

Sustainability Report

2018

— Web version —



The Air You Live in



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 2017 information from the Sustainability section of our Web site. You may download and print it out.

Note: The printed version of the Sustainability Report 2018 focuses on our main activities and efforts. It can also be downloaded as a PDF file.

Editorial Policy	
Daikin CSR at a Glance	10
Daikiii C5k at a Glarice	
Daikin's Sustainability	18
Daikin's Sustainability	
CSR and Strategy	25
CSR and Strategy ····· 26	CSR Management ····· 4
Message from the President	CSR Action Plan 2020 4
CSR Philosophy	Participation in the Global Compact 5
Value Chain and Daikin's CSR ····· 36	·
Environment	57
Environmental Vision 2050 ······ 61	Effective Use of Resources ······ 145
Basic Environmental Policy 65	Effective Use of Resources in Products 147
Overview of Environmental Impact 67	Waste Reduction 153
Environmental Management 69	Home Appliance Recycling Results 154
Management Structure · · · · 71	Water Resource Reduction 156
Risks and Opportunities 72	Management and Reduction of
Environmental Action Plan 73	Chemical Substances ······ 158
Environmental Management System 77	Management and Reduction of
Environmental Audits····· 83	Chemical Substances Contained in Products 160
Green Heart Factories and Offices 84	Compliance with J-Moss 164
Environmentally Conscious Design 85	Management and Reduction of
Green Procurement	Chemical Substances during Production 168
Environmental Accounting	Preventing Pollution
Response to Climate Change	Protecting Biodiversity
Developing and Promoting Products and	Protecting Biodiversity
Services That Reduce Environmental Impact 101	History of Environmental Activities
Increasing Air Conditioner Efficiency	Endorsement as an Eco First Company 186
Low Environmental Impact Refrigerants 109 Promoting the Use of Inverter Products 114	
Promoting the Use of Heat-Pump Type	
Space and Hot Water Heaters 117	
Energy-Efficiency through Fluorochemical	
Products and Oil Hydraulic Products 121	
Reducing Greenhouse Gases during	
Production and Transportation 125	
Providing Solutions	
Recovery, Recycle and Destruction of	
Fluorocarbons	

Contents

Dialogue with Government and

Industry Groups 319

Stakeholder Engagement

Stakeholder Engagement 314

Dialogue with Shareholders and Investors 316

312

Communities 323

Daikin's Philosophy of Social Contribution Protecting the Environment Supporting Education Harmony with Communities — Strengthening Bonds	327 331	Harmony with Communities — Contributing to Promotion of Art and Culture Harmony with Communities — Contributing to Promotion of Sports List of Daikin's Social Contribution Activities	
Key Activities			387
List of Fiscal 2017 Key Activities			388
	e from Gree	n Heart Factories·····	392
		ents through Open Innovation	396
			400
	.— Growing	with Local Communities	404
Sustainability Report		•	408
Method of Calculating Greenhouse Gas Emis.	sions Data ·		412
Search for CSR Contents			420





2018

-Web version -

Editorial Policy

Editorial Policy - 4 -

EDITORIAL POLICY

Editorial Policy

This report covers the basic philosophy of the Daikin Group with regards to sustainable growth, achievements in fiscal 2017, and plans for the future.

Information that, due to space limitations, could not fit into the Sustainability Report 2018 (printed version) released in July 2018 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.

- > For more details, see the PDF version of the report. (http://www.daikin.com/csr/report/)
- > Key Activities (Page 388)

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, Daikin had a third-party verification conducted for data on greenhouse gas emissions, water use, waste water, waste emissions, and chemical substances emissions.

> Third-Party Verification (Page 409)

Editorial Policy - 5 -

Reference Guidelines

This report was created with reference to the GRI Sustainability Reporting Standards 2016 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 CSR Report as an annual Communication on Progress (COP) to the United Nations, a public disclosure on progress made in implementing the 10 principles of the Global Compact.

> Search by Guidelines (Page 421)

In reporting on fiscal 2017 CSR activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual fiscal 2017 results and information reported for fiscal 2016. 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 possibility that events occurring in the future may turn out differently from the forecasts, expectations, and plans stated in this report.

