction facilities at the Yodogawa Plant. In addition, we strove to limit the amount of emissions of HFC-23, a by-product of production processes with an extremely high global warming potential.

Overseas, even in countries with no fluorocarbon emission restrictions, Daikin plants voluntarily recover gas and destroy it either in house or through a contracted destruction facility. In fiscal 2015, Daikin America, Inc. proceeded with introducing substitutes for Perfluorohexane and stepped up recovery of FC-c318, thus dramatically reducing emissions.

We will continue to switch to fluorocarbon substitutes in our efforts to reduce environmental impact.

Ensuring No Leaks When Filling Air Conditioners with Refrigerant (Air Conditioning Manufacturing Division)

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.
- We are converting to low global warming potential refrigerants.



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 2015, the refrigerant emissions ratio was 0.2% at Daikin in Japan and 0.7% overseas. In addition, by converting to low global warming potential refrigerants, we are reducing CO₂-equivalent emissions.

For the gas used in the inspection process, we have converted to helium, which does not deplete the ozone layer and is not a greenhouse gas.

■ Inspecting for Refrigerant Leaks in the Air Conditioner Manufacturing Process

Daikin Industries, Ltd. 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.

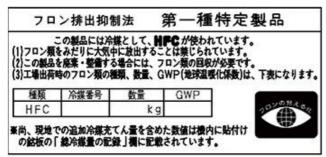
Visual Representations of Refrigerants in Refrigeration and Air Conditioning Equipment

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. With the Act on Rational Use and Proper Management of Fluorocarbons going into effect in April 2015, these 'visualization' stickers have shown the global warming potential of the refrigerant used in order to encourage the recovery of fluorocarbons. These same stickers are placed on products made overseas for the Japanese market.

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 During Repair and Disposal

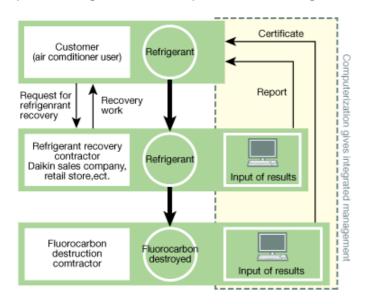
Refrigerant Recovery Network System

In Japan, we are thorough in our recovery of fluorocarbons (refrigerants) from commercial air conditioners. We have created a network system for the integrated management of all information from recovery to destruction of refrigerants, including the amount of refrigerant recovered and the amount destroyed by contractors. This system has been updated to comply with the Act on Rational Use and Proper Management of Fluorocarbons, which went into effect in April 2015.

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.

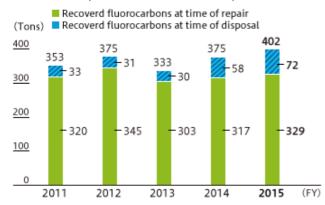


Taking Calls 24 Hours a Day, 365 Days a Year for Recovery and Destruction (Fluorocarbon Recovery and Destruction Business)

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 the entire Daikin Group in Japan in fiscal 2015, 401 tons of fluorocarbons were recovered and destroyed.

Amount Destroyed in Fluorocarbon Recovery and Destruction (At Time of Repair and at Time of Disposal)





Fluorocarbon destruction facilities (Yodogawa Plant)

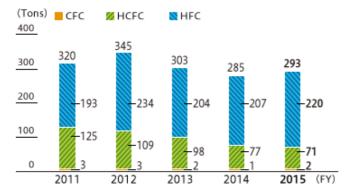
- * Amount destroyed at Yodogawa Plant, Kashima Plant, or one of the contracted destruction facilities around Japan.
- * Figures until fiscal 2013 are for Daikin Industries, Ltd. only, and figures from fiscal 2014 are for the Daikin Group in Japan.

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 2015, Daikin Industries, Ltd. recovered a total of approximately 293 tons of refrigerants.

■ Types of Fluorocarbons Recovered during Maintenance (Daikin Industries, Ltd. only)



Helping Customers Prevent Refrigerant Leakage

The Act on Rational Use and Proper Management of Fluorocarbons went into effect in April 2015 in Japan. This law obligates commercial air conditioner users and owners to conduct strict management of refrigerants to ensure they do not leak during product usage.

In response, since October 2015 we have been offering a free smartphone web application that allows customers to easily inspect for possible refrigerant leakage.

Training Technicians for Refrigerant Recovery and Installation

The recovery of refrigerants requires special knowledge and skills, and Daikin Industries, Ltd. 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 2015, 1,567 people, mostly from retailers and installers, passed the test. Of all those registered as refrigerant recovery technicians in Japan, 53.0% took the Daikin technician training course.

The Act on Rational Use and Proper Management of Fluorocarbons went into effect in April 2015, and in response we must conduct strict management of refrigerants to ensure they do not leak during product usage. Persons conducting equipment inspections and refrigerant filling work are also obligated to acquire new certifications. In response, Daikin has been holding workshops for people who have acquired certification as first and second grade refrigerant fluorocarbons handling technicians. We have also held seminars on the Act on Rational Use and Proper Management of Fluorocarbons for employees of buildings and large stores using Daikin products, and contracted maintenance outlets.

In fiscal 2015, workshops that we held for people who have acquired certification as first and second grade refrigerant fluorocarbons handling technicians were attended by 6,977 people throughout Japan.

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 2015, 1,069 retailers and installers had been certified.



Refrigerant pipe installation training

Installing Refrigerant Recovery Equipment, Training Personnel in Refrigerant Recovery

Refrigerant recovery is obligatory under law in European countries. Daikin is actively providing training to employees in countries like France and Italy that will allow participants to obtain official certification in specialties such as gas welding and fluorocarbon gas handling.

In China and other parts of Asia, Daikin sales companies' service divisions have refrigerant recovery equipment. Refrigerant recovery workers fully realize the importance of such equipment to the environment as they carry out their job of recovering refrigerants at the request of customers.



Basic Policy on Effective Use of Resources

We must make effective use of the Earth's limited resources if we are to successfully carry out sustainable business activities.

The Daikin Group achieves resource efficiency through efforts such as making products compact, and it designs products that are easy to recycle through the use of materials that are common across different product lineups.

We also strive for zero waste by limiting the amount of waste generated during production and by thoroughly recycling the waste that is generated. Water risk has been a focus of Daikin as of late. As a company doing business worldwide, we identify bases where water risk is an issue and we strive to reduce the amount of water we use.

Effective Use of Resources in Products

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.

> Waste Reduction

We limit the amount of waste that we generate and we strive to achieve zero waste.

> Water Resource Reduction

We strive to reduce the amount of water we use at our worldwide bases, and we identify and respond to water risk.

■ 3R & Repair

Stressing Effective Use of Resources in Design

Daikin Industries, Ltd. 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.

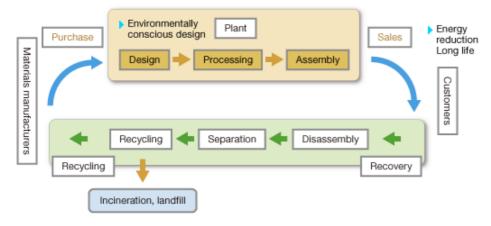
This initiative plays a key role in our product design and development. Based on product assessment, we design and develop products that are smaller and lighter, have fewer numbers of parts and screws, and that use materials and construction that make them easy to maintain, separate, and recycle.

> Environmentally Conscious Design (Page 139)

3R & Repair: Approach

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

■ 3R & Repair: Effective Use of Resources



Recycling

Designing Products for Easy Disassembly

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

In fiscal 2014, we equipped the FIVE STAR ZEAS air conditioner for stores and offices with an all-aluminum micro channel heat exchanger. This makes it easier to separate the material during disassembly compared to products using conventional cloth heat exchangers. Office air conditioners and the S-round flow Cassette for stores and offices, which were released in February 2016, use an ODM motor. This has eliminated the need for adhesive on the antivibration rubber on the turbo fan boss, making it easy to remove plastic, steel, and rubber for recycling.

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 Daikin Industries, Ltd. develops new products, we establish weight reduction targets for each product on the condition that the annual performance factor (APF) does not decrease.

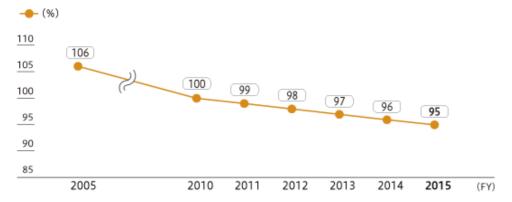
In fiscal 2015, we reduced by 1 kg each the weight of the FIVE STAR ZEAS (4–6 HP) and the New Eco-ZEAS (4-, 5-, 6-HP classes) air conditioner for stores and offices. In addition, we were able to raise the APF of the new Urusara 7-Series residential air conditioners (2.8, 3.6, 4.0, 5.6 kW) while at the same time reducing by 2 kg the weight of the outdoor units. Air purifiers that we released in fiscal 2015 take up 30% less installation space than their predecessor products and are 14% smaller and lighter.

Product Packaging Weight Reduced by 5% Since Fiscal 2010

We set a target of reducing the amount of packaging for air conditioning products by 5% in fiscal 2015 compared to fiscal 2010. We had previously switched packaging material from wood to thin cardboard, and reduced the number of packaging parts. In fiscal 2015, we changed the packaging shape to accommodate the change from horizontal storage to vertical storage and were thus able to achieve our reduction target.

Because changing the packaging shape also necessitates a change in the production process, we are aiming to further reduce the amount of packaging material through close cooperation among the packaging, manufacturing, and design divisions.

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

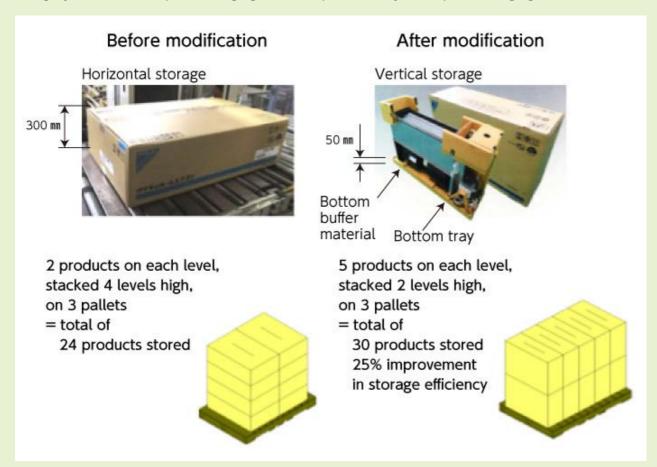


TOPICS

Daikin Awarded by Japan Packaging Institute for 50% Reduction in Packaging of Ceiling Mounted Cassette Type Air Conditioners

We changed the packaging shape of our air conditioners to accommodate the change from horizontal storage to vertical storage, thus reducing storage space needed and reducing the size of buffer material, resulting in 50% less packaging material and a 25% improvement in storage efficiency. By developing a thin bottom tray that combines the tray and buffer material, we were able to dramatically improve the efficiency of packaging work.

For these efforts, Daikin received an Electric Equipment Packaging Award in the Good Packaging category in the 2015 Japan Packaging Contest 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.

As Daikin products are sold in an increasing number of countries, we are working to strengthen our service network in each country. By introducing service management systems, we are making workflow more efficient and providing more high-quality and transparent service in every phase of customer interaction including through our service engineers and our partner companies.

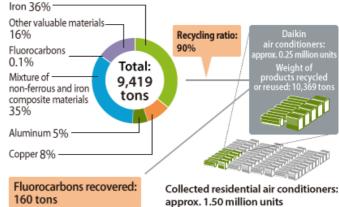
Recycling Residential Air Conditioners

Daikin Achieves Recycling Ratio of 90%, Well above Obligations under Home Appliance Recycling Law

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

In fiscal 2015, we recovered about 250,000 products totaling 10,369 tons. The recycling ratio was 90% and the amount of fluorocarbons recovered was 160 tons.

Recycling of Residential Air Conditioners in FY2015 (Japan)



Effective Use of Resources Waste Reduction



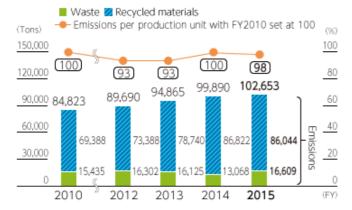
Reducing Emissions

2% Reduction in Emissions per Production Unit Against FY2010

Up until fiscal 2010, the Daikin Group strove to recycle 100% of the waste generated during production processes. Starting in fiscal 2011, we switched our focus from recycling waste generated to reducing the amount of waste generated in the first place. We thus strive to reduce total emissions (recycled materials and waste).

Up until fiscal 2013, we strove to reduce waste by, for example, using returnable boxes and eliminating defective molded parts. Since fiscal 2014, emissions increased due to the effect of things like in-house production, and as a result we were only able to reduce emissions per production unit by 2% against fiscal 2010.

■ Amount of Waste and Recycled Materials for the Daikin Group



■ Basic Policy on Water Resource Reduction

The Daikin Group determines how much water it uses at its manufacturing sites and recycles as much water as possible in order to reduce water usage throughout the entire group.

In addition, as a company doing business globally, we identify bases where water risk exists and strive to protect water resources throughout the entire value chain.

Reducing Water Usage

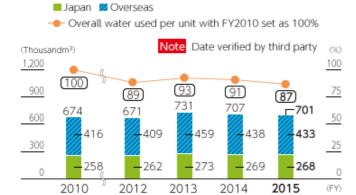
Reusing Waste Water to Reduce Water Intake

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 strove 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 2015, we reduced water intake per unit of production by 4% in Japan and by 18% overseas against fiscal 2010. This was achieved by utilizing waste water recycling equipment, using rainwater, and by modifying washing processes.

In response to the important issue of water risk in recent years, we have identified bases where water risk exists and we are striving to reduce the amount of water we use.

Amount of Water Intake for the Daikin Group



Response to Water Risk

Operation Surveys in Water-stressed Regions

Water risk has become a pressing issue in recent years. Based on the Aqueduct water risk mapping tool of the World Resources Institute (WRI), since fiscal 2014 the Daikin Group has been surveying water-stressed regions. As a result, we have determined that we are operating in five regions, including India and inland China, where water stress is an issue.

Starting in fiscal 2015, in these regions and in production processes where we use large amounts of water, we decided to consider the amount of water intake minus the amount of wastewater as a loss of water resources. We therefore began surveying this amount of loss.

In the near future, we intend to reflect this effort in our Green Procurement Guidelines and have our suppliers start conducting surveys themselves, all as part of efforts to better manage water resources throughout the value chain.

Basic Policy on Management and Reduction of Chemical Substances

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

We also have voluntary restrictions on which we base our efforts to reduce the amount of the chemical substances that we use and emit in production processes.

Management and
Reduction of Chemical
Substances Contained in
Products

We abide by laws and regulations in managing chemical substances contained in our products.

Management and
Reduction of Chemical
Substances During
Production

We carry out voluntary reduction of the amount of chemical substances used in production processes in our Chemicals Division. > Compliance with J-Moss

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.

■ Compliance with Restrictions on Hazardous Chemicals

Establishing Standards for Managing Chemical Substances in Products

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

- *1 The RoHS Directive (Restriction of Hazardous Substances Directive) is a regulation in the EU prohibiting the use of certain hazardous substances in electrical and electronic equipment.
- *2 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.
- > Compliance with Restrictions on Toxic Chemicals (Green Procurement) (Page 146)
 - Reduction of Chemical Substances in Fluorochemical Products

In the Automotive Industry, Fluoride Materials Contribute to Reduced Leakage of VOCs

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

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

Automobile Fuel Hose Made of Fluororesin



Laminated hose made of general purpose rubber

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.



■ Management of Chemical Substances

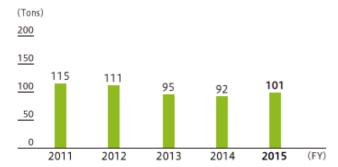
Daikin Group bases around the world take voluntary action to reduce the amounts of various chemical substances, such as PRTR substances and VOCs.

Emissions of PRTR Substance Down by 23% Against Fiscal 2010

The Daikin Group in Japan worked toward a target of reducing emissions of PRTR (Pollutant Release and Transfer Register) substances in fiscal 2015 by 15% compared to fiscal 2010.

In fiscal 2015, we were thorough in our efforts to reduce PRTR emissions; for example, subsidiary Nippon Muki Co., Ltd. incorporated adhesive substitutes and strove to improve production yields, and the Air Conditioning Manufacturing Division strove to prevent the vaporization of paint. As a result, emissions were reduced to 101 tons at the Daikin Group in Japan, a 23% reduction against fiscal 2010.

■ Release of Substances Designated by the Pollutant Release and Transfer Register Law (Japan)



M 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 FY2015 (PRTR substances of which at least 1 ton was handled)

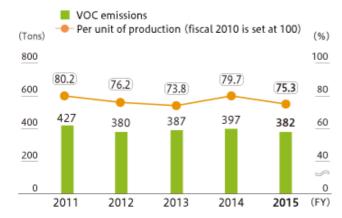
	Amo	unt emitted(1	tons)	Amount transported (tons)		
Substance name	Air	Public waterways	Soil	Waste	Sewage	
Chlorodifluoromethane; HCFC-22	53.02	0.00	0.00	0.37	0.00	
Dichloromethane; methylene dichloride	31.61	0.00	0.00	3.10	0.00	
1-chloro-1,1-difluoroethane; HCFC-142b	9.90	0.00	0.00	0.00	0.00	
Toluene	3.35	0.00	0.00	0.59	0.00	
2-chloro-1,1,1,2-tetrafluoroethane; HCFC-124	1.40	0.00	0.00	0.00	0.00	
N-hexane	1.15	0.00	0.00	1.00	0.00	
Chloroform	0.84	0.00	0.00	4.10	0.00	
Phenol	0.76	0.00	0.00	0.77	0.00	
Xylene	0.71	0.00	0.00	0.00	0.00	
Formaldehyde	0.42	0.68	0.00	0.30	0.00	
1,2,4-trimethylbenzene	0.30	0.00	0.00	0.00	0.00	
Hydrogen fluoride and its water-soluble salts	0.24	0.00	0.00	75.00	0.00	
Ethylbenzene	0.20	0.00	0.00	0.00	0.00	
Poly(oxyethylene)alkyl ether(alkyl C=12-15)	0.02	0.00	0.00	44.00	0.25	
N,N-dimethylacetamide	0.01	0.00	0.00	0.00	0.00	
Methylnaphthalene	0.01	0.00	0.00	0.00	0.00	
N,N-dimethylformamide	0.01	0.00	0.00	5.10	0.00	
Acetonitrile	0.00	0.00	0.00	3.10	0.04	
Boron compounds	0.00	0.43	0.00	0.58	0.01	
Ferric chloride	0.00	0.00	0.00	8.74	0.00	
Antimony and its compounds	0.00	0.00	0.00	1.20	0.00	
Methylenebis(4,1-phenylene)diisocyanate	0.00	0.00	0.00	1.03	0.00	
Zinc compounds(water-soluble)	0.00	0.00	0.00	0.55	0.14	
Tritolyl phosphate	0.00	0.00	0.00	0.05	0.00	
Molybdenum and its compounds	0.00	0.00	0.00	0.03	0.00	
Copper salts (water-soluble, except complex salts)	0.00	0.00	0.00	0.00	0.00	
Allyl alcohol	0.00	0.00	0.00	0.00	0.00	
Tetrachloromethane	0.00	0.00	0.00	0.00	0.00	
Water-soluble salts of peroxodisulfuric acid	0.00	0.00	0.00	0.00	0.00	

Against Fiscal 2010, Total VOC Emissions in Japan Down by 19% and VOC Emissions Per Unit of Production Overseas Down by 19%

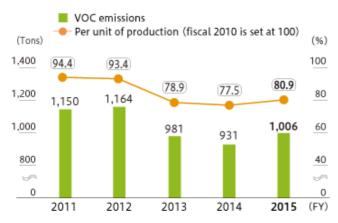
The Daikin Group worked toward its target of reducing total VOC emissions in Japan by 20% in fiscal 2015 against fiscal 2010, and reducing VOC emissions per unit of production overseas in the same period by 10%.

In fiscal 2015, as a result of recovering and recycling VOCs, and replacing them with less harmful substances, we achieved a 19% reduction in total emissions over fiscal 2010 in Japan and a per-unit-of-production reduction of 19% overseas.

■ Total VOC Emissions, and VOC Emissions Per Unit of Production (Daikin Group in Japan)



■ Total VOC Emissions, and VOC Emissions Per Unit of Production (Daikin Group Overseas)



Elimination of PFOA Emissions

Total Elimination of the Manufacture and Use of PFOA by Developing Substitutes

Perfluorooctanoic Acid (PFOA) is a man-made chemical substance that has been conventionally used as a polymerization aid for fluororesins. It does not readily degrade in nature and is thus a substance of concern for the environment and human safety.

At the end of 2015, as part of its efforts toward sustainable management of chemical substances, Daikin Industries, Ltd. ceased manufacturing and using PFOA and similar compounds, as well as products made from these.



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					
		Hg	Cd	Cr(VI)	PBB	PBDE	
Manufactured parts	0	0	0	0	0	0	
Refrigerant system parts	N/A	0	0	0	0	0	
Electrical/electronic parts	N/A	0	0	0	0	0	
Compressor	N/A	0	0	0	0	0	
Refrigerant	0	0	0	0	0	0	
Accessories	0	0	0	0	0	0	

JIS C 0950:2008

Note: 1 A "O" 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)



Basic Philosophy on Environmental Management

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.

The entire Daikin Group works to improve the effectiveness of audits, avoid environmental risk, and educate employees on environment matters.

Environmental Management System

We continuously build a group-wide environmental management system.

> Environmental Risk Management

We have measures in place to prevent risk to the environment and to minimize any environmental damage should it occur.

> Environmental Accounting

Environmental accounting gives a quantitative representation of the costs and effects of environmental measures and constitutes an important item of environment information.

> Environmentally Conscious Design

We strive to develop products with low environmental impact.

> Green Procurement

We pursue green procurement in every way possible throughout the entire supply chain and include our suppliers in these efforts.

Green Heart Factories and Green Heart Offices

We have a proprietary standard for designating environmentally conscious facilities as Green Heart Factories or Green Heart Offices.

> Environmental Communication

We put every effort into communication activities aimed at expanding the circle of "Green Heart" (the concept of showing consideration for the Earth and caring for the environment).

■ Environmental Management System

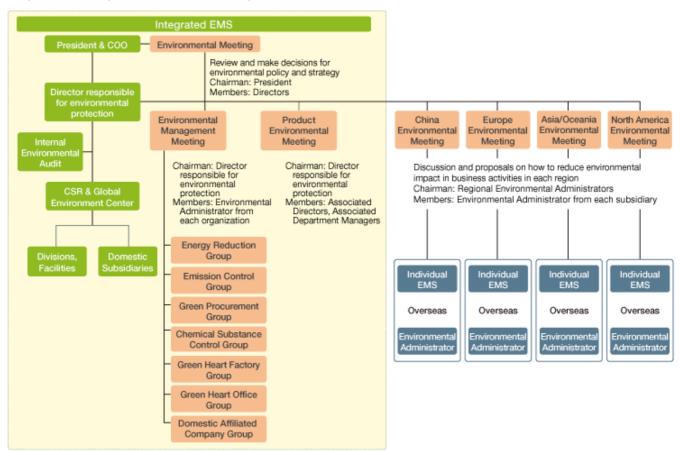
Building a Group-Wide Environmental Management Promotion System

The Daikin Group has built and operates an environmental management system (EMS) in accordance with ISO 14001. This EMS is shown in the diagram below.

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 have had data verified by a third party since fiscal 2013.

System Driving Environmental Management



■ Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification (FY2015)



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.

Since fiscal 2015, we have been preparing to achieve certification for ISO 14001:2015 at all our worldwide bases.

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 fiscal 2015, in addition to the existing environmental meetings, we held the 2nd Global Environmental Meeting in Thailand with the aim of accelerating energy-efficiency action at all worldwide companies. Participating were environmental



The 2nd Global Environmental Meeting in Thailand

managers from bases in Japan, China, Oceania, and Europe. The concept of the meeting was "learn, talk, and take action," with participants touring Daikin's two Thai plants to see examples of improvements, then breaking into small groups for animated discussions on future energy-efficiency activities.

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 2015, to comply with the Act on Rational Use and Proper Management of Fluorocarbons, which went into effect in April 2015 in Japan, the Daikin Group in Japan conducted internal audits that focused on areas such as confirming the state of equipment management. In addition, we confirmed how well Daikin branches were abiding with laws, and we noted any areas in which improvement was needed.

Internal environmental audits held in the Daikin Group in Japan in fiscal 2015 revealed no major problems, and no cases of major non-conformance were found by third-party certification institutes. However, there were problems discovered in relation to operational ambiguities, and in relation to the failure to consistently fix certain problems across the entire organization. In order to solve these issues, we intend to revise our rules in fiscal 2016 in line with ISO 14001 revisions.

Report from Audits (FY2015)

	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non-conformance	0	0
Minor non-conformance	17	0
Items improved	136	6

Training Internal Auditors

There are currently 93 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 and 8 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 2015, training for auditors had participants gaining an understanding of the important Act on Rational Use and Proper Management of Fluorocarbons, as well as undergo study on what items need to be confirmed during audits. In addition, they practiced pointing out problems based on objective facts. In fiscal 2015, seven auditors were promoted to audit managers, and 14 assistant auditors were promoted to auditors.

We will continue to hold training under the internal auditor program, as well as have internal auditors experience audits in other parts of the organization, where they can find successful cases they can bring back and replicate, thus improving the overall level of audits in the Daikin Group. In addition, as a key measure for fiscal 2016, we will educate internal auditors to ensure a smooth transition to the revised ISO 14001:2015.

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





E-learning textbook

In-house environmental newsletter

FY2015 Environmental Education (All Daikin Group Companies in Japan)

The Daikin Group in Japan conducted the following company-wide education. Individual company divisions also conducted their own educational activities.

Name of activity	Personnel involved	No. of times held
Environmental e-learning	All employees	Once

With the goal of raising environmental awareness and knowledge, participants learn about a wide range of environmental issues, especially those directly related to Daikin's business, such as global warming and ozone layer depletion, as well as new environmental topics each year that are relevant and current. In fiscal 2015, participants studied the importance of water resources and the Paris Agreement, which was adopted at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21). They also studied activities Daikin is pursuing to reduce CO2 emissions through both (1) its business and (2) its contribution to communities.

- (1) Daikin reduces CO₂ emissions through its business by making air conditioners more energy efficient, by spreading the sales of inverter products, and by using refrigerants with low environmental impact.
- (2) It reduces CO2 emissions through contribution to communities by working to protect the environment.

Environmental managers education Environmental managers O

With revisions to ISO 14001 in September 2015, the Daikin Group in Japan intends to transition to the revised ISO 14001 in February 2017. In preparation for this, in fiscal 2015 an external instructor was invited to deepen participants understanding on the background of the ISO 14001 revisions, trends among other companies and in society in general, the philosophy of the revised ISO 14001, and the main points of the revisions.

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

■ Daikin Bases Certified for ISO 14001 (Japan)

Japan 1996: Daikin Group in Japan*

■ ISO 14001 Certification for Overseas Subsidiaries (as of March 2016)

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.
Mar. 2007	DAIKIN Electronic Devices Malaysia
May 2007	McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.
May 2007	Daikin (China) Investment Co., Ltd.
Aug. 2007	Daikin Airconditioning (Malaysia) Sdn., Bhd.
Aug. 2007	Daikin Airconditioning (Hong Kong) Ltd.
Nov. 2007	Daikin Air-Conditioning Technology (Shanghai), Ltd.

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

Date	Subsidiary certified
Dec. 2007	Daikin Air-Conditioning Technology (Beijing), Ltd.
Dec. 2007	Daikin Air-Conditioning Technology (Guanghou), Ltd.
Dec. 2007	Daikin Malaysia Sdn. Bhd.
Jan. 2008	Cri-Tech Inc.
Jan. 2008	AAF (Shenzhen) Co., Ltd.
Jan. 2008	AAF (Suzhou) Co., Ltd.
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Shanghai Branch
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Beijing Branch
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Guangzhou Branch
Mar. 2008	Daikin America, Inc. (Orangeburg)
Jun. 2008	Daikin Chemical Europe GmbH
Jun. 2008	McQuay Suzhou
Jul. 2008	Daikin Device Czech Republic s.r.o.
Sep. 2008	Daikin Airconditioning Portugal S.A.
Nov. 2008	Daikin R&D Sdn Bhd
Jan. 2009	Daikin Airconditioning Greece S.A.
Jan. 2009	American Air Filter Manufacturing Sdn Bhd
Mar. 2009	DAIKIN Steel Malaysia
Aug. 2009	DAIKIN Refrigeration Malaysia
Apr. 2009	Daikin Air Conditioning South Africa
Dec. 2009	Daikin Turkey A.S.
Jan. 2010	J&E Hall Limited (United Kingdom)
Jan. 2010	Daikin Applied Europe
Jan. 2010	Daikin Applied Americas (Faribault)
Jan. 2010	Daikin Applied Americas (Owatonna)
Jan. 2010	AAF-Limited (United Kingdom)
Mar. 2010	Goodman Global Group, Inc (Cooling)
Mar. 2010	Goodman Global Group, Inc (Furnace)
Mar. 2010	Goodman Global Group, Inc (Fayetteville)
Mar. 2010	Goodman Global Group, Inc (Dayton)
May 2010	Daikin Applied Americas (Dayton)
Jul. 2010	Daikin Refrigeration (Suzhou) Co., Ltd.
Oct. 2010	AAF International sro (Slovakia)
Jan. 2011	AAF-International B.V. (The Netherland)
Mar. 2011	Daikin Airconditioning Netherlands B.V.
Mar. 2011	AAF (Wuhan) Co., Ltd.
Feb. 2012	JiangXi DaTang Chemicals 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)
Jun. 2013	Daikin Applied Americas (Staunton)
May 2015	Daikin Refrigerants Europe GmbH



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/report/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 2015, the machinery divisions held training that simulated chemical or oil leaks from delivery trucks in the machinery divisions, which included initial response and identifying the cause of the leaks. In the Chemicals Division, activity areas were divided into three zones: a hot zone, a warm



Disaster drill simulating a calamity occurring on a holiday (Kashima Plant)

zone, and a clear zone, so that provisions could be made for things like preventing the spread of pollution from hazardous substances and protecting workers from harm.

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*. 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. In fiscal 2014, we joined a conference for dialogue on current events in Osaka to present a report on Daikin's preparations for a possible major earthquake in the Tonankai and Nankai regions of Japan.

Under an agreement between our Shiga Plant and the local municipality of Kusatsu, we reported the findings of one year of analysis and measurements of air, odors, water quality, sewage, noise, and vibration.

- * 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.
- > Building Trust with Communities (Page 288)

All Production and Use of the Fluorochemical Product PFOA and Similar Compounds Ended in 2015

At the end of 2015, as part of its efforts toward sustainable management of chemical substances, Daikin Industries, Ltd. ceased manufacturing and using PFOA and similar compounds, as well as products made from these.

> For details, see Reducing PFOA Emissions (Page 120)

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, Ltd.'s four manufacturing bases is on the Daikin Web site.

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

Measures for Soil and Groundwater Pollution

Dealing with Soil Pollution at the Yodogawa Plant

A soil pollution survey at the Yodogawa Plant revealed pollution of soil and groundwater from substances such as VOCs and fluoride. The polluted soil was closed up and the groundwater was pumped up and purified. Surveys in recent years have revealed that the pollution concentration of the tetrachloroethylene and trichloroethylene used in the center of the site in the past has decreased; however, the concentration of dichloroethylene, which is generated when these two substances naturally break down, has increased. This occurs during the purification process, and pumping up the groundwater has prevented this from spreading beyond the boundaries of the site.

In addition, in 2013 the site was designated by the Osaka Prefectural Government as an Area for which Notification is Required upon Change to Form or Nature* (under Japan's Soil Contamination Countermeasures Act), and construction work was subsequently carried out. All work was completed at the end of December 2015, and Daikin Industries, Ltd. applied to the government to have the site where the polluted soil was cleaned to be taken off the list of designated sites.

* Area for which Notification is Required upon Change to Form or Nature:

A designation under Japan's Soil Contamination Countermeasures Act in which as a result of a soil pollution survey, non-conformance is discovered but the land is not suspected of posing a health hazard.

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.

Ongoing cleaning of the groundwater has resulted in reduced concentrations of pollutants. We will continue these cleanup efforts to bring the levels down to within environmental standard values.

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 finished disposing of all condensers at the Yodogawa Plant. In fiscal 2014, we had a contractor reconfirm ballasts for lighting, and results showed that 350 of them contained PCBs. We plan to dispose of these starting in 2016. We are continuing to store equipment containing no PCBs, and we will dispose of it following completion and submission of revised paperwork to the government in the next fiscal year.

■ Daikin's Storage of PCBs

Plants and products stored	ltems (disposed of (item a	Disposal plan (cost is approximated)	
	FY2009	FY2011	FY2013	FY2016 and on
Shiga Plant: 5 condensers, 126 fluorescent ballasts		3 high-voltage condensers (approx. 1.8 million yen)		2 condensers, 126 ballasts (approx. 5 million yen)
Sakai Plant: 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)
Yodogawa Plant: 12 transformers, 12 condensers, 448 ballasts			12 condensers (approx. 17 million yen)	12 transformers (approx. 32 million yen), 448 ballasts (approx. 15 million yen)

^{*} Cost is approximated, includes costs to recover, transport, and dispose of PCBs.



