



# Sustainability Report 2016

## DAIKIN INDUSTRIES, LTD.

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You can also view this report on our website.

**URL** <http://www.daikin.com/csr/>

We welcome your thoughts and opinions on this report.

**URL** <https://www.daikin.com/contact/report/csr/>

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In all of us,  
a green heart



#### The Daikin Group Environmental Symbol

The symbol of 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).



#### Certified by Minister of the Environment

For its range of environmentally advanced efforts, Daikin has been certified as an Eco-First Company by Minister of the Environment of Japan.



This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.



Certificated in Japan





# *The Air You Live In*

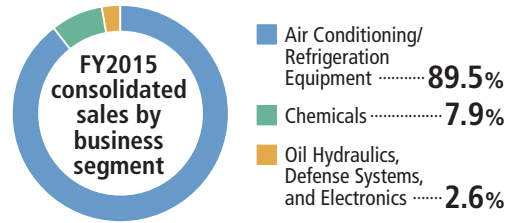
Air is something that surrounds us 24 hours a day.  
In fact, our existence, as well as the Earth's, depends on it.  
At Daikin, the future of the world's air is our greatest concern.  
We use the knowledge, innovation and technologies,  
dedicated to air, cultivated over many years,  
to improve the quality of air we breathe  
and the quality of lives we live.  
This is our mission.

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# Business Segments



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 help curb CO<sub>2</sub> emissions, thus contributing to sustainable development in society.

**Air Conditioning/Refrigeration Equipment**

Achieving both comfort and environmental performance to meet all global air conditioning needs

Residential Air Conditioners

Commercial Air Conditioners

Air Filters

Air Purifiers

Hot Water and Space Heaters

Air Conditioning Systems

Refrigeration Equipment

**Chemicals**

Utilizing the characteristics of fluorochemicals and contributing to a wide range of fields

Energy Field

Automotive Field

Information and Telecommunication Field

**Oil Hydraulics, Defense Systems, and Electronics**

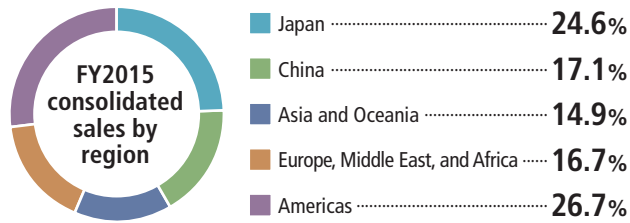
Proprietary technologies at work in a range of industries, IT solutions

Machine Tools

In-Home Medical Equipment

Electronics

# Sales by Region



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.

**Europe, Middle East, and Africa**

59 subsidiaries  
7,175 employees

**China**

33 subsidiaries  
18,791 employees

Legend: Countries with Daikin Subsidiaries or Distributors (Grey), Subsidiary Locations (Colored dots)

**Japan**

29 Daikin Industries and subsidiaries  
11,718 employees

**Americas**

55 subsidiaries  
11,884 employees

**Asia and Oceania**

38 subsidiaries  
11,237 employees



# 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.





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

*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-CO<sub>2</sub> 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-CO<sub>2</sub>.

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-CO<sub>2</sub>.

### 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.

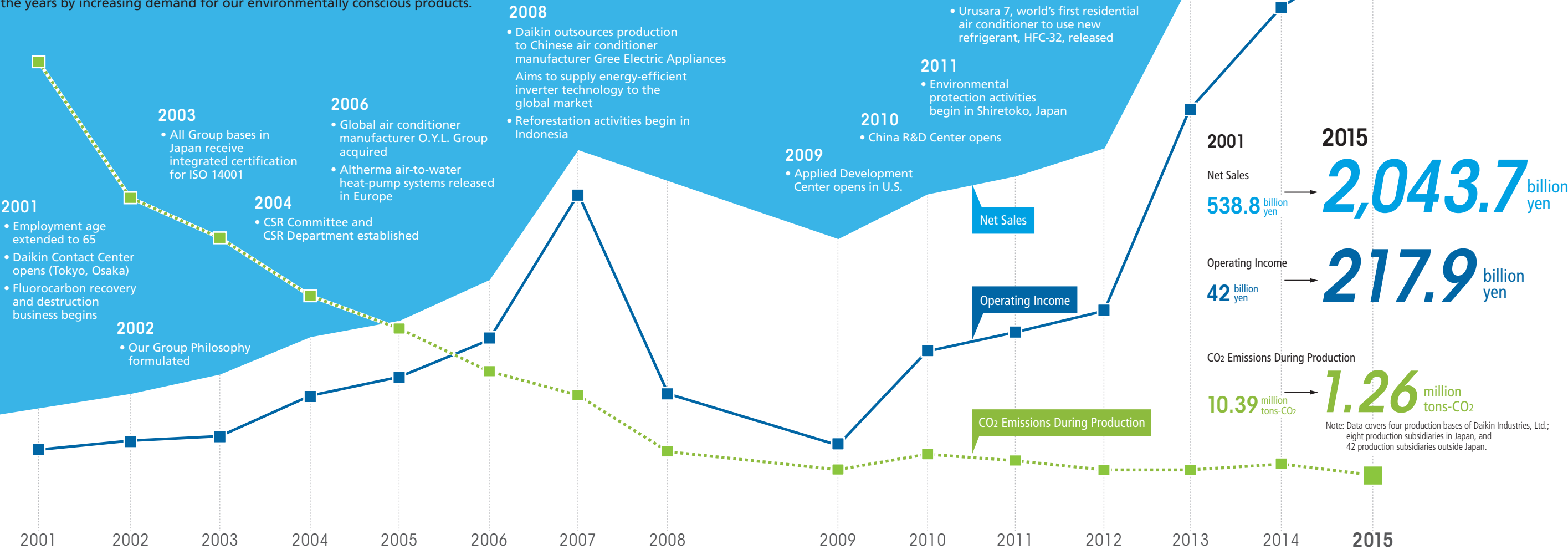
Daikin takes part in the United Nations Global Compact, an initiative to promote the implementation of 10 universally accepted principles in the areas of human rights, labor, the environment, and anti-corruption. As our business spreads further around the globe, we are doing everything possible to abide 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.