Editorial Policy - 6 -

What This Report Covers

Term Covered

This report covers fiscal 2017 (April 1, 2017 to March 31, 2018).

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 47 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

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.	

Editorial Policy - 7 -

Overseas

47 Production Subsidiaries
Daikin Australia Pty., Ltd.
Daikin Industries (Thailand) Ltd.
Daikin Airconditioning (Thailand) Ltd.
Daikin Europe N.V.
Daikin Compressor Industries Ltd.
Daikin Chemical France S.A.S.
Daikin Chemical Netherlands B.V.
Daikin Device Czech Republic s.r.o.
Daikin Industries Czech Republic s.r.o.
Daikin Air-conditioning (Shanghai) Co., Ltd.
Daikin Air-conditioning (Shanghai) Co., Ltd. (Huizhou Branch)
Xi'an Daikin Qing'an Compressor Co., Ltd.
Daikin Fluoro Coatings (Shanghai) Co., Ltd.
Daikin Fluorochemicals (China) Co., Ltd.
Daikin Device (Suzhou) Co., Ltd.
Daikin Motor (Suzhou) Co., Ltd.
Daikin America, Inc.
Daikin Refrigeration (Suzhou) Co., Ltd.
Rotex Heating Systems GmbH
Daikin Airconditioning India Pvt. Ltd.
Daikin Malaysia Sdn. Bhd.
Daikin Refrigeration Malaysia Sdn.Bhd.
McQuay Technology (Shenzhen) Co., Ltd.
Daikin Electronic Devices Malaysia Sdn.Bhd.
Daikin Steel Malaysia Sdn.Bhd.
Shenzhen McQuay Air Conditioning Co., Ltd.
McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.
McQuay Air Conditioning & Refrigeration (Suzhou) Co., Ltd.

Editorial Policy - 8 -

47 Production Subsidiaries
AAF (Suzhou) Co., Ltd.
AAF (Shenzhen) Co., Ltd.
American Air Filter Manufacturing Sdn. Bhd.
AAF (Wuhan) Co., Ltd.
Daikin Applied Americas Inc.
American Air Filter Company, Inc. (Delaware)
Daikin Air-conditioning (Suzhou) Co., Ltd.
J & E Hall Limited (United Kingdom)
Coulstock & Place Engineering Co. Limited (United Kingdom)
McQuay (UK) Limited (United Kingdom)
AAF-Limited (United Kingdom)
AAF International B.V. (The Netherland)
AAF International s.r.o. (Slovakia)
Daikin Applied Europe S.p.A.
Daikin Isitma Ve Sogutma Sistemleri San. Tic. A.S.
JiangXi DaTang Chemicals Co., Ltd.
Daikin Refrigerants Europe GmbH
Goodman Manufacturing Company, L.P.
Quietflex Manufacturing Company, L.P.

Editorial Policy - 9 -





2018

-Web version -

Daikin CSR at a Glance

Daikin CSR at a Glance - 10 -

DAIKIN CSR AT A GLANCE

Daikin uses the technologies and knowledge related to air cultivated over many years to make life on Earth more comfortable. Going forward, we will provide new value that makes people and air comfortable and healthy through energy-saving technologies.



Daikin CSR at a Glance - 11 -

More Information about Daikin's CSR



Message from the President (Page 29)

Message from Masanori Togawa, Representative Director, President and CEO



> Sustainability Report

(https://www.daikin.com/csr/report/) (https://www.daikin.com/csr/forests/)

Download the PDF file



> "Forests for the Air" Project

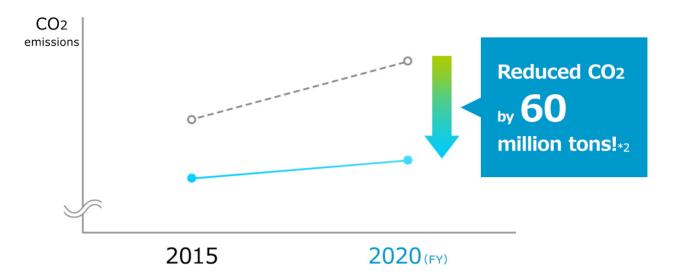
Daikin carries out forest conservation activities in the seven regions worldwide