Environmental Accounting

FY2015 Environmental Accounting Figures

Total environmental protection costs in FY2015 were ¥22.5 billion (investment in equipment: ¥3.2 billion; expenses: ¥19.3 billion), 98% 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 CO2 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 full allocated to environmental protection were proportionally divided and totaled according to a relevant Daikin standard.

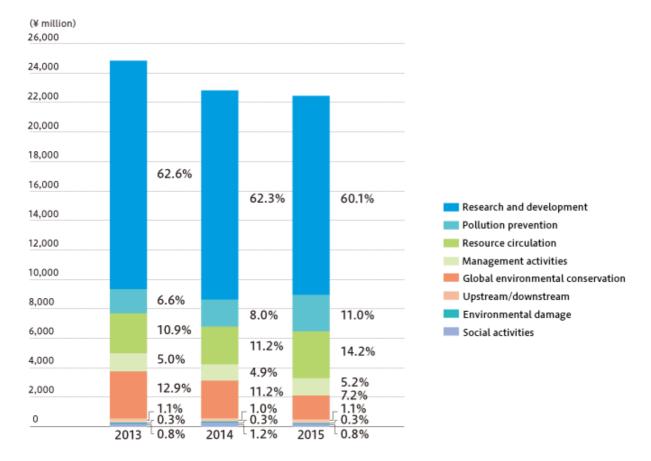
Effects of Environmental Conservation

Please see the relevant page for details of each item.

Economic Benefits of Environmental Conservation Efforts

The environmental conservation effects and economic benefits were calculated by comparing the adjusted output to the previous fiscal year.

■ Breakdown of Environmental Conservation Costs (% of total)



FY2015 Environmental Costs

(¥ million)

					(+ 111111011)	
Cost of environmental conservation						
		FY20)14	FY2015		
Category	Major activities	Amount of equipment invested	Expenses	Amount of equipment invested	Expenses	
Cost in business area		1,421	5,525	1,590	5,695	
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.	442	1,382	665	1,818	
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	718	1,849	850	772	
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	261	2,294	75	3,105	

Upstream/downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	5	228	8	234
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	11	1,107	19	1,159
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	1,354	12,897	1,580	11,930
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	0	272	3	188
Environmental damage	Costs for purification of polluted groundwater and soil.	0	67	0	67
Total	4,213	20,097	3,200	19,272	
Total of investment in fa		78,400		11,2700	
Total of investment in R		42,900		46,100	

Effects of environmental conservation					
	Effects	FY2014 figures	FY2015 figures		
Effects corresponding with costs within business area	1. Effects of the resources used for business activities	Energy consumption	-29,184 tons-CO2	231 tons-CO ₂	
		Reduction in water consumption	83,108 m ³	374,313 m ³	
	and waste resulting from	Reduction in fluorocarbon emissions	12 tons	40 tons	
		Reduction in waste materials	2,689 tons	-2,960 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	230,000 units 164 tons 204.7 tons	160 tons	

Economic benefits of environmental conservation efforts (monetary benefits)				
	Effects	FY2014	FY2015	
Profit	Profit from sale of recycled waste	1,919	2,118	
Reduction in expenses	Reduction in energy expenses resulting from energy conservation efforts	643	844	
	Reduction in waste disposal expenses resulting from resource conservation or recycling resources	331	1,174	

■ Environmentally Conscious Air Conditioners

Commercialize Only Products that Meet 13 Assessment Criteria

Besides factors like performance and ease of use, Daikin Industries, Ltd. 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 13 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. Packaging
- 4. Reduction in environmental impact in the manufacturing process
- 5. Energy and resource conservation in use
- 6. Product life extension
- 7. Ease of delivery/collecting/transporting
- 8. Raise possibility of reuse of resources
- 9. Ease of disassembly and separation of materials by hand
- 10. Ease of shredding/classifying for recycling
- 11. Environmental conservation capabilities
- 12. Disclosure of information
- 13. LCA

Environmentally Conscious Fluorochemical Products

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. Fluorine contributes to the mass-production of lithium-ion batteries and so is becoming increasingly used in electrolyte and other materials.

Fluorochemical Products

Electricity, telecommunications, information applications

Wire coating material for LANs

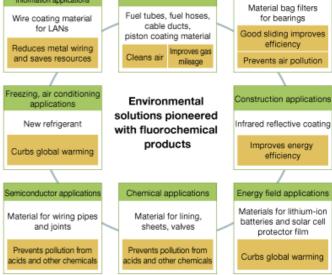
Wire LANs

Wire coating material for LANs

Wire coating material cable ducts,

Waterial bag filters for bearings

Environmental Solutions Pioneered with



Daikin Develops New Binder for High-Voltage, High-Capacity Lithium-Ion Batteries to Boost Performance

Fluorochemical products are gaining increasing attention for their ability to improve the performance and safety of lithium-ion batteries.

In July 2014, we released the VW700 Series, a PVdF binder for fluorine-based cathodes for lithium-ion batteries, which uses Dakin's proprietary polymer technology to prevent deterioration even at high voltages, allowing batteries to have higher capacities and lengthening battery life by 10%*.

We will continue our efforts by developing components for lithium-ion batteries such as electrolytes, binders, and fluororesins for packing.

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

Fluoride Materials Reduce Environmental Impact in Various Applications

With fluoride materials having superb heat and chemical resistance, we are conducting R&D into their use as material for fuel cells and for the oil and gas field.

Fluoride materials are also contributing to reduced environmental impact through their use in solar and wind power systems, and in lithium-ion batteries. We will continue to expand their use in renewable energy, new energy, and energy-saving applications.

Product Assessment Items

		Assessment item	Assessment standard
01. Weight reduction of products	1-1	Weight and volume reduction of products, and main raw materials and parts	Have the weight and volume of products (including main raw materials and parts) been reduced?
	1-2	Weight reduction of scarce materials	Have fewer scarce materials been used?
	1-3	Reduction of refrigerants	Has less refrigerant (HFC) been used?
	2-1	Use of recycled plastics	Have recycled plastics been used?
02. Use of recycled materials and parts	2-2	Labelling use of recycled plastics	Have parts been labelled as using recycled plastics?
materials and parts	2-3	Use of recycled parts	Have reused parts been used, and are these of standard quality?
	3-1	Reduce weight of packaging, simplify packaging	 Have weight and volume of packaging been reduced? Has packaging been simplified? Is used packaging material small and separable? Can it be easily collected and transported?
03. Packaging	3-2	Make it possible to recycle more packaging	 Has the use of compound materials been reduced? Is it easy to separate each type of material in compound materials? Have common materials been used across products? Has packaging reuse been considered?
	3-3	Use recycled packaging materials	Has recycled packaging material been used?
04. 4. Reduction in environmental impact in the	4-1	Reduce amount of production waste	Have products been designed so that less waste is generated during production?
manufacturing process	4-2	Energy efficiency in the production stage	Are product specifications such that less energy is consumed in the production stage?
	5-1	Improve energy efficiency during use	Has the product been made more energy efficient during use?
05. Energy and resource	5-2	Reduce energy consumption in standby mode	Has the product been made more energy efficient in standby?
conservation in use	5-3	Include energy and resource saving functions	Are there energy and resource saving functions?
	5-4	Reduce amount of product consumables	Has the amount of consumables been reduced?

		Assessment item	Assessment standard
	6-1	Improve durability of products and main parts and materials	Are products, parts, and materials more durable than before?
	6-2	Greater ease of replacement and maintenance of consumables	 Does construction make it easy for users to remove and attach? Do parts need to be replaced less often than before? Is there more information than before regarding parts replacement posted on the main unit and in the user manual?
06. Product life extension	6-3	Possibility and greater ease of maintenance and repair	 Have parts requiring maintenance and repair been clearly indicated? Are parts common across products? Does construction allow for easy maintenance and repair?
	6-4	Tell customers how to get longer use out of products	Are users and repair companies being provided with maintenance and repair information that will extend product life? Are the content, explanations, and illustration methods of the information improved over previous information? Can Daikin provide repair companies with breakdown diagnosis and repair measures, as well as information related to safety and other matters?
07. Ease of	7-1	Improve handling and safety of products during delivery, collection, and transport	Have items been loaded evenly and balanced, and can collection and transport take place safely? For heavy, bulky items, are handles and wheels properly positioned?
delivery/collecting /transporting	7-2	Improve loading efficiency of products during delivery, collection, and transport	Is it easy to improve loading efficiency, and is there no danger of items falling off?
08. Raise possibility of reuse of resources	8-1	Raise possibility of use of plastics	Have easy-to-recycle plastics been used?
	8-2	Raise recycling ratio	Has the overall possible recycling ratio of the product been raised?
09. Ease of disassembly and separation of materials by hand	9-1	Easy to disassemble products and separate parts by hand	 Does construction make it easy to disassemble products and remove parts by hand? Do products have a recycling logo that indicates greater ease of disassembly? Is information provided that makes disassembly easy?
	9-2	Reduce compound materials	Is there less use of compound materials that make parts and materials separation difficult?
	9-3	Use common materials across products	Have common materials been used across products?

		Assessment item	Assessment standard
10. Ease of shredding/classifying for recycling	10-1	Make shredding easier	 Is shredding with a shredder easy? Can products and parts fit into a shredder? Has there been a check to ensure that there are no substances that may damage or dirty the equipment or the materials that will be reused?
	11-1	Use low global warming potential refrigerants	Do products use low global warming potential refrigerants, which contribute less to global warming?
	11-2	Reduce PVC	Has the amount of PVC been reduced?
11. Environmental conservation capabilities	11-3	Protect environment during recycling and disposal stages	 Have safety measures been taken and has refrigerant been properly recovered so that there are no leaks of refrigerants or refrigerator oil during collection and transport. Are refrigerant recovery methods stated in the documentation? Can parts, including environmentally harmful substances, be removed using standard tools?
	11-4	Provide information to persons at all stages of the life cycle	Have users and relevant contractors been provided with proper information?
	12-1	Label product, parts, user manual, packaging, etc.	Are there energy and resource saving functions?
12. Disclosure of information	12-2	Provide information in product catalogs and on the website	 Do product catalogs and the website provide users with information on matters such as energy efficiency and resource efficiency functions? Is there documentation giving information on how to recycle and protect the environment, and information on safety during product disposal?
13. LCA	13-1	Determine the environmental impact at each lifecycle stage	Has a lifecycle assessment been conducted regarding the environmental impact at each lifecycle stage, such as materials, production, transport, use, and final disposal?
TS. LOA	13-2	Consider how to reduce environmental impact during the lifecycle	Does a lifecycle assessment show that the product exerts less environmental impact in terms of CO2 emissions and global warming potential?

Environmental Management Green Procurement



Green Procurement

Daikin Group Requests that Worldwide Suppliers 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. In addition, 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 CO2.

We are discussing individual measures that will remedy the particular problems of suppliers, and those who get a perfect score on the survey are evaluated as 'green suppliers'.

In March 2015, we published the eighth edition of the Green Procurement Guidelines, which reflects the latest environmental laws and adds prohibited chemical substances to the list of designated chemical substances. We will continue to revise these guidelines to reflect changing environmental laws and situations.

Calls for Improvement and Guidance at Overseas Bases

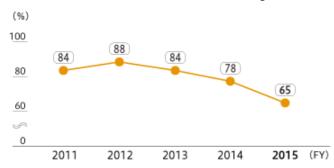
We hold meetings for suppliers to explain the importance of green procurement in order to further raise the green procurement rate. At divisions in Japan and at bases overseas, we are striving to make green procurement a firmly rooted part of doing business.

In fiscal 2015, we held explanatory meetings for local staff and started green procurement at Cri-Tech Inc., a subsidiary of Daikin America, Inc. In addition, Goodman Manufacturing Company, L.P., Daikin's air conditioner base in North America, carried out a green procurement survey at suppliers that work with Goodman Manufacturing Company, L.P., DAIKIN APPLIED AMERICAS INC., and AAF International, and compiled the results of the surveys.

In Thailand, China, and Europe, suppliers evaluated at a rank of "B" or lower were requested to make improvements and were given guidance in doing so. As a result of these efforts, the green procurement rate in fiscal 2015 was 65%.

The requirements for green procurement have been gradually increasing to include items such as banned chemical substances and protection of biodiversity and water resources, and every year surveys are becoming increasingly strict. Although there are cases in which the green procurement rate, which shows the results of survey, goes down, rather than focus only on such numbers, we believe that it is more important to ensure that surveys lead to suppliers improving based on the latest edition of the green procurement checklist. We will continue holding explanatory meetings at overseas bases and aim to raise the green procurement rate in regions where it is low.

■ Green Procurement Rate (All world regions)





Staff at Daikin America, Inc. attended green procurement explanatory meetings

Green Procurement Rate by Region (%)

	Japan	China	Thailand	Other countries in Asia and Oceania	Europe	North America	All regions
FY2011	96	91	98	87	81	3	84
FY2012	99	92	98	90	83	36	89
FY2013	95	96	98	84	86	38	84
FY2014	94	97	98	76	91	39	78
FY2015	96	95	95	65	93	38	65

Value of goods procured from suppliers

Green procurement rate = who meet our assessment criteria

Value of all goods procured

Essential conditions for suppliers' management

- Environmental Management System
 We request our suppliers to structure environmental management system 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-friendly design must be employed.
- > For details, see the Green Procurement Guidelines. (Supply Chain Management) (Page 267)
 - Biodiversity
 - Protecting water resources

■ 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^{*1} and the REACH Regulation^{*2} regarding chemicals contained in products. These are stated in our Green Procurement Guidelines, which we require our suppliers to abide by.

In July 2015, the requirements for purchasing goods requiring chemical substances management (ASB040004K) were revised, with banned substances added and threshold management strengthened. The newly added banned substances are four kinds of phthalate ester*3, and BNST (Benzenamine, N-phenyl-, reaction products with styrene and 2,4,4-trimethylpentene)*4. In July 2016, the requirements for purchasing goods (ASB040004L) was revised, with EU biocide rules newly added.

- *1 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.
- *2 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.
- *3 As of March 31, 2015, under the EU Directive EU2015/863, four kinds of phthalate ester were added as controlled substances. These will be restricted under the directive from July 22, 2019, but the Daikin Group will cease using them in production starting on January 1, 2019.
- *4 As of March 14, 2015, BNST (Benzenamine, N-phenyl-, reaction products with styrene and 2,4,4-trimethylpentene) is prohibited under the Canadian Environmental Protection Act.

■ 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 (DBTs) *1 Polybrominated biphenyls (PBBs) Polybrominated biphenyl ethers (PBDEs) Deca-Bromodiphenylether (Deca-BDE) *2 Polychlorinated terphenyls (PCTs) *2 Polychlorinated terphenyls (PCTs) *2 Polychloronated napthalenes (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 (Perfuluorooctane acid) BNST (Benzenamine, N-phenyl-, reaction products with styrene and 2,4,4-trimethylpentene)**11 Polycyclic aromatic hydrocarbons (PAHs)**12
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).

 Added to the EU Directive EU2015/863 as controlled substances, these will be restricted under the directive from July 22, 2019
- *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.
- *11 The Prohibition of Certain Toxic Substances Regulations, prohibited the manufacture, use, sale, offer for sale or import of certain toxic substances including BNST and products containing these substances in Canada from March 14, 2015.
- *12 Rubber or plastic components that come into direct as well as prolonged or short-term repetitive contact with the human skin or the oral cavity shall not contain more than 1 mg/kg (0.0001 % by weight of this component) of any of the PAHs.



Green Heart Factories

Certifying Environmentally Conscious Plants Through an In-House Standard

The Daikin Group has an in-house standard for evaluating and certifying environmentally conscious plants for their environmental and social performance. Plants 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.

As of the end of fiscal 2015, three bases in Japan and four bases overseas had been certified as Super Green Heart Factories. In fiscal 2015, Rotex Heating Systems GmbH and Daikin Isitma ve Sogutma Sistemleri San. Tic. A. S. (Turkey) achieved Green Heart Factory status, bringing the total to five bases in Japan and 20 bases overseas.

Green Heart Offices

"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. With these efforts gradually spreading through the Daikin Group, in fiscal 2014, we created a Green Heart Office checklist that we trialed in the Daikin Industries, Ltd. Head Office and the Tokyo Office.

The checklist includes a graph with the items "paper," "garbage," and "electricity" on the vertical axis, and the items "awareness" and "contribution" on the horizontal axis. In addition, we created the three ranks of Gold Class, Silver Class, and Bronze Class for each office zone. This allows us to make comparative assessments among bases.

We plan to expand this effort across the Daikin Group to raise the level of the Green Heart Office initiative.

Daikin Environmental Report

Reports Published in Japan and Other World Regions

Since 1998, Daikin Industries, Ltd. has published an environmental report (now called the Sustainability 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 website.

Our overseas Group companies also publish environmental reports once a year. There are versions for Asia and Oceania, Europe, and China. In addition, Daikin in China also publishes its own CSR Report.



Asia and Oceania



Europe



China

Environmental Ads

Environmental Protection Information through Ads on Trains and in Newspapers

Daikin Industries, Ltd. 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.

Daikin Energy Saving Solution Ads above Train Doors

Ads in fiscal 2015 were on the theme of reducing environmental impact. The ads introduced Daikin's efforts to spread the use of the low-global-warming-potential refrigerant HFC-32.





Environmental Awareness Activities

Daikin Website Offers Enjoyable Way to Raise Environmental Awareness

The Daikin Industries, Ltd. 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.

Environment Protecting Biodiversity



Basic Policy on Protecting Biodiversity

Our society is built upon the many blessings that nature gives us. The source of these blessings is biodiversity. Daikin's business has a major effect on biodiversity through its contribution to global warming. That's why we strive to reduce greenhouse gas emissions in all of our business activities. We also work to protect biodiversity through environmental contribution activities. Through our focus on protecting and nurturing forests, "nature's air conditioners," we continuously strive to maintain balance in the world's ecosystems so that we can help bring back the abundance of the natural world.

> Protecting Biodiversity

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.

> Biodiversity Awareness

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.

Protecting Biodiversity Protecting Biodiversity



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 biodiversity, both through our business and through environmental contribution activities.

The biggest impact, in the Daikin Group's business activities, on biodiversity is the emission of greenhouse gases. We therefore strive to minimize greenhouse gas emissions in all stages of our business: development and design, production, and sales.

As for our environmental contribution activities, we focus on protecting and fostering the natural riches of forests, which we call 'nature's air conditioners.' 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.

Efforts in Nature Preservation Areas

"Forests for the Air" Project Underway in 7 Locations Worldwide

As a social contribution project to celebrate its 90th anniversary, in June 2014 Daikin Industries, Ltd. 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/index.html)

Daikin Supports Environmental Protection on the Shiretoko Peninsula

In July 2011, Daikin Industries, Ltd., 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. In 2016, the parties signed an agreement for the second phase of this effort as part of Daikin's "Forests for the Air" project, under which Daikin will provide financial support and send volunteers for a period lasting until the end of March 2024. By contributing to reforestation and environmental protection, and by helping ensure that the human and bear populations live in harmony, we are striving to preserve the forests of Shiretoko for future generations.



Employees erect a fence to keep out Sika deer

In fiscal 2015, a cumulative total of 23 employees volunteered during May and September, completing 1,200 meters of a deer fence along the Iwaobetsu River to prevent Sika deer from eating seedlings.

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)

Working on Reforestation in Indonesia

Since June 2008, Daikin Industries, Ltd. 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 is part of Daikin's "Forests for the Air" project.

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. These efforts have so far contributed to the rejuvenation of forests that benefit both people and the environment.



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

In the seven years up to June 2015, about 150,000 trees (local species) were planted on about 300 hectares with the help of 644 local farmers and 20 national park rangers. With this forest now protected under a moratorium period, Daikin Industries, Ltd. and CI have joined in a 10-year project under which 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.

This reforestation project in Indonesia has been carried out with the support of users of Daikin products.





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 in Indonesia is a joint effort between Daikin and customers who use its products



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

Each time a customer in Japan pushes the "Comfortable eco operation" button on the remote control of Daikin's Urusara (R-Series) residential air conditioner, an illustration of a tree on the remote control's screen grows a little bigger. When the tree 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 2015, 266 customers were registered as project supporters.



The board shows the names of Daikin customers who support reforestation

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

Projects in Surrounding Neighborhoods

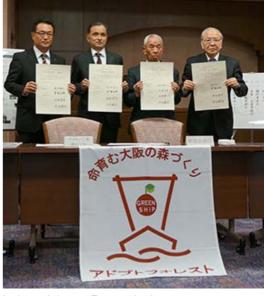
Rejuvenating Community Forests in Osaka Prefecture

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 2015, a cumulative total of 118 employees and their family members volunteered.

With these activities in Harashiroyama now well established, efforts are underway to expand the community forest initiative beyond the protection of bamboo trees. To this end, the Izuhara Adopt a Forest agreement in Ibaraki, Osaka Prefecture was signed in March 2016 and forest preservation has begun. This program will run until March 2020 with the goal of returning the neglected coppice forest to its rich, natural ecosystem.



Izuhara Adopt a Forest signing ceremony



Forest preservation activity in Izuhara

Efforts at Bases

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

Daikin Ales Aoya in Tottori Prefecture, Japan is a center for the training of employees who will be active on the world stage.

The facility is located at Idegahama, a beach known for its 'whistling sand'. The area is home to a typical coastal vegetation ecosystem: starting from the beach, one can see annual grass give way to perennial grass, and short trees gradually give way to taller trees. However, this coastal vegetation has been rapidly disappearing in the last decade or two.

When Daikin Industries, Ltd. 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.

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.

We also provide opportunities for local residents to utilize Daikin Ales Aoya. In May 2015, it was used by the Open University of Japan for a field work course on protecting and revitalizing natural environments. In June, it was used by Tottori University as a testing ground for a garden management practicum in which students conducted field work in protecting coastal vegetation and planting trees in coastal areas. We also held a sand dune vegetation management event at Daikin Ales Aoya, where we presented our coastal vegetation protection activities and had local residents help us carry out some of the actual work.

Outside Honors for Daikin Ales Aoya

October 2010	Selected for inclusion in the list of 100 top companies contributing to biodiversity, sponsored by the Organization for Landscape and Urban Green Architecture
December 2011	Given Excellent Stage 2 ranking (equivalent to the middle of a 5-stage assessment system) under the Social and Environmental Green Evaluation System (SEGES) of the Organization for Landscape and Urban Green Infrastructure
Fiscal 2013	Given the Green Society Contribution Award and the Green Cities Award Encouragement Prize from the Organization for Landscape and Urban Green Infrastructure
December 2014	Given Excellent Stage 3 ranking (equivalent to second highest level of a 5-stage assessment system) under the Social and Environmental Green Evaluation System (SEGES) of the Organization for Landscape and Urban Green Infrastructure. This is one level higher than it earned under SEGES in 2011



Bird's-eye view of Daikin Ales Aoya



Monitoring vegetation



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



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, Ltd. began work to rejuvenate a community forest on its premises in fiscal 2012.

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. Employees assisted in creating an environment where these fireflies could live. For example, creeks were repaired and greenery was planted along them, and trees were planted in the forest. In addition, seeds from plants in a nearby community forest were planted in the homes of Daikin employees, and the seedlings that grew from these seeds were planted in the employees' homes' gardens. This boosts awareness of biodiversity among employees.





Creating Biotopes at Daikin Worldwide Factories

Daikin production bases around the world are creating biotopes on site where employees and their families are planting trees and other vegetation.





Protecting Biodiversity Biodiversity Awareness



Raising Employee Awareness

Employee Volunteers Help Protect Biodiversity

Daikin Industries, Ltd. 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 2015, a cumulative total of 141 Daikin Industries, Ltd. employees joined activities including rejuvenating a bamboo forest in Harashiroyama, Osaka Prefecture and preserving a forest in Shiretoko, Hokkaido Prefecture. Employees have also joined in a forest preservation program that began in March 2016 in Izuhara, Osaka Prefecture.

Daikin also provides environmental volunteer information through media including its website and an in-house environmental newsletter.



Employee volunteers in a bamboo forest in Harashiroyama



■ History of Environmental Activities

	Daikin Group	Air Condtioning Divisions(Japan)	Chemicals Division(Japan)
1970s	 Environmental Pollution Control System established Environmental Pollution Control Committee established Environmental Pollution Control Regulations enacted Environmental Month started 		
1980s	 Daikin Group Environmental Control Committee established Daikin Group Environmental Management Regulations enacted Began dealing with fluorocarbon problem 		
1991			Began HFC mass-production
1992	Director responsible for environmental protection and Global Environment Dept.established		
1993	 Actions Principles on Environmental Protection enacted Environmental Action Plan enacted 		
1994	Began building environmental management system		
1995	Environmental audits launched	 Released chiller using HFC refrigerant Started air conditioner forums 	Ceased production of CFC
1996	Acquired ISO 14001 certification in all Daikin Industries, Ltd. production bases in Japan		
1997	Began working toward ISO 14001 certification in overseas production bases		

	Daikin Group	Air Condtioning Divisions(Japan)	Chemicals Division(Japan)
1998	• First Environmental Report published	 Released Super Inverter 60 ultra-energy-efficient commercial air conditioner Released HFC multipurpose air conditioner for buildings, HFC residential air conditioners 	
1999	Environmental accounting introduced, Environmental Meetings launched		• Established fluorocarbon destruction facilities
2000	Start of green procurement	 Released Super Inverter ZEAS ultra-energy- efficient HFC air conditioner 	
2001	 Environmental Action Plan 2005 enacted Achieved zero waste emissions in Daikin Industries, Ltd. production bases in Japan (machinery divisions) Regional Environmental Meetings launched Environmental meetings started in each of four regions (Europe, North America, China, and Asia/Oceania) 		
2002	Basic Environmental Policy of the Daikin Group enacted	 Began fluorocarbon recovery and destruction business Completed Conversion to HFC refrigerant for all major products (in Japan) 	
2003	 Aquired integrated ISO 14001 certification in Daikin Group in Japan 		
2004	 Achieved zero waste emissions in all Daikin Industries, Ltd. production bases in Japan 		
2006	Environmental Action Plan 2010 enacted	Released Daikin Altherma air-to-water heat-pump space and hot water heater in Europe	
2007		 Held air conditioner forums in Europe and the U.S. 	

	Daikin Group	Air Condtioning Divisions(Japan)	Chemicals Division(Japan)
2008	Formulated the latter half of the Fusion 10 strategic management plan, which stresses proactive contribution to solving environmental problems, as well as business expansion	 Started Re: AIRCON Project for reforestation in Indonesia Released world's first VRV system (mult-split type air conditioner for building) using CO2 refrigerant Held air conditioner forums worldwide (Europe, U.S., Japan) 	
2009		 Held air conditioner forums in China 	
2010	The Daikin Group worldwide achieved its targets for greenhouse gas emissions by a wide margin	Held air conditioner forums in Asia/Oceania	
2011	Formulated Environmental Action Plan 2015		
2011	Started environmental protection activities in Shiretoko		
2012		 Released Urusara 7 residential air conditioner, world's first air conditioner to use the new HFC-32 refrigerant 	
2013		 Released FIVE STAR ZEAS, world's first commercial air conditioner to use new refrigerant HFC-32 	
2014	• Started "Forests for the Air" project	 Released cooling-only variable speed (inverter) air conditioners for emerging countries 	
2015	 Daikin offers companies worldwide free access to its 93 patents on the manufacture and sale of HFC-32 air conditioners "Daikin's Policy and Comprehensive Actions on the Environmental Impact of Refrigerants" published 		

Environment Endorsement as an Eco First Company



Daikin Industries, Ltd. First Company in Air Conditioner Industry to be Endorsed as an Eco First Company by Ministry of the Environment

On November 11, 2008, Daikin Industries, Ltd. was presented with official certification for the Eco First Program established by Japan's Ministry of the Environment in April 2008. The award recognized Daikin's Eco First Commitment of environmental protection targets. Daikin is now the first company in its industry to earn the right to use the Eco First symbol.



The Eco First symbol

Under the Eco First Program, companies make a commitment to the Ministry of the Environment to carry out voluntary environmental protection activities aimed at meeting the targets of the Kyoto Protocol.

As the world's only developer and manufacturer of both air conditioners and their fluorocarbon refrigerants, Daikin makes it a top priority to reduce global warming. The company does all it can to alleviate environmental problems and focus on business areas that make this possible, establishing environmentally strategic themes, reducing greenhouse gas emissions, and developing and disseminating the use of products that help customers reduce global warming.

Under our Eco First Commitment, which we revised in March 2012, the Daikin Group is striving to achieve both environmental sustainability and corporate growth by making the most of environmental technologies such as inverters and heat pumps to drive our business.

■ Daikin Group's Eco First Commitment

1. Reduce greenhouse gas emissions from business activities.

 By fiscal 2015 we will reduce the greenhouse gas emissions (CO2, HFC, PFC) from manufacturing processes of the entire group (including overseas companies) to one-third of fiscal 2005 levels. We will reduce emissions through offgassing measures that include the recovery and destruction of fluorocarbons from plants in Japan and overseas.

2. Develop and disseminate products that help reduce the effects of global warming.

- We will strive for a worldwide dissemination of inverter products, which offer dramatic reductions in power consumption.
 - We will step up sales of residential inverter air conditioners in China so that they are present in 50% of home by fiscal 2015.
 - In the market for large-capacity commercial-use air conditioners, we will disseminate more highly
 efficient models with inverter functions, such as highly efficient air-cooled heat-pump chillers and
 turbo refrigerators.

- Keeping in mind the specific needs of customers in each region, we will develop and disseminate heat pump systems for hot water heater and heating systems, which offer far higher energy efficiency than conventional combustion systems.
- We will strive to disseminate heat pump products such as natural-refrigerant (CO₂) hot water supply and combination systems of air conditioners, refrigerators, and freezers for convenience stores.
- We will take our energy-efficient solutions business worldwide with our remote monitoring system for air conditioning equipment.
- We will strive to disseminate our fluorochemical products, such as film material used in solar cells and other renewable energy products, and Zeffle thermal insulation coating, which when painted onto buildings contributes to reduced air conditioning burden.
- With consideration for environmental performance, safety, and efficiency, we will conduct worldwide sales of air conditioners using HFC32, a refrigerant with a global warming potential just one-third of conventional refrigerants.

3. Keep refrigerant leaks to an absolute minimum by recovering and destroying refrigerants in all stages from manufacture to final product disposal.

- We will take requests for fluorocarbon recovery from customers in Japan 24 hours a day every day of the year, and we will properly treat fluorocarbons at destruction facilities.
- To step up measures to prevent fluorocarbon refrigerant emissions during product use, we are conducing inspections on commercial air conditioners to prevent leaks before they happen, and we are keeping records of refrigerant filling work.

4. Thoroughly manage chemical substances and reduce the amounts released.

- In Japan, we will further reduce emissions of PRTR substances by improving recovery work and incorporating processes that do not use PRTR substances.
- By fiscal 2012, we will completely eliminate the use of PFOA (perfluorooctanoic acid), which has been used in the manufacturing of fluorochemical products in Japan.

5. Provide education for children, the future stewards our planet, that will help them create a sustainable society.

- In Japan, we will create educational programs that will make children think about sustainability, and we will provide these programs free-of-charge to elementary schools.
- We will give children the opportunity to learn about sustainability by providing activities such as factory tours and sales events, and by operating a special environmental website.

> Environment (Page 66)





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New Value Creation

Helping Solve Social Issues 170	Working Toward Sustainable	
	Development Goals	173

CSR for Value Provision New Value Creation



Why is it Important?

The Source of Sustainability for Society and the Company

Amid today's globalization, technology is changing and advancing at greater speed than ever. It is becoming tougher for a company to offer differentiated products or services so that customers purchase based on price. For a company to grow in this situation, it must provide advanced value by combining state-of-the-art technologies resulting in new products that help society solve problems in fields such as energy, the environment, and health.

DAIKIN'S POLICY

Sharing Dreams and Ambitions Inside and Outside Daikin to Realize a Healthy, Comfortable Lifestyle through Air

Technology today is advancing at an unprecedented pace. To create new value in this world, a company must think outside the box and pursue "collaborative innovation" that pools a wide range of knowledge and technologies. In November 2015, we established the Technology and Innovation Center, which acts as the core of our efforts to pursue collaborative innovation. Through the center, we can combine resources both inside and outside Daikin and provide new products and

Research Themes for New Value Creation



services that bring happiness and joy to customers' lifestyles, and come up with technologies that contribute to solving problems society faces in the areas of environment, health, and medicine.

> Helping Solve Social Issues

Working Toward
> Sustainable Development
Goals

We cooperate with industry groups and other companies, and work in industry-academia tie-ups in order to create technologies that help solve society's problems.

The Daikin Group seeks ways to contribute to achievement of the United Nations' Sustainable Development Goals (SDGs).



Cooperation with Influential Figures and Industry Groups

Daikin Air Forum

Since Fiscal 2013, Daikin Industries, Ltd. has held the Air Forum, a platform for discussion between outside experts and Daikin engineers on how to take on society's challenges with regards to air.

The fifth session of the Air Forum took place in December 2015 at the Technology and Innovation Center, which opened in November 2015. Naoki Miyano, an associate professor at Kyoto University and a committee member of the Daikin Kyoto University Innovation Program (DKIP), delivered a lecture titled "What is new social value?" Participants, including experts in fields such as air conditioning, architecture, life sciences, and medicine, then discussed this topic in detail.