July 2016

# Achieving both Environmental Contribution and Business Expansion

The Daikin Group's Fusion strategic management plan, is, as the name suggest, a strategic fusion across existing boundaries in which we seek to share technologies throughout the Daikin Group and other companies. With the aim of becoming a "Truly Global and Excellent Company," we seek to achieve business growth and contribute to the environment through the technologies we have built up over the years by increasing demand for our environmentally conscious products.



## Fusion 05: Building a Business Foundation

### Main Achievements

Achieved the global No. 2 position in our main businesses, by expanding our share of the Japanese air conditioning market and expanding our overseas business ratio, and our market capitalization target of 1 trillion yen, thereby building a business foundation for future growth

## Fusion 10: Realizing Global No.1 Air Conditioner Business

### Main Achievements

- Realized global No.1 market share on the air conditioner business
- Raised overseas sales as percentage of Group sales: From 46% in FY2005 to 62% in FY2010
- Expanded environment-related businesses, including the expansion of heat-pump-type space-heating systems in Europe and other regions and the advancement of inverter strategy

- Achieved alliances, partnerships, and M&A, including the acquisition of O.Y.L. Group to expand business sphere

## Fusion 15: Becoming a Truly Global and Excellent Company

### Main Achievements

- Fully entered emerging markets and the volume zone
- Solutions/environmental innovation
- Accelerated growth through alliances, partnerships, and M&A, including the acquisition of Goodman Global Group, Inc.
- Established the Technology and Innovation Center



# Daikin Sustainability Toward 2020

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.

External Factors

Impact on Climate Change

- Growing Worldwide Energy Demand**  
Worldwide energy demand is expected to continue increasing in tandem with ongoing population and economic growth. Air conditioners consume large amounts of electricity and account for a major portion of society's power consumption.  
Energy-induced CO<sub>2</sub> in 2030  
**69%** increase compared to 2000 (IEA)
- Environmental Impact of Refrigerants**  
Fluorocarbons used as air conditioner refrigerants deplete the ozone layer and are greenhouse gases. Their use is coming under increasingly tough restrictions worldwide.  
Global warming impact from fluorocarbons (HFCs) in 2030  
**5** times compared to 2010 (Daikin forecast)

Increase in Air Conditioner Demand

Demand is increasing in emerging markets such as China, India and countries in Latin America.  
Air conditioner demand in 2020  
**4** times compared to 2000 (Daikin forecast)

Basic Management Policy

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

Management Strategy and CSR

Fusion 20 Strategic Management Plan

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

Key Strategies

- Strengthen Existing Businesses**  
Air conditioning business in North America and Asia, chemicals, and filter businesses
- New Business Domains and New Business Structure**  
(Environment, Energy and Air Environment)  
Businesses: Heating/water heaters, energy solutions, commercial refrigeration, refrigerants, air environment engineering

Environment Fields

- Create More Sophisticated Technologies and Production Methods**  
Create technologies and products that differentiate us and, improve manufacturing prowess
- Create More Sophisticated Management Control**  
Lean and competitive fixed-cost structure  
Optimal inventory aiming at cash flow maximization  
Financial operations standardization and IT integration
- Implement a Unique Daikin Philosophy**  
Enhanced human resources based on People-Centered Management

Daikin Group CSR

- Environment**  
Introduce state-of-the-art technologies to the market in order to address environmental and energy issues
- New Value Creation**  
Share dreams and ambitions inside and outside Daikin to realize a healthy, comfortable lifestyle through air
- Customer Satisfaction**  
Provide peace of mind and reliability through a focus on customer orientation, experience, performance, and advanced technologies
- Human Resources**  
Respect individual personalities and values, and maximize the potential of each employee