> Other Environment-Related content

(https://www.daikin.com/csr/environment_special/)

Daikin CSR at a Glance - 12 -

Contributing to the Mitigation of Global Warming with Energy-Efficient Air Conditioners



- If energy-efficient air conditioners*1
 were used throughout the world
- O If low/no-energy air conditioners are sold
- *1 Products that satisfy either or both of "consume at least 30% less electricity than conventional products" or "use refrigerants with at least two-thirds less global warming potential than conventional refrigerants"
- *2 Difference between the amount of energy-efficient air conditioners sold by Daikin and the amount of energy saved in consideration of total sales volume with CO₂ emissions of energy- efficient air conditioners as the baseline

Daikin promotes the spread of energy-efficient air conditioners using refrigerants with low global warming potential.

Daikin will contribute to the mitigation of global warming by reducing CO_2 emissions by 60 million tons (about 80% of the amount of CO_2 emitted by Japanese private cars in one year) in fiscal 2020.

The Society Daikin is Aiming Toward



A society that does not exacerbate environmental burdens

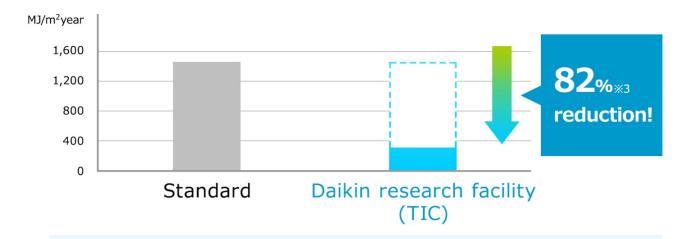
Aiming for a society that reduces environmental burdens while making people and air healthy and comfortable by promoting the spread of air conditioners that have a minor impact on global warming.

Response to Climate Change

(Page 98)

Daikin CSR at a Glance - 13 -

Creating Comfortable Spaces with Small Amounts of Energy





Acquired the highest ranked Platinum Certification under the LEED® certification system for buildings that contribute to the environment

*3 Energy saved through energy conservation and efficient operation of buildings and facilities, and energy created by solar power generation (fiscal 2016 results)

Daikin promotes R&D to reduce building energy consumption to zero.

At Daikin research facilities (TIC), we reduce energy consumption by 82% compared to standard buildings by introducing highly energy efficient equipment and management systems that control incorporate natural light and air and reduce the amount of air conditioning and electric lighting requirements.

The Society Daikin is Aiming Toward



A Society that Uses Energy Efficiently

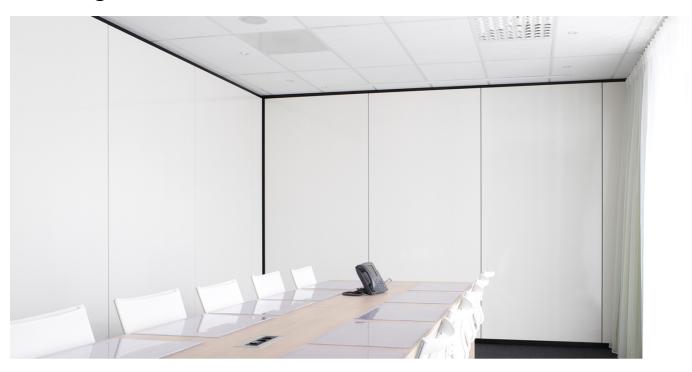
We aim for a society that maintains comfortable living and office spaces with less energy and are launching efficient energy management initiatives that work for individual air conditioners as well as entire buildings and cities.

Providing Solutions

(Page 129)

Daikin CSR at a Glance - 14 -

Protecting Human Health with Air



Daikin pursues the possibilities of air that contributes to human health and comfortable lifestyles. Amid increasing needs for air environments in light of air pollution caused by economic development in emerging countries and tightening regulations regarding spatial hygiene in the pharmaceutical and food industries, we pursue safer, healthier and more comfortable air environments from a variety of perspectives including cleanliness, airflow and odor, contributing to the creation of office, home, hospital and factory environments.

The Society Daikin is Aiming Toward



A Society Offering Health and Comfortable Lifestyles

We pursue societies where people throughout the world can live in health and comfort, as we seek to solve air problems and pursue improvements in the quality of spaces including air environments that enhance concentration.