World Sleep Conference: Better Quality of Sleep through Air Research

In March 2016, Daikin Industries, Ltd., Showa Nishikawa, Lion Corporation, and Renaissance Inc. jointly established the World Sleep Conference, a



project to improve people's health through better sleeping. The goal is to focus on the importance of sleep, define ways to create new health movements that promote better sleep, and make people's lives more fulfilling and healthy. To this end, the World Sleep Conference provides information through a range of media aimed at realizing better health through sleep, with contributions by sleep researchers and experts in cultural disciplines that cross the boundaries of industries and research fields.

It is known that sleep affects not just physical health but mental health as well, and negative sleep patterns can lead to depression and insomnia, and a fall in things like concentration and productivity.

With people increasingly suffering from sleep-related problems, Daikin Industries, Ltd. focused on the close relationship between sleep and warm environments. The company used the TIC's newly built Sleep and Metabolism Laboratory to replicate actual human sleeping environments in order to study the correlation between sleep and warmth. The result has been new products and services that will improve the quality of sleep through the power of air.

Participation in the World Green Building Council

Daikin Industries, Ltd. joined in the World Green Building Council (WorldGBC) to contribute to the reduction of energy consumption in buildings through energy efficient air conditioners. WorldGBC is an international network of organizations such as certification bodies and business enterprises in 72 nations, sharing information to promote green building across the globe.



At the conference held in March 2016, Daikin presented the results of demonstration tests conducted together with Nagoya University on the development of energy-efficient air conditioners that could help realize zero-energy buildings (ZEB)*.

* ZEB: A zero-energy building is one that effectively consumes zero energy thanks to the energy efficiency of the building and equipment, as well as the use of renewable energy sources on-site to power the building.

Open Innovation through Industry-Academia Collaboration

Agreement with Kyoto University in Humanities and Sciences

June 2013, Daikin Industries, Ltd. and Kyoto University concluded a comprehensive collaboration agreement with the goal of creating and researching new themes focusing on social values toward 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 humanities as well in order to create innovations that contribute to society and economy.

At a humanities and sciences workshop titled Concepts in Air, participants came up with six concepts for the creation of new value through air; for example, how air can make food more delicious and bring people together. Under this agreement, the parties are currently working to finalize the technological issues that are needed to realize each concept.

Prototype of air conditioner that brings people together: blending sensual stimulation and design



Areas are divided by level of temperature, images, and lighting to provide either relaxing or stimulating environments.

Future Joint Research Laboratories Established with Nara Institute of Science and Technology

In October 2012, Daikin Industries, Ltd. and the Nara Institute of Science and Technology (NAIST) established the Future Joint Research Laboratories. In conventional agreements between industry and academia, the corporation generally names the project content and the university carries out the necessary project research. But this collaboration between Daikin and NAIST begins with a quest for pressing social issues, followed by discussions on how to solve them and then the start of research toward this goal.

Daikin and NAIST are currently proceeding with research on the theme of clean innovations aimed at high-level anti-fouling. At the same time, the two parties hold periodic discussions aimed at finding the next research theme.

In December 2015, Daikin and NAIST held a contest for students to come up with ideas on the theme "air conditioning and IoT." The dreams and original ideas of the students are sure to lead to the creation of new value.

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.

Joint Research Course with Osaka University

In 2006, Daikin launched the Daikin (Fluorine Chemistry) Joint Research Chair at Osaka University under which Daikin provides research funds and sends researchers to the university with the aim of combining the company's fluorochemicals technologies with the university's advanced research capabilities in order to come up with innovative fundamental technologies. One of the fruits of this collaboration is the development of a proprietary n-type semiconductor PNP, a crucial component in organic thin-film solar cells, which are garnering attention as a way to generate electricity in an environmentally conscious way.

In fiscal 2015, the parties succeeded in developing a new n-type semiconductor with higher voltage than PNP, and high solvent solubility that makes it ideal for manufacturing paint-on semiconductors. They are currently creating prototypes with semiconductor manufacturers. In fiscal 2016, the 11th year of the joint research chair, Daikin's air conditioning and other divisions joined this collaboration as the Daikin (Fluorine Chemistry) Joint Research (Chair) was re-launched as the Daikin Research Alliance Laboratories in order to conduct more comprehensive collaboration with Osaka University.

Tie-up with Tsinghua University

In 2003, the Tsinghua-Daikin R&D Center was established at Tsinghua University in Beijing, one of China's top universities. Since then, Daikin and the university have worked together to jointly develop air conditioner technologies.

In fiscal 2016, in addition to research into chemical technologies, the Tsinghua-Daikin R&D Center began research aimed at solving environmental issues. The center works with leading researchers in environmental fields such as air quality, water quality, and energy.



Our modern world is undergoing constant change that is bringing about problems like poverty, inequality, and climate change. To mount a global effort toward solving these problems, in September 2015 the United Nations adopted "Transforming our world: the 2030 Agenda for Sustainable Development" and established the Sustainable Development Goals (SDGs).

The Daikin Group aims to contribute to the realization of the SDGs by identifying three themes: environment, cities, and health and comfort. Our aim is to use our world-class technologies to reduce environmental impact while at the same time providing new value in the form of a healthy, comfortable way of living.

Value Creation for the Earth

Responding to Climate Change while Providing Air Conditioning Systems with Less Environmental and Energy Impact

With global warming causing increasingly frequent occurrences of abnormal weather, the effects are being felt not just as changes in the natural environment but also as the spread of infectious diseases and other threats to human health. The rise in atmospheric temperature, economic advancement, and population growth around the world are fueling a constantly increasing demand for air conditioners. However, there are fears that large amounts of electricity consumption and refrigerant leakage will accelerate global warming.

As a global air conditioner manufacturer, the Daikin Group is working to decrease greenhouse gas emissions through the dissemination of inverter air conditioners and low-global-warming-potential refrigerants. In addition, we are utilizing our fluorochemical technologies and developing and providing new materials that contribute to the use and spread of renewable energy.











Value Creation for Cities

Creating Spaces that Respond to the Needs of Urbanization

Economic and population growth in emerging countries are causing rapid urbanization. The number of mega-cities with populations exceeding 1 million is on the rise, and these cities will require increasing amounts of energy. And with rising atmospheric temperatures, they will also require air conditioners to provide residents with comfortable living environments.

Meanwhile, in the industrialized countries, where populations continue to drop, workers increasingly require comfortable spaces where they can do their jobs easily and productively.

The Daikin Group provides air conditioners that create environments to meet the needs of people in both emerging and industrialized countries. Furthermore, we are working on realizing zero-energy buildings, which use renewable energy sources in order to effectively achieve a net energy balance of zero, and utilizing ICT technologies, which promote energy efficiency through comfortable air conditioner operation throughout an entire town. The goal is to realize livable cities that achieve comfort and energy efficiency through city-wide air conditioner control.







Value Creation for Health and Comfort

Contributing to the Reduction of Air Pollution and Safe Food Distribution to Achieve Both Healthy Living Environments and Economic Development

With economic development come rapid industrialization, exploding population growth in cities, and ballooning traffic volume — all of which contribute to more hazardous chemicals in the atmosphere that are detrimental to human health, as well as to spiraling healthcare costs.

The Daikin Group believes that an effective way to reduce air pollution is to place filters on factories and other facilities that give off emissions containing hazardous chemicals. We also strive for pleasant indoor environments by making products that remove not only air pollutants but also odors.

Despite the shortage of food in today's world, large amounts of it must still be thrown away because temperatures for the storage of transportation of food cannot be effectively controlled.

Besides contributing to optimal temperature control, the Daikin Group provides refrigeration equipment for commercial use and marine transport that is driven by proprietary freshness control and energy efficiency technologies. By contributing to the creation of a global cold chain system in which fresh food is transported from producing to consuming regions, we help alleviate world food shortages by ensuring that less food needs to be thrown away. These technologies are also used in the transport of pharmaceuticals that require strict temperature control, thus helping ensure that hospital patients get the treatment they need. Daikin contributes to both healthy living environments and economic development.











Sustainable Development Goals: SDGs



1. No poverty



2. Zero hunger



3. Good health and well-being



ⅉ

5. Gender equality

End poverty in all its forms everywhere

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Ensure healthy lives and promote well-being for all at all age

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Achieve gender equality and empower all women and girls



6. Clean water and sanitation

7. Affordable and clean energy

8. Decent work and economic growth

and Build resilient

promote inclusive and

industrialization and

foster innovation

infrastructure.

sustainable

9. Industry, innovation infrastructure

10. Reduced inequalities

Reduce inequality within and among countries

Ensure availability and sustainable management of water and sanitation for all

Ensure access to affordable, reliable, sustainable and modern energy for all

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



13. Climate action

Take urgent action to combat climate change and its impacts



14. Life below water

Conserve and sustainably use the oceans, seas and marine resources for sustainable development



15. Life on land

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



11. Sustainable cities and communities

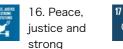
Make cities and human settlements inclusive, safe, resilient and sustainable



Responsible consumption and production

Ensure sustainable consumption and production patterns

12.



institutions



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



17. **Partnerships** for the goals

Strengthen the means of implementation and revitalize the global partnership for sustainable development







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Customer Satisfaction

Product Quality and Safety	179	Protecting Customer Information	192
Customer Satisfaction	186		

CSR for Value Provision Customer Satisfaction



Why is it Important?

Responding to Growing Demand in Emerging Countries

Daikin is accelerating expansion of its overseas business, especially in emerging countries where air conditioner demand is growing. It is essential for sustainable growth that we provide products and services that satisfy the needs of local customers.



DAIKIN'S POLICY

Providing Peace of Mind and Reliability through a Focus on Customer Orientation, Experience, Performance, and Advanced Technologies

The Daikin Group does business in over 145 countries. We ensure a high standard of quality to earn customer trust, while at the same time meeting the needs of each region's weather and culture and abiding by local laws and regulations. We strive to boost customer satisfaction through products and services that match local needs.

> Product Quality and Safety

> Protecting Customer Information

We believe that it is a manufacturer's mission to provide society with safe, high-quality products and services.

We listen to customers' opinions and requests so that we can anticipate their needs and bring them greater satisfaction.

> Customer Satisfaction

We manage and use personal information about customers in an appropriate manner.



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.

In the air conditioning divisions, our quality policy is "Provide high-quality products through relentless improvement activities." In the service division, under a quality policy of "Achieve the highest level of service quality (in speed, accuracy, and politeness)," we strive to always provide customers with service quality of true value.

Our Chemicals Division's quality policy is to provide quality that sells and that satisfies customers' demands. We aim to achieve work methods that put the customer first.

In April 2014, the Daikin Group formulated the Global Quality Guarantee Rules. As Daikin's development, production, and marketing activities overlap across the globe, these rules state the quality philosophy to be commonly shared across the Daikin Group, as well as who has the responsibilities and authority for the smooth monitoring and, if necessary, remedy or quality issues.

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, 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). This has resulted in greater product quality and a gradual decrease in the cost of dealing with complaints in the air conditioning divisions.

In fiscal 2015 in the air conditioning divisions, we strove to meet our targets for reducing costs related to quality defects by ensuring that we purchase only quality parts and by reinforcing quality rectification measures. This resulted in the cost of dealing with complaints decreasing by 15% compared to fiscal 2011. In the Chemicals Division, we stepped up quality control in order to prevent poor appearance of finished fluororesin products.

Quality Control System Quality Control Process Measurement, Analysis, Improvement President Correct and constantly improve problems and issues discovered during internal audits. Officer in charge of quality Raw Material and Parts Procurement Development Production Quality Improvement Emphasis is placed on Detailed checks are To improve the efficiency of development, audits of, and that production plans guidance for, suppliers. Results of members of have been met and production, purchasing, quality inspection of goods purchased are fed that planned level of Presidents of affiliates control, sales, service, back to suppliers. Division manager leading to quality and distribution join for quality in Japan and oversea the design team in carrying out a design preview fect information is fed back Sales Customer so that preventative m Various regulations; Examples of Market information (Post-shipment: Quality information from when customers are using the product) past defects



Award of Excellence at 34th Conference of Frontline Forepersons in Nagoya

Tomoyuki Sugiura of Daikin's Shiga Plant received a best example prize at the 34th gathering of frontline directors in Nagoya. The event is sponsored by the Japan Management Association (JMA).

The inaugural gathering was held in 1982 as an opportunity for the sharing of information and presentations of on-the-job case studies by front line directors, the highest-ranking personnel at manufacturing worksites. Participants vote on case studies they consider to be model examples, with the top selections receiving best example prizes.



Mr. Sugiura receiving the best example prize

Mr. Sugiura received the prize for his modification of the cross-flow fan balance, which blows air from the indoor air conditioner unit. It was a tenacious, bottom-up effort that included working with his own and other Daikin divisions and developing new measuring instruments to improve the precision of parts so that 94% of products passed quality inspections the first time.

Cooperation with Suppliers

> Raising Product Quality and Ensuring Safety Together with Suppliers (Supply Chain Management) (Page 263)

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 divisions, 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. We strive to raise sensitivity to quality during the development stage by once a week sharing the "quality calendar" among the product groups. This calendar includes past problems with products on the market and measures to prevent the reoccurrence of such problems. 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.

Improving Quality During Development

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

The air conditioning divisions have reformed their 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, in addition to the four criteria of product quality, monotsukuri (the art of manufacturing), cost-effectiveness, and compliance, we focus on safety and environmental consciousness. In fiscal 2015, because we cannot get evaluations from customers and the industry with regards to criteria in the stage of business-viability establishment, we increased the number of inspections we do to strengthen design review functionality.

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

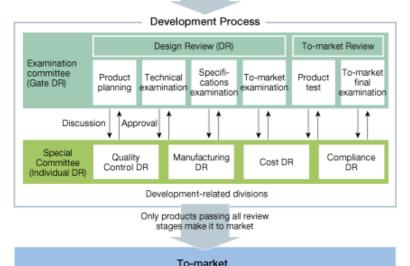
We will continue to make even safer and higher quality products by discovering and solving problems early in the development stage, and by developing products with a firm understanding of how customers will actually use them.

* 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 Divisions)



Information improves future product development



Handling Product Accidents

Establishing 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 2015, there were no cases of product recall.

Free Inspection and Repair of Room Air Conditioners and Residential Air Purifiers

It was discovered that there is a possibility of smoke and flames being generated by the air-blowing fan motor on residential air conditioner indoor units manufactured by Daikin Industries, Ltd. between September 2006 and August 2010, and on residential air purifiers manufactured by Daikin between September 2006 and April 2011. To ensure customers can enjoy safe use of these products, we are offering free inspection and repair of the damaged parts of these products.

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 Act and other product-related laws and safety standards.

2. Ensuring Product Safety

The Group shall establish a quality management system and execute measures to maintain product safety in all processes extending from product design to production, sales, and after sales service. And the Group shall display appropriate, easy-to-understand instructions and warnings on products and in instruction manuals to ensure the safe use of our products by our customers.

3. Collecting and Providing Product Accident Information

The Group shall actively collect information from our customers concerning accidents involving Daikin products and quickly report this information to our executive management while providing customers with suitable information.

4. Immediate and Appropriate Response to Product Accidents

In the unlikely event of a safety problem occurring in the use our product, our first and primary concern shall be for the safety of our customers, and we shall take immediate actions to minimize and prevent the occurrence of a serious accident. Actions to be taken immediately shall include repairing or replacing the product in question, publicizing the problem through the appropriate media, and submitting a statutory report on the problem to the relevant authorities. All relevant people outside the company, including sales company personnel, will be informed of the situation.

5. Product Safety Promotion

The Group shall establish a quality assurance system that it uses to ensure product safety and quality. We shall ascertain information related to the safety and quality in the marketplace and provide accurate feedback to personnel within our company in order to reflect it into future product design and manufacture.

6. Education, Training, and Monitoring

The Group shall constantly make every effort to promote the safety and quality of our product through widespread education and training within the company in laws and regulations on product safety. We also shall regularly monitor work to ensure product safety is being achieved.

(Formulated in June 2007)

Disclosing Product Information

Air Conditioning Divisions: Clear and Concise Product Use Instructions

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

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

Our website also provides consumers with information including the model number and production year of products already on the market. In 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. We therefore strive to provide customers with accurate, easy-to-understand operating instructions so that they can use our products safely. The air conditioning divisions conduct product labeling in compliance with industry guidelines, such as the Guidelines for Labeling Household Products for Safe Use (5th edition, revised October 2015), 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.

For the installation product user manual of commercial air conditioners developed in fiscal 2014, we changed the page size from A1 to A4 to make the text larger and easier to read, helping ensure the product would be properly installed and thus provide safe use.

* 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, molding/processing 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 molding/processing methods using the facilities and equipment available to the company. In fiscal 2015, we promoted better understanding among customers with four workshops on the topics of plastics, rubber, and paint.

Our website includes the safety data sheets (SDSs) and technical documents, as well as information on how to spot imitation products and precautions regarding the return of high-pressure gas cylinders.

In June 2014, we overhauled our Japanese website to give site users more thorough information on products.

Universal Design in Product Development

Developing Products that Anyone Can Use Easily

The Daikin Group 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 Industries, Ltd. began providing an application, Daikin Smart APP, 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.

In April 2014, we made available for download the Daikin Home Controller APP, which allows control of air conditioners, the Eco-Cute, floor heating, and other home appliances from a smartphone or tablet.



Applications allow operation of multiple products from a smartphone

Customer Satisfaction Customer Satisfaction



Customer Satisfaction Policy

Boosting Customer Satisfaction by Anticipating Future Needs

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 divisions' customers are end users and dealers. 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 dealers.

The After Sales Service Division of the air conditioning divisions, 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 Divisions: Building a Worldwide Customer Service System

The Daikin Contact Center is open 24 hours a day, every day of the year to take repair requests and offer technical advice on air conditioners to customers around Japan.

Overseas as well, we are building up our after-sales service system so that customers can get the service they need according to the situation in their particular country or region based on Daikin's service motto of "speed, accuracy, and good manners." By establishing Call Centers and providing technical information on the Internet, we are striving to boost customer satisfaction.





Taking customer phone calls at contact centers (left: China; right: France)

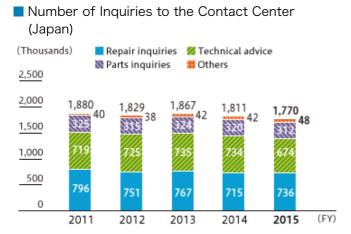
Understanding and Reflecting Customer Needs

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.





Stepping Up Worldwide Marketing Research

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 an air conditioner development system centered in Japan to a decentralized one in which regional bases conduct product development and research, and we are stepping up our worldwide market research. Since opening R&D centers in China and Europe, we have been gradually stepping up development functions at bases in Asia, Oceania, and North America.



Residential multi air conditioning systems for bathroom in China

In China, we have been developing products to meet customer needs; for example, air conditioners that filter PM2.5, a major problem in China, indoor units especially for kitchens that filter strong oily smoke, and indoor units for bathrooms with improved dehumidifying and drying functions.

Survey Results Go Toward 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 Divisions: Questionnaire on Products

In order to determine customer needs and levels of satisfaction, the Air Conditioning Sales Division gathers opinions on products on the Daikin website. We also gather information by questioning customers visiting volume retail outlets, and by having Daikin air purifier users be product monitors.

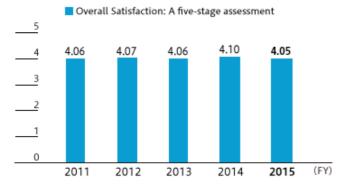
In fiscal 2015, we received 109 replies to the questionnaire on our website.

Opinions gathered go toward improving our products. In fiscal 2014, some customers commented that the dehumidifying effect was insufficient at near the set temperature. In response, we developed the Premium Cooling function, which realizes effective air conditioning even during high outside temperatures through efficient, comfortable temperature and humidity control even when the air conditioner is installed in high temperature environments or where heat is easily trapped.

Air Conditioning Divisions: Questionnaire on After-Sales Service

The After Sales Service Division strives to determine and improve the level of customer satisfaction with after-sales service by every year sending surveys to a random sampling of customers after a Daikin product is fixed. As a result of such efforts, every year Daikin receives a high rating for the overall satisfaction* figure: in fiscal 2015, it was 4.05 out of 5, We believe this is a result of efforts to complete repairs in a single visit, and of educational and training efforts to improve repair techniques and get better at dealing with customers, all under our slogan of "Customer first."

Overall Satisfaction



■ Chemicals Division: Customer Questionnaire

In the Chemicals Division, we distribute questionnaires once a year that help us boost customer satisfaction. The fiscal 2015 questionnaire results showed high ratings from customers on quality, product delivery, and technical service. However, they also expressed a desire for Daikin to speed up response. We continue to strive to communicate more actively with customers.

Employee Education

3-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.

At Daikin in Japan, besides basic training in air conditioner service quality, a variety of training courses and license-certification course are offered to each management level and job description.

In the three-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.

Employees at overseas Daikin bases in each country earn certification by taking the courses they need at dedicated educational institutes. There are also periodic seminars for sharing information on technologies and new products.

In China and other Asian countries, skills events are held where participants engage in friendly competition in areas like repair techniques, telephone response, and quality of parts packaging.

Skills Competitions All Over Japan

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. So far, a cumulative total of 1,200 people have passed the certification test for chief engineers.

We are striving to provide training and education that raises skill levels and produces service engineers who carry out precise, appropriate work on the job, thus providing customers with what they demand in terms of techniques and skills.

In fiscal 2015, we held the first-ever nationwide service skills competition in Japan for participants who had won competitions at their respective bases. Twenty people faced off in skills events.

Overseas, training centers in each region host technical training courses and evaluation tests for Daikin engineers and distributors. Daikin in China has an engineer certification system, and Daikin strives to improve engineers' abilities in not only repairing but also in installation and overhauling.

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, who are Daikin customers, 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 these customers, it is essential to have diverse knowledge of such things as processing methods, amount of additives, and temperatures.

For this purpose, once a month the Chemicals Division holds meetings covering business, research, and manufacturing to share not only business information, but also knowledge regarding products. By giving concrete examples of product applications and use, as well as relaying customer needs, these meetings aid in the development of new products and applications, and they give customers a deeper understanding of product features. Customers thus leave with new ideas for product application. The Division also makes opportunities for the sharing of superior business skills within the Division, and makes use of the "Fluorine Classroom" customer education program as an opportunity for personnel to educate themselves and deepen their knowledge.

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

Providing Customers with Information

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, Ltd. 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."

In fiscal 2015, 51 members of 32 companies took part in the Difreon Gas Meeting. At the "Gratitude-to-Customers Meeting," 103 members of 90 companies took part, representing not just sales companies but manufacturers and suppliers as well. Participants heard an explanation of business policy and deepened relations between themselves and with Daikin.

Air Conditioning Divisions Hold Daikin HVAC Exhibition

The air conditioning divisions make use of products shown at the biannual HVAC & R, the air conditioning industry's largest trade fair, to hold the Daikin HVAC Exhibition in eight locations around Japan. The aim is to provide more detailed knowledge to customers who are considering buying Daikin air conditioning products.

Support for Distributors and Dealers

Training Courses Teach Air-Conditioning-Related Techniques

Daikin Industries, Ltd. has five 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 and easy to understand, and offering this service in a pleasant manner, the centers use the latest simulation machinery, videos, and other instructional tools to provide training that simulates actual working conditions and situations.

There are also systematic step-up training to improve trainees' levels, solution training that helps dealers meet their diversifying needs, solution seminars aimed at improving customer satisfaction, and certification/preparatory classes. There are a total of 51 courses.

To help distributors gain a deeper understanding of the importance of environmental protection, we are offering them five courses in environmental solutions. Trainees in all courses receive eco-booklets, which contain general knowledge on global warming and ozone layer destruction, handling fluorocarbons, and steps to mitigating global warming. These issues are expanded on in the courses.



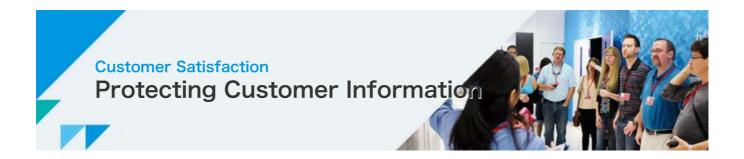
Skills training for distributors



eco-booklet

Demand is growing in cold climate regions. In response, we opened a Daikin Training Center in Sendai, Miyagi Prefecture in 2014 and in Sapporo, Hokkaido Prefecture in 2015. At these centers, technicians of dealers can improve their abilities through hands-on training in areas like air conditioner installation and servicing.

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



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 repair information data on customers on a daily basis, we do everything possible to keep this information secure. To continually monitor and improve on our information security system, employees conduct their own self assessments, the legal department conducts legal audits, and the Internal Auditing Department conducts audits.

> Information Security (Corporate Governance) (Page 250)





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Human Resources

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CSR for Value Provision Human Resources



Why is it Important?

Responding to Rapid Globalization

The past 10 years have seen the rapid globalization of the Daikin Group, with the number of overseas employees today standing at five times that of a decade ago. These employees—our human resources—represent the most crucial factor in meeting the expectations of our various stakeholders in order to fully realize Daikin's strengths in the fields of "environment," "new value creation," and "customer satisfaction."



DAIKIN'S POLICY

Respecting Individual Personalities and Values, and Maximizing the Potential of Each Employee

The Daikin Group advocates people-centered management in the belief that people are the source of a company's competitiveness. To leverage our strengths to contribute to society, we are creating an organization under which all of our worldwide employees can use their unique talents to the fullest.

Employee Evaluation and Treatment

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.

> Workplace Diversity, Equal Opportunity

We strive for greater organizational strength by having a diverse range of employees—all genders, ages, nationalities, races, and levels of occupational experience—working to mutually understand one another's distinct values.

> Work-Life Balance

We have a range of work systems that allow employees to work flexibly and have flexible schedules.

> Labor Management Relations

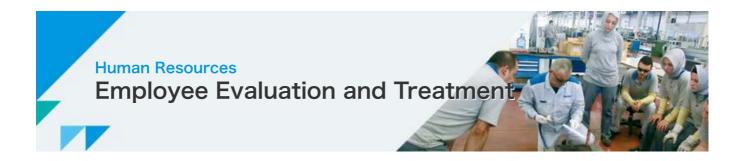
Because we believe that cooperative labor management relations are the foundation of company management, we place the utmost emphasis on equality of labor and management as well as mutual trust between both sides.

Occupational Safety and Health

With the goal of achieving a "zero accident" workplace, we place top priority on ensuring a safe, healthy working environment where employees can work in peace of mind.

> Fostering Human Resources

Based on the belief that people grow through work experience, the Daikin Group develops employee capabilities through on-the-job training (OJT) and other efforts.



■ 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, Ltd. 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.

Human Resources Workplace Diversity, Equal Opportunity



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, sexual orientation and gender identity, 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, Ltd.)

	20	2011		2012		2013		2014		2015	
	Male	Female									
Number of employees	6,705	974	6,774	1,025	6,810	1,084	6,839	1,151	6,844	1,189	
Average range of services (years)	16.8	10.5	16.5	10.4	16.4	10.3	16.6	10.3	16.7	10.5	
Average age	41.2	34.3	41.7	35.1	41.6	34.6	41.5	34.5	41.3	33.8	
Number of managers	933	21	939	21	951	22	957	29	984	36	
Number of board members	45	1	47	1	47	1	46	1	48	1	
Number of foreign nationals	34	21	38	20	38	20	47	29	52	21	

Note: Includes employees on loan

Maximizing the Talents of Women

Accelerating Efforts to Maximize the Talents of Women in Japan

Daikin Industries, Ltd. has striven to maximize the talents of female employees to create identical working conditions for both men and women in order to reach our goal of using the talents of all employees to the fullest By the end of fiscal 2020, our goal is to have at least one female officer and 100 female managers (10% of all managers; rate as of end of March 2016 was 3.5%). In fiscal 2015, we set aside management posts in each division as female management training positions and systematically trained candidates for these positions. We also launched our Young Female Employees Challenge Program for those hoping to become managers. We are also trialing a sponsor system, in which the immediate superiors of female candidates for officer and executive positions offer their support. Under our mentor system, we provide support to women through advice on matters such as their careers and workplace issues.

For these efforts, Daikin Industries, Ltd. was chosen for the New Diversity Management Selection 100, under which the Ministry of Economy, Trade and Industry (METI) commends enterprises selected as excellent in diversity management. It was also granted "Nadeshiko Brand" designation by METI and the Tokyo Stock Exchange (TSE) as a company that is exceptional in promoting women's success in the workplace.





Nadeshiko Brand



In August 2016, Japan's Ministry of Health, Labour and Welfare (MHLW) awarded Daikin the highest level of certification (L-boshi certification) for being a company that shows excellence in promoting the talents of women in the workplace.

Hiring Women

Increasing Percentage of Female Employees

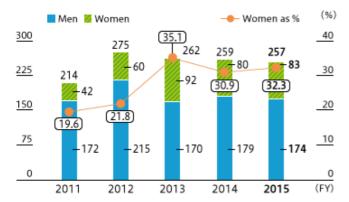
As of April 2016, women accounted for 15.4% of all employees of Daikin Industries, Ltd.

Starting in fiscal 2013, we began our policy of hiring more women for technical and skills positions. As a result, women periodically hired accounted for more than 30% of all new employees hired for the third consecutive year.

In fiscal 2015, we began collaborating with universities to hold lectures and round-table discussions that would help prepare women for careers, and we stepped up efforts to hire more women. Our goal is to take on 100 women a year through our periodic hiring and have women account for 17% of all employees, which exceeds the 15.5% average (fiscal 2013) for the manufacturing industry.

There were 85 women newly hired in April 2016, 31.1% of all those hired.

 Number of People Periodically Hired and Women as Percentage of Total (Daikin Industries, Ltd. only)



■ Re-employment of Retired Employees

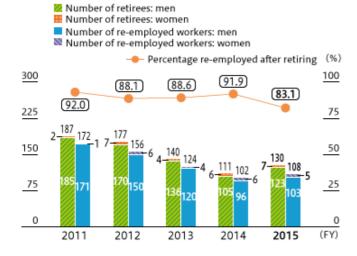
Re-employing More than 100 Veteran Workers Each Year

In 2001, Daikin Industries, Ltd. 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 2015, there were 596 retirees working under this system at Daikin. Eight 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.

All group companies in Japan have also had this re-employment system since fiscal 2006, when Japan put into effect the 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 and Rate of Re-employment (Daikin Industries, Ltd. 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

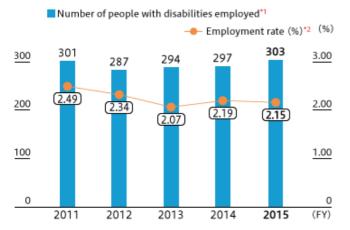
The Daikin Group strives to hire people with disabilities based on its policy of providing opportunities for them to grow personally and make contributions to society through production activities.

In 1993, based on the Act on Employment Promotion etc. of Persons with Disabilities, Daikin Industries, Ltd. 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 the end of fiscal 2015, 2.15% of workers in the Daikin Group are disabled, a percentage above the legal requirement.







Daikin Sunrise Settsu (Japan)



New plant of Daikin Sunrise Settsu

- *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.

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 67 disabled employees. In April 2014, the company was recognized by the government as an occupational training base for people with disabilities.

In July 2015, the company placed fifth in an exhibition celebrating the abilities of disabled persons from all over China. In November 2015, a group of disabled employees from Daikin Air-conditioning (Shanghai) Co., Ltd. took part in an exhibition of the achievements of educational groups in Shanghai City, winning an award for best teamwork. These are just a few examples of how disabled employees at Daikin in China are taking the initiative to make their mark in society.

Daikin Industries (Thailand) Ltd. has 22 disabled employees, and Daikin Compressor Industries Ltd. has 19 disabled employees.





Employees of Daikin Air-conditioning (Shanghai) Co., Ltd. at an exhibition of the achievements of educational groups in Shanghai City

Promotion of Local Personnel at Overseas Bases

Making Local Employees Leaders at Overseas Bases

As Daikin's business globalizes, we are trying to globalize our management as well by promoting more employees at overseas bases to managerial positions. We have the Global Daikin Leadership Development Program for locally hired managers at worldwide bases in order to give them the capabilities to run Daikin subsidiaries in their own countries.

As of the end of fiscal 2015, local nationals accounted for about 51% of the presidents at overseas Daikin bases and about 47% of the directors. Of Daikin's 20 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, Ltd. 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 boosting their knowledge of things like its current affairs, people's thinking and values, and the main considerations when doing business there, as well as by deepening their understanding of Our Group Philosophy, which is the unifying force for all group employees. Some of the appointees will take language training if necessary. About 95 Daikin Industries, Ltd. employees took part in this training in fiscal 2015.

Human Resources Work-Life Balance



Work-Life Balance Policy

Daikin Industries, Ltd. stresses a work life balance for employees. We have a range of systems and measures that allow us to make use of a diverse range of human resources.

The company has established an action plan that is already underway for helping employees with children continue both work and home duties with peace of mind. We have 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.

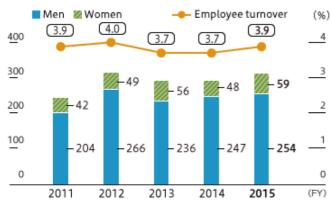
■ Helping Employees Match Work Schedule with Lifestyle

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 3.9% (including mandatory retirement age employees) in fiscal 2014: this is far below the average of 15.5% for all industries in Japan (according to a 2014 survey by Japan's Ministry of Health, Labour and Welfare).