- Corporate Governance**  
Conduct corporate activities based on transparency and sincerity
- Respect for Human Rights**  
Ensure respect for basic human rights in accordance with all international norms
- Supply Chain Management**  
Fulfill corporate social responsibility through environmental impact reduction, quality assurance, and occupational safety and health, not just in the Daikin Group but throughout the entire supply chain
- Stakeholder Engagement**  
Engage in dialogue with all members of society and reflect outside opinions in our business, and continuously examine our actions to ensure that we meet society's demands and expectations
- Communities**  
Respect the culture and history of different countries and regions, and create strong bonds with communities as a good corporate citizen

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

270

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

FY2020 Target

Contribution to Greenhouse Gas Emission Reductions

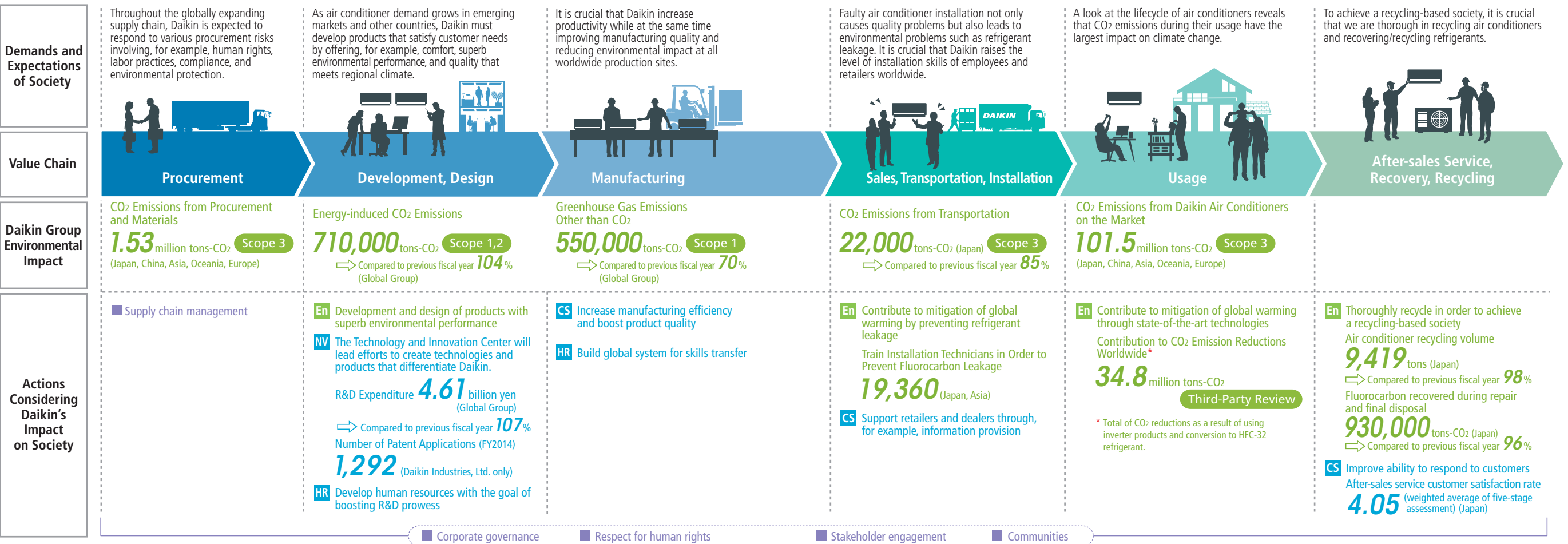
60

million tons-CO<sub>2</sub>/year

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

# 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.



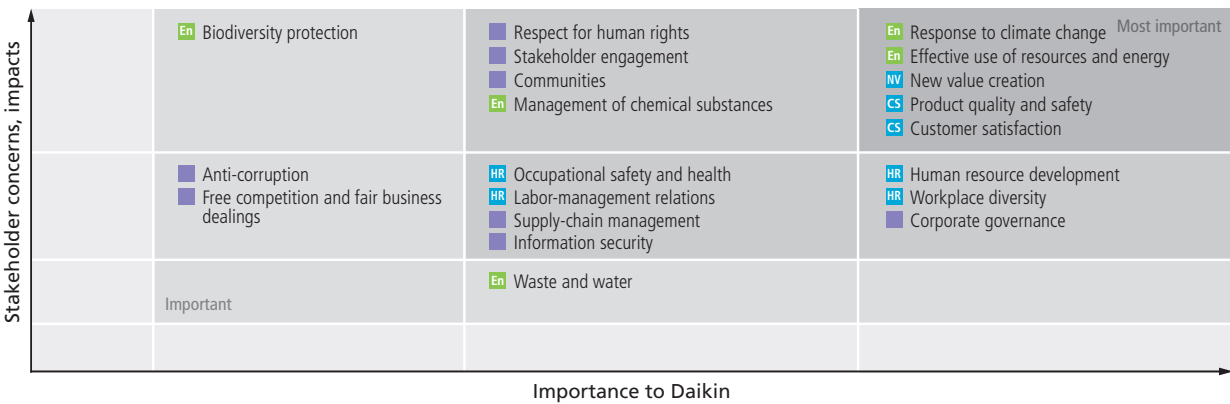
## Identifying Materiality Across the Entire Value Chain

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.