Value creation through collaborative innovation

(Page 200)

Daikin CSR at a Glance - 15 -

Creating Environments in Which Everyone Can Work Energetically



Daikin believes in the possibilities of people brimming with diversity.

In promoting the active participation of women, we have announced a goal (*4) of making 10% of our managers women by the end of fiscal 2020. To this end, we are implementing measures including increasing awareness among male managers and female employees and offering measures supporting women's return to work after childbirth or childcare to avoid career gaps.

*4 Daikin Industries, Ltd. goal

The Society Daikin is Aiming Toward



A Society in Which Everyone is Useful

With the aim of realizing a society in which everyone's diverse possibilities can be utilized, we engage in people-centered management that links people's individuality and strengths to business growth and global sustainable development.

> Human Resources

(Page 228)

Daikin CSR at a Glance - 16 -

Conserving Forests with People around the World



Daikin cultivates forests with local communities in seven locations around the world. There are many unnatural factors causing deforestation, including agricultural cultivation and the use of timber for firewood and fuel. In response to these issues, Daikin promotes initiatives aimed at achieving a balance between peoples lives and forest preservation.

The Society Daikin is Aiming Toward



A Society in Which Humans Coexist with Nature

Daikin cooperates extensively with governments, local communities NGOs and other groups to engage in conserving and restoring nature with the aim of creating a sustainable society in which nature and people coexist throughout the world.

Communities

(Page 324)

Daikin CSR at a Glance - 17 -





2018

-Web version -

Daikin's Sustainability

DAIKIN'S SUSTAINABILITY

Problems such as climate change and changing demographics are presenting our advancing global society with many challenges.

Daikin aims to contribute to sustainable growth for the world by solving social problems and providing society with new value.



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 Relation



Details here (Page 32)

Strategic Management Plan

FUSION20

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

> Details here <a>D

(https://www.daikin.com/investor/management/strategy/)

Daikin 's Sustainabilit - 19 -

Daikin's Three Business Pillars

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.

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.

> Details here (Page 26)



Q.2

How does Daikin think society can solve its problems?

The world faces many problems, and to solve these will require that all stakeholders, whether from government, industry, or other parts of society, work together to create globally linked frameworks.

Daikin 's Sustainabilit - 20 -

Outlook for Global Risk

Extreme weather events and temperatures

Natural disasters

Failures of climate change mitigation and adaptation

Cyber attacks

Water crises











Source: World Economic Forum Global Risks Perception Survey 2017-2018

International Framework

Paris Agreement to the UN Framework Convention on Climate Change

All major greenhouse-gas emitting countries, including emerging countries, shall reduce their emissions in order to limit global warming by less than 2°C compared to pre-industrial levels by the latter half of this century

Sustainable Development Goals (SDGs)

Common goals to find solutions by 2030 for pressing world problems such as poverty, inequality, and climate change in order to realize a sustainable society

Kigali Amendment to the Montreal Protocol

The Kigali Amendment mandates to phase down the production and consumption of HFCs in CO₂-equivalent in order to mitigate their impact on global warming

U.N. Global Compact

A worldwide framework for achieving sustainable growth by having member companies recognize universal values in relation to issues such as human rights, labor, environment, and corruption



Daikin 's Sustainabilit - 21 -





What kind of value does Daikin provide to society?

Daikin's Aims for Value Creation

Provide new value that makes people and space healthier and more comfortable while at the same time reducing environmental impact.



Value Creation for the Earth

Reduce environmental impact through all business activities and contribute to alleviating climate change

- Further raise the environmental performance of products
- Make effective use of resources
- Protect forests and help sustain their inherent functions

Work toward sustainable development goals (SDGs)













Value Creation for Cities

Contributing to solving energy-related issues arising from urbanization and contribute to the creation of sustainable cities

- Effectively use energy throughout entire buildings and entire cities
- Build systems for recycling-based societies
- Create new types of energy

Work toward sustainable development goals (SDGs)











Daikin 's Sustainabilit - 22 -



Value Creation for People

Pursue new possibilities for air and contribute to healthy, comfortable lifestyles

- Protect people from heatstroke and infectious diseases
- Protect people's health from atmospheric pollution
- Improve indoor environments to support people's comfortable and affluent lifestyles
- Raise productivity to contribute to economic advancement

Work toward sustainable development goals (SDGs)









> Details here (Page 191)

Human Resource Development Supports Value Creation

Foster human resources who spur innovation and who spread newly created value around the world.