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



Support for Childcare While Working

Creating a Workplace Where Employees Can Balance Their Jobs and Childcare

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

In fiscal 2013, we began offering the full support of outside specialists to employees searching for nursery schools for their children. Besides providing information on nursery schools and how to go about finding a suitable one, this service offers advice and counseling for everyone from pregnant mothers to those ready to put their children in a nursery school. This service is used by employees taking childcare leave.

In April 2014, we implemented our fourth action plan based on the Law for Measures to Support the Development of the Next Generation. Under this action plan, we introduced more flexible work options for employees making an early return from childcare leave, improved the childcare support cafeteria plan* and gave employees more choices under this plan, and for employees making an early return to the workplace increased the amount of subsidies from the company, to a maximum of 600,000 yen, to pay for childcare services

In January 2016, Daikin introduced a work-at-home system to give employees the chance to work at home yet still continue to take on the challenges of their jobs. This system provides three choices: full-time employees can work up to once a week at home; employees returning to the workplace less than six months after starting childcare leave can work up to four times a week at home; and employees can have more freedom in choosing when and where they work. We will continue to help employees achieve an ideal balance of work and childcare while also using their talents to the fullest.

*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.

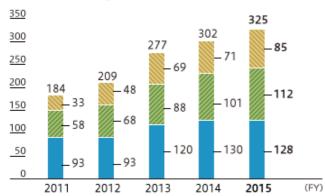
128 Male Employees Take Childcare Leave

Daikin Industries, Ltd. 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 are revising company systems to stay ahead of revisions to relevant Japanese laws; for example, we lifted restrictions on childcare leave for men with at-home spouses, and male employees are allowed to take childcare leave twice as compared to only once previously. We are also thoroughly publicizing these systems and encouraging male employees to take childcare leave.

As a result of our efforts to promote awareness and use of the childcare leave system among our employees, 128 men took childcare leave in fiscal 2015. Men were able to take childcare leave by timing it with the birth of their children and taking it before their spouses returned to the workplace from childcare leave.

We will continue to help men play a greater role in childcare by building an environment where both men and women can balance work and childcare while also using their talents to the fullest.

- Number of Employees Taking Leave Before and After Child Birth and Number Taking Childcare Leave (Daikin Industries, Ltd. only)
 - Number taking childcare leave (Men)
 - Mumber taking childcare leave (Women)
 - Number of taking leave before and after child birth (Women)



Daikin Industries, Ltd. 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. Trial system for allowing employees to work up to once a week at home.
2016	Introduction of work-at-home system.

Support for Family Care

Family Care Leave and Shortened Working Hours

Daikin Industries, Ltd. 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.

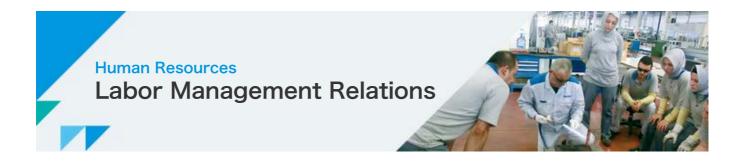
Short family care leave is also possible, whereby employees may take up to 5 days leave each year if needed to care for 1 family member, or up to 10 days leave for 2 or more family members.

■ Number Taking Family Care Leave (Daikin Industries, Ltd. only)



Other Employee Benefit Systems (some are abridged)

Pension	Defined contribution pension	
Paid leave		The employee gets three days of paid leave between the month the employee turns 55 and retirement age.
	Participation in Japan Overseas	Employees may be allowed to take time off work for this.



Labor Management Relations Policy

Daikin Industries, Ltd. believes that cooperative labor management relations are the foundation of company management. We therefore place the utmost emphasis on equality of labor and management, as well as mutual trust between both sides. Our stance has, 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, Ltd. 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 2015, there were 22 such meetings held at the head office. Participants discussed topics including boosting efforts to improve the quality of work and efforts toward the establishment of a Technology and Innovation Center. 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, Ltd., we believe that the company should respect its employees as individuals and strive to improve their welfare, and that employees should fulfill their duties as workers. The principle of respect for the rights of the worker is specified in work regulations and labor agreements.

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, Ltd. has about 10 hearings a year with at least 3% of its employees (approximately 240 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.

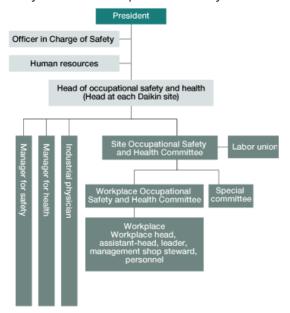
Occupational Safety and Health Management Structure

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, proposals for occupational safety and health plans, and the implementation of the PDCA cycle for safety activities.

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

24 Bases Certified for OHSAS 18001 and Other Standards

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, as well as certification for 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.

As of the end of fiscal 2015, there were three Daikin plants in Japan and 21 Daikin Group companies overseas certified for OHSAS 18001.

■ Daikin Bases Certified for OHSAS (Japan)

Date	Certification	Base certified
Sep. 2006	JISHA OSHMS	Kashima Plant, Daikin Industries, Ltd.
Aug. 2012	OHSAS 18001	Sakai Plant, Daikin Industries, Ltd.
Dec. 2012	OHSAS 18001	Shiga Plant, Daikin Industries, Ltd.

Daikin Bases Certified for OHSAS (Overseas)

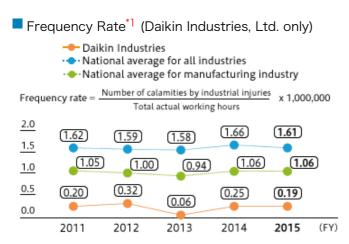
Date	Certification	Subsidiary certified
Nov. 2002	OHSAS 18001	Daikin Industries (Thailand) Ltd.
May 2007	OHSAS 18001	Daikin Device (Suzhou) Co., Ltd.
Mar. 2009	OHSAS 18001	Daikin Fluorochemicals (China) Co., Ltd.
Aug. 2009	OHSAS 18001	Daikin Motor (Suzhou) Co., Ltd.
Oct. 2009	OHSAS 18001	Daikin Industries Czech Republic s.r.o.
Mar. 2010	OHSAS 18001	Daikin Device Czech Republic s.r.o
May 2010	OHSAS 18001	Daikin Air-Conditioning (Shanghai) Co., Ltd.
Jun. 2010	OHSAS 18001	Daikin Turkey A.S.
Jun. 2010	OHSAS 18001	Daikin Refrigeration (Suzhou) Co., Ltd.
Apr. 2010	OHSAS 18001	McQuay Air Conditioning & Refrigeration (Suzhou) Co., Ltd.
Jan. 2011	OHSAS 18001	Daikin Europe N.V.
Jan. 2011	OHSAS 18001	Daikin Malaysia Sdn. Bhd.
Mar. 2011	OHSAS18001	Xi'an Daikin Qing'an Compressor Co., Ltd.
Feb. 2012	OHSAS18001	Daikin Applied Europe S.p.A.
Feb. 2012	OHSAS18001	Daikin Compressor Industries Ltd.
Mar. 2012	AS/NZS 4801:2001 certification	Daikin Australia Pty., Ltd.
Mar. 2013	OHSAS18001	Daikin Airconditioning India Pvt. Ltd.
Oct. 2013	OHSAS18001	Daikin Air-conditioning (Suzhou) Co., Ltd.
Dec. 2013	OHSAS18001	Daikin Hydraulics (Suzhou) Co., Ltd.
Jan. 2013	OHSAS18001	Daikin Chemical Netherlands B.V.
Mar. 2015	OHSAS18001	AAF (Suzhou) Co., Ltd.

Occurrence of Labor Accidents

Entire Daikin Group Aims to be "Zero Accident" Workplace

The Daikin Group aims for a "zero accident" workplace through a range of safety and health efforts. Joint safety and security meetings are held twice a year to share information in order to raise safety levels throughout the Daikin Group. Daikin bases around the world carry out their own safety activities, such as education and safety patrols, aimed at achieving a "zero accident" workplace.

Both the ratio of occupational accidents and the severity rate at Daikin Industries, Ltd. continue to be far below the average for the manufacturing industry in Japan.



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



*2 This shows the severity of the calamity, expressed in man-days lost per 1,000 hours worked.

2012

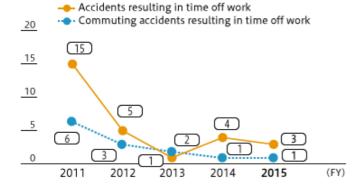
2013

2014

2015

2011

Number of Workplace Accidents Resulting in Time off Work (Daikin Industries, Ltd. only)



■ Employee Education and Training

Hands-On Training Raises Safety Awareness at Daikin Worldwide

Each site of Daikin Industries, Ltd. 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.

In fiscal 2014 at the Yodogawa Plant, emergency shut-down simulation training was held in which participants could experience what it would be like if the plant had to halt operations in a crisis. Making use of behavioral data on past malfunctions or abnormalities, and the knowledge of experts, a virtual emergency shut-down was implemented so that participants could take part in drills to figure out what measures would need to be taken.

We also aim for zero workplace accidents at overseas bases through efforts such as safety education and safety patrols. For example, at O.Y.L. Manufacturing Company Sdn. Bhd. in fiscal 2014, 1,329 employees took part in training in which models and other methods were used to experience possible crises arising on the job.

> Business Partners Contribute to Plant Safety (Supply Chain Management) (Page 265)

Employee Health Management

Supporting Employee Health through Checkups and Counseling

Daikin Industries, Ltd. strives to maintain employees' health by providing all employees with semi-annual health checkups, as well as semi-annual special checkups for those engaged in specialized work, as required by health and safety laws.

Employees who are found to have problems are put under the direct guidance of the company health clinic and are given thorough guidance in necessary measures to take. 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.

In fiscal 2015, all employees in the Chemicals Division took their regular health checkups, with 46% having problems that needed attending to, a decrease over the previous year. In response, we are continuing to work on primary prevention measures. In order to improve employee health at the Yodogawa Plant, employees are being encouraged to take part in a walking program sponsored by the public health insurance association, in which they aim to walk 10,000 steps a day for 106 consecutive days. The program was joined by over 2,000 employees, over half of whom walked more than 10,000 steps a day. We are also striving to raise awareness of health among employees through, for example, talks given twice a year by an industrial physician on the dangers of smoking, and seminars held three times with the cooperation of Kagome Co., Ltd. and Yakult Honsha Co., Ltd. on the topic of food and health.

In the air conditioning divisions, bases hold annual sporting events with the aim of improving health and facilitating good relations among employees. At the Sakai Plant, over 1,000 employees take part in these events every year.

Mental Health

Awareness of Individuals and Organizations Dealing with Mental Health Issues and Provision of Specialist Care

Daikin Industries, Ltd. strives to maintain the physical and mental health of employees.

Based on guidelines from the Ministry of Health, Labour and Welfare, four types of mental 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

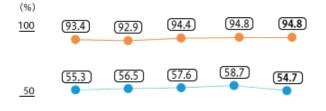
Eliminating Long Working Hours by Obligating Employees to Leave at Closing Time and Boosting Work Efficiency

Daikin Industries, Ltd. strives to eliminate long working hours through measures such as 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.

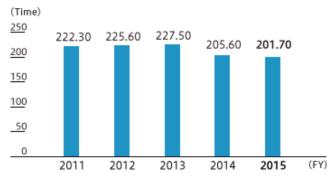
Furthermore, by implementing a planned 5-day paid work leave system and establishing 3 days of general paid leave, we aim to promote respect for work-life balance and a more vibrant work environment.

- Percentage of Employees Taking All Paid Leave (Daikin Industries, Ltd. only)
- Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)
- · Percentage of Daikin Industries employees



0 2011 2012 2013 2014 **2015** (FY)

Average Hours of Overtime per Employee (Daikin Industries, Ltd. 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 training opportunities that include on-the-job training (OJT)*1 in which each person is given the job most suitable to using unique talent and fostering individual growth.

Since fiscal 2015, we have been operating the Global Daikin Leadership Development Program to foster local nationals who work in group management or who are managers at Daikin's overseas bases. The program is divided into two sections: for those who are currently managers, and for those who are manager candidates. This training program teaches participants things like Daikin's corporate culture and the group's unique management philosophy.

- *1 OJT: Employees learn and acquire the general knowledge, technical knowledge, skills, and commitment required of their positions while performing their jobs.
- *2 Off-JT: Employees study outside of their current 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 2015, more than 12,000 employees made use of the training center.



Daikin Ales Aoya Global Training Center

Besides Daikin employees, the training center has many repeat visits by Daikin customer employees, and over the past three years it has operated at a high operational capacity of 80-90%.

Because Daikin believed that its current training facilities were not sufficient to meet group-wide needs to boost human resource capabilities, in June 2014 a seminar house was added to Daikin's recreational facilities in Tateshina, Nagano Prefecture. This facility is made use of in every possible way. In its idyllic setting amidst the abundant nature of Tateshina and far from the hectic big city, it hosts participants who are able to concentrate for extended periods on discussions, brushing up their abilities to make strategy proposals, conduct problem-

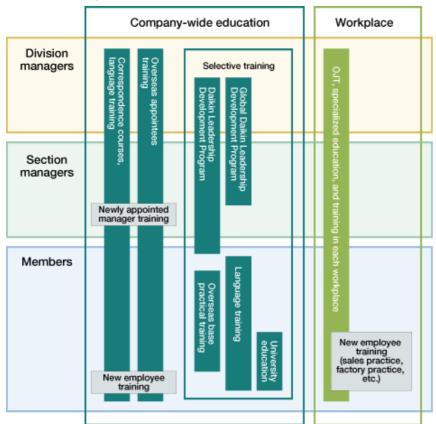


The Daikin recreational facility in Tateshina, Nagano Prefecture

solving, brain storm thoughts and ideas, and generate concrete plans. It is also used for lobbying activities and exchanges with other companies, and as a place to invite top sales people or important customers.

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 between one year and two years. 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 2015, 25 young employees took part in this training. Since the program started in fiscal 1999, a total of 202 employees have participated. Starting this year, Daikin will send about 40 employees a year to newly emerging and other countries.

In May 2015, we began training in Japan for young employees from overseas Daikin bases.

Study Trips in Japan

Daikin sends young employees in Japan to universities in order to improve their technological skills, acquire MBAs, widen their perspective, and build human resource networks. As of fiscal 2015, there were five Daikin employees studying at Toyota Technological Institute of Japan.

Daikin Leadership Development Program, Global Daikin Leadership Development Program

Daikin fosters the next generation of leaders through the Daikin Leadership Development Program, which trains Daikin Industries, Ltd.'s executives, and the Global Daikin Leadership Development Program, 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. The Global Daikin Leadership Development Program, which started in fiscal 2015,



The Global Daikin Leadership Development Program

represents a revamped effort of our previous training at the Daikin Business School.

In fiscal 2015, there were 190 people studying in the Daikin Leadership Development Program and 102 in the Global Daikin Leadership Development Program (including those at the former Daikin Business School).

Passing on Skills

Focus on Trainers Conveying Techniques to Overseas Bases

In 2001, Daikin Industries, Ltd. introduced a system to pass on advanced skills to young workers. This system ensures that we give the next generation of technical leaders the advanced skills that form the foundation of manufacturing.

In the air conditioning divisions, workers with advanced skills are designated as "Takumi" 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 Takumi 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 Takumi and Experts and thus make up for a shortage of their numbers. These Takumi, Experts, and Trainers go on to become instructors who teach selected employees in periodic skills training held at production bases around the world.

In fiscal 2015, for the first time, an employee of a Daikin overseas base earned the designation of Takumi. As of the end of fiscal 2015, there were 34 Takumi and 90 Trainers (26 in



Opening ceremony (participants' oath)



Participating in a skills competition

Japan, 64 at overseas bases) in the air conditioning divisions, and seven Experts in the Chemicals Division.

By 2020, Daikin plans to increase the number of Trainers to 161. 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.

> See Key Activities of Fiscal 2015: Human Resources—Transferring Japanese Skills to Ensure High-Quality Production Worldwide (Page 62)



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. Fiscal 2014 saw the largest participation ever, with 145 participants from 13 countries facing off in competitive skills events.

In years when there are no skills competition held, we hold skills training sessions for future leaders. At these sessions, Takumi, Experts, and Trainers are the instructors, teaching employees selected from production bases around the world the Daikin way of training people and making products. At the fiscal 2015 training sessions, there were 14 employees from production bases in Japan and four from overseas.

Skills workshops are also held at overseas group companies and among companies in certain world regions. Participants at each Daikin base share information such as how well skills are being passed down, problems, and goals, as part of the overall effort in the Daikin Group to foster human resources possessing a high level of skills.





the Balkin Group to roster hamair resources possessing a high lever of skills.

Fostering Young Engineers and Technicians

Experienced Workers Pass On Techniques and Skills

Since 1994, Daikin Industries, Ltd. has worked to boost the level of its manufacturing by having a Kaizen Team of experienced workers lead 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 2015, a total of 154 employees at the Sakai Plant and 103 employees at the Shiga Plant have taken this training.

Spurring the Creation of Intellectual Property

Two Systems Stimulate Creation of Intellectual Property

Daikin Industries, Ltd. has two systems for stimulating employees' motivation to invent and for spurring the creation of intellectual property.

The first is the Compensation System for Employee Inventions, a system in which Daikin pays employees for inventions created on the job that result in patent applications as well as successful uses of the patent. In fiscal 2015, in addition to compensation for patent applications, Daikin compensated employees for 528 successful uses of the patent.

The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. In fiscal 2015, we awarded incentive bonuses to the creators of 90 patents.



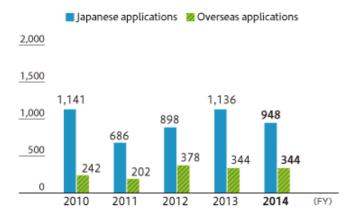
Awarding incentive bonuses to inventor group representatives

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 2014, we applied for 948 patents in Japan and 344 patents overseas.

In fiscal 2015 in the air conditioning divisions, continuing on the previous year's efforts, we moved ahead with patents that would strengthen our hold on fundamental technologies related to heat exchangers, compressors, and inverters, and we continued on the previous year's efforts to boost the web of patents encompassing air conditioners using HFC-32, a refrigerant with low global warming potential that is also highly energy efficient. In the Chemicals Division, we proceeded with a strategy for more advanced analysis of patent information so that we could conduct R&D ahead of that of our competitors that would lead to patent applications.

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. We will also step up patent efforts worldwide.

■ Number of Patent Applications (Daikin Industries, Ltd. only)







2016 -Web version -

Corporate Governance

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Fundamental CSR Corporate Governance



Why is it Important?

Every time there is a corporate scandal, there are calls to step up the importance of corporate governance in order to strengthen management check functions.

Improved corporate governance not only helps reduce corporate risk and avoid scandals; it also improves corporate profitability and medium-to-long-term corporate value, and it supports sustainable growth. Therefore, corporate governance helps protect stakeholder benefits, as well as return the benefits of value created to society, thus promoting a virtuous economic cycle.

DAIKIN'S POLICY

Daikin Industries, Ltd. has adopted an integrated management system to speed up management processes. The integrated management system supports management responsibility, allowing directors to quickly make strategic decisions and conduct sound supervision in order to collaborate and fulfill their responsibilities in all aspects of management. Integrated management also supports business execution.

We have Audit & Supervisory Board that improves the effectiveness of auditing. The Board of Directors oversees the CSR Committee, the Corporate Ethics and Risk Management Committee, and other committees. We strive to achieve corporate governance that supports sustainable growth.

> Corporate Governance

Through an integrated management system for fast decision-making and execution, we improve our operational speed and ensure sound, transparent management.

> Board of Directors Biographies

Names and biographies of the Board of Directors.

> Risk Management

We quickly and accurately get the big picture regarding risk, and we strive to reduce it by conducting cross-organizational risk management.

> Compliance

The Daikin Group has a unified system for the promotion of compliance (corporate ethics, legal compliance) and risk management.

Free Competition and Fair Business Dealings

The Daikin group strives for fair business practices through measures for complying with laws on anti-monopoly, misleading representations, and subcontracting in countries around the world.

> 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.

> Information Security

We have built an information management system with specific in-house protocols in efforts to ensure complete control over information security.

> Respect for Intellectual Property Rights

Intellectual property is a valuable company asset. We carry out proper and fair exercise of rights in response to violation of our intellectual property as well as respect other companies' intellectual property.

Corporate Governance Corporate Governance



■ Fundamental Corporate Governance Policy

Further Boosting Corporate Value

The Daikin Group believes that the role of corporate governance is to accelerate decision making and operational execution work in anticipation of and in response to changes in management tasks and the management environment while concurrently promoting consistently high levels of management transparency and soundness, thereby increasing the Group's corporate value.

Going forward, the Group will continue to raise corporate value by ensuing the increasing sophistication of speedy management and still-higher levels of soundness and transparency. We will achieve this by constantly reviewing and implementing optimal corporate governance and by spreading best practices throughout the entire Daikin Group.

Corporate Governance Structure

Management and Operational Execution Systems

Rather than adopt a U.S.-style "committees system" that completely separates decision making and work supervision from operational execution, Daikin Industries, Ltd. has adopted an "integrated management" system that it has judged to be effective in speeding up decision making and execution based on the Daikin Group's characteristics. In an integrated management system, directors quickly make strategic decisions and conduct sound supervision, thus achieving management responsibility through cooperation across all management and at the same time achieving work execution responsibility. The company is also strengthening monitoring functions from an independent perspective through measures such as the appointment of numerous external corporate officers. In addition, Daikin Industries, Ltd. has introduced an Executive Officer System to accelerate the speed of execution based on autonomous judgments and decisions in units handling each region, division, and function.

Directors are selected with an emphasis on having a diverse range of personnel representing people of varying genders, nationalities and experience. As of June 2016, we have 12 directors (including one woman and two non-Japanese nationals) who oversee prompt and strategic decision making and sound management throughout the entire Group.

Daikin Industries, Ltd. appoints three external directors with no vested interest in our company. We ensure these external directors have abundant experience and deep insight and can, therefore, offer a sophisticated perspective on a broad range of issues as they participate in decision making and supervise management. Our main selection criterion therefore is directors of listed companies with a wealth of business experience.

We also ensure that our external directors do not hold more than five positions (including their position with Daikin Industries, Ltd.).

To ensure that the external directors can effectively contribute to Daikin Industries, Ltd.'s corporate governance system, the employees in the Management Planning Office are assigned to strive to provide the external directors with early notice of Board of Directors meetings. In addition, in the case that an external director is not able to attend a Board of Directors meeting, the assistants provide the external director with related materials and subsequently provide the external director with an explanation of the proceedings of the meeting and provide other assistance.

Audit System

Daikin Industries, Ltd. employs an Audit and Supervisory Board and seeks to nominate two or more outside members to its Audit and Supervisory Board. The principal nomination criteria for external Audit and Supervisory Board members are the same as those for external directors and include independence from the Company in terms of not having a relationship of interest with the Company. As of June 2016, Daikin Industries, Ltd.'s four Audit and Supervisory Board members include two external Audit and Supervisory Board members.

The external Audit and Supervisory Board members attend meetings of the Board of Directors as well as other important meetings and receive reports. In addition, they are able to express diverse opinions.

To ensure effective audit functions, the Audit and Supervisory Board receives reports on important issues related to management and performance when necessary and also investigates relevant units, confirms approval of documents, and regularly exchanges opinions with representative directors, executive officers, and the independent auditors.

To ensure the effectiveness of audit and supervisory board members, there is the Office of Audit and Supervisory Board Members and support staff for assisting audit and supervisory board members in their duties. Staff of the Office of Audit and Supervisory Board Members carry out their duties under the orders of corporate auditors. Audit and Supervisory Board members' decisions on employee transfers and evaluations take into account the opinions of the Audit and Supervisory Board.

Organizational Structure Supports Speedy Management Implementation

We are striving to ensure prompt decision-making by having a smaller number of directors and having them take part in practical debate on issues. Three organs—the Board of Directors Meeting, the Group Steering Meeting, and the Executive Officers Meeting—are the main decision-making bodies and as a rule each is convened once a month.

The Board of Directors is the Group-wide decision-making body for items stipulated in laws, regulations, and articles of incorporation. The board periodically conducts self assessments with regards to its effectiveness. In fiscal 2015, the Board of Directors Meeting was convened 16 times, with external directors attending on average 91% of the meetings and external Audit and Supervisory Board members attending on average 84% of the meetings.

The highest deliberation organ for the Group's management system is the Group Steering Meeting, which strives to constantly speed up the pace at which Daikin decides on future direction and solves issues related to important management policy and strategies. The Group Steering Meeting was convened six times in fiscal 2015.

To ensure that the interests of stakeholders other than shareholders are respected and protected, the Board of Directors oversees the Internal Control Committee, the Corporate Ethics and Risk Management Committee, the Information Disclosure Committee, and the CSR Committee.

■ Corporate Governance Structure (as of end of June 2016)



■ Corporate Officer Remuneration, Etc.

To ensure the transparent management of its corporate officer personnel and remuneration processes, Daikin Industries, Ltd. has established the Human Resources and Compensation Advisory Committee. This committee engages in discussions and deliberations regarding issues including corporate officer nomination criteria, corporate officer candidates, and remuneration. The committee consists of five members, including three external directors, one in-house director, and one executive officer, with the committee chair being chosen from the external directors.

The remuneration of directors and Audit and Supervisory Board members is determined so as to fall within the aggregate remuneration ceiling for directors and corporate auditors as set by a resolution at the general shareholders' meeting. Based on a report from the Human Resources and Compensation Advisory Committee, the directors' remuneration is determined by a resolution of the Board of Directors while the corporate auditors' remuneration is determined by a resolution of the Audit and Supervisory Board.

Daikin Industries, Ltd.'s corporate officer remuneration system is designed to accord with the Group's management policy and respond to shareholders' expectations by increasing corporate officers' motivation to promote a sustained increase in Group performance over the medium to long term and thereby contributing to a rise in the Group's corporate value.

Directors' remuneration includes "fixed compensation," "performance-linked compensation" that reflects the Group's short-term performance (net sales and operating income) and each director's job responsibilities, and "stock options" that reflect the Group's medium- to long-term performance. The performance-linked compensation of Daikin directors is given a somewhat higher ratio of linkage with performance than average to ensure that the incentive effect of that compensation is sufficient.

The remuneration of external directors and corporate auditors includes "fixed compensation" only.

Compensation levels are determined based on consideration of Daikin's performance and remuneration levels compared to those of other leading manufacturing companies in Japan after analyzing and comparing data from an outside specialized institution on the remuneration of corporate officers active in approximately 200 Japanese companies listed on the First Section of the Tokyo Stock Exchange.

In fiscal 2015, the CEO's annual compensation was 230 million yen and the median employee compensation was 7.1 million yen. The CEO-to-employee pay ratio was thus 32-to-1.

■ Corporate Officer Remuneration (Fiscal 2015)

Category	Total compensation	Fixed compensation (Million yen)	Performanc compens (Million y	ation	Persons	
	(Million yen)	Base compensation	Stock options	Bonus	paid	
Director (Excluding external directors)	1,254	775	128	350	10	
Audit and Supervisory Board member (Excluding external Audit and Supervisory Board members)	65	65	-	-	3	
External corporate officers	59	59	-	_	4	

■ Corporate Officers with Compensation Over 100 Million Yen (Fiscal 2015)

Name	Total compensation (Million yen)	Category	0	Total of different types of compensation (millions of yen)		
iname			Company	Base compensation	Stock options	Bonus
Noriyuki Inoue	338	Director	Daikin Industries, Ltd.	213	27	97
Masanori Togawa	230	Director	Daikin Industries, Ltd.	138	27	65
		Director	Daikin Industries, Ltd.	109	13	41
Ken Tayano	176	President	Daikin (China) Investment Co., Ltd. (Consolidated subsidiary)	12	-	-
Guntaro Kawamura	119	Director	Daikin Industries, Ltd.	75	13	30
		Director	Daikin Industries, Ltd.	6	13	29
Masatsugu Minaka	117	Director	Daikin Europe N.V. (Consolidated subsidiary)	67	-	-
Jiro Tomita	105	Director	Daikin Industries, Ltd.	61	10	33
Takashi Matsuzaki	103	Director	Daikin Industries, Ltd.	61	10	31

■ Accounting Auditor Compensation (Fiscal 2015)

Auditing expenses	201 million yen

Group-Wide Governance

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.

To further raise corporate governance and Group management as a multinational company, Daikin has put a Chief Global Group Officer position in place. Under this position, the Group strives to further improve cohesiveness across global operations.



Noriyuki Inoue

Position

Chairman of the Board and Chief Global Group Officer

Date of Birth

March 17, 1935

Brief Personal History and Position Held

March 1957	Entered the Company
February 1979	Director of the Company
February 1985	Managing Director of the Company
June 1989	Senior Managing Director of the Company
June 1994	President, Representative Director of the Company
May 1995	Chairman of the Board and President, Representative Director of the Company
June 1996	President, Representative Director of the Company
June 2002	Representative Director, Chairman of the Board and CEO of the Company
June 2014	Chairman of the Board and Chief Global Group Officer of the Company (Current position)

■ Significant Positions Concurrently Held

- External Director of The Kansai Electric Power Co., Inc.
- External Director of Hankyu Hanshin Holdings, Inc.
- Chairman of The Daikin Foundation for Contemporary Arts
- Chairman of Kansai Philharmonic Orchestra

■ Reasons for Nominating Candidate for Director

Mr. Noriyuki Inoue has assumed a management role in the Company for many years, holding posts that include President, Representative Director, Chairman of the Board, and CEO. His management foresight has produced substantial results in global business expansion and enhancement of corporate value. We have appointed him to continue as Director, judging that his abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that he is an appropriate person for the position of Director of the Company.

Masanori Togawa

Position

Representative Director, President and CEO

■ Date of Birth

January 11, 1949

Brief Personal History and Position Held

April 1973	Entered the Company
June 2002	Director of the Company
June 2004	Director and Senior Executive Officer of the Company
July 2006	Member of the HRM and Compensation Advisory Committee of the Company (Current
	position)
June 2007	Director and Senior Executive Officer of the Company
June 2011	Representative Director, President and COO of the Company
June 2014	Representative Director, President and CEO of the Company (Current position)

Reasons for Nominating Candidate for Director

As Representative Director, President and COO since June 2011, and as Representative Director, President and CEO since June 2014, Mr. Masanori Togawa has displayed leadership in implementing the strategic management plan Fusion 15 and has contributed to its realization. We have appointed him to continue as Director, judging that his abundant experience and accomplishments are necessary for the Company to realize sustainable enhancement of corporate value in the future, and that he is an appropriate person for the position of Director of the Company.

Chiyono Terada

Position

Member of the Board (external)

■ Date of Birth

January 8, 1947

■ Brief Personal History and Position Held

June 1976 Founded Art Hikkoshi Center

June 1977 Established Art Hikkoshi Center Co., Ltd. (Currently, Art Corporation), became a
President and Representative Director of the above company (Current position)

June 2002 Director of the Company (Current position)

July 2006 Chairman of the HRM and Compensation Advisory Committee of the Company (Current

■ Significant Positions Concurrently Held

position)

- President and Representative Director of Art Corporation
- Chairman and Representative Director of Art Childcare Corporation
- External Director of Rock Field Co., Ltd.

■ Reasons for Nominating Candidate for Director

The Company has benefited from Ms. Chiyono Terada's abundant experience and deep insight as a corporate manager, which she uses to supervise the Company's management appropriately from an independent standpoint. In addition, Ms. Terada proactively makes proposals concerning management based on the viewpoint of consumers, such as the importance of the Company's brand, and measures to further promote the active role of female employees. We have appointed her to continue as External Director, believing that she will continue to contribute to enhancement of the Company's corporate value.

Tatsuo Kawada

Position

Member of the Board (external)

■ Date of Birth

January 27, 1940

Brief Personal History and Position Held

March 1962	Entered Fukui Seiren Kako Co., Ltd. (Currently, Seiren Co., Ltd.)
August 1981	Director of the above company
August 1985	Managing Director of the above company
August 1987	President of the above company
June 2003	President and COO of the above company
October 2005	President, CEO and COO of the above company
June 2011	Chairman, President, CEO and COO of the above company
June 2014	Chairman and CEO of the above company (Current position)

■ Significant Positions Concurrently Held

- Chairman and CEO of Seiren Co., Ltd.
- External Director of Hokuriku Electric Power Company
- External Audit & Supervisory Board Member of Hokuhoku Financial Group, Inc.
- Chairman of Fukui Chamber of Commerce and Industry

■ Reasons for Nominating Candidate for Director

Serving as Representative Director of Seiren Co., Ltd., Mr. Tatsuo Kawada has abundant experience and deep insight as a corporate manager in areas such as shifting to new business models, generating innovation, and reforming corporate culture. We have appointed Mr. Kawada as External Director, believing that he will use his experience and insight to supervise the Company's management appropriately from an independent standpoint, and that he can contribute to enhancement of the Company's corporate value by making proposals from a broad and advanced perspective concerning management in general.