# Environment

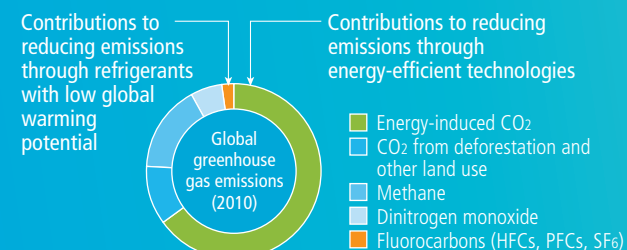
## Why is it Important?

### Achieving both Environmental Protection and Business Expansion

Environmental problems such as climate change constitute top priorities for manufacturers. In addition, air conditioners 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



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



Daikin representatives meet with air conditioner industry experts at a Daikin air conditioner forum for the Asia and Oceania region.

## Feature Japan's Environmental Technologies Becoming the Global Standard

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

## DAIKIN'S APPROACH

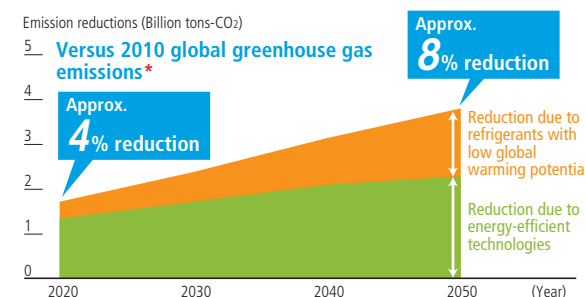
### Disseminating Environmental Technologies that Mitigate the Effects of Air Conditioners on Climate Change

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 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.

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



\* 2010 global greenhouse gas emissions: 49 billion tons-CO<sub>2</sub> (Contribution of Working Group III to the Fifth Assessment Report of the IPCC)

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 Berkeley National Laboratory

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

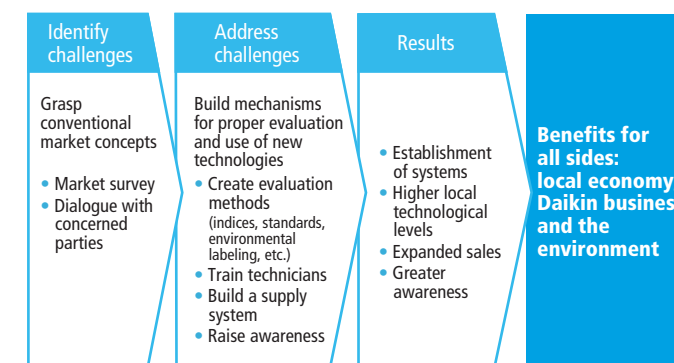
In order to disseminate new low-global-warming-potential refrigerants and energy-efficient technologies, Daikin must demonstrate these refrigerants' reduced environmental impact and it must promote the proper understanding of their safety and economy. By changing conventional market concepts and building 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.

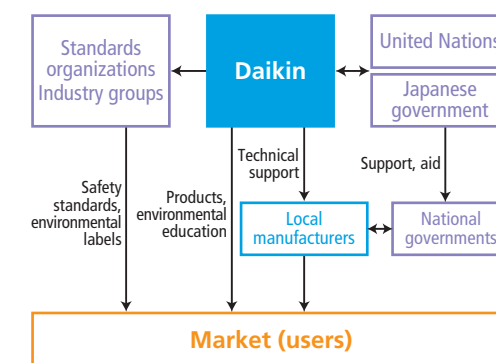
Daikin works with the government of Japan, United Nations organs, and international organizations to spread the use of its environmental technologies and thus help create a new market. The thorough creation of a new market not only provides end users with high-performance products at the earliest possible 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 extend. 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





## Feature

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

# 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 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

Converting from R-410A to HFC-32 would reduce global warming impact in 2030

by approx. **800** million tons-CO<sub>2</sub>

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

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 CO<sub>2</sub>-equivalent.

### Addressing 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

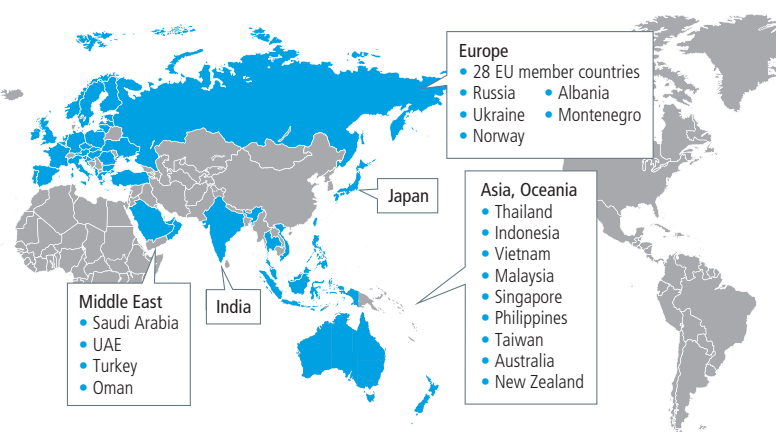


Technical support activity in Malaysia

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

**6.5** million units in **48** countries

(Japan: Approx. 4.5 million; Other countries: Approx. 2 million)



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 CO<sub>2</sub> 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.