Contribute to the growth of employees and local citizens

- Training of highly skilled personnel
- Job creation
- Contribution to local economic development
- Creation of new products and services that help raise people's lifestyles

Daikin 's Sustainabilit - 23 -

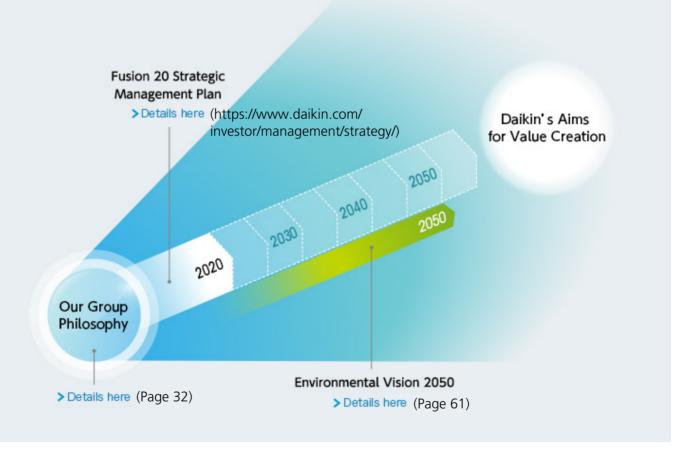






What is Daikin doing about these problems?

Based on Our Group Philosophy, which is the unifying force for our management, we create and implement proposals for Group action in five-year cycles under our Fusion strategic management plans. In fiscal 2018, we formulated Daikin Environmental Vision 2050 in order to contribute to solving increasingly serious global environmental problems over the long term. Based on this environmental vision, we set targets and implement measures under our Fusion strategic management plans with the goal of contributing to a sustainable society by taking on the world's problems through our business



Daikin 's Sustainabilit - 24 -





2018 - Web version -

CSR and Strategy

CSR and Strategy ·····	26	CSR Management ·····	41
Message from the President	29	CSR Action Plan 2020·····	44
CSR Philosophy ·····	32	Participation in the Global Compact	55
Value Chain and Daikin's CCD	26		

CSR and Strategy - 25 -

CSR and **Strategy**

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 create new value and 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 32)

CSR and Strategy - 26 -

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

 ${f 5}$ 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
- > Fusion 20 Strategic Management Plan (https://www.daikin.com/investor/management/strategy/)

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 32)

CSR and Strategy - 27 -

Goals for 2020

Achieve Net Sales of 2.9 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)

2020 Company-Wide Quantitative Targets

Net Sales 2.9 trillion yen

Operating Income 3,480 billion yen

Operating Income Margin 12.0%

We provide healthy and comfortable air environments for people around the world while at the same time reducing environmental impact.

· 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 - 28 -

MESSAGE FROM THE PRESIDENT

Provide Safe, Healthy Air While Aiming for Zero CO₂ Emissions

Masanori Togawa President and CEO Daikin Industries, Ltd.

Masanori Tozawa



The Daikin Group strove to increase sales in North America, Asia, and other key regions under the Fusion 20 strategic management plan in fiscal 2017. Besides marking the fifth year in a row that we broke our financial performance record, we invested in increased production capacity and larger sales and service networks as we strove to strengthen our foundation toward sustainable development.

Reducing Environmental Impact through Energy-Efficient Air Conditioners

Air conditioners, Daikin's main product, have revolutionized labor and lifestyles in hot regions. They have contributed to higher-quality lifestyles and economic growth and today are a key part of the infrastructure supporting society. However, the proliferation of air conditioners has led to higher electricity consumption and may be a factor in negative impacts on the environment such as climate change.