Akiji Makino

Position

Member of the Board (external)

■ Date of Birth

September 14, 1941

Brief Personal History and Position Held

March 1965	Entered Iwatani Corporation
June 1988	Director of the above company
June 1990	Executive Director of the above company
June 1994	Senior Executive Director of the above company
June 1998	Executive Vice President of the above company
April 2000	President of the above company
June 2004	President and Executive Officer of the above company
June 2012	Chairman, CEO and Executive Officer of the above company

■ Significant Positions Concurrently Held

- Chairman, CEO and Executive Officer of Iwatani Corporation
- Chairman of the Board of Iwatani Industrial Gases Corporation
- Representative Director and Chairman of the Board of Central Sekiyu Gas Corporation Limited

■ Reasons for Nominating Candidate for Director

Serving as Representative Director of Iwatani Corporation, Mr. Akiji Makino has abundant experience and deep insight as a corporate manager in the energy and environmental fields, service businesses, and other areas. We have appointed Mr. Makino as External Director, believing that he will use his experience and insight to supervise the Company's management appropriately from an independent standpoint, and that he can contribute to enhancement of the Company's corporate value by making proposals from a broad and advanced perspective concerning management in general.

Ken Tayano

Position

Member of the Board, Senior Executive Officer

■ Date of Birth

January 12, 1947

Brief Personal History and Position Held

April 1970	Entered the Company
June 2000	Associate Officer of the Company
June 2002	Senior Associate Officer of the Company
June 2004	Senior Executive Officer of the Company, Representative of China business of the
	Company (Current position), Member of Global Air Conditioning Committee of the
	Company (Current position)
May 2009	Chairman of the Board and President of Daikin (China) Investment Co., Ltd. (Current position)
June 2011	Director and Senior Executive Officer of the Company
June 2013	In charge of air conditioning business in Japan of the Company (Current position)
June 2014	Representative Director and Senior Executive Officer of the Company (Current position)
December 2014	Chairman of the Board of Daikin Fluorochemicals (China) Co., Ltd. (Current position)

■ Significant Positions Concurrently Held

- Chairman of the Board and President of Daikin (China) Investment Co., Ltd.
- Chairman of the Board of Daikin Fluorochemicals (China) Co., Ltd.

■ Reasons for Nominating Candidate for Director

Mr. Ken Tayano has abundant experience and accomplishments, including having been involved in management of the air conditioning business in China and in Japan. We have appointed Mr. Tayano to continue as Director, judging that he is an appropriate person to help the Company realize sustainable enhancement of corporate value in the future.

Masatsugu Minaka

Position

Member of the Board, Senior Executive Officer

■ Date of Birth

July 9, 1953

■ Brief Personal History and Position Held

October 1983	Entered the Company
July 2005	Director and President of Daikin Europe N.V. (Current position)
June 2007	Associate Officer of the Company, Member of Global Air Conditioning Committee of the
	Company (Current position)
June 2008	Executive Officer of the Company
June 2010	Senior Executive Officer of the Company
June 2011	Director and Senior Executive Officer (Current position), Representative of air
	conditioning in Europe, the Middle East and Africa of the Company (Current position)

■ Significant Positions Concurrently Held

• Director and President of Daikin Europe N.V.

■ Reasons for Nominating Candidate for Director

Mr. Masatsugu Minaka has abundant experience and accomplishments, having been involved in management of the air conditioning business in Europe, the Middle East, and Africa. We have appointed Mr. Minaka to continue as Director, judging that he is an appropriate person to help the Company realize sustainable enhancement of corporate value in the future.

Jiro Tomita

Position

Member of the Board, Senior Executive Officer

■ Date of Birth

August 7, 1949

■ Brief Personal History and Position Held

April 1970	Entered the Company
June 2008	Associate Officer of the Company
November 2009	Director and Vice President of Daikin Europe N.V.
May 2010	Executive Officer of the Company
June 2010	Director and Senior Executive Officer of the Company
June 2011	Director and Senior Executive Officer of the Company (Current position)
June 2015	In charge of Global Operations Divisionof the Company (Current position), In charge of
	manufacturing technology of the Company (Current position)
May 2016	Leader of ATT project (Current position), Leader of SSJ project of the Company (Current

position)

■ Reasons for Nominating Candidate for Director

Mr. Jiro Tomita has abundant experience and accomplishments, having been involved in global air conditioning business operations, mainly in production and production technology. We have appointed Mr. Tomita to continue as Director, judging that he is an appropriate person to help the Company realize sustainable enhancement of corporate value in the future.

■ Takashi Matsuzaki

Position

Member of the Board, Senior Executive Officer

■ Date of Birth

December 23, 1958

Brief Personal History and Position Held

April 1982	Entered the Company
June 2004	Executive Officer of the Company
June 2008	Director and Senior Executive Officer of the Company
June 2010	Senior Executive Officer of the Company
June 2012	Director and Senior Executive Officer of the Company (Current position)
June 2015	In charge of R&D in North America (including applied solutions, commercial & industrial
	refrigeration, filter and dust collection) of the Company (Current position)
May 2016	Leader of GRT project of the Company (Current position)

■ Reasons for Nominating Candidate for Director

Mr. Takashi Matsuzaki has abundant experience and accomplishments, having been involved mainly in operations related to R&D. We have appointed Mr. Matsuzaki to continue as Director, judging that he is an appropriate person to help the Company realize sustainable enhancement of corporate value in the future.

Koichi Takahashi

Position

Member of the Board, Senior Executive Officer

■ Date of Birth

May 24, 1956

■ Brief Personal History and Position Held

April 1979	Entered the Company
June 2006	Executive Officer of the Company
June 2007	In charge of Accounting, Finance, and Budget (Current position), General Manager of
	Finance and Accounting Division of the Company (Current position)
June 2010	Director and Executive Officer of the Company
June 2011	Chairman of Information Disclosure Committee (Current position), Chairman of
	Development Committee for Operational Adequacy Promotion System (Current position)
June 2013	Leader of IZS Project of the Company (Current position)
June 2014	Director and Senior Executive Officer of the Company (Current position), In charge of IT
	development of the company

■ Reasons for Nominating Candidate for Director

Mr. Koichi Takahashi has abundant experience and accomplishments, having been involved mainly in accounting and financial operations. We have appointed Mr. Takahashi to continue as Director, judging that he is an appropriate person to help the Company realize sustainable enhancement of corporate value in the future.

Yuan Fang

Position

Member of the Board (non-resident)

■ Date of Birth

March 9, 1956

■ Brief Personal History and Position Held

June 1994	Deputy General Manager and General Manager of Sales of Shanghai Office of the
	Company
June 2009	Senior Executive Officer of Daikin (China) Investment Co., Ltd.
June 2011	Director and Senior Executive Officer of the above company
June 2012	Associate Officer of the Company (Current position)
May 2014	Chairman of the Board of Daikin Airconditioning (Hong Kong) Ltd. (Current position)
June 2015	Regional General Manager, air conditioning business in emerging nations in the ASEAN
	and Oceania of Global Operations Division of the Company (Current position), Vice
	Chairman and Senior Executive Officer of Daikin (China) Investment Co., Ltd. (Current
	position)

■ Significant Positions Concurrently Held

- Vice Chairmanand Senior Executive Officer of Daikin (China) Investment Co., Ltd.
- Chairman of the Board of Daikin Airconditioning (Hong Kong) Ltd.

■ Reasons for Nominating Candidate for Director

Mr. Yuan Fang has abundant experience and accomplishments with regard to the air conditioning business in China and emerging nations in the ASEAN and Oceania regions. We have appointed Mr. Fang as Director, judging that he is an appropriate person to help the Company realize sustainable enhancement of corporate value in the future.

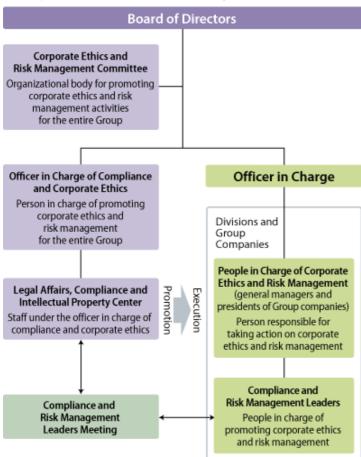


Basic Policy

The directors and executive officers in charge of a duty have the authority and responsibility to create a Group-wide, cross-organizational system that covers the entire sphere of that duty; for example, in terms of product liability and quality, safety, production and sales activities, and disasters.

To deal with risk across the entire company, officers in charge of compliance and corporate ethics, through the legal department, identify major risks based on risk management principles, and these are deliberated by the Corporate Ethics and Risk Management Committee in order to formulate measures to deal with risk.

Corporate Ethics and Risk Management



Principal Risks Associated with the Daikin Group's Operations

Identifying Major Risks and Proposing and Implementing Measures

With the Daikin Group expanding rapidly around the globe, we have introduced company-wide, crossorganizational 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 2015, efforts involved six key risk areas: earthquakes, product liability and quality, intellectual property, information leaks, overseas crisis management, and improper accounting practices.

■ Cross-Organizational Risks for Fiscal 2015

- 1. Earthquakes
- 3. Intellectual property
- 5. Overseas crisis management
- 2. Product liability and quality
- 4. Information leaks
- 6. Improper accounting practices

The following are possible risks affecting the Daikin Group's financial situation, business performance, and other areas.

Please note that forward-looking statements made here are based on knowledge current as of the end of March 2016.

Risks Directly Affecting Operations

(1) Sudden changes in politico-economic conditions or supply-demand relationships in principal markets

The Group provides goods and services throughout the world, and there is a possibility that Group performance could be impacted if politico-economic changes occur in such markets as Japan, Europe, North America, China, and other countries in the Asian region.

In particular, the Group is proactively developing business operations outside Japan through measures including constructing new air-conditioning equipment manufacturing facilities and acquiring air-conditioning equipment dealers in Europe as well as establishing manufacturing and marketing companies in China. There is, thus, a possibility that the Group's performance could be impacted by business environment changes in one or more global regions. These changes could include the deterioration of economic conditions, raw material price surges, and/or the intensification of competition with other companies.

In the United States, on November 1, 2012, Dakin completed all procedures for the acquisition of Goodman Global Group, Inc. (Head Office: Houston Texas; hereinafter "Goodman") for a purchase price of US\$3.7 billion (including the refinancing of Goodman's existing debt).

By means of this acquisition, Daikin intends to reinforce Goodman's sales network—the largest sales network in the U.S. residential and commercial air-conditioning equipment market—through the launch of environmentally friendly products incorporating Daikin's state-of-the-art environmental technologies. In doing so, Daikin aims to bring about new trends in the U.S. air-conditioner market that will enable the Group to realize business expansion and contribute to environmental protection. Furthermore, Daikin hopes to further improve its competitiveness by leveraging Goodman's low-cost management know-how to develop business in emerging economies and volume-zone markets. Daikin also hope to use this know-how to reform the Group's earnings structure, including at operations in advanced economies. There is a possibility that the degree of progress toward realizing these objectives could impact the Daikin Group's performance.

(2) Changes in demand for air conditioners due to cold summer weather and other unusual weather patterns

Air-conditioning and refrigeration operations accounted for 89.4% of the Daikin Group's consolidated net sales in fiscal 2014. Therefore, the Group strives to accurately monitor weather information and weather-related demand trends in the world's principal markets. It also employs flexible manufacturing methods and marketing policies designed to minimize the impact of those demand trends on its performance. However, depending on the magnitude of demand changes resulting from cold summer weather or other unusual weather patterns, there is a possibility that the Group's performance could be impacted.

(3) Large fluctuations in currency exchange rates

Overseas sales accounted for 75.4% of the Daikin Group's consolidated net sales in fiscal 2015. The acceleration of global business development going forward is expected to further elevate this overseas sales ratio. Consolidated financial statements are prepared by translating local currency-denominated items, including sales, expenses, and assets, for Group operations in each global region, into Japanese yen. Accordingly, depending on currency exchange rates at the time of the currency translation, there may be an impact on yen translation values even when there has been no change in local currency-denominated figures. In addition, because some of the Group transactions in raw materials and component procurement and in the sale of goods and services are foreign currency-denominated, there is a possibility that changes in currency exchange rates could impact manufacturing costs and sales performance. To avoid such currency exchange rate-related risks, the Group undertakes short-term risk hedging via forward exchange contracts and similar instruments. Daikin also undertakes medium- to long-term measures to continuously adjust procurement and manufacturing operations and optimize them for changing currency exchange-rate trends, and to balance imports and exports in each currency. Through this, the Group works to realize a business structure that is not greatly impacted by changes in currency exchange rates. However, currency exchange rate-related risks cannot be completely avoided.

(4) Major product quality claims

The Daikin Group conducts the highest level of quality control on all products it manufactures, no matter what country they are manufactured in. In new product development, we strive to constantly improve quality, cost, and development speed by revamping all processes—starting in the pre-development stages—in a cooperative effort synchronizing the four facets of design, manufacturing technology, purchasing, and suppliers. Although the Group has liability insurance in case a product claim arises, there is still the possibility that major product quality claims could impact Group performance.

(5) Major problems in manufacturing

The Daikin Group takes every possible measure to prevent problems at its worldwide manufacturing bases, and it constantly works to improve its safety inspections and security measures, especially in the chemicals business. In preparation for potential manufacturing problems, the Group has insurance covering things like damage to equipment and lost profits. However, there is the possibility that major manufacturing problems could impact Group performance.

(6) Major changes in the market prices of securities

Securities of the Daikin Group are held mainly for the purpose of mutually expanding business with and strengthening relationships between Daikin and its business partners. However, factors such as fluctuations in the stock market and bankruptcy of business partners could possibly impact Daikin Group performance.

(7) Impairment of long-lived assets

The Daikin Group records a variety of tangible and intangible assets, including assets for business purposes and goodwill arising from the acquisition of another company. It may be necessary to book impairment losses on these assets; for example, due to a decline in business performance or in the market value of the assets, they may not generate the expected cash flow. Such impairment losses could impact Daikin Group performance.

(8) Natural disasters

Natural disasters can affect Daikin Group manufacturing, sales, and distribution bases, leading to a possible impact on Group performance.

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.

Measures to Deal with Information Leaks

Stepping Up Information Leak Prevention

Preventing information leaks is a Group-wide concern. IT-related divisions and compliance-related divisions cooperate closely, and personal information managers and IT security managers in each division lead efforts to minimize the risk of information leaks.

Recently, there has been a rash of targeted attack emails. In response, the Group has stepped up efforts, including supplementing employee training with actual practice in dealing with such targeted attack emails.

Corporate Governance Compliance



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

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 Each Category of Industry Law and Regulation

We shall accurately comprehend and observe all business laws and regulations of each country and region applicable to our business activities.

Management Structure

Conducting Integrated Group-Wide 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 toward 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 carry out compliance education and training, thus fostering an atmosphere of compliance and ensuring thorough measures to deal with risk.

Building Compliance and Risk Management Systems for Overseas Group Companies

Modeled on Daikin Industries, Ltd. 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.

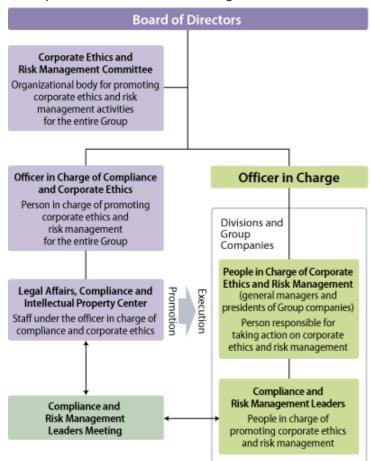
In addition, Corporate Ethics and Risk Management Committee members of Daikin Industries, Ltd. regularly visit overseas Group companies to join compliance committee meetings, where they confirm the state of compliance and risk management, and share information. This process enables



Compliance meeting in China (Suzhou)

Daikin Industries, Ltd. and its overseas companies to share and implement each other's best practices.

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. Moreover 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 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



Handbook for Corporate Ethics

and Group companies to ensure soundness in both legal compliance and risk matters. Based on the results of these self assessments, the legal department conducts legal audits in divisions and Group companies, while the Internal Auditing Department confirms legal compliance through audits.

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

The members of the legal department tour overseas group companies to lead efforts such as the creation of the Handbook for Corporate Ethics and the conducting of self assessments.

> Ensuring Legal Compliance in the Entire Supply Chain (Supply Chain Management) (Page 262)

Education

Focus on Educating Employees Toward 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 sales, 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.

Moreover, to raise employees' compliance awareness, training is supplemented by sessions with individual division heads and managers, who repeatedly remind workplace employees 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.

In fiscal 2014, the members of legal department toured overseas group companies to explain and educate employees on the Daikin Group's anti-bribe guidelines.

■ Major Legal Violations in the Daikin Group in Fiscal 2015

The Daikin Group makes it a rule to publicly announce all instances of major legal violations related to business operations.

There were no cases of business-related major legal violations in fiscal 2015.

Help-Line

Help-Line for Corporate Ethics Offers Counseling and Gathers Opinions

We have a Help-Line for Corporate Ethics in the legal department, where employees can give opinions or receive consultation on all corporate ethics matters. Through the help-line, all advice sought and opinions expressed are kept strictly confidential, and reported matters are dealt with promptly and appropriately. No retribution is taken against either those persons reporting problems and seeking advice, or those persons helping investigate the reported matters.

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

To ensure 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.



■ 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 laws on anti-monopoly, misleading representations, and subcontracting in countries around the world.

For example, annual training plans are made based on the needs of each division. As necessary, we assign experts such as lawyers and employees in the legal department as instructors for these division-based training courses. 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 246)





Basic Policy on Prohibiting Bribes

The Group Compliance Guidelines clearly state that the Daikin Group 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.

■ Efforts to Ensure Moderate Business Entertainment and Gift-Giving

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. In fiscal 2015, we continued on the previous year's efforts to distribute these throughout all divisions and companies in the Daikin Group in Japan and overseas.

Corporate Governance Information Security



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 department carries out legal audits, and the Internal Auditing Department conducts internal 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 (Customer Satisfaction) (Page 192)



Respect for Intellectual Property Rights

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

Daikin Industries, Ltd. 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 rights. 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 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.

Moreover, with the globalization of our R&D bases, we are appointing intellectual property managers at each of these bases.

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 Line with Globalization of Business and R&D Bases

We are also strengthening our intellectual property rights systems at our overseas R&D bases. At Daikin Industries, Ltd. and at overseas group R&D bases, starting with those of our Group companies in China, we are striving to obtain various intellectual property rights.

China has overtaken the U.S. as the country with the most patent applications. It also has 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. In emerging countries like India and Brazil, and in emerging countries in southeast Asia, we are stepping up device applications as a way to effectively prevent product copying and boost patent applications.

In fiscal 2015, we held classroom and on-the-job training for intellectual property managers and developers at overseas R&D bases. At the on-the-job training, participants dug up inventions that Daikin Industries, Ltd. has made over the years, and studied the changing ways available to prevent other companies from infringing on Daikin's patents.

As in fiscal 2014, we again held our global intellectual property conference (for the second time), where participants strengthened bonds by exchanging information on what they are doing at their particular bases.

In fiscal 2016, we intend to conduct systematic efforts to have overseas R&D bases gain more autonomy over their own intellectual property duties.

- Encouraging Employees to Create Intellectual Property
- > See Spurring the Creation of Intellectual Property (Human Resources) (Page 219)
 - Scientific Technology Transfer

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

Daikin Industries, Ltd. has been offering free access to a cumulative total of 93 basic patents necessary for companies to develop and commercialize air conditioners that use HFC-32 refrigerant. The company has been doing this in emerging countries since September 2011 and worldwide including industrialized countries since September 2015. The aim is to promote the use of HFC-32 worldwide.

> See Key Activities of Fiscal 2015: Environment — Creating a New Market that Contributes to the Mitigation of Global Warming (Page 47)





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Respect for Human Rights

Respect for Human Rights 255

Fundamental CSR Respect for Human Rights



Why is it Important?

A manufacturer doing business worldwide can negatively impact human rights in numerous ways; for example, by emitting exhaust and wastewater from factories that pollutes the air and public waterways, harms the health of humans, and destroys natural ecosystems, or by working with suppliers who employ child labor or forced labor.

Multinational companies must therefore abide by global standards, such as the United Nations' "Guiding Principles for Business and Human Rights," in protecting and respecting human rights throughout the entire supply chain.

DAIKIN'S POLICY

Based on the laws and regulations of each country and region, the Daikin Group shows respect for basic human rights in accordance with international norms.

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.

> Respect for Human Rights

Based on the laws of countries and regions around the world, the Daikin Group shows respect for basic human rights in accordance with international norms.

Respect for Human Rights Respect for Human Rights



Policy and Management Structure

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

Based on the laws of countries and regions around the world, the Daikin Group shows respect for basic human rights in accordance with all international norms.

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, Ltd. 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.

In fiscal 2015, we intend to create a publication called Supply Chain CSR Promotion Guidelines, which will cover issues such as respect for human rights throughout the supply chain.

> See Participation in the Global Compact (Page 43)

Examples of How Business May Affect Human Rights

Plant and site construction

• Construction of large-scale sites may affect the local environment and cause harm to local residents.

Procurement

- Suppliers may be suspected of involvement in child labor or forced labor.
- Suppliers must prove they are not using conflict minerals from the Democratic Republic of the Congo or surrounding countries.

Manufacturing

- Overseas subsidiaries may make employees work longer hours than allowed under labor laws or may pay them less than the minimum wage.
- Exhaust gas and wastewater from plants may cause air and water pollution, which may result in harming the health of local residents.

Sales

• Users may improperly use Daikin products, which may result in infringement of the human rights of local residents.

Respecting Human Rights

Confirming Action through Self Assessments

The Daikin Group clearly specifies respect for human rights in the workplace through its Group Compliance Guidelines, a compilation of laws and actions to be followed that is part of the Handbook for Corporate Ethics. To ensure that there is no infringement on human rights, the Daikin Group's annual compliance-focused self assessments include human rights criteria.

Each Daikin overseas group company has its own Handbook for Corporate Ethics, created based on the Group Compliance Guidelines, that is the basis for thorough action toward respecting human rights.

We also take part in Global Compact Network Japan, where we learn from each other's actions and experts in order to raise the level of our own human rights efforts.

In fiscal 2016, we are planning to release a publication titled Supply Chain CSR Promotion Guidelines, which will include the topic of respect for human rights in the supply chain.

Human Rights Education

Raising Human Rights Awareness through Periodic Education Sessions and Assessments

Daikin Industries, Ltd. conducts human rights education and awareness sessions with the goal of creating a workplace free of discrimination and where all people are respected.

Daikin Industries, Ltd. strives to raise awareness of human rights through annual human rights training held for job descriptions including all officers, as well as new employees and newly appointed managers and mid-level employees including those in Daikin affiliates. It also runs a series on human rights in its in-house magazine. Daikin America, Inc. has all employees join in annual courses that are focused on building a workplace of mutual respect among all employees.

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.





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Supply Chain Management

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Fundamental CSR Supply Chain Management



Why is it Important?

Along with globalization comes the spread of the supply chain into more and more countries, and with this come labor-related problems such as human rights, child labor, forced labor, and occupational safety and health, as well as other problems like environmental destruction. In addition, companies with supply chain problems face consumer boycotts, which forces more and more of them to solve their environmental and social issues. Daikin and other companies must therefore step up CSR efforts in the supply chain and other facets of business.

DAIKIN'S POLICY

The Daikin Group formulated a Purchasing Policy in 1992 that is the basis for fair dealings with suppliers.

Both inside and outside the group, we fulfill our social responsibility throughout the entire supply chain through CSR activities in quality, human rights, labor, and other areas, in addition to green purchasing.

> Philosophy on Suppliers

The Daikin Group formulated a Purchasing Policy in that is the basis for fair dealings with suppliers.

> Working Closely with Suppliers

To raise product quality and ensure safety, we build a relationship of trust with suppliers through ongoing communication.

Green Procurement

Based on our Green Procurement Guidelines, we cooperate with suppliers in conducting green purchasing.

Supply Chain Management Philosophy on Suppliers



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.

Supply Chain CSR Promotion Guidelines to be Formulated

Throughout the supply chain, we tackle CSR issues like the environment, human rights, and labor. We place particular emphasis on determining our CO₂ emissions, eliminating the use of designated chemical substances, and forbidding the use of conflict minerals.

In fiscal 2016, we intend to create the Supply Chain CSR Promotion Guidelines and explain these to our suppliers.

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 (Environmental Management) (Page 144)
- > Green Procurement Guidelines (Page 267)

■ 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 greenhouse gases in collaboration with our suppliers, we request them to provide their CO2 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. We ensure that suppliers are in compliance with laws, and we assess them in aspects such as voluntary efforts to step up environmental activities. In fiscal 2015, such assessments resulted in Daikin bringing on three new suppliers. 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 2015, such assessments resulted in Daikin bringing on six 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. In addition, 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.

■ Risk Management in the Supply Chain

Risks in the supply chain include supply problems due to earthquakes and other natural disasters, bankruptcy due to suppliers' financial troubles, supply problems due to the breaking of laws and accidents, and stoppage of the international flow of goods due to political or economic problems in certain countries.

We have created an in-house system for making quick decisions on suppliers affected by risk, and we update our databases as needed in order to improve our ability to deal with problems when they arise.

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, Ltd.'s 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 Environmental Management Systems

Supporting Suppliers in Creating Complete Environmental Management Systems

Daikin Industries, Ltd. 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, in fiscal 2014 we published a revised edition (8th edition) of our Green Procurement Guidelines, which adds banned chemical substances (BNST and PHAs) to the list of designated chemical substances.

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, Ltd. determines the effectiveness of suppliers' environmental management systems and help's suppliers improve these systems when necessary.

In fiscal 2015, as a new part of our CSR procurement efforts, we again 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).

- > Green Procurement (Environmental Management) (Page 144)
- > Green Procurement Guidelines (Page 267)

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. We also 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



Quality improvement announcement meeting

improvement proposal meetings. Other measures we take include going to visit suppliers' factories to offer assistance.

We also strive to raise technical expertise at supplier companies by dispatching our "Takumi," who have been certified as outstanding engineers in the Daikin Group, and encouraging suppliers to take part in Daikin skills competitions.

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.

Helping Suppliers Improve Quality

Air Conditioning Divisions

Supplier meetings	Daikin Industries, Ltd.'s policy and progress are explained and legal compliance is stressed through model examples. (4 times/year, 128 companies took part in fiscal 2015)
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 2015, four quality improvement announcement meetings were held for a total of 59 companies and 228 quality improvement proposal meetings were held for 35 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	Managers visit suppliers.

Chemicals Division

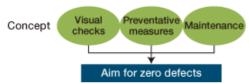
Quality Forum	Introduction of Daikin Industries, Ltd.'s quality policy, defect rate and quality cost of purchased goods, quality differences among companies, and activities aimed at improving quality. (Once a year; 69 companies took part in fiscal 2015)
Quality audits	Suppliers who provided defective products underwent audits based on ISO 9001. (Conducted at 18 companies in fiscal 2015.)

Aiming for Zero Defects through ZD Activities at Bases Worldwide

Since fiscal 2007, the air conditioning divisions have been working with suppliers taking part in the Supplier Quality Conference in an initiative called ZD (zero defect) activities. The goal is to achieve zero defects through 3S (visual checks), preventative measures (look for potential problems in production processes), and prevention of reoccurring problems (through regular maintenance).

In fiscal 2015, one ZD announcement meeting was held and two individual announcement meetings for 18 companies were held to exchange information. In addition, as ZD activities prior to the start of manufacture of new products, we held process checks of parts used in new technologies in order to prevent defects in products.

ZD Activities with Suppliers





Stepping Up Quality Control in China

In fiscal 2015, Daikin Air-conditioning (Shanghai) Co., Ltd. strove to improve quality control at its suppliers. With the number of participating suppliers up dramatically over the previous year — from 20 to 97 — the company held training that gave suppliers practice and testing of fundamental knowledge. Those that passed the test were asked to submit proposals for quality improvement, and the 10 suppliers with excellent results were commended.



Suppliers present their quality improvement ideas at a meeting held by Daikin Air-conditioning (Shanghai) Co., Ltd.

Business Partners Contribute to Plant Safety

Providing Business Partners Working in Daikin Plants with Safety Information and Conducting On-Site Patrols

Daikin Industries, Ltd. 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 safety workshops for subcontractor employees, installation practice sessions, and other advance preparation, and we provide workers with information on chemical substance toxicity with SDS (safety data sheets).

In fiscal 2015, training focused on workers who are unfamiliar with the rules and their jobs. An advisor team was formed with the goal of ensuring that rules are followed and to provide oversight and support for safe work procedures, and to encourage closer communication among all workplace staff.

Also in fiscal 2015, the Chemicals Division held safety workshops in June with participation by approximately 400 drivers and truck delivery managers.

> Occupational Safety and Health (Human Resources) (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 divisions, 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 staring 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 hold information exchange gatherings four times a year, where we promote 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.



Workshop for dealers of the Oil Hydraulics Division



Quality Forum sponsored by the Chemicals Division

In fiscal 2015, we took a tour of the Yaskawa Innovation Center of Yaskawa Electric Corporation. In addition, we gave factory tours to quality and production managers of member companies to show them what Daikin is doing to constantly improve quality.

The Chemicals Division fosters good relations through the Quality Forum. In addition, 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.

■ 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) (Mar.2015 revised) (http://www.daikin.com/csr/supplier/guidelines.pdf)
- ➤ Green Procurement Inspection List PDF Data (386KB 🔀) (Mar.2015 revised) (http://www.daikin.com/csr/supplier/inspection.pdf)



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Stakeholder Engagement

Stakeholder Engagement	270	Dialogue with Government and	
Dialogue with Shareholders and Investors	272	Industry Groups	274

Fundamental CSR Stakeholder Engagement



Why is it Important?

The business activities of a company have direct and indirect effects on stakeholders, society, and the environment. For a company to achieve sustainable growth, it must not simply act unilaterally but rather must pursue dialogue to grasp stakeholders' concerns and expectations, and settle on management that creates a virtuous circle between all parties. This process is called stakeholder engagement and it is central to a company fulfilling its corporate social responsibility.

DAIKIN'S POLICY

The Daikin Group's main stakeholders are the customers to whom we provide the Group's products and services, those directly affected by our business including shareholders, investors, employees, and business partners, as well as members of local communities, who are affected by our business activities. Moreover, the national and local governments of the countries where we do business, and those countries' industry groups, are connected to our efforts to improve environmental performance and disseminate environmental technologies. We thus pursue dialogue wherever possible with stakeholders and reflect their opinions in our management.

> Stakeholder Engagement

The Daikin Group uses every means possible to gather the opinions of stakeholders and reflect them in our management, all with a focus on engaging our stakeholders.

Dialogue with Shareholders and Investors

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.

> Dialogue with Governments and Industry Groups

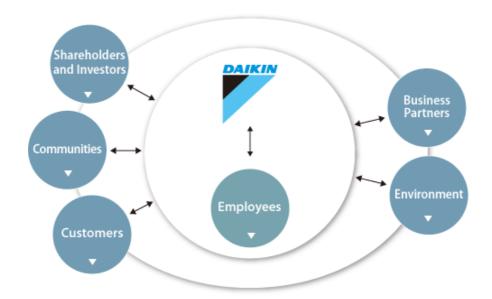
To alleviate and solve society's problems, the Daikin Group actively pursues dialogue with concerned parties, offering proposals and calling for action.



Stakeholder Engagement

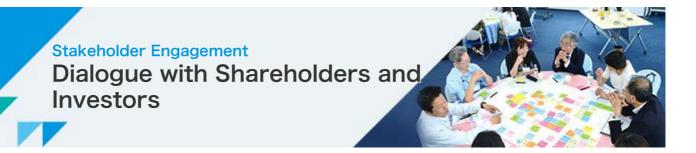
So that we can continue to contribute to society, the Daikin Group uses every means possible to gather the opinions of stakeholders, report these to company officers, and reflect them in our management, all with a focus on engaging our stakeholders.

The Daikin Group's main stakeholders are the customers to whom we provide the Group's products and services, those directly affected by our business including shareholders, investors, employees, and business partners, as well as members of local communities, who are affected by our business activities. Moreover, the national and local governments of the countries where we do business, and those countries' industry groups, are connected to our efforts to improve environmental performance and disseminate environmental technologies. But no single group of stakeholders has priority over another; they are all important to the Daikin Group.



■ Stakeholder Engagement Efforts

Stakeholders	Main dialogue methods and opportunities	Main dialogue representatives at Daikin
> Customer (Page 176)	 Daily sales activities Contact Center Showrooms Dialogue during repair visits "Thank You" sales events and product explanations at distributors 	Sales divisions Service Division
> Shareholders and investors (Page 272)	 Ordinary General Meeting of Shareholders Briefings for investors Annual Report, business reports Information for investors on Website 	General Affairs Department Corporate Communication Division
> Procurement business partners (Page 257)	 Daily procurement activities Supplier briefings Supplier Quality Conferences Quality improvement announcement meetings Quality audits 	Procurement Division
> Employees (Page 193)	 Interviews based on employee self-assessments Labor-management council meetings, labor union council meetings Group Management Meeting Global managers' meetings 	Human Resources Division Corporate Planning Department
> Communities (Page 277)	 Informing local community of emergency disaster drills Factory tours for local citizens Involvement with local groups and events 	Companies, workplaces
> NPOs, NGOs (Page 274)	Dialogue with NPOs and NGOs	CSR Division
> National and local governments, industry, academia (Page 274)	 Dialogue with government representatives in each country Dialogue with UN representatives Participation in industry activities Research in joint industry—academia initiatives 	Companies, workplaces, PR divisions, CSR Division, Research Department
> Environment (Page 274)	 Air conditioner forums Environmental forums, environmental exhibitions Various environmental PR and environmental education activities 	CSR Division



Philosophy

Daikin Industries, Ltd. 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. In addition, 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, Ltd. 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. In addition, 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.