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

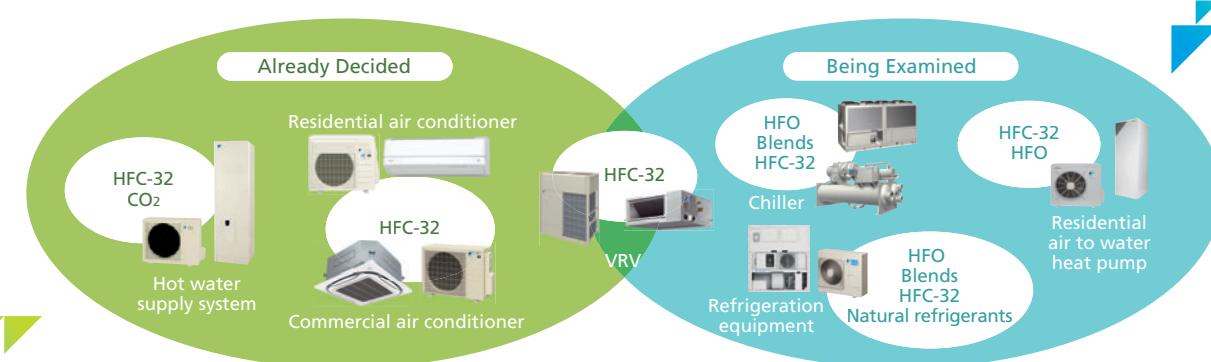
Although we are working to spread the use of HFC-32 refrigerant in residential and commercial air conditioners around the world, our policy is to choose an optimal refrigerant for each application. We clarified this policy and published it in the Daikin's Policy and Comprehensive Actions on the Environmental 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.

▼ For details, see "Daikin's Policy and Comprehensive Actions on the Environmental Impact of Refrigerants."  
<http://www.daikin.com/csr/information/influence/index.html>

### Daikin's Refrigerant Direction

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

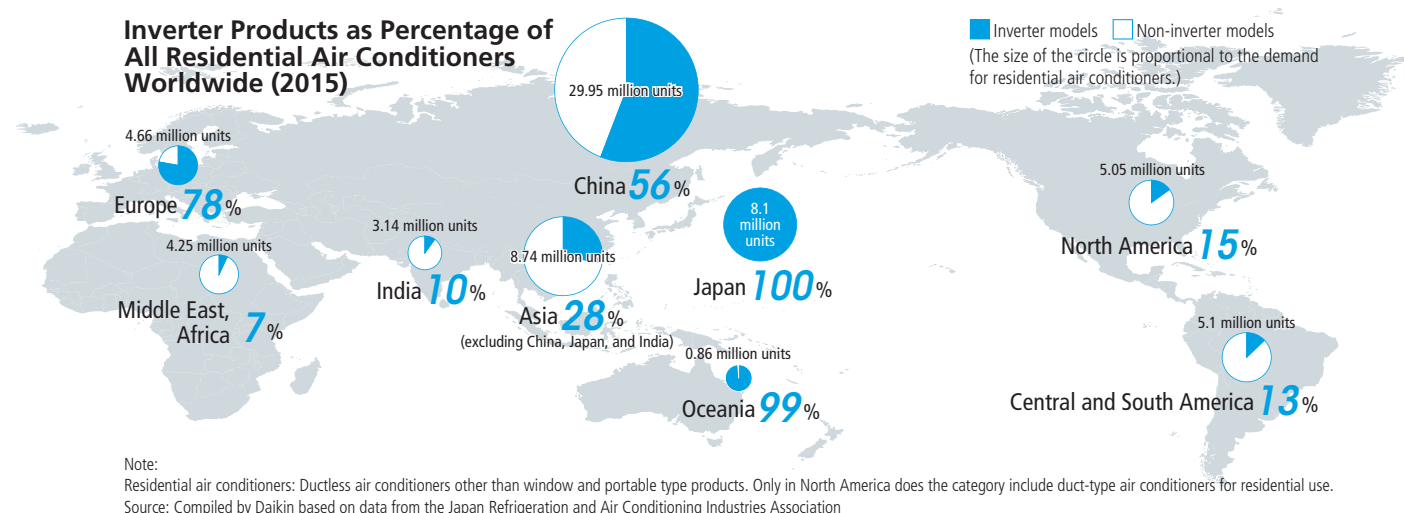


Note: Other refrigerants not listed above are also applied in products outside of Daikin's portfolio, some examples include hydrocarbons (isobutane, propane, etc.) for residential refrigerators and window air conditioners or HFO refrigerants for mobile air conditioners.