We believe that a company cannot grow its business unless it contributes to solving environmental problems. Based on our strategic management plan, therefore, we have stepped up efforts to reduce environmental impact caused by our products and business activities. To alleviate the impact we have on climate change, we are working to spread the use of environmentally conscious products that use energy-efficient inverter technology and R-32, a refrigerant with low global warming potential. In fiscal 2017, environmentally conscious products as a percentage of group sales of residential air conditioners was 83%, which resulted in a contribution to CO₂ emission reductions of 54 million tons-CO₂.

CSR and Strategy - 29 -

Long-Term Environmental Vision for 2050

As economic activities intensify and transcend international borders, the world is undergoing major changes, as exemplified by accords such as the Paris Agreement and the Sustainable Development Goals (SDGs) of the United Nations.

Investment decision-making is also changing as investors today are judging companies by different criteria. More and more are assessing companies based on their efforts toward common worldwide targets that emphasize risk and opportunity from a long-term view; an example is Climate Action 100+, an initiative aimed at getting companies to improve transparency regarding their impact on climate change.

Against this background and in the spirit of the Paris Agreement, Daikin has announced a long-term environmental vision for 2050 through which it aims to achieve zero CO₂ emissions by 2050. Besides making products and production activities more energy efficient and developing and spreading the use of refrigerants with lower global warming potential, we are reducing CO₂ emissions through IoT-and Aldriven solutions; for example, we are boosting energy efficiency by improving the interaction between air conditioning and buildings. Furthermore, we are aiming for zero CO₂ emissions by recovering and recycling refrigerants at use in the market. By working with various partners to reduce greenhouse gases, we are on a mission to provide safe and healthy air for society.

Human Resource Development Spurs Innovation

The innovation needed to solve social issues like climate change can only come from people. We believe that the cumulative growth of all group members serves as the foundation for the group's development, and we strive to create an environment in which employees can achieve growth by realizing their full potential.

We believe that by utilizing recent lightning-fast developments in IoT and AI, air conditioning can create new value in both industry and people's lives. In fiscal 2017, we opened the Daikin Information and Communications Technology College in our Technology and Innovation Center under a comprehensive collaboration agreement with Osaka University. The agreement will foster human resources capable of developing AI-driven technologies and businesses, and lead to innovation by combining Osaka University's state-of-the-art information sciences with Daikin's air conditioning technologies and wealth of data.

Daikin continues to take part in the United Nations Global Compact, an initiative to promote the implementation of 10 universally accepted principles in the four areas of human rights, labor, the environment, and anti-corruption. We do everything possible to ensure that our activities are sound, transparent, and ethical throughout the entire value chain.

CSR and Strategy - 30 -

As a corporate group that co-creates new value in the air and environmental fields, we will provide society with solutions through our business, and meet the expectations of customers, shareholders, procurement business partners, community members, and all of our other stakeholders.

Masanori Togawa Masanori Togawa

President and CEO Daikin Industries, Ltd.

CSR and Strategy - 31 -

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"

> OUR GROUP PHILOSOPHY (ABOUT DAIKIN)

(https://www.daikin.com/about/corporate/philosophy/)

CSR and Strategy - 32 -

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	
We provide healthy and comfortable air environments for people around the world while at the same time reducing environmental impact.	 Environment New value creation Customer satisfaction Human resources

Fundame	ental CSR
We respond to societal demands for greater transparency and more open business practices.	 Corporate governance Respect for human rights Supply chain management Stakeholder engagement Communities

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

"History of CSR Activities" (CSR Management) (Page 42)

CSR and Strategy - 33 -

Group Conduct 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 observe all applicable laws and regulations relating to fair competition and fair trade of each country and region, including antimonopoly laws. Furthermore, we shall conduct fair sales and procurement activities based on proper corporate ethics and in accordance with sound business practices and social norms.

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. We shall always act in compliance with all applicable export- and import-related laws and regulations of each country and region, as well as the Daikin Group Security Trade Control Policy, which relates to foreign trade control.

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 environmental laws and regulations of each country and region and practice initiatives that preserve the global environment in all aspects of our business operations, including product development, manufacturing, sales, distribution, and services. Also, each and every one of us shall deepen our knowledge of environmental issues, reduce the environmental load in the workplace and at home, and strive toward biodiversity conservation.

CSR and Strategy - 34 -

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 and Observance of Labor Laws

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances shall we sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced 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.

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, the exchange of presents, and invitations relating