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

We try to provide a wealth of information on the IR site of our home page and disclose information—including documents required by law such as securities reports and documents related to our business performance—in a prompt, fair, and timely manner. Our top executives also strive to relay firsthand company philosophy and direction in as many ways as possible.

The opinions from shareholders and investors are reflected in our management.

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.

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, and we post the information on the Daikin website and on the website of the Tokyo Stock Exchange. 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, we have an English version of our website, and we post the results of shareholder voting on our website.

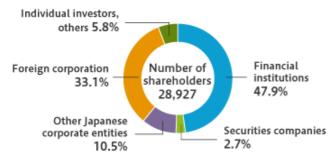
We strive to get as many shareholders as possible to exercise their voting rights by allowing voting over the Internet: those who cannot attend meetings in person can still exercise their voting rights by personal computer or mobile phone. We have also adopted a platform for exercising voting rights, which makes it even easier for institutional investors to vote.

As a result of these efforts, the percentage of voting rights exercised reached 85.68% in fiscal 2015. The number of votes cast over the Internet also increased to 1,495,922 in fiscal 2015 (902 shareholders).

Voting Rights Exercised

	Voting rights exercised	Votes cast over the Internet	Shareholders voting online
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
Fiscal 2014	83.24	1,443,620	923
Fiscal 2015	85.68	1,495,992	902

■ Breakdown of Shareholders (March 31, 2016)



Daikin Cooperates in Formation of Environmental Policy

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

As it does business in countries around the world, the Daikin Group ties up and cooperates with national and local governments and industry groups to come up with proposals and to call on all parties concerned for the betterment of society.

Particularly in the area of selecting and enacting the use of next-generation refrigerants, we are participating in international conferences, seminars, academic conferences, and exhibitions and working closely with representatives of industry groups, UN organs, and environmental ministries of governments, discussing regulations, standards, and refrigerant trends and efforts to phase out certain refrigerants, and providing as much information as possible to help countries choose the new refrigerants that are best for them.

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 participated in emerging countries 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 hosted trainees from emerging countries and provided 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 HFC-32 in combination with inverter technology in India. The survey showed that adoption of HFC-32 and inverter technology could result in CO2 reductions of up to 17.45 million tons-CO2 in 2020.

Daikin is also taking part in a project to switch to HFC-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 2015: Environment — Creating a New Market that Contributes to the Mitigation of Global Warming (Page 47)

Environmental Forums and Exhibits

Exchanging Opinions with Experts on Key Issues at Air Conditioner Forum

Since 1995, the Daikin Group has held forums in Japan where Daikin and noted names in air conditioning and design exchange opinions on the future of air conditioning. With Daikin's rapid business expansion worldwide, since fiscal 2007 we have extended these forums to Europe, China, North America, Asia, and Oceania, exchanging opinions on topics such as the environment and energy with the most well known experts in these regions and gaining valuable insights that we have been applying to our technological and product developments and to our business.

In fiscal 2015, a forum in Mexico focused on energy-efficient technologies and next-generation refrigerants, and forums in Europe got participants excited about the possibilities for Daikin's Technology and Innovation Center.

Daikin took part in the 24th IIR International Congress of Refrigeration (ICR2015) in August 2015, the first time the ICR was held in Japan, where the company provided information in areas such a refrigerants and energy efficiency. Daikin was also a sponsor and took part in the planning, preparation, and running of the event, sitting on the ICR executive committee as a member of the Japan Society of Refrigerating and Air Conditioning Engineers (JSRAE).

Besides our participation so far in international conferences of groups such as the Japan Refrigeration and Air Conditioning Industry Association (JRAIA) and the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE), we will take part in the International Sorption Heat Pump Conference (ISHPC 2017) in 2017 in Tokyo and the 9th Asian Conference on Refrigeration and Air-conditioning (ACRA 2018) in 2018 in Sapporo.



Air conditioner forum in North America



Daikin displays air conditioners using next-generation refrigerants at trade shows around the world

Fiscal 2015 Air Conditioner Forums

Region	Date	Main discussion topics	Invited guests
North America	May 2015	Latest trends in U.S. air conditioning industry, role of smart air conditioning	19 participants (university professors, specialists, etc.)
Europe	January 2016	Technology and Innovation Center: facilities, concepts, initiatives	19 participants from 10 countries including university professors, specialists
Asia, Oceania	March 2016	Sustainable initiatives in green building, IAQ (indoor air quality) improvement initiatives	22 participants from 10 countries including university professors, specialists
Japan	June, December 2015	 Technology and Innovation Center's nZEB initiatives, lecture from invited instructor on smart society and using big data, introduction to Manchester Project 	21 participants including university professors, specialists

Active Information Exchange with NPOs and NGOs

We exchange opinions whenever possible with NPOs and NGOs involved in the environment and other issues, and the information we obtain goes into managing Daikin better. In September 2015, we met with the Institute for Governance & Sustainable Development (IGSD) to exchange opinions on our offer of worldwide free access to 93patents for equipment using the next-generation refrigerant HFC-32. The IGSD is an American NGO that works to support the development of sustainable technologies that contribute to solving problems such as climate change. IGSD President Durwood Zaelke said that Daikin's forward-looking initiatives contribute to alleviating the effects on climate change and constitute a model case for other companies hoping to be environmentally advanced corporations.

Participating in CSR-Related Groups and Collaborating with Other Companies

The Daikin Group takes part whenever possible in the activities of various CSR-related groups under the auspices of, for example, the United Nations and the Japanese government. Besides discussions and information exchange with these groups on CSR philosophy and actions, we also collaborate with other private companies in order to step up our CSR activities and improve the content of our efforts.

In fiscal 2015, we took part in the Global Compact Network Japan's subcommittees on stakeholder engagement, SRI (socially responsible investing)/ESG (environmental, social, governance), supply chain, reporting, and a Kansai regional subcommittee, as well as in a CSR and compliance research conference, the Eco-First Promotion Conference, and the World Green Building Council.

- > See Participation in the Global Compact (Page 43)
- > See Endorsement as an Eco First Company (Page 165)
- > Participation in the World Green Building Council (Page 171)





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Communities

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— Strengthening Bonds ·····	288	List of Daikin's Social Contribution Activities	306

Fundamental CSR Communities



Why is it Important?

The Daikin Group has over 80 production sites and 213 group companies in over 145 countries. With demand growing particularly quickly in emerging countries such as China, India, and countries in Latin America, we are accelerating the spread of our global business. To ensure that our business operates smoothly at each and every base, it is imperative that we take into consideration the cultural and historical background of each region in contributing as a member of the community and building a mutually beneficial relationship.

DAIKIN'S POLICY

Based on the condition of fulfilling our corporate social responsibility of creating jobs and existing in harmony with local companies, our fundamental policy is to respect the culture and history of each country and region and, as a member of the regional society where we do business, foster strong ties with the community.

Centered around our pillars of protecting the environment, supporting education, and living in harmony with communities, our employees take the leading role in conducting activities that benefit communities and in solving social issues from a global perspective based on SDGs (sustainable development goals).

> Daikin's Philosophy of Social Contribution

We aim to be a company firmly rooted in the regions where we do business and we strive to contribute in ways that benefit each region.

> Protecting the Environment

The Daikin Group provides people around the world with a clean air environment, and we contribute to solving environmental problems on a global scale.

> Supporting Education

The Daikin Group contributes to society through state-of-the-art technologies, and we support the education of future generations in order to contribute to the advancement of technology and the creation of a sustainable society.

Harmony with Communities — Strengthening Bonds

We provide the regions where we do business with the support they need in order to help them progress proactively.

Harmony with Communities

— Contributing to

> Promotion of Art and
Culture

To achieve harmony with communities, we contribute to the promotion of the culture and art of each country and region.

Harmony with Communities
> — Contributing to
Promotion of Sports

To achieve harmony with communities, we contribute to the promotion of sports in each country and region.

> List of Daikin's Social Contribution Activities

Here is a list of all the social contribution activities undertaken by the Daikin Group around the world.

Communities Daikin's Philosophy of Social Contribution



Daikin's Philosophy of Social Contribution

Three Pillars: Protecting the Environment, Supporting Education, Living in Harmony with Communities

The Daikin Group does business globally and strives to be a locally rooted company wherever it operates, with its employees taking the initiative in conducting activities that are valuable to local society.

We use our management resources effectively in doing everything possible to contribute to society by protecting the environment, supporting education, and living in harmony with communities.

1. Protecting the Environment

As a worldwide provider of pleasant air environments, we contribute to solving environmental problems on a global scale. A particular focus is on activities that ensure we pass on to future generations the forests that nurture our Earth's precious air.

2. Supporting Education

By contributing state-of-the-art technologies to society, we support education for future generations and help build a society where both technological advancement and sustainability are possible.

3. Living in Harmony with Communities

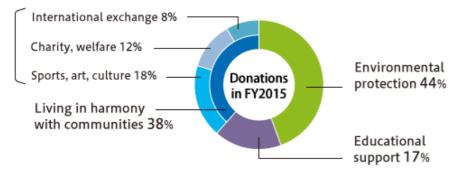
In conducting our business around the world, we help communities to progress proactively by providing them with the support they need in the areas of local culture, arts, sports, and disaster relief.

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 FY2015 (Daikin Group)



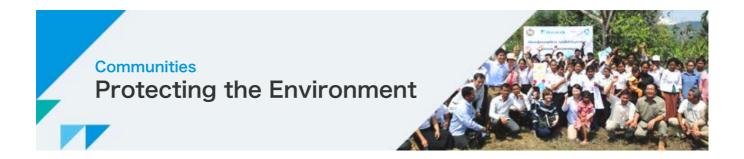
Daikin Aids Victims of Natural Disaster

The Daikin Group gives donations to help victims and contribute to restoration following earthquakes and other natural disasters.

In fiscal 2015, Daikin Malaysia Sdn. Bhd. and Daikin Compressor Industries Ltd. made monetary donations to support victims of an earthquake in April 2015 in Nepal.

Daikin made a monetary donation of 10 million yen through the Japanese Red Cross Society to provide relief and rebuilding to benefit victims of the April 2016 earthquake in Kumamoto, Japan.

> List of Support for Disaster Victims (Page 314)



■ Policy on Environmental Protection

Daikin Industries, Ltd. works with a range of groups, including governments, local citizens, and NGOs to protect and rejuvenate natural environments.

Protecting Precious Environments Around the World

"Forests for the Air" Project

In 2014, Daikin Industries, Ltd. launched its "Forests for the Air" project in seven worldwide locations where biodiversity is threatened. The project is an initiative to protect forests, which give us clean air, for the sake of future generations. For this 10-year support project, Daikin Industries, Ltd. has signed an agreement with Conservation International and the Shiretoko Nature Foundation to protect forests in Japan's Shiretoko Peninsula, a UNESCO World Heritage Site, and in Indonesia, Brazil, Cambodia, India, China, and Liberia.

Human activity is a major reason that forests are disappearing around the world; for example, they convert forests to cropland and cut trees to make firewood or charcoal. To help solve such problems in each region, Daikin leads projects that help locals earn a living while at the same time protecting forests and their biodiversity.

"Forest for the Air" Project (http://www.daikin.com/csr/forests/index.html)

- > Protecting Biodiversity (Page 152)
- The "Forests for the Air" project operates in seven worldwide locations



■ Projects in Surrounding Neighborhoods

U.K.: Tree-Planting to Absorb CO2 from Business Activities

Since 2010, Daikin Airconditioning U.K., Ltd. has been conducting an initiative under which it plants enough trees to absorb the CO₂ it emits through its business activities. The company plants trees in a protected forest in Scotland.

The company planted 2,200 trees in fiscal 2013 and 4,000 trees in fiscal 2014. It is estimated that these trees are enough to offset double the amount of CO₂ that the company emits. In fiscal 2015, the company planted 2,150 trees.



Employees of Daikin Airconditioning U.K., Ltd. plant trees

- > List of Support for Environmental Protection (Page 306)
- > Report by Business Site (http://www.daikin.com/csr/report/site_data/index.html)

Communities Supporting Education



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 Develops the "Circle of Life" Free Environmental Education Program on Biodiversity for Elementary School Children

Daikin Industries, Ltd., 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 2015, approximately 2,000 students from 30 schools took part in the program, and 15 of these welcomed Daikin employees to lead the lessons.

In fiscal 2014, for its Circle of Life education program, Daikin received the Award for Excellence at the Career Education Awards sponsored by the Ministry of Economy, Trade and Industry of Japan.



Students role-play in a forestry issues discussion



A Daikin Industries, Ltd. employee leads an environmental lesson at a school

Daikin Leads Science Classes at Elementary Schools

In support of the Sakai Municipal Board of Education's initiative to 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 2015, approximately 1,218 students at 15 elementary schools took part.



Daikin employees conduct a science experiment for students using an air conditioner

Science Classes at Junior High Schools

Since fiscal 2015, we have been collaborating with Osaka Prefecture University on a program to teach experiment-based science classes at junior high schools in Sakai City, Osaka Prefecture in order to foster the next generation of scientists.

With the aim of giving youngsters the opportunity to think and act with an open mind, Daikin employees take part as instructors in science classes that teach the workings of air purifiers.



Junior high school students learn how an air purifier works

Participation in Local Education Programs

Following a request from the Kamisu Municipal Board of Education, the Daikin Industries, Ltd. 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.



Daikin employees (from the Kashima Plant) lead an elementary school class

Factory Tours for Elementary and Junior High School Students

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

In fiscal 2015, the Yodogawa Plant held factory tours for 144 students of two nearby elementary schools. The students observed the Eco-Cute storage tank line and the oil hydraulic equipment line, tried operating screw-driving equipment, 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 three grade eight students seeing firsthand things like the sorting and assembly of parts.

The Sakai Plant invited 276 students from three elementary schools for factory tours. The Shiga Plant, meanwhile, hosted 215 students from one elementary school.

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 continue to strive for an open relationship with the community by hosting factory tours whenever possible.



Letters sent from students following their tour of the Yodogawa Plant





A factory tour at the Yodogawa Plant

Hands-On Events Foster Interest in Technology

Daikin's Solution Plaza fuha:TOKYO and fuha:OSAKA hold events called "Become an Air Professor!" in order to get children interested in the air around them. There are hands-on events that use experiments to help participants understand the importance of the environment and what Daikin is doing to protect it. For example, participants actually take apart air conditioners to see how heat pumps work. There are also events especially for adults to learn about air conditioners, as well as events where they can take apart air conditioners.

In fiscal 2015, fuha:TOKYO hosted a cumulative total of 4,550 people at its events while fuha:OSAKA welcomed 240.



Children learn how a heat pump works at fuha:TOKYO



Hands-on learning at fuha: OSAKA

Supporting Japanese Students Studying Overseas

Daikin Industries, Ltd. sponsors a program, run by the Ministry of Education, Culture, Sports, Science and Technology, to send Japanese high school and university students overseas. By providing this program through scholarships and other means, Daikin Industries, Ltd. is contributing to more opportunities for young Japanese to see the world and grow into global citizens who respect a wide range of values.



■ Efforts Overseas

Training Technical School Students in Emerging Countries

We offer scholarships and take in interns as part of efforts to provide technical school students in emerging countries with better employment opportunities. We also have tours of our worldwide factories to raise interest in technology among local students.

For example, Daikin Air-Conditioning (Shanghai) Co., Ltd. offers local students employment opportunities through the Daikin Class, held at and in collaboration with a technical trade school in Gansu Province, and through scholarships and internships.



Students in the Daikin Class at a local technical trade school (Daikin Air-Conditioning (Shanghai) Co., Ltd.)

Supporting Construction of Day-Care Centers and Schools

Daikin Europe N.V. supported the construction of a day-care center in Gambia where 181 children attend.

Daikin Airconditioning India Pvt. Ltd. provided support for four public schools in the form of repairs to walls and doors, the installation of potable water facilities, washrooms, and fans, and the provision of desks and chairs.



Daikin Airconditioning India Pvt. Ltd. supported the installation of this school washroom

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



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.

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. And with the aim of being a plant open to the community, each Daikin company site welcomes community associations and citizens for factory tours.

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	 Group meeting with local community association (once yearly) Community interactions via municipal government, police, fire departments, and labor standards office Participation in the Sakai City environmental executive committee
Shiga Plant	 Visits to companies in industrial park (once yearly) Information exchanges with major local companies (twice yearly) Visits to local businesses and neighboring community association boards (about twice yearly) 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) (when necessary; about four times yearly)
Yodogawa Plant	 Local community association board factory tour and group meeting (once yearly) Exchange with local community association (4 times a year) Group meetings to discuss association activities and various topics with municipal government, police, fire departments, and labor standards office, etc. The local impact of two years of construction of the Technology and Innovation Center provided an opportunity to deepen communication with the community and build a relationship of trust. The construction company and Daikin's facilities and general affairs divisions regularly visited each home in neighborhoods where construction vibration and noise would be unavoidable to explain the situation clearly and considerately. If any residents voiced the slightest dissatisfaction, they were paid a visit to confirm and deal with the problem. A system was in place to listen directly to any concerns that were voiced. At the request of neighboring community associations, the Yodogawa Plant publishes a newsletter twice a year. It is distributed with circulars twice a year to 21 community associations to promote communication with local citizens. Providing human resources and other assistance for various local community activities
Kashima Plant	 Administrative board factory tour Attendance at cordial gatherings meetings Attendance at regional meetings of the Japan Responsible Care Council
Soka Station	 Meetings and talks with municipal government and nearby neighborhood associations Participation in fire department, police, and industry associations

A Safe Plant Open to the Community

The Daikin Group does all it can to make its plants safe so that nearby residents can live in peace of mind. When there is noise or vibration from operations of a plant, we set up a number that residents can call so that we can quickly deal with any complaints.

Besides group meetings with community associations to discuss topics like safety and disaster prevention, Daikin plant employees take part in local disaster prevention drills as part of their efforts to work with the community in making Daikin facilities safe.

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.

Daikin sites hold disaster prevention drills every year, which are analyzed afterwards to study ways to improve disaster prevention measures. Daikin bases in Japan have introduced an employee safety confirmation system for determining and whereabouts and safety of employees when disaster strikes.

□ Safety and Disaster Prevention at Plants (Page 293)

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, Ltd. 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.

In fiscal 2015, Bon dance festivals at Daikin plants in Japan welcomed more than 40,000 visitors. The Sakai Plant celebrated its 40th edition of the Bon dance festival, with attractions including a taiko drum performance by young employees and commemorative gifts for early arrivals making this a colorful summer festival.

In addition, Daikin bases in China, the U.S., and other countries also held Bon dance festivals.



The Bon dance at Daikin America, Inc. welcomed 20,000 locals

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 1,303 employees (cumulative total) for 2015. Daikin employees also took part in a cleanup of waterways bordering on the Yodogawa Plant. In fiscal 2015, the Yodogawa Plant responded to concerns from the local community regarding fears of damage from torrential rain and the lack of cleanup participants due to the aging population, expanding the cleanups from once to twice yearly, in spring



Yodogawa Plant employees pick up litter

and autumn. The 137 cleanup participants included division and section managers, union members, dormitory residents, and partner company employees.

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 2015, a cumulative total of 1,500 employees took part in three cleanups of the surrounding area aimed at totally eliminating litter.

At the Kashima Plant, a cumulative total of 210 employees took part in monthly cleanups around the perimeter of the plant, as well as an annual weeding effort.

In December 2015, the Tokyo Office signed an agreement for an adopt-a-forest program with the local government of Minato Ward in Tokyo and since January 2016 has been conducting monthly cleanup activities around the Konan entrance of JR Shinagawa Station. A cumulative total of 71 employees took part in cleanups between January and March 2016.

■ 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.

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.

Employees at Daikin's worldwide bases take part in cleanups of surrounding areas and scenic spots.

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



The company formed a volunteer brigade that is involved in environmental protection and other community service.

Daikin Australia Pty., Ltd.



The company gave Christmas presents to a facility housing children from homes experiencing domestic violence

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

■ Safety and Disaster Prevention at Plants

■ Support for Firefighting

Site	Activity	Overview, results
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.
	Joined the special firefighting team of	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. Yodogawa Plant firefighters took part in Settsu City's New Year's firefighting parade in January 2015.
Yodogawa Plant	Settsu City	
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.
Kashima Plant	Formation of in-house firefighting unit	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	 Each division formed its own in-house firefighting unit. At site disaster drills (April and November each year), the unit conducts evacuation and firefighting drills with the fire department.
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.
Tokyo Office	Formation of in-house firefighting unit	A firefighting unit was formed in each division. Once a year, these units take part in various drills sponsored by the JR Shinagawa East Building, and they conduct evacuation and firefighting drills.

■ Communication with Neighboring Companies and Residents

Site	Activity	Overview, results
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.
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.
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).
	Support of fire prevention in case of disaster	The Shiga Plant will dispatch industrial physicians and its in-house fire-fighting unit, and offer the plant as an evacuation shelter.
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 2016, 627 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	Participated in the tenant association of the JR Shinagawa East Building (July), and joined as an observer in firefighting drills of the building's restaurants (March). This helped confirm the firefighting system of the building.

■ 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.
	Support for local safety activities	Daikin took part in the North Sakai Police Crime Prevention Committee and the North/West Sakai Traffic Safety Association.
Sakai Plant	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.
	Joint disaster training held (with participation of local fire and police departments)	Control damage, confirm people's safety (evacuation), hold earthquake training, hold disaster training (3 times a year) Installed breathing apparatus, held fire hydrant usage competition (once a year).
Yodogawa Plant	Participation in local safety activities	Participated in disaster training held by Osaka Prefecture and Settsu City (once a year). Took part in nighttime patrols. Took part in nationwide awareness activities for fire prevention (in spring and autumn). Took part in nationwide traffic safety campaign.
	Held safety seminars	Held driving safety seminars for suppliers (stressed on-site road safety; twice a year). Invited police officer to give employees driving safety seminar (once a year)
	Children's protection shelter	The Yodogawa Plant is registered as a place children can take sanctuary from threats.
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.

Site	Activity	Overview, results
	Disaster training	Held disaster training (twice a year), joined fire hydrant usage training (once a year), held public relations training (once a year)
Kashima Plant	Participation in local safety events	Joint disaster training was held with the fire department as part of cooperation among companies in the industrial park (once a year). As part of cooperation among companies, once-a-year training was held with firefighters, labor board personnel, and police officers as instructors. The goal was to raise safety and disaster awareness. Rescue training Participation in disaster training events with the fire department, labor board, and police department.
	Safe driving course held	Police officers were invited to be instructors at a traffic safety training conference (once a year) to help drivers improve their road manners.
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.
Soka Station	Regional joint disaster training	Holds disaster training with five neighborhood associations. (May each year)
Tolaya 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.
Tokyo Office	Participation in local disaster training	Joined in disaster training sponsored by the fire and disaster prevention association of the JR Shinagawa East Building.

■ Use Equipment during Disasters, and Secure Supplies for Emergencies

Site	Activity	Overview, results
	Secure supplies for emergencies	Secured emergency supplies such as water, food, and fire prevention equipment.
Sakai Plant	Lend equipment to disaster relief	Daikin is registered as a corporate supporter of firefighting activities. (In emergencies, Daikin lends equipment like forklifts.)
Yodogawa Plant	Use of equipment during disasters, and secure supplies for residents for emergencies At a meeting during a factory tour, participants confirm that there are enough emergency supplies stored	 The plant makes effective use of site equipment (fire engines, firefighting equipment; sends employees as well). Sufficient supplies have been set aside for all local residents in case of a major earthquake. Emergency materials and equipment are placed in all major buildings.

Site	Activity	Overview, results
Shiga Plant	Secure supplies for emergencies	Emergency supplies are stocked (flashlights, portable toilets, blankets, etc.).
Kashima Plant	Secure emergency equipment and food	Stored emergency supplies (gas masks, flashlights, megaphones) and emergency necessities to last employees 3 days (food, water, portable toilets, blankets, etc.). Expanded emergency materials to be prepared for logistics accidents.
Soka Station	Secure supplies for emergencies Joint regional disaster training held	 Stored water, food, firefighting equipment, etc. Exhibit and disaster drills were held with the surrounding community.
Tsukuba Training Center	Secure supplies for employees who cannot return home during a disaster	Stored three days worth of food, drink, and emergency supplies (flashlights, blankets, gas burners, portable toilets, etc.) for employees and training participants.
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	 Emergency supplies are stocked (helmets, gloves, towels, stretchers, etc.); these are inspected regularly. 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 400 people. At the same time, for employees who absolutely must be sent home on foot due to family situations, supplies that these employees might need while walking home were stored (about 60 persons' worth). 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). AEDs were installed in June 2014.

Earthquake Measures

Site	Activity	Overview, results
Sakai Plant	Measures against tidal wave and tsunami Earthquake reinforcement and evacuation training drills	 Established code of conduct for tsunami disaster response, and secured emergency supplies. All buildings on-site have been inspected for earthquake resistance. Reinforcement work is proceeding as planned. Evacuation training drills were held. 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)
Yodogawa Plant	Revise earthquake scale assumptions and conduct Earthquake reinforcement Infrastructure loss measures Evacuation and emergency measures	Basic earthquake measures policy: Save people above all, ensure safety · Measures for an earthquake with a seismic intensity of 6: Reinforcement work completed on main buildings under current earthquake-resistance standard (fiscal 2009) · Measures for 2-meter tsunami: Measures for loss of infrastructure such as power. 1. Complete emergency measures before tsunami arrives (within 2 hours), ensure the chemical plant is safe, and evacuate employees to a high, safe place. 2. Use secured emergency power, close up dangerous chemicals to render them harmless, and safely shut down plant (turn off, cool down, close). Disaster drills (3 times a year) • Evacuation drills held at all locations (evacuation shelters in high places) • Ensure unified evacuation time and safety confirmation within 2 hours. • Verify that disaster materials and equipment are usable and can be accessed quickly. • Verify measures for night shift. • Emergency stoppage of equipment and machinery, drills for measures. Measures to prevent equipment and machinery from falling over • Formulate unified standards (guidelines) (implement at all bases). • Execute measures in each division (completion expected in fiscal 2014). Create hazard map (danger sources, evacuation) • Revise evacuation routes, evacuation shelters, sources of danger. • Revise all evacuation routes and evacuation shelters for the site. Emergency measures manual Secure communication protocol • Install satellite phones (communication among work sites) • Use walkie-talkies (one for each division, one for division headquarters)

Site	Activity	Overview, results
Shiga Plant	Earthquake reinforcement and evacuation training drills	 Earthquake reinforcement completed (cafeteria, No. 1 plant, No. 2 plant, product warehouse), earthquake reinforcement work in progress (parts warehouse, jig and tool plant). Evacuation training drills were also held (Disaster drills once, fire drills once). Installed walky-talkies for use in disasters (21 in plant, 1 at company housing building).
Kashima Plant	Tsunami measures	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.
Soka Station	 Revision of disaster drills at bases Revision of product storage rules Measures to prevent falling over of fixtures 	 Revised disaster drills at bases (based on past earthquake experience, changed evacuation routes etc.). Held specialized earthquake evacuation drills (April, November) Revised product storage rules based on past earthquake experience. Took measures to prevent falling over of fixtures and other equipment in offices.
Tsukuba Training Center	Earthquake reinforcement and disaster drills	Took measures to prevent equipment from falling over. Carried out comprehensive disaster drills in preparation for large-scale earthquake (a seismic intensity of 6)
Head Office	Improve earthquake risk measures	To further earthquake risk measures, a memorandum (measures for transfer of building functions in case of earthquake, tsunami measures, and risk management measures) was sent to bases and affiliates.
Tokyo Office	Earthquake reinforcement, evacuation drills, measures for employees who cannot return home	 Measures were taken to prevent cabinets, furniture and fixtures, and equipment with casters (MFPs, laser printers, shredders, etc.) from falling over in an earthquake. Joined in disaster training sponsored by the fire and disaster prevention association of the JR Shinagawa East Building (September). Held drills in using satellite telephones (September). 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. 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. Written rules were made regarding what Daikin managers should do to confirm safety of employees in a disaster.

■ Typhoon Measures

Site	Activity	Overview, results
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

Site	Activity	Overview, results
Sakai Plant	Safety confirmation system	Built a confirmation system that uses safety confirmation and broadcast services. Hold response drills once a year.
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.
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.
Kashima Plant	Safety confirmation system	Established a system for confirming the safety of employees after a disaster occurs. Drills held in replying to this system (once a year).
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.
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 (twice a year). Also checked on those employees who did not respond when contacted during implementation of the safety confirmation system. In case of a disaster occurring on a holiday or at night, as a means of immediate contact with regular employees of the Tokyo Office and with managers sent to handle the situation at the Tokyo Office, and as a means of communication between members of the Tokyo Office Occupational Safety and Health Committee, established a system using a broadcast function for safety confirmation. Drills are held in replying using the broadcast function (twice a year).



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 Industries, Ltd. 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, Ltd. 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, Ltd. 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. In March 2016, the foundation celebrated its 20th anniversary. To mark this occasion, Daikin is stepping up foundation-sponsored activities with the aim of energizing the culture and arts of Osaka, the birthplace of Daikin Industries, Ltd.

Daikin Supports the Kansai Philharmonic Orchestra

Daikin Industries, Ltd. 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.

Since 2004, Daikin Chairman of board Noriyuki Inoue has been a director on the orchestra's committee, and Daikin Industries, Ltd. has sponsored concerts by the orchestra in Nara, Kyoto, Hyogo, and Daikin's home base of Osaka.



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 310)
- > Report by Business Site (http://www.daikin.com/csr/report / site data/index.html)



Concert in China



Philosophy

To promote sports, the Daikin Group sponsors local sports teams and sporting competitions. A major example is Daikin's sponsorship for almost 30 years of the Daikin Orchid Ladies Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour.

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, Ltd. 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, Ltd.'s pro), and Mika Miyazato. In preparation for the 2016 Summer Olympics, when golf will be reinstated as an official Olympic sport, participation in this tournament has been increased from four to five players. This



Teresa Lu was the winner of the tournament's 29th edition

gives amateurs the chance to experience the intense competition of professional golf and thus better prepare to carry the flag for Japan in the next Olympics.

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.

Discussions at the Okinawa Konwakai gave rise to a commerce conference held in Okinawa in 2014. By making Okinawa a hub of international distribution, it can contribute to new foreign sales channels for specialty products from all over Japan.

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 2015, a cumulative total of 567 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 2016, Orchid Bounty donated ¥5.7 million to a total of 11 organizations and individuals, bringing the total contributions since 1995 to ¥129.6 million.



The Orchid Bounty donation ceremony

Local Junior High School Students Invited to Watch Tournament

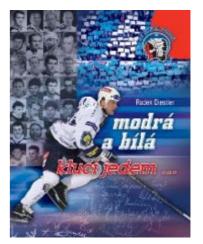
Every year, many of the students from the local Tamashiro Junior High School are invited to watch the tournament. This gives the students a valuable opportunity to learn about and experience the joy of golf. In fiscal 2015, about 125 grade seven students were invited.

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

Daikin Industries Czech Republic s.r.o. supports the Pilsen hockey team through efforts including aiding in the publishing of team-related books, and buying game tickets to distribute to employees. It also sponsored the 7th Pilsen Half Marathon.

- > List of Support for Promotion of Sports (Page 311)
- > Report by Business Site (http://www.daikin.com/csr/report/site_data /index.html)



Daikin Industries Czech Republic s.r.o. supports the publishing of books on the Pilsen hockey team



■ List of Support for Environmental Protection

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Japan)	"Forests for the Air" project Forest protection in Shiretoko (Japan), Indonesia, Cambodia, China, India, Brazil, and Liberia.
	Rejuvenating a forest in Harashiroyama, Takatsuki City, Osaka Prefecture. Rejuvenating a forest in Izuhara, Ibaraki City, Osaka Prefecture.
	Employees and their families took part in tree-planting.
Daikin Europe N.V.	Participated in Energy Hunt campaign aimed at reducing energy usage at home and at work.
	Held Mobility Week, during which employees take bicycles or public transport to work to reduce environmental impact. Company lends bicycles.
Daikin Industries Czech Republic s.r.o.	Implements an environmental education program for kindergarten children.
Daikin Airconditioning U.K., Ltd.	Planting trees to offset CO2 emissions from its business activities.
Daikin Air-conditioning (Shanghai) Co., Ltd.	Conducted tree-planting inside industrial park. Promoted benefits of energy efficiency.
Xi'an Daikin Qing'an Compressor Co., Ltd.	Employees joined in local tree-planting activities.
Daikin Fluorochemicals (China)	Opened cherry tree garden inside the factory premises to the public for an environmental event.
Co., Ltd.	Providing environmental education to elementary school students.
Daikin Malaysia Sdn. Bhd.	Conducted tree-planting in order to protect biodiversity in the tropical rainforest. Took part in 3R International Marathon & Carnival to help raise environmental awareness.
Daikin Industries (Thailand) Ltd.	Conducting tree-planting activities at temples.
Daikin Compressor Industries Ltd.	Conducted tree-planting inside industrial park. Held coral and mangrove rejuvenation activities.
Daikin Applied Americas Inc.	Supporting environmental education.