## Feature

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



## DAIKIN'S PERFORMANCE

## 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.

## 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.

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

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

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.

## 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

## 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.





## New Value Creation

### Why is it Important?

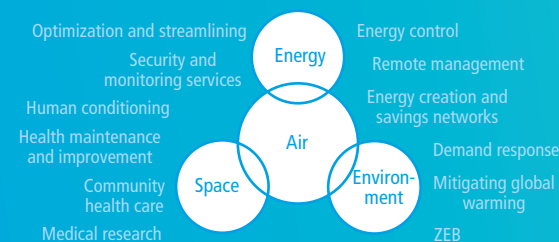
#### The Source of Sustainability for Society and the Company

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

#### Research Themes for New Value Creation



The wide-open space of the Waigaya Stage facilitates debate and discussion.

### Feature Creating New Value to Meet the Expectations of Customers and Society

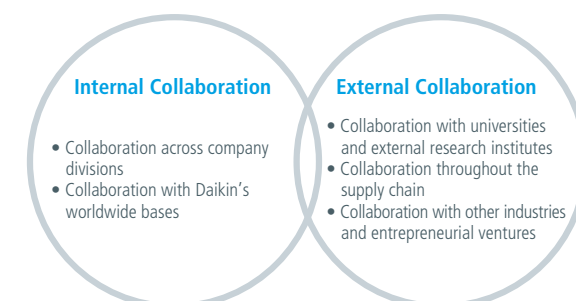
## Collaborative Innovation with Other Industries and Fields

### 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

#### Internal Collaboration and External Collaboration



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.

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.

### DAIKIN'S PERFORMANCE

#### 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.

#### 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



**Feature** Collaborative Innovation with Other Industries and Fields

## “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 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 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

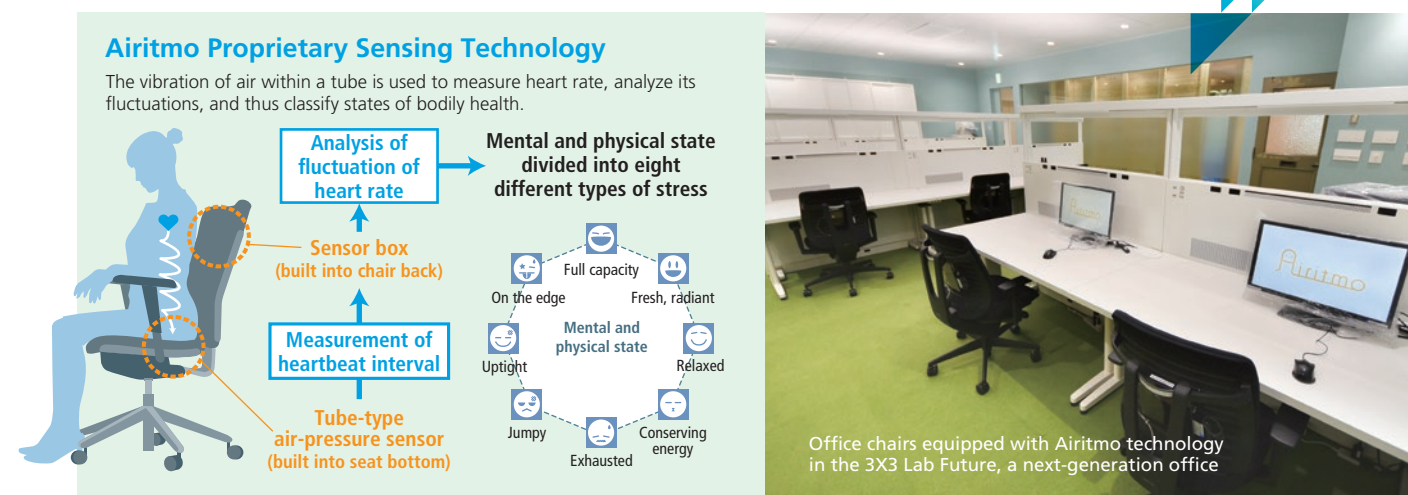
Mitsubishi Estate Co., Ltd., a site for the sharing of business ideas. The products are the result of two years of verification experiments on the correlation between office environments and people’s physical and mental state in order to realize an air environment matched to an individual’s current state 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.

## NEXT CHALLENGE

### 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.

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



## Collaboration for New Value Creation

### Open Innovation through Industry-Academia Collaboration

#### Agreement with Kyoto University in Humanities and Sciences

In 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 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.

#### 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.

### Solutions for Society through Collaboration

#### 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.



**World Sleep Conference website (Japanese only):**  
<http://suiminkaigi.jp/>

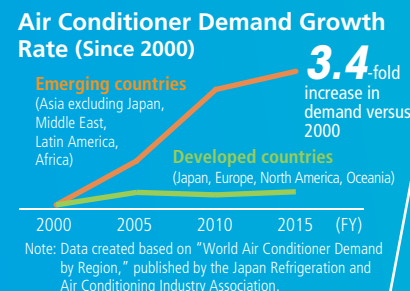


# Customer Satisfaction

## 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.



Turkey's burgeoning economy is accelerating the dissemination of air conditioners.

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



**GOOD DESIGN**



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

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 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.

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.

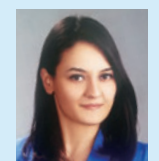


The improved, easy-to-understand catalog uses data and photographs.

## 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 well-versed 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)



# 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.

## 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.

## 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.

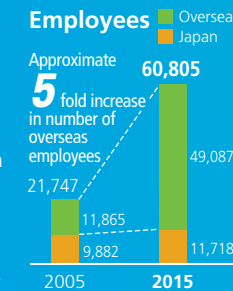


# Human Resources

## 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.



# 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 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.

### System for Global Skills Transfer

Daikin Group Skills Succession Committee (launched in April 2001)	Japan (established in April 2001)
	Europe (established in October 2013)
	ASEAN (established in April 2014)
	China (established in October 2014)
	Americas (established in September 2015)



Feature Transferring Japanese Skills to Ensure High-Quality Production Worldwide



The first overseas engineer to be designated a Takumi instructs employees at Daikin Isıtma ve Soğutma Sistemleri San. Tic. A.Ş.

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



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. 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.



NEXT CHALLENGE

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.

Fostering Takumi the Core of  
Autonomy in Skills at Overseas Bases



The Daikin Global Skills Competition



# “Forests for the Air” Project Spans Seven Countries

In June 2014, Daikin teamed up with international NGO Conservation International (CI) and the Shiretoko Nature Foundation to launch the “Forests for the Air” project in seven locations around the world where biodiversity is threatened. The goal for the 10-year period (up to 2024) is to conserve vital forests, covering some 11 million hectares, and in the process contribute to reducing CO<sub>2</sub> emissions by approximately seven million tons.

<http://www.daikin.com/csr/forests/>



## Reforestation and Conservation Efforts

The world’s forests are disappearing at a rate of 13 million hectares a year. Human activity is the main reason, as people clear forests for farmland and cut down trees to make firewood or charcoal.

That’s why we are striving for sustainable forest rejuvenation by working to solve social issues by providing education, improving sanitary conditions, and eliminating the poverty that is one of the reasons for deforestation, while at the same time building systems through which locals can protect forests on their own initiative by understanding the importance of nature.

### United Nations Sustainable Development Goals (SDGs)

1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION
5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS			



© Adriano Gambarini

**Brazil**

**Amapá Biodiversity Corridor**

The Amazon is one of the world’s largest rainforests. The Forests for the Air project focuses on training residents to effectively use forest resources so that they can continue utilizing the blessings of nature while also enjoying economic development.

1 4 6 8 9 12 13 15 17

© Conservation International/ photo by Josinei Garcia

## Liberia

### East Nimba Nature Reserve

Up to now, this project focused on improving human health and sanitation to stem the spread of the Ebola virus. From 2016, however, there has been more support for forest conservation. Through Conservation Agreements with local residents, sustainable farming techniques are beginning to replace the traditional shifting cultivation method of agriculture, thereby reducing farmers’ impacts on forests. These agreements also provide ways to earn a living other than poaching.

1 2 3 4 12 13 15 17



## China

### Mountains of Southwest China

In Ganpu Village, home to many Tibetans, sustainable agroforestry and agriculture have been successfully combined with environmental conservation approaches, while at the same time raising the income of residents. The project partners plan to share the outcomes of this work with towns and villages in other regions of China that face similar challenges.

1 2 4 6 9  
12 13 15 17



## India

### North Western Ghats

Residents have been provided with fuel-efficient cooking stoves so that they don’t have to cut down as many trees to obtain firewood and charcoal. The project is also providing training to residents in harvesting medicinal plants in a sustainable manner, which will help them use natural resources effectively.

1 9 12 13 15 17



## Japan

### Shiretoko, Hokkaido

Under the project, trees have been planted to replace the many trees that were lost in the past due to land clearing for farming. However, saplings have had trouble growing because they are being eaten by the rapidly increasing deer population. The next step is to transplant large seedlings to the fenced-off area in order to grow a forest of both deciduous and evergreen trees.

12 13 14 15 17



## Cambodia

### Central Cardamom Protected Forest

The Cardamom region is one of the largest old-growth forests in Southeast Asia, and the waters that flow through here support tens of thousands of people. The project has donated money to a trust fund that will support long-term forest conservation, and there are ongoing activities aimed at protecting the forest from illegal logging and poaching.

1 4 6 8 9 12 13 15 17



## Indonesia

### Gunung Gede Pangrango National Park

In the five years from 2008 to 2013, Conservation Agreements were signed with 644 residents, and 120,000 trees were planted in the rejuvenation of 300 hectares of forest. With the forest now providing residents with alternative forms of income as well as water and electricity, residents have come to understand its importance and have begun taking part in reforestation and conservation. The plan is to work with the government to carry out similar activities in adjacent villages to help spread sustainable forest conservation approaches.

1 2 4 6 7 9 12 13 15 17



Overall CSR (Including SRI)

Daikin Group

- Chosen for inclusion in the MSCI Global Sustainability Indexes
- Chosen for Thomson Reuters Top 100 Global Innovators for 2015



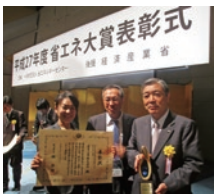
- Awarded Bronze Class and recognized as an Industry Mover in the RobecoSAM Sustainability Awards 2016



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



Company Profile

**Name:** Daikin Industries, Ltd.  
**Address:** Umeda Center Bldg., 2-4-12, Nakazaki-Nishi, Kita-ku, Osaka, Japan  
**Incorporated:** February 11, 1934  
**Founded:** October 25, 1924  
**Capital:** 85 billion yen  
**Head Office:** Kita-ku, Osaka  
**Tokyo Office:** Minato-ku, Tokyo  
**Sakai Plant** (Sakai, Osaka Prefecture): Air conditioning/refrigeration equipment, compressors  
**Shiga Plant** (Kusatsu, Shiga Prefecture): Air conditioning equipment, compressors  
**Yodogawa Plant** (Settsu, Osaka Prefecture): Fluorochemical products, oil hydraulic equipment, defense/medical equipment  
**Kashima Plant** (Kamisu, Ibaraki Prefecture): Fluorochemical products

Main Products

Air Conditioning and Refrigeration Business

Residential air conditioners, heat-pump hot-water-supply and space-heating systems, commercial air conditioners, absorption refrigerators, humidity-adjusting external air-processing units, air purifiers, water chillers, air-handling units, marine-type container refrigeration

Chemicals Business

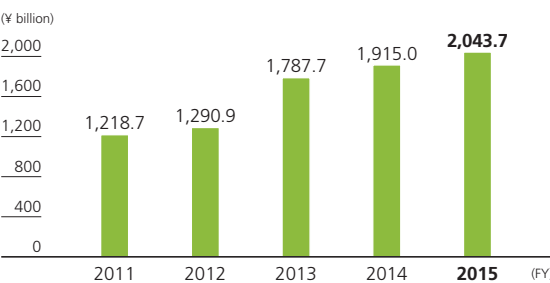
Fluorocarbons, fluororesins, fluoroelastomers, chemical products and functional materials, chemical engineering machinery

Oil Hydraulics Business, Defense Systems Business, Electronics Business

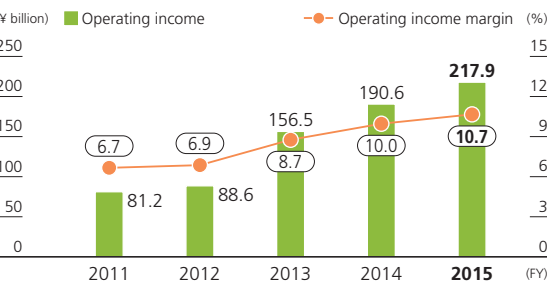
Oil hydraulic pumps, oil hydraulic units, oil hydraulic valves, cooling equipment and systems, hydrostatic transmissions, centralized lubrication units and systems, warheads for Japan's Ministry of Defense, warhead parts for guided missiles, home-use oxygen therapy equipment, CAD software for facility design, molecular chemistry software

Financial Data (Consolidated)

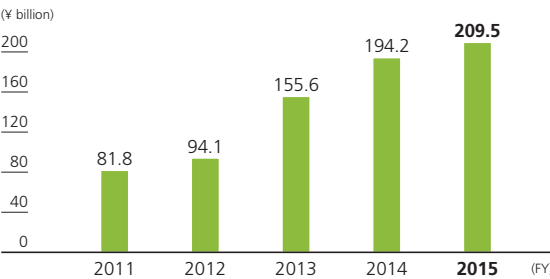
Net Sales



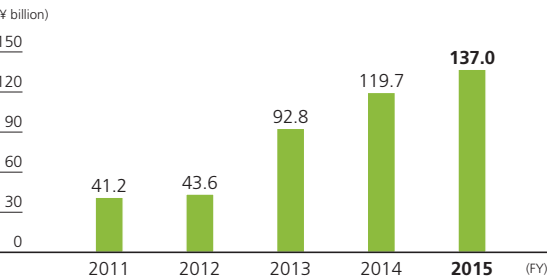
Operating Income and Operating Income Margin



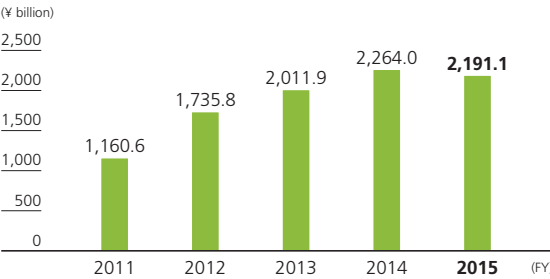
Ordinary Income



Profit Attributable to Owners of Parent



Total Assets



Number of Employees