List of Support for Education

Base	Recipient of support, details of support				
Daikin Industries, Ltd. (Japan)	Held "Circle of Life" environmental education program for elementary schools. Held science experiment classes at elementary schools. Took part in program with Osaka Prefecture University to foster next generation of scientists through experiment-based classes at junior high schools.				
	Support for the Sakai Rugby School The Kanaoka Factory lends its field three times a month to the Sakai Rugby School. In fiscal 2015, about 150 elementary and junior high school rugby players took part.				
Daikin Industries, Ltd. (Sakai Plant)	Factory tours to educate local elementary school students about working society In fiscal 2015, 276 students from three schools took tours.				
	Kendo Training Hall for Children Classes were held three times a week, with 10 students each time.				
Daikin Industries, Ltd. (Yodogawa Plant)	Factory tours for local elementary schools In fiscal 2015, 144 students from two schools took tours.				
	Experience work days for local junior high school students In fiscal 2015, three second-year junior high students from Daiyon Junior High School in Settsu City took part.				
Daikin Industries, Ltd. (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 2015, 215 students from one school 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.				
Daikin Industries, Ltd. (Kashima Plant)	Daikin employees give lessons at local elementary schools Starting in autumn 2010, employees led fluorochemical experiments for upper-class elementary school students.				
Daikin Industries, Ltd. (Soka Station)	Facilities were open to local citizens 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. Supported construction of facilities and made monetary donation to day-care center in Gambia, West Africa.				

Base	Recipient of support, details of support				
Daikin Airconditioning Belgium N.V.	Accepted internship students and held factory tours.				
Daikin Industries Czech Republic s.r.o.	Accepted internship students, held factory tours, and donated air conditioners.				
Daikin Device Czech Republic s.r.o.	Held factory tours for students, accepted student trainees, provided Japanese lessons, 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 France S.A.S.	Accepted internship students.				
Daikin Airconditioning Italy S.p.A.	Supported a university's participation in the Solar Decathlon Europe.				
Daikin Airconditioning Poland Sp. z o.o	Accepted internship students, hosted training of air-conditioning for students.				
Dailein Turkey A.C.	Accepted internship students, held factory tours, and provided scholarships.				
Daikin Turkey A.S.	Conducted joint research with universities and gave lectures at universities				
Daikin (China) Investment Co., Ltd.	Established social reconstruction fund jointly with university. Held course for university students in air conditioning systems. Sponsored science and technology contest a local university Held an interior designer contest.				
Daikin Air-Conditioning (Shanghai)	Hosted university interns, gave factory tours, held seminars, etc.				
Co., Ltd.	Established Daikin Class at local trade school. Provided scholarships to students.				
Daikin Refrigeration (Suzhou) Co., Ltd.	Held factory tours.				
Daikin Device (Suzhou) Co., Ltd.	Provided educational support to partner universities				
Daikin Fluorochemicals (China)	Held factory tours.				
Co., Ltd.	Awarded scholarships to local elementary and junior high school.				
Daikin Fluoro Coatings (Shanghai) Co., Ltd.	Held factory tours and made monetary donation to elementary schools.				
	Hosted internship of 50 Malaysian students from local university or the overseas university for a two-to-three-month period.				
Daikin Malaysia Sdn. Bhd.	Held factory tours for students: cumulative total of 171 participants over several tours.				
	Provided scholarships to students. Donated air conditioner to school library.				
Daikin Industries (Thailand) Ltd.	Held factory tours for university students. Made monetary donation to elementary schools.				
	Held factory tours for 300 students ranging from elementary school to university.				
Daikin Compressor Industries Ltd.	On Children's Day in January, donated scholarship to industrial park in Amata City.				

Base	Recipient of support, details of support			
Daikin Airconditioning India Pvt. Ltd.	Provided support for schools in the form of repairs to walls and doors, the installation of potable water facilities, washrooms, and fans, and the provision of desks and chairs.			
Daikin Australia Pty., Ltd.	Made donations to educational center.			
Daikin America, Inc.	Tied up with university to provide scholarships. Held homestay program in Japan for American high school students. Hosted internship students.			
Daikin Applied Americas Inc.	Hosted internship students, provided scholarships.			

■ List of Support for Promotion of Arts and Culture

Base	Recipient of support, details of support				
	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				
	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				
Daikin Industries, Ltd. (Japan)	Osaka Nohgaku Youseikai Kouenkai				
	Osaka Symphony Orchestra				
	National Museum of Ethnology				
	Fan Club of Mozart-Kammerorchester Japan				
	Art Stream 2014				
	Shigeyama Otofu Kyogen 2014				
	Dojima Yakushido				
	Kaitokudo				
	Osaka Wasso Cultural Exchange Association				
	Exhibition of Shosoin Treasures				
	Japanese Red Cross Society, Osaka Chapter				
	Midosuji Illumination				
	Living & Design 2014				
	SHIKI THEATRE COMPANY				
Daikin Industries Czech Republic	Pilsen Philharmonic Orchestra				
s.r.o.	Sponsored international music festival Young Prague.				
Daikin Applied Europe S.p.A.	Contributed to restoration of bronze statue of Roman emperor Caligula.				
	CAIRIN CAIRING CONTRACTOR CONTRA				
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.				
Daikin Applied Americas Inc.	Supported local music events and film festivals.				

■ List of Support for Promotion of Sports

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Japan)	Daikin Orchid Ladies Golf Tournament
Daikin Industries Czech Republic s.r.o.	Employees took part in the Pilsen Half Marathon.
	Supported the publishing of books on the Pilsen hockey team. **The company of the Pilsen hockey team.** **Th
Daikin Applied Europe S.p.A.	Supported Dragon Boat Club Crew World Championships.
Daikin Airconditioning Central Europe Handels GmbH	Sponsored a tennis tournament for wheelchair athletes.
Daikin America, Inc.	Made donations to support construction of facilities for baseball and softball.

■ List of Activities for Local Citizens

Base	Recipient of support, details of support			
	Holds annual Bon dance festival.			
Daikin Industries, Ltd. (Sakai Plant)	Continued participation in "Adopt a Road" cleanup initiative Under Sakai City's public cleanup campaign, employees took turns cleaning up the streets once a month. The area around the plant and nearby sidewalks were cleaned. At the Kanaoka Plant, employees planted greenery nearby and cleaned up the streets, and employees of the waterfront plants picked up litter on the median dividing the main street.			
	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.			
	Holds annual Bon dance festival.			
Daikin Industries, Ltd. (Yodogawa Plant)	Cleanup Areas around the site cleaned up (once a month). Employees took part in cleanup of local waterways (twice 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.			
	Holds annual Bon dance festival			
	Weeding and cleanup Employees removed weeds that had spread to adjoining public roads and picked up litter.			
Daikin Industries, Ltd. (Shiga Plant)	Cleanup Litter was picked up around the plant (3 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.			

Base	Recipient of support, details of support				
Daikin Industries, Ltd. (Kashima Plant)	Holds a summer festival. Cleanup around the plant Cleanup staff were sent out (twice a month), cleanup days of plant held (once a month).				
	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.				
Daikin Industries, Ltd. (Soka Station)	Holds annual Bon dance festival and cleanups of areas surrounding the site (twice a year), takes part in regional joint disaster training, holds blood donation drive.				
	Holds annual Bon dance festival.				
	Held blood donation drive.				
Daikin Europe N.V.	Supported Shanti-Shanti, an organization which helps bring children of various nationalities and backgrounds aged 6 to 13 years old through the power of music.				
	Donates to local charities.				
	Holds cleanup activities along nearby coastline.				
Daikin Industries Czech Republic s.r.o.	Gathered plastic bottle caps to raise money to pay for medical care for young girl patients.				
Daikin Device Czech Republic, s.r.o.	Gathered donations from company and employees before Christmas and donated money to local orphanage. Cleaned up area around the factory. Donated vitamins to local orphanages.				
	Gathered plastic bottle caps to raise money to donate to service dog training center.				
Daikin Chemical Netherlands B.V.	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.				
	Made donation to the WWF to protect endangered species.				
Daikin Turkey A.S.	Sponsored the Sakura Project, an effort to help women find rewarding work. Cleaned up mountain hiking trails.				
Daikin Air-conditioning (Shanghai)	Holds annual Bon dance festival.				
Co., Ltd.	Held blood donation drive. Formed a volunteer brigade.				
Xi'an Daikin Qing'an Compressor Co., Ltd.	Forty employees joined a local environmental campaign in picking up litter.				
	Cleaned up along the Yangtze River.				
Daikin Fluorochemicals (China) Co., Ltd.	Held blood donation drive.				
CO., Ltd.	Visited a children's hospital and made donations.				
Daikin Fluoro Coatings (Shanghai) Co., Ltd.	Cleaned up area around the factory. Gave to charity for needy families.				
Daikin Malaysia Sdn. Bhd.	Held a blood drive in which 192 employees took part.				
	Donated air conditioners to the police department and hospitals.				
Daikin Industries (Theiland) 1 td	Joined blood donor clinics for the Thai Red Cross.				
Daikin Industries (Thailand) Ltd.	Held events and gave presents on Children's Day.				
	Cleanup up coastal areas.				

Base	Recipient of support, details of support				
	Donated air conditioners to schools and other institutions. Donated water tanks and electric pumps to schools for use on playgrounds and school farm fields. Donated daily necessities to organization for intellectually disabled.				
Daikin Compressor Industries Ltd.	Joined blood donor clinics sponsored by Thai Red Cross.				
Daikin Airconditioning India Pvt. Ltd.	Held blood donation drive. Invited local elementary school students to watch games of the Asia Cup cricket tournament.				
	Supported Summer of Surf campaign in honor of life guards who play the vital role of protecting lives at the beach.				
Daikin Australia Pty. Ltd.	Supported an organization called NSW Police Legacy by helping in the publishing of a children's safety handbook.				
Dainii Australia Fty. Etu.	Held a Christmas party, where donations gathered were donated to a children's hospital. Held a drive to collect toys to donate to a shelter for children taken from homes experiencing domestic violence. Held a food bank drive to collect food items to donate to a charity.				
	Holds annual Bon dance festival.				
Daikin America, Inc.	Since 1994, DAI has been supporting the community through donations to the NPO United Way. It also holds a charity golf tournament.				
	Employees participated in Chemical Collection Day in Decatur, a day to safely dispose of old paint, insecticides, motor oil, fluorescent lamps, and other items that will be recycled.				
	Employees volunteered to help hospice patients do gardening work. Employees supported Girlfriend Gala, an event to promote women's leadership. Supported Christmas and Easter parties for the disabled.				
Daikin Applied Americas Inc.	Made donation to the local community through the United Way.				

■ List of Support for Disaster Victims

Base	Recipient of support, details of support			
Daikin Europe N.V.	Made monetary donations to support victims of an earthquake in April 2015 in Nepal.			
Daikin Malaysia Sdn. Bhd.	Made monetary donations to support victims of an earthquake in April 2015 in Nepal.			
Daikin Compressor Industries Ltd.	Made monetary donations to support victims of an earthquake in April 2015 in Nepal.			





2016

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Honors for Daikin

Sustainability Report Honors for Daikin



Awards for 2016

- For biodiversity protection activities in Indonesia, won the Aroma Environment Association of Japan Prize in the 5th Contest for Corporate Activities on Biodiversity.
- For the 2016 Sustainability Report, won the Another Voice Award (CSR report category) in the UCDA Award 2016, sponsored by the Universal Communication Design Association).



Awards for 2015

Overall CSR (Including SRI)

Daikin Group

■ Chosen for inclusion in the MSCI Global Sustainability Indexes



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Chosen for inclusion in the Morningstar Socially Responsible Investment Index



Chosen for Thomson Reuters Top 100 Global Innovators for 2015

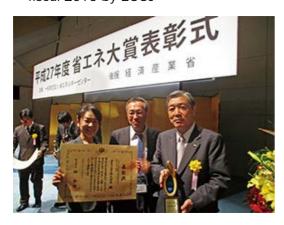
Awarded Bronze Class and recognized as an Industry Mover in the RobecoSAM Sustainability Awards 2016



Environmental Honors

Daikin Industries, Ltd.

■ Daikin Industries, Ltd. was awarded the Minister's Prize, the Ministry of Economy, Trade and Industry for "promotion of energy conservation through worldwide expansion of high efficiency HFC-32 air conditioners;" and the Chairman Prize of Energy Conservation Center, Japan (ECCJ) for its VRV Series of multi-split type air conditioners for commercial buildings in Japan in the Energy Conservation Grand Prize for excellent energy conservation equipment (Product and Business Model Category) for fiscal 2015 by ECCJ



Received the 2015 Environment Minister's Award for Global Warming Prevention Activity in recognition of reducing greenhouse gases through dissemination of HFC-32 air conditioners

Daikin Industries, Ltd., Goodman Global Group, Inc.

Recognized by the White House for continuing commitment to reducing greenhouse gas emissions

Daikin Refrigeration (Suzhou) Co., Ltd.

Awarded Green Factory Award from Suzhou Industrial Park Economic and Trade Development Council, Suzhou Industrial Park Purchase and Trade Association, and the Suzhou Industrial Park Energy Conservation Center



Product Honors

Daikin Group

■ Good Design Award Product Category

For following products: Urusara 7 series; residential multi air conditioner indoor unit for bathroom and kitchen for China; residential air conditioner for Australia; BMS (base model platform for residential air conditioners); residential air conditioner for Turkey

Architecture and facility Category

Daikin Eau de Ciel Tateshina seminar house



Daikin Industries (Thailand) Ltd.

Received a Factory Management Award in the Good Factory Awards, sponsored by the Japan Management Association (JMA)



Daikin (China) Investment Co., Ltd.

- Named one of the top 10 new brands and one of the top 10 air conditioner brands for fiscal 2015 by the Chinese Association of Refrigeration
- Named a recommended air purifier by the China Household Electric Appliance Research Institute (CHEARI)
- Selected as an Excellent Business Partner in the air conditioner category of the 2016 China Real Estate Developers Top 500, as reported by the China Real Estate Research Association and China Real Estate Appraisal



Human Resource Honors

Daikin Industries, Ltd.

Chosen for the New Diversity Management Selection 100, and granted the "Nadeshiko Brand" designation; by Japan's Ministry of Economy, Trade and Industry





Daikin (China) Investment Co., Ltd.

■ Selected for the list of China's Top Organizationally Advanced Companies in strategy for Human Resource 2015, and named to the list of 100 Model Human Resources Companies; by 51job, China's leading human resource solutions provider



Social Contribution Honors

Daikin Industries, Ltd.

- Daikin Industries, Ltd. Weather Calendar was awarded Minister's Prize, the Ministry of Economy, Trade and Industry, the highest honor in the National Calendar Contest in Japan
- For the 2015 Corporate Social Responsibility Report, received an award of excellence in the Environmental Communication Awards, sponsored by the Ministry of the Environment and the Global Environmental Forum







2016

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Data

Sustainability Report

Data



Pages focusing on environmental performance information and social performance indicators can be found here.

Companies covered by data:

D Daikin Industries, Ltd. JG Including group in Japan OG Overseas group companies only

OJG Including group companies in Japan and overseas

Quality and Customer Satisfaction

Number of Inquiries to the Contact Center JG

(thousands)

	2011	2012	2013	2014	2015
Repair inquiries	796	751	767	715	736
Technical advice	719	725	735	699	674
Parts inquiries	325	315	324	318	312
Others	40	38	42	44	48
Total	1,880	1,829	1,867	1,776	1,770

Customer Satisfaction with After-Sales Service* D

	2011	2012	2013	2014	2015
Overall satisfaction	4.06	4.07	4.06	4.10	4.05

^{*} Results from surveys sent to a random sampling of customers within two weeks after a Daikin product is fixed. A weighted average of a five-stage assessment.

■ Low-Impact Products

■ Materials Used **D**

(tons)

	2011	2012	2013	2014	2015
Iron	52,349	48,757	62,734	67,760	61,986
Copper	13,998	12,945	14,170	14,620	13,316
Aluminium	8,297	8,043	11,637	11,408	11,667
Plastics	11,319	11,348	19,130	18,499	18,369
Chemicals (PRTR-designated)	107,165	98,187	126,346 <mark>*1</mark>	122,426	122,795
Packaging	10,990	13,515	10,253 ^{*2}	8,079	10,371
Other metals			1,754	1,446	1,264

^{*1} From fiscal 2010 to 2012, calculation covered PRTR substances and refrigerants, but starting in fiscal 2013 other materials were included as well.

^{*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 |

		2011	2012	2013	2014	2015
Residential air conditioners collected by major manufacturers (including Daikin) (units: million)			2.36	2.96	2.22	1.50
esidential air co lousand)	nditioners collected by Daikin only (units:	200	210	280	230	250
Weight of pro	ducts recycled or reused (tons)		8,998	10,523	10,783	10,369
Amount recyc	led (tons)	7,776	7,947	9,313	9,661	9,419
Recycling ratio	0 (%)	86	88	88	89	90
	Iron (%)	40	39	38	36	36
	Copper (%)	8	8	8	9	8
	Aluminium (%)	7	7	7	6	5
(Breakdown)	Mixture of non-ferrous and iron composite materials (%)	35	33	34	34	35
	CFCs (%)					0.1
	Other valuable materials (%)	10	13	13	15	16
Fluorocarbons	recoverd (tons)	128	135	158	164	160

■ Low-Impact Production

1) Greenhouse Gas Emissions

■ Greenhouse Gas Emissions (Production) OJG

(Thousand tons-CO₂)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CO ₂ (Energy)	540	550	550	510	490	580	590	580	670	680	710
HFC	760	680	500	270	200	120	120	110	150	140	140
PFC	2,840	2,050	1,770	920	650	940	840	650	490	650	400
Total	4,140	3,280	2,820	1,700	1,340	1,650	1,560	1,340	1,300	1,460	1,260

CO2 Emissions per Production Output OJG

(%)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CO2 emissions											
rate for entire											
Group with	100	86	80	80	86	83	75	74	81	85	85
FY2005 set as											
100%											

■ CO2 Emissions per Sales from Transportation (Air-conditioning) D

(%)

	2001	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CO2 emissions per sales with FY2001 set as 100%	100	80	72	74	72	71	69	68	67	65	63

Amount Destroyed in Fluorocarbon Recovery and Destrution (At Time of Repair and at Time of Disposal)

(tons)

	2011	2012	2013	2014	2015
Recovered fluorocarbons at time of disposal	33	31	30	58	72
Recovered fluorocarbons at time of repair	320	345	303	317	329

Note: Amount destroyed at Yodogawa Plant, Kashima Plant, or one of the contracted destruction facilities around Japan.

Note: Figures until fiscal 2013 are for Daikin Industries only, and figures from fiscal 2014 are for the Daikin Group in Japan.

2) Energy Consumption

■ Energy Consumption OJG

	2011	2012	2013	2014	2015
Electricity (MWh)	586,423	568,186	633,454	662,269	725,625
City Gas (million m ³)	79.02	75.86	82.77	81.81	85.49
LPG (tons)	2,606	2,946	2,726	2,630	2,770
Steam (GJ)	658,963	285,391	721,531	738,095	792,769
Petroleum (kl)	4,108	5,366	2,719	2,218	1,571

3) Green Procurement

■ Green Procurement Rate by Region* OJG

(%)

	2011	2012	2013	2014	2015
Japan	96	99	95	94	96
Thailand	98	98	98	98	95
China	91	92	96	97	95
Europe	81	83	86	91	93
Other countries in Asia and Oceania	87	90	84	76	65
North America	3	3	38	39	38
All regions	84	89	84	78	65

^{*} 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 m³)

	2011	2012	2013	2014	2015
Water Used	6,680	6,710	7,310	7,070	7,010

■ Water Use per Unit of Production Output **OJG**

(%)

	2011	2012	2013	2014	2015
Overall water used					
per unit with	88	89	93	91	07
FY2010 set as	00	09	93	91	07
100%					

■ Waste Water | OJG |

(Thousand m³)

	2011	2012	2013	2014	2015
Waste Water	4,940	4,820	5,040	4,690	5,230

5) Water Pollutant and Air Pollutant Emissions

Air Pollutant Emissions D

(tons)

	2011	2012	2013	2014	2015
NOx	24	39	28	31	31
SOx	0.0	0.0	0.0	0.0	0.0
VOC	426	379	386	396	381

Air Pollutant Emissions JG

(tons)

	2011	2012	2013	2014	2015
NOx	27	39	28	31	31
SOx	0.0	0.0	0.0	0.0	0.0
VOC	427	380	387	397	382

Air Pollutant Emissions | OG

(tons)

	2011	2012	2013	2014	2015
NOx	75	94	77	62	64
SOx	30	20	5	4	6
VOC	1,139	1,152	973	926	1,006

6) Chemical Substance Emissions

Release of Substances Designated by the Pollutant Release and Transfer Register Law D

(tons)

	2011	2012	2013	2014	2015
Release of					
substances	114	108	93	90	99
designated by	114	100	93	90	33
PRTR Law					

Release of Substances Designated by the Pollutant Release and Transfer Register Law JG

(tons)

	2011	2012	2013	2014	2015
Release of substances designated by PRTR Law	115	111	95	92	101

■ Compilation of PRTR Substances (PRTR substances of which at least 1 ton was handled) | **JG**|

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- (TO	ın	51

2015							
	Amo	unt emitted (to	ons)	Amount trans	ported (tons)		
Substance name	Air	Public waterways	Soil	Waste	Sewage		
Chlorodifluoromethane; HCFC-22	53.02	0.00	0.00	0.37	0.00		
Dichloromethane; methylene dichloride	31.61	0.00	0.00	3.10	0.00		
1-chloro-1,1-difluoroethane; HCFC-142b	9.90	0.00	0.00	0.00	0.00		
Toluene	3.35	0.00	0.00	0.59	0.00		
2-chloro-1,1,1,2-tetrafluoroethane; HCFC-124	1.40	0.00	0.00	0.00	0.00		
N-hexane	1.15	0.00	0.00	1.00	0.00		
Chloroform	0.84	0.00	0.00	4.10	0.00		
Phenol	0.76	0.00	0.00	0.77	0.00		
Xylene	0.71	0.00	0.00	0.00	0.00		
Formaldehyde	0.42	0.68	0.00	0.30	0.00		
1,2,4-trimethylbenzene	0.30	0.00	0.00	0.00	0.00		
Hydrogen fluoride and its water-soluble salts	0.24	0.00	0.00	75.00	0.00		
Ethylbenzene	0.20	0.00	0.00	0.00	0.00		
Poly(oxyethylene)alkyl ether(alkyl C=12-15)	0.02	0.00	0.00	44.00	0.25		
N,N-dimethylacetamide	0.01	0.00	0.00	0.00	0.00		
Methylnaphthalene	0.01	0.00	0.00	0.00	0.00		
N,N-dimethylformamide	0.01	0.00	0.00	5.10	0.00		
Acetonitrile	0.00	0.00	0.00	3.10	0.04		
Boron compounds	0.00	0.43	0.00	0.58	0.01		
Ferric chloride	0.00	0.00	0.00	8.74	0.00		
Antimony and its compounds	0.00	0.00	0.00	1.20	0.00		
Methylenebis(4,1-phenylene)diisocyanate	0.00	0.00	0.00	1.03	0.00		
Zinc compounds(water-soluble)	0.00	0.00	0.00	0.55	0.14		
Tritolyl phosphate	0.00	0.00	0.00	0.05	0.00		
Molybdenum and its compounds	0.00	0.00	0.00	0.03	0.00		
Copper salts (water-soluble, except complex salts)	0.00	0.00	0.00	0.00	0.00		
Allyl alcohol	0.00	0.00	0.00	0.00	0.00		
Tetrachloromethane	0.00	0.00	0.00	0.00	0.00		
Water-soluble salts of peroxodisulfuric acid	0.00	0.00	0.00	0.00	0.00		

■ VOC Emissions OJG

(tons)

	2011	2012	2013	2014	2015
Japan	427	380	387	397	382
Overseas	1,150	1,164	981	931	1,006
Entire Group	1,577	1,544	1,368	1,328	1,388

7) Waste

Amount of Waste and Recycled Materials OJG

(tons)

	2011	2012	2013	2014	2015
Amount of Waste					
and Recycled	92,639	89,690	94,865	99,890	102,653
Materials					

■ Amount of Waste and Recycled Materials per Unit of Production Output OJG

(%)

	2011	2012	2013	2014	2015
Overall waste					
generated per unit with FY2010 set as 100%	96	93	93	99.8	98

Recycling Ratio OJG

(%)

	2011	2012	2013	2014	2015
Japan	99.8	99.8	99.7	99.7	99.9
Overseas	72.3	72.6	76.6	81.5	77.8
Entire Group	82.0	81.8	83.4	86.9	83.8

■ Environmental Management

Report from Audits JG

Items improved

(cases)

	201	1		20	12	2013		
	Problems found from internal environmental audits	Problem by third certific instit	d-party cation	Problems found from internal environmental audits	Problems found by third-party certification institutes	Problem from ir enviror aud	nternal Imental	Problems found by third-party certification institutes
Major non-conformance	2		0	5	0		3	0
Minor non-conformance	38	0		43	0	37		0
Items improved	219		5	229	6	194		9
		20	14		20	15		
	Problems found internal environr audits	onmental third-pa		lems found by arty certification institutes	Problems found from internal environmental audits		third-pa	ems found by arty certification nstitutes
Major non-conformance		0		0	0		0	
Minor non-conformance		24		0		17		0

■ Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification OJG

157

(%)

6

					(, 0)
	2011	2012	2013	2014	2015
Japan	100	100	100	100	100
Overseas	83	83	84	91	93

■ Employees

1) Number of Employees, Hiring, etc.

■ Employee Composition (Data for Daikin Industries, Ltd.) (Note: Number currently employed) D

	As of end of March 2010		As of end of March 2011		As of end of March 2012		As of end of March 2013		As of end of March 2014		As of end of March 2015	
	Men	Women										
Number of employees	6,717	961	6,705	974	6,774	1,025	6,810	1,084	6,839	1,151	6,844	1,189
Average range of services (years)	17.1	10.0	16.8	10.5	16.5	10.4	16.4	10.3	16.6	10.3	16.7	10.5
Average age	41.8	34.2	41.2	34.3	41.7	35.1	41.6	34.6	41.5	34.5	41.3	33.8
Number of managers	936	16	933	21	939	21	951	22	957	29	984	36
Number of board members	44	1	45	1	47	1	47	1	46	1	48	1
Number of foreign nationals	30	21	34	21	38	20	38	20	47	29	52	21

Note: Includes employees on loan Note: Figures as of fiscal year-end

■ Employee Make-up by Region **OJG**

	20	11	20	12	20	13	20	14	20	15
	Number of companies	Number of employees	Number of companies		Number of companies	Number of employees		Number of employees		Number of employees
Daikin Industries, Ltd. (Only)	1	6,550	1	6,668	1	6,733	1	6,845	1	6,870
Domestic Group (Excluding Daikin Industries, Ltd.)	29	4,594	28	4,673	28	4,707	28	4,729	28	4,848
China	32	12,471	34	13,824	33	16,857	32	19,044	33	18,791
Southeast Asia, Oceania	37	9,377	39	10,149	40	10,739	38	10,593	38	11,237
Europe, Middle East, Africa	59	6,466	58	6,476	57	6,605	58	6,774	59	7,175
North America, Latin America	25	4,652	48	9,608	51	10,599	54	11,194	55	11,884
Total	183	44,110	208	51,398	210	56,240	211	59,179	214	60,805

Note: Figures as of fiscal year-end

■ Number of Employees Leaving, Employee Turnover D

	2011	2012	2013	2014	2015
Men	204	266	236	247	254
Women	42	49	56	48	59
Total	246	315	292	295	313
Employee turnover	3.9%	4.0%	3.7%	3.7%	3.9%

■ Number of Women Periodically Hired; Percentage of All Employees D

	2011	2012	2013	2014	2015
Men	172	215	170	179	174
Women	42	60	92	80	83
Total	214	275	262	259	257
Women as % of all employees	19.6%	21.8%	35.1%	30.9%	32.3%

Note: Number of people joining the company on April 1

2) Occupational Safety and Health

■ Number of Accidents Resulting in Time Off Work D

		2011	2012	2013	2014	2015
Number of accidents resulting in time off work	Accidents resulting in time off work	15	5	1	4	3
	Commuting accidents resulting in time off work	6	3	2	1	1

Frequency Rate* D

	2011	2012	2013	2014	2015
Daikin Industries, Ltd.	0.20	0.32	0.06	0.25	0.19
National average for all industries	1.62	1.59	1.58	1.66	1.61
National average for manufacturing industry	1.05	1.00	0.94	1.06	1.06

^{*} 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

	2011	2012	2013	2014	2015
Daikin Industries, Ltd.	0.00	0.01	0.01	0.00	0.00
National average for all industries	0.11	0.10	0.10	0.09	0.07
National average for manufacturing industry	0.08	0.10	0.10	0.09	0.06

^{*} 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

	2011		2012		2013		2014		2015	
	Men	Women								
Number of retirees	185	2	170	7	136	4	105	6	123	7
Number of re-employed workers	171	1	150	6	120	4	96	6	103	5
Percentage re-employed after retiring		92.0%		88.1%		88.6%		91.9%		83.1%

4) Disabled People Employed

■ Number of People with Disabilities Employed JG

	2011	2012	2013	2014	2015
Number of people with disabilities employed*1	301	287	294	297	303
Employment rate*2	2.49	2.34	2.07	2.19	2.15

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

Note: Figures as of fiscal year-end

5) Work-Life Balance

■ Number Taking Leave Before and After Child Birth and Employees Taking Childcare Leave D

		2011	2012	2013	2014	2015
Number taking leave before and after child birth	Women	33	48	69	71	85
	Men	93	93	120	130	128
Number taking childcare leave	Women	58	68	88	101	112
5	Total	151	161	208	231	240
Total		184	209	277	302	325

■ Number Taking Family Care Leave D

		2011	2012	2013	2014	2015
Number taking family care leave	Men	1	2	2	2	0
	Women	0	1	1	1	0
Total		1	3	3	3	0

^{*2} Employment rate = number of people with disabilities employed / number of people employed

Percentage of Employees Taking All Paid Leave D

(%)	

	2011	2012	2013	2014	2015
Percentage of Daikin Industries, Ltd. employees	93.4	92.9	94.4	94.8	94.8
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	55.3	56.5	57.6	58.7	54.7

Average Hours of Overtime per Employee D

(hours)

	2011	2012	2013	2014	2015
Hours	222.30	225.60	227.50	205.60	201.70

Periodic Health Checkup Results D

(%)

					, ,
	2011	2012	2013	2014	2015
% of employees taking checkup	97	97	97	98	99
% of employees requiring treatment	47	50	61	53	72

6) Patent Applications

■ Number of Patent Applications

	2010	2011	2012	2013	2014
Japanese applications	1,141	686	898	1,136	948
Overaseas applications	242	202	378	344	344

■ Shareholders and Investors

■ Consolidated Sales by Business Segments

(%)

	2011	2012	2013	2014	2015
Air Conditioning/Refrigeration Equipment	85.5	86.8	89.3	89.3	89.5
Chemicals	10.9	9.6	7.9	7.8	7.9
Oil Hydraulics, Defense Systems, and Electronics	3.6	3.6	2.8	2.9	2.6

■ Consolidated Sales by Region

(%)

	2011	2012	2013	2014	2015
Japan	38.9	38.3	28.9	26.0	24.6
China	17.7	18.2	18.1	18.5	17.1
Asia and Oceania	13.4	14.4	13.4	14.2	14.9
Europe, Middle East, and Africa	19.5	18.4	16.9	15.8	16.7
North America, Latin America	10.5	10.7	22.7	25.5	26.7

Net Sales

(¥ billion)

	2011	2012	2013	2014	2015
Consolidated	1,218.7	1,290.9	1,877.7	1,915.0	2,043.7
Non-consolidated	446.6	462.7	503.7	477.6	500.4

■ Total Assets

(¥ billion)

	2011	2012	2013	2014	2015
Consolidated	1,160.6	1,735.8	2,011.9	2,264.0	2,191.1
Non-consolidated	797.7	1,140.1	1,264.8	1,346.7	1,308.3

Ordinary Profit

(¥ billion)

	2011	2012	2013	2014	2015
Consolidated	81.8	94.1	155.6	194.2	209.5
Non-consolidated	35.4	35.7	44.6	75.7	86.5

Fiscal Year End Stock Prices

(yen)

	2011	2012	2013	2014	2015
Fiscal year end stock prices	2,253	3,690	5,782	8,046	8,412

Dividends

(yen)

	2011	2012	2013	2014	2015
Dividends	36	36	50	100	120

■ Breakdown of Shareholders

	2011			2012			2013		
	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	160	135,128,030	46.1%	137	133,897,630	45.7%	139	124,217,630	42.4%
Securities companies	96	11,044,961	3.8%	69	6,489,682	2.2%	84	10,276,183	3.5%
Other corporations	653	34,995,334	11.9%	580	29,567,732	10.1%	558	33,388,138	11.4%
Foreign corporation	476	77,871,495	26.6%	478	94,612,756	32.3%	586	104,370,042	35.6%
Individuals, other	48,782	34,074,153	11.6%	40,398	28,546,173	9.7%	33,431	20,861,980	7.1%
Total	50,167	293,113,973	100.0%	41,662	293,113,973	100.0%	34,798	293,113,973	100.0%

		2014		2015		
	Number of voters	Shares held	As % of all shareholders	Number of voters	Shares held	As % of all shareholders
Financial institutions	146	128,490,830	43.8%	152	140,252,048	47.9%
Securities companies	79	7,541,543	2.6%	73	8,047,833	2.7%
Other corporations	516	33,322,051	11.4%	513	30,800,241	10.5%
Foreign corporation	672	105,460,144	36.0%	689	97,020,517	33.1%
Individuals, other	28,443	18,299,405	6.2%	27,500	16,993,334	5.8%
Total	29,856	293,113,973	100.0%	28,927	293,113,973	100.0%

■ Dividends to Shareholders Equity

(%)

	2011	2012	2013	2014	2015
Dividends to					
shareholders	43.3	35.6	39.9	45.3	46.3
equity					

■ Voting Rights Exercised

	2011	2012	2013	2014	2015
Voting rights exercised (%)	78.18	81.55	82.07	83.24	85,68
Votes cast over the Internet	1,056,103	1,244,629	1,337,000	1,443,620	1,495,992
Shereholderes voting online	1,115	900	868	923	902

■ Business / Financial Data (Consolidated)

	2011	2012	2013	2014	2015	2016
	Years ended March 31, 2012	Years ended March 31, 2013	Years ended March 31, 2014	Years ended March 31, 2015	Years ended March 31, 2016	(Forecast)
Net Sales (¥ billion)	1,218.7	1,290.9	1,787.7	1,915.0	2,043.7	2,080.0
Operating Income (¥ billion)	81.2	88.6	156.5	190.6	217.9	220.0
Ordinary Income (¥ billion)	81.8	94.1	155.6	194.2	209.5	217.0
Net Income (¥ billion)	41.2	43.6	92.8	119.7	137.0	140.0
Earnings Per Share (yen)	141.37	149.73	318.33	410.19	469.23	479.39
Overseas Business Ratio (%)	61	62	71	74	75	-
Free Cash Flow (¥ billion)	-35.0	35.7	86.9	60.2	78.3	-
Return on Assets (%)	3.6	3.5	4.9	5.6	6.3	-
Return on Equity (%)	8.3	7.8	13.1	13.1	13.4	-
Shareholders' Equity Ratio (%)	43.3	35.6	39.9	45.3	46.3	-
Plant- and-Equipment Investment (¥ billion)	48.3	54.3	59.4	784	112.7	-
Reseach & Development Costs (¥ billion)	33.0	33.6	40.2	52.8	46.1	-
Liability with Interest Ratio (%)	33.6	40.7	34.5	29.3	27.8	-

Donations D

(%)

		2011	2012	2013	2014	2015
Environmental pro	tection	26	22	25	45	64
Educational suppo	rt	19	40	14	7	7
	Sports, art, culture	12	12	26	4	11
Living in harmony with communities	Local communities, welfare, others	9	14	11	6	6
	International exchange	10	13	17	39	11
	Disaster relierf	24	0	7	0	0

■ Governance

■ Executive Compensation

		2011	2012	2013	2014	2015
	Number	13	13	12	13	12
Directors	Amount of compensation (¥ million)	801	823	979	1,185	1,284
Audit &	Number	5	4	6	4	5
Supervisory Board Member	Amount of compensation (¥ million)	89	89	89	90	94
	Number	18	17	18	17	17
Total	Amount of compensation (¥ million)	891	913	1,069	1,275	1,378

Note: About compensation amounts

For fiscal 2011, the compensation amount for the term of office of one auditor and one director who retired is included.

For fiscal 2012, the compensation amount for the term of office of one director who retired is included.

For fiscal 2013, the compensation amount for the term of office of two auditors who retired is included.

For fiscal 2014, the compensation amount for the term of office of one director who retired is included.

For fiscal 2015, the compensation amount for the term of office of one auditor who retired is included.

Starting Salary

(yen)

	2011	2012	2013	2014	2015
University grad	215,000	215,000	220,000	225,000	225,000
Masters	234,800	234,800	239,800	244,800	244,800
PhD	258,800	258,800	263,800	268,800	268,800

Note: Figures are those during April of each year.





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Third-Party Verification

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Method of Calculating Greenhouse Gas Emissions Data	339

Sustainability Report Third-Party Verification



To ensure reliability of the content of this report, the Daikin Group had a third-party verification conducted for data on greenhouse gas emissions, water use, and wastewater.

Data Covered by Verification

Environmental Impact Data on Business Operations in FY2015

- 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 42 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 CO₂ Emission Reduction through the Use of Products

- Contribution to CO₂ emission reduction through the use of inverter air conditioners sold in emerging countries in FY2015.
- Contribution to CO₂ emission reductions through the use of air conditioners sold in Japan in fiscal 2015.
- Contribution to greenhouse gas emission reductions through fiscal 2015 worldwide sales of air conditioners that use HFC-32 low-global-warming potential refrigerant.

Daikin Group Sustainability Report 2016 Independent Verification Report

To: Daikin Industries, Ltd.

Bureau Veritas Japan Co., Ltd.

System Certification Services Headquarters

tries, Ltd. (Daikin) to conduct an independent

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 Sustainability Report 2016 (the Report), issued under the responsibility of Daikin. The aim of the verification is to consider the reliability and 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 FY2015

Bureau Veritas conducted a verification of the following data

Data verified	Sites Visited	Verification or Review Methodology
Scope 1 and Scope 2 GHG emissions through business operations of four production bases of Daikin, eight production subsidiaries within Japan and 42 production subsidiaries overseas	- Daikin Head Office - NIPPON MUKI CO., LTD. Yuki Plant - Daikin Malaysia Sdn.Bhd Daikin Europe N.V TOHO KASEI Co., Ltd. Nara Plant - Daikin Air-conditioning (Shanghai) Co., Ltd. Huizhou factory - AAF (Suzhou) Co., Ltd - AAF (Shenzhen) Co., Ltd - AAF (Wuhan) Co., Ltd - Daikin Electronic Devices Malaysia Sdn.Bhd Daikin Applied Europe Cecchina factory	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
Water used and Waste water through business operations of four production bases of Daikin, eight production subsidiaries within Japan and 42 production subsidiaries overseas	Daikin Head Office NIPPON MUKI CO., LTD. Yuki Plant Daikin Malaysia Sdn.Bhd. Daikin Europe N.V. Daikin Industries, Ltd. Kashima Plant TOHO KASEI Co., Ltd. Nara Plant	
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	2)

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 GHG emission reduction by sold products

Bureau Veritas conducted a review of the following data.

Data Reviewed	Site Visited	Review Methodology
The amount of contribution to CO ₂ emission reduction through the use of inverter air conditioners sold for emerging countries in FY2015	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
The amount of contribution to CO ₂ emission reduction through the use of air conditioners sold for Japan in FY2015 (Base year FY2005)		departments of the relevant products and services - Comparison between the data used in the calculation of emissions reductions and the supporting documentary evidence
The amount of contribution to GHG emission reduction through the change to low global warming potential refrigerant (R32) charged into air conditioners sold in FY2015		

2. Findings

On the bases of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the reviewed information within the scope of our verification and review is inaccurate and does not provide a fair representation of the performance for the defined period.
- It is our opinion that Daikin has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our verification and review.

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 sustainability 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 Japan Co., Ltd. (Bureau Veritas) was engaged by Daikin Industries, Ltd. (Daikin) to conduct verification of the greenhouse gas (GHG) emissions reported in the Daikin Group CSR Report 2016 for the period of April 1, 2015 through March 31, 2016.

1. Scope of Verification

Daikin requested Bureau Veritas to verify, to a limited level of assurance, the accuracy of the following GHG information:

- 1) Scope 1 and Scope 2 GHG emissions:
 - ·CO₂ from energy use, HFCs, PFCs: GHG emissions through business operations of four production bases of Daikin, eight production subsidiaries within Japan and 42 overseas production subsidiaries
 - ·CO₂ from non-energy use, CH₄, N₂O, SF₆: GHG emissions through business operations of four production bases of Daikin
- 2) Categories 1, 4, 6 and 11 of Scope 3 GHG emissions accounted and reported in line with the GHG Protocol's 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard' within 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	Scope 2 (market-based)	Scope 3				
742,927 t-CO ₂ e	517,508 t-CO ₂ e	103,056,946 t-CO ₂ e				

The breakdown of Scope 3 emissions are as follows.

Category 1: 1,525,597 t-CO₂e | Category 4: 21,775 t-CO₂e | Category 6: 12,726 t-CO₂e Category 11: 101,496,848 t-CO₂e

[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.

Third-Party Verification Method of Calculating Greenhouse Gas Emissions Data

Greenhouse gas emissions data are calculated as follows.

(1) Use of fuel at sites (Energy-induced CO2) 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, CO2 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 CO₂, CH₄, N₂O, SF₆ emissions in production processes at sites Scope 1

- The scope of calculation is as follows. Four manufacturing bases of Daikin Industries (Non-energy-induced CO₂, CH₄, N₂O, SF₆).
- 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 CO2) Scope 2

• The scope of calculation covers four manufacturing bases of Daikin Industries, eight manufacturing subsidiaries in Japan, and 43 manufacturing subsidiaries overseas.

CO2 emissions coefficients are as follows.

Purchased electricity: In Japan: 0.384 kg-CO₂/kWh

Based on Environmental Activity Evaluation Program (Eco-Action 21)

(1998, Ministry of the Environment)

Overseas: Based on Report on Survey of Estimates of CO2 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-CO₂/MJ

Based on Environmental Activity Evaluation Program (Eco-Action 21) (1998,

Ministry of the Environment)

For Kashima Plant, 0.05 kg-CO₂/MJ (surveyed value by site)

(5) Purchased products and services (Energy-induced CO2) Scope 3

- Period: April 1, 2014 to March 31, 2015
- Scope of calculation covers components and materials purchased for air conditioners, water heaters, oil hydraulic products, and fluorochemical products produced in Japan, China, Thailand, Malaysia, Belgium, and the Czech Republic.
- For each, purchased amount is multiplied by CO2 emission coefficient.
- CO2 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 CO2) Scope 3

- Period: April 1, 2014 to March 31, 2015
- 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 CO2 conversion coefficient.
- CO2 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 CO2 emissions, by Policy Research Institute for Land, Infrastructure, Transport and Tourism.

(7) Business trips (Energy-induced CO2) Scope 3

- Period: April 1, 2014 to March 31, 2015
- 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 CO2 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).
- CO2 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) CO2 emissions in use of products sold in Japan (Energy-induced CO2) Scope 3

- Scope of calculation covers CO2 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, ASEAN, China, Hong Kong, Taiwan, Australia, and the EU in fiscal 2014.
- Calculation method: Annual electricity consumption X product lifecycle X electricity CO2 emission coefficient X products sold in fiscal 2014.
- Annual electricity consumption and others are as follows.

Annual electricity Catalog values for room air conditioners, assumed conditions of actual use for other

consumption: products.

Product lifecycle: 10 years for room air conditioners, water heaters, and air purifiers, 13 years for other

products.

Electricity CO₂ In Japan: 0.348 kg-CO₂/kWh;

based on Environmental Activity Evaluation Program (Eco-Action 21) (199 emission

coefficient: Ministry of the Environment).

Overseas: Based on Report on Survey of Estimates of CO₂ Unit Emissions in Power

Generation Fields in Countries of the World (The Japan Electrical

Manufacturers' Association), or on "Methodology for Ecodesign of Energy

related Products (COWI, VHK)."

• 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 of calculation covers refrigerant leakage during use of refrigeration and air conditioning equipment sold in Japan, ASEAN, China, Hong Kong, Taiwan, Australia, and the EU in fiscal 2014.
- Calculation method: Annual leakage rate X product lifecycle X global warming coefficient of refrigerant X products sold in fiscal 2014.
- 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
- Up to 80% of the total sales volume, in order of highest selling products, was calculated, and a 100% value estimate calculation was done.



Sustainability Report

2016

-Web version -

Guidelines

Sustainability Report Guidelines



■ GRI Sustainability Reporting Guidelines Version 4.0 (G4)

This page contains information on the standard disclosure items of the GRI Sustainability Reporting Guidelines.

Until fiscal 2015, the Daikin Group stipulated and took action on four key CSR themes —the environment, quality and customer satisfaction, human resources, and social contribution—on which it based its medium-and long-term CSR targets and plans. The table below shows the relationship between these CSR targets and plans and aspects of the standard disclosure items designated in the G4 guidelines.

CSR targets and plans for fiscal 2016 onwards are currently being formulated.

> For details on materiality identification in the Daikin Group, see CSR Management. (Page 32)

■ Relationship Between Key Daikin Group CSR Themes and Aspects of Standard Disclosure Items of Version 4.0 of GRI Guidelines

Key CSR Themes	Medium-term CSR Goals and Plans (by Fiscal 2015)	Boundaries (of impact)	G4 Aspects	Why the Aspect is Material
Environment				
Providing the World with Providing the World w	roducts That Help Customers Redu	uce CO2 Emissions	3	
Disseminating inverter products Disseminating heat-pump type heating systems Offering energy-saving solutions Developing future refrigerants	 Through expansion in the widespread use of energy-saving products such as those using inverters, aim to help curtail CO2 emissions by 30 million* tons for emerging countries. Disseminate of air conditioners using the low global warming potential refrigerant HFC-32. 	Daikin Group Consumers	Emissions Products and Services	Focusing on air conditioners, which have an environmental impact through the large amounts of electricity they consume, and fluorocarbon refrigerants, which have an impact on climate change, Daikin is developing and releasing products and services that reduce these impacts.

Key CSR Themes	Medium-term CSR Goals and Plans (by Fiscal 2015)	Boundaries (of impact)	G4 Aspects	Why the Aspect is Material
Minimize environmental im	pact from production and other ac	tivities		
· Greenhouse gases	Reduce fiscal 2015 levels to 1/3 (67%) of the level compared with fiscal 2005.		Emissions	
· Waste	Reduce overall amount of waste.		Effluents and Waste	
· Water	Reduce amount of water used.		Water	As a manufacturer, we are
	· Reduce PRTR substances		Emissions	obligated to reduce the environmental impact of
· Chemicals	· Reduce VOCs	Daikin GroupSuppliers	Effluents and Waste	our production activities. We therefore strive to
· Green Heart Factories	 Have major production sites certified as Super Green Heart Factories. Have all production sites certified as Green Heart Factories. 		-	reduce greenhouse gas emissions throughout the supply chain.
· Green Heart Offices	Have major bases in Japan certified as Green Heart Offices.		-	
Expand the Green Heart ci	rcle 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.	Daikin Group Local communities and society	Biodiversity Local Communities Emissions	To prevent forest depletion, a cause of climate change, we focus on working closely with communities to protect forests.
Quality and Customer Satis	sfaction			
Giving Customers the Ultin	nate Satisfaction			
Safety & Quality Customer Satisfaction	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.	Daikin GroupCustomersSuppliers	Customer Health and Safety Product and Service Labeling	As we accelerate expansion of overseas business, we prioritize products and customer satisfaction that match local needs.
Human Resources				
Through People-Centered	Management, Creating a Workplac	e Where Employee	es Can Demonst	rate Their Abilities
 Human Resource Development Diversity of Employees Balancing the Responsibilities of Work and Family Occupational Safety & Health 	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. Maximizing the talents of women and experienced employees.	· Daikin Group	Training and Education Diversity and Equal Opportunity Employment Occupational Health and Safety	As overseas employees make up an increasing portion of the Daikin Group's human resources, we focus on creating a work environment conducive to employees' personal growth, based on the belief that "the cumulative growth of all group members serves the foundation for the group's development."

Key CSR Themes	Medium-term CSR Goals and Plans (by Fiscal 2015)	Boundaries (of impact)	G4 Aspects	Why the Aspect is Material
Social Contribution				
Employees Taking the Initia	tive In Local Grassroots Action			
By working to protect the environment, support education, and live in harmony with communities, Daikin employees take the lead in community service aimed at providing each region with the support it needs.	Contribute to society as a respected and trusted company with roots in communities around the world.	Daikin Group Local communities and society	Local Communities Biodiversity	We believe that collaborating with residents of the regions where we do business to make their communities better will in turn contribute to the growth of Daikin.

■ G4 Content Index

General Standard Disclosures

Core		Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	Strategy a	and Analysis				
©	G4-1	a. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.		6.2	▶ Top Message	
	G4-2	a. Provide a description of key impacts, risks, and opportunities.				
	Organizat	ional Profile				
0	G4-3	a. Report the name of the organization.				
0	G4-4	a. Report the primary brands, products, and services.				
0	G4-5	a. Report the location of the organization's headquarters.				
0	G4-6	a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.				
0	G4-7	a. Report the nature of ownership and legal form.		6.3.10 6.4.3 6.4.4	Daikin Group	
0	G4-8	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).		6.4.5 6.8.5	Business Overview	
	G4-9	 a. Report the scale of the organization, including: Total number of employees Total 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) Quantity of products or services provided 				

Core		Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
©	G4-10	 a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries). 	GC principle 6	6.3.10 6.4.3	Workplace Diversity, Equal Opportunity	
0	G4-11	a. Report the percentage of total employees covered by collective bargaining agreements.	GC principle 3	6.4.4 6.4.5 6.8.5	Labor Management Relations	
0	G4-12	a. Describe the organization's supply chain.			> Value Chain	
	G4-13	 a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: Changes in the location of, or changes in, operations, including facility openings, closings, and expansions Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination 			_	
	COMMITN	MENTS TO EXTERNAL INITIATIVES				
0	G4-14	a. Report whether and how the precautionary approach or principle is addressed by the organization.			▶ Risk Management	
0	G4-15	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.			Participation in the Global Compact	

Core		Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
©	G4-16	a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: · Holds a position on the governance body · Participates in projects or committees · Provides substantive funding beyond routine membership dues · Views membership as strategic			-	
	Identified	Material Aspects and Boundaries				
0	G4-17	 a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. 			▶ Editorial Policy	
0	G4-18	 a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content. 			▶ Editorial Policy	
0	G4-19	a. List all the material Aspects identified in the process for defining report content.			CSR Management	
©	G4-20	 a. For each material Aspect, report the Aspect Boundary within the organization, as follows: Report whether the Aspect is material within the organization If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: —The list of entities or groups of entities included in G4-17 for which the Aspect is not material or —The list of entities or groups of entities included in G4-17 for which the Aspects is material Report any specific limitation regarding the Aspect Boundary within the organization 			CSR Targets and Achievements	

Core		Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	G4-21	 a. For each material Aspect, report the Aspect Boundary outside the organization, as follows: Report whether the Aspect is material outside of the organization If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified Report any specific limitation regarding the Aspect Boundary outside the organization 			CSR Targets and Achievements	
0	G4-22	a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.			-	
0	G4-23	a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.			-	
	Stakeholo	der Engagement				
0	G4-24	a. Provide a list of stakeholder groups engaged by the organization.			Stakeholder Engagement	
0	G4-25	a. Report the basis for identification and selection of stakeholders with whom to engage.			Stakeholder Engagement	
©	G4-26	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.			Stakeholder Engagement	
0	G4-27	a. Report 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. Report the stakeholder groups that raised each of the key topics and concerns.			Stakeholder Engagement	
	Report Pr	rofile				
0	G4-28	a. Reporting period (such as fiscal or calendar year) for information provided.			▶ Editorial Policy	
0	G4-29	a. Date of most recent previous report (if any).			▶ Editorial Policy	
0	G4-30	a. Reporting cycle (such as annual, biennial).			▶ Editorial Policy	
0	G4-31	a. Provide the contact point for questions regarding the report or its contents.			Inquiries (on CSR and Environment)	

Core		Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	GRI CONT	ENT INDEX				
©	G4-32	 a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines. 			▶ Guidelines	
	ASSURAN	ICE				
©	G4-33	 a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report. 			▶ Third-Party Verification	
	Governan	ce				
	GOVERNA	ANCE STRUCTURE AND COMPOSITION				
©	G4-34	a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.			Corporate Governance	
	G4-35	a. Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.			-	
	G4-36	a. Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.		6.2	CSR Management	
	G4-37	a. Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.			-	

Core		Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	G4-38	 a. Report the composition of the highest governance body and its committees by: Executive or non-executive Independence Tenure on the governance body Number of each individual's other significant positions and commitments, and the nature of the commitments Gender Membership of under-represented social groups Competences relating to economic, environmental and social impacts Stakeholder representation 			▶ Board of Directors Biographies	
	G4-39	a. Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).			Corporate Governance	
	G4-40	 a. Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: Whether and how diversity is considered Whether and how independence is considered Whether and how expertise and experience relating to economic, environmental and social topics are considered Whether and how stakeholders (including shareholders) are involved 		6.2	Corporate Governance	
	G4-41	a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: Cross-board membership Cross-shareholding with suppliers and other stakeholders Existence of controlling shareholder Related party disclosures			-	
	HIGHEST	GOVERNANCE BODY'S ROLE IN SETTING PU	RPOSE, VAI	LUES, AND S	TRATEGY	
	G4-42	a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.		6.2	▶ CSR Philosophy	

Core		Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	HIGHEST	GOVERNANCE BODY'S COMPETENCIES AND	PERFORM	ANCE EVALU	JATION	
	G4-43	a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.			-	
	G4-44	 a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice. 		6.2	-	
	HIGHEST	GOVERNANCE BODY'S ROLE IN RISK MANAG	GEMENT			
	G4-45	 a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities. 		6.2	▶ Risk Management	
	G4-46	a. Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.			▶ Risk Management	
	G4-47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.			▶ Risk Management	
	HIGHEST	GOVERNANCE BODY'S ROLE IN SUSTAINABI	LITY REPOR	RTING		
	G4-48	a. Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.		6.2	-	

Core		Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance				
		HIGHEST GOVERNANCE BODY'S ROLE IN EVALUATING ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE								
	G4-49	a. Report the process for communicating critical concerns to the highest governance body.			-					
	G4-50	a. Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.		6.2	-					
	REMUNE	RATION AND INCENTIVES		'						
	G4-51	 a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: Fixed pay and variable pay: —Performance-based pay —Equity-based pay —Bonuses —Deferred or vested shares Sign-on bonuses or recruitment incentive payments Termination payments Clawbacks Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives. 		6.2	Corporate Governance					
	G4-52	a. Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.			Corporate Governance					
	G4-53	a. Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.			-					

Core		Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	G4-54	a. Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.			Corporate Governance	
	G4-55	a. Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.		6.2	-	
	Ethics and	d Integrity		1		
©	G4-56	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	GC principle 10		CSR Philosophy	
	G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	GC principle 10	6.6.3	Compliance	
	G4-58	a. Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	GC principle 10		▶ Compliance	

Specific Standard Disclosures

Material Aspects		DMA and Indicators	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	Economic					
	Disclosure	es on management approach			CSR and Strategy	
	Economic	Performance				
	G4-EC1	Direct economic value generated and distributed.		6.8 6.8.3 6.8.7 6.8.9	Charitable Activities	
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	GC principle 7	6.5.5	▶ Environmental Accounting	
	G4-EC3	Coverage of the organization's defined benefit plan obligations.		6.8.7	-	
	G4-EC4	Financial assistance received from government.			_	
	Market Pr	resence				
	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	GC principle 6	6.3.7 6.3.10 6.4.3 6.4.4 6.8	-	
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	GC principle 6	6.4.3 6.8 6.8.5 6.8.7	CSR Targets and Achievements	
	Indirect E	conomic Impacts				
	G4-EC7	Development and impact of infrastructure investments and services supported.		6.3.9 6.8 6.8.7 6.8.9	▶ Key Activities: Environment	
	G4-EC8	Significant indirect economic impacts, including the extent of impacts.		6.3.9 6.6.6 6.6.7 6.7.8 6.8 6.8.5 6.8.7 6.8.9	-	
	Procurem	ent Practices				
	G4-EC9	Propotion of spending on local suppliers at significant locations of operation.		6.4.3 6.6.6 6.8 6.8.7	-	

Material Aspects		DMA and Indicators	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	ENVIRON	MENTAL		1		
	Disclosure	es on management approach			▶ Environment	
	Materials			_		
	G4-EN1	Materials used by weight or volume.	GC principle 7, 8	6.5.4	Overview of Environmental Impact	
	G4-EN2	Percentage of materials used that are recycled input materials.	GC principle 8	6.5.4	-	
	Energy					
	G4-EN3	Energy consumption within the organization.	GC principle 7, 8	6.5.4	Overview of Environmental Impact	
	G4-EN4	Energy consumption outside of the organization.	GC principle 8	6.5.4	Overview of Environmental Impact	
	G4-EN5	Energy intensity.	GC principle 8	6.5.4	-	
	G4-EN6	Reduction of energy consumption.	GC principle 8, 9	6.5.4 6.5.5	Reducing Greenhouse Gases during Production and Transportation	
	G4-EN7	Reductions in energy requirements of products and services.	GC principle 8, 9	6.5.4 6.5.5	Overview of Environmental Impact	
	Water					
	G4-EN8	Total water withdrawal by source.	GC principle 7, 8	6.5.4		
0	G4-EN9	Water sources significantly affected by withdrawal of water.	GC principle 8	6.5.4	Water Resource Reduction	
	G4-EN10	Percentage and total volume of water recycled and reused.	GC principle 8	6.5.4		
	Biodiversi	ty				
	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	GC principle 8	6.5.6	-	
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	GC principle 8	6.5.6	Protecting Biodiversity	

Material Aspects		DMA and Indicators	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	G4-EN13	Habitats protected or restored.	GC principle 8	6.5.6	Protecting Biodiversity	
0	G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	GC principle 8	6.5.6	-	
	Emissions					
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope1).	GC principle 7, 8	6.5.5	 Overview of Environmental Impact Reducing Greenhouse Gases during Production and Transportation 	0
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope2).	GC principle 7, 8	6.5.5	 Overview of Environmental Impact Reducing Greenhouse Gases during Production and Transportation 	0
0	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope3).	GC principle 7, 8	6.5.5	 Overview of Environmental Impact Reducing Greenhouse Gases during Production and Transportation 	0
	G4-EN18	Greenhouse gas (GHG) emissions intensity.	GC principle 8	6.5.5	 Reducing Greenhouse Gases during Production and Transportation 	
	G4-EN19	Reduction of greenhouse gas (GHG) emissions.	GC principle 8, 9	6.5.5	Reducing Greenhouse Gases during Production and Transportation	
	G4-EN20	Emissions of ozone-depleting substances (ODS).	GC principle 7, 8	6.5.3 6.5.5	 Low Environmental Impact Refrigerants Recovery and Destruction of Fluorocarbons 	
	G4-EN21	Nox, Sox, and other significant air emissions.	GC principle 7, 8	6.5.3	Overview of Environmental Impact	

Material Aspects		DMA and Indicators	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	Effluents a	and Waste				
	G4-EN22	Total water discharge by quality and destination.	GC principle 8	6.5.3 6.5.4	Overview of Environmental Impact	
	G4-EN23	Total weight of waste by type and disposal method.	GC principle 8	6.5.3	Overview of Environmental ImpactWaste Reduction	
	G4-EN24	Total number and volume of significant spills.	GC principle 8	6.5.3	▶ Environmental Risk Management	
0	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	GC principle 8	6.5.3	▶ Waste Reduction	
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	GC principle 8	6.5.3 6.5.4 6.5.6	Water Resource Reduction	
	Products	and Services				
0	G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	GC principle 7, 8, 9	6.5.3 6.5.4 6.5.5 6.7.5	Value ChainEnvironmentallyConscious Design	
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	GC principle 8	6.5.3 6.5.4 6.7.5	Effective Use of Resources in Products	
	Compliand	ce				
	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	GC principle 8		Major Legal Violations in the Daikin Group in Fiscal 2015	
	Transport					
	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	GC principle 8	6.5.4 6.6.6	 Overview of Environmental Impact Reducing CO2 Emissions during Transportation 	
	Overall					
	G4-EN31	Total environmental protection expenditures and investments by type.	GC principle 7, 8, 9	6.5	▶ Environmental Accounting	

Material Aspects		DMA and Indicators	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	Supplier E	nvironmental Assessment				
	G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	GC principle 8	6.3.5 6.6.6	Supply Chain	
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	GC principle 8	6.3.5 6.6.6	Management	
	Environme	ental Grievance Mechanisms	·	'		1
	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	GC principle 8	6.3.6	No violation	
	SOCIAL					
	LABOR PF	RACTICES AND DECENT WORK				
	Disclosure	es on management approach			▶ Human Resources	
	Employme	ent	1	1	1	
	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	GC principle 6	6.4.3	WorkplaceDiversity, EqualOpportunityWork-Life Balance	
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or parttime employees, by significant locations of operation.		6.4.4 6.8.7	-	
	G4-LA3	Return to work and retention rates after parental leave, by gender.	GC principle 6	6.4.4	-	
	Labor/Ma	nagement Relations	'	'		,
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	GC principle 3	6.4.3	-	
	Occupatio	nal Health and Safety	·	'		1
	G4-LA5	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.		6.4.6	-	
0	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.		6.4.6 6.8.8	Occupational Safety and Health	
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.		6.4.6 6.8.8	-	
	G4-LA8	Health and safety topics covered in formal agreements with trade unions.		6.4.6	Occupational Safety and Health	

Material Aspects		DMA and Indicators	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	Training a	nd Education				
	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	GC principle 6	6.4.7	Fostering Human Resources	
0	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		6.4.7 6.8.5	Fostering Human Resources	
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	GC principle 6	6.4.7	Employee Evaluation and Treatment	
	Diversity a	and Equal Opportunity				
0	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	GC principle 6	6.2 6.3.7 6.3.10 6.4.3	Corporate GovernanceWorkplace Diversity, Equal Opportunity	
	Equal Ren	nuneration for Women and Men		'		'
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	GC principle 6	6.3.7 6.3.10 6.4.3 6.4.4	-	
	Supplier A	assessment for Labor Practices	·	'		·
	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.		6.3.5 6.4.3 6.6.6	Supply Chain	
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.		6.3.5 6.4.3 6.6.6	Management	
	Labor Pra	ctices Grievance Mechanisms		'	1	
	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.		6.3.6	No violation	
	HUMAN R	RIGHTS		·		
	Disclosure	es on management approach			Respect for Human Rights	
	Investmen	t				
	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	GC principle 2	6.3.3 6.3.5 6.6.6	-	
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	GC principle	6.3.5	Respect for Human Rights	

Material Aspects		DMA and Indicators	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	Non-discr	imination		1		
	G4-HR3	Total number of incidents of discrimination and corrective actions taken.	GC principle 6	6.3.6	No violation	
	Freedom	of Association and Collective Bargaining				
	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	GC principle 3	6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.5 6.6.6	-	
	Child Labo	or	ı	I		
	G4-HR5	Operations and 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 5	6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 6.6.6 6.8.4	Respect for Human Rights	
	Forced or	Compulsory Labor		'		'
	G4-HR6	Operations and 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 4	6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 6.6.6	Respect for Human Rights	
	Security F	Practices	J	1		'
	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	GC principle	6.3.4 6.3.5 6.6.6	-	
	Indigenou	s Rights				
	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	GC principle	6.3.4 6.3.6 6.3.7 6.3.8 6.6.7 6.8.3	-	
	Assessme	ent				
	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	GC principle	6.3.3 6.3.4 6.3.5	-	

Material Aspects		DMA and Indicators	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	Supplier H	luman Rights Assessment	•			
	G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	GC principle 2	6.3.3 6.3.4 6.3.5 6.6.6	-	
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	GC principle 2	6.3.3 6.3.4 6.3.5 6.6.6	-	
	Human Rig	ghts Grievance Mechanisms		1		
	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	GC principle	6.3.6	No violation	
	SOCIETY			·		
	Disclosure	es on management approach			Compliance Communities	
	Local Com	nmunities				
0	G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	GC principle	6.3.9 6.5 6.5.3 6.8	-	
	G4-S02	Operations with significant actual and potential negative impacts on local communities.	GC principle	6.3.9 6.5.3 6.8	-	
	Anti-corru	ption		'		1
	G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	GC principle 10	6.6 6.6.3	▶ Compliance	
	G4-SO4	Communication and training on anti-corruption policies and procedures.	GC principle 10	6.6.3 6.6.6	ComplianceProhibiting Bribes	
	G4-S05	Confirmed incidents of corruption and actions taken.	GC principle 10	6.6.3	No violation	
	Public Poli	icy				
	G4-S06	Total value of political contributions by country and recipient/beneficiary.	GC principle 10	6.6 6.6.4	-	
	Anti-comp	petitive Behavior				
	G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		6.6 6.6.5 6.6.7	ComplianceFree Competition and Fair Business Dealings	

Material Aspects		DMA and Indicators	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance		
	Compliance							
	G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.			Major Legal Violations in the Daikin Group in Fiscal 2015			
	Supplier A	ssessment for Impacts on Society						
	G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society.		6.3.5 6.6 6.6.6 6.8	Supply Chain			
	G4-S010	Significant actual and potential negative impacts on society in the supply chain and actions taken.		6.3.5 6.6 6.6.6 6.8	Management			
	Grievance	Mechanisms for Impacts on Society						
	G4-S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.		6.3.6 6.6 6.8	No violation			
	PRODUCT	RESPONSIBILITY						
	Disclosure	es on management approach			Customer Satisfaction			
	Customer	Health and Safety						
	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.		6.7 6.7.4 6.7.5 6.8.8	Product Quality and Safety			
0	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.		6.7 6.7.4 6.7.5 6.8.8	▶ Handling Product Accidents			
	Product a	nd Service Labeling						
	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.		6.7 6.7.3 6.7.4 6.7.5 6.7.9	Disclosing Product Information			
0	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		6.7 6.7.3 6.7.4 6.7.5 6.7.9	No violation			
	G4-PR5	Results of surveys measuring customer satisfaction.		6.7 6.7.6	Customer Satisfaction			

Material Aspects		DMA and Indicators	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
	Marketing	g Communications				
	G4-PR6	Sale of banned or disputed products.			No violation	
	G4-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 6.7.3	No violation	
	Customer	Privacy				
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		6.7 6.7.7	No violation	
	Complian	ce				
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		6.7 6.7.6	No violation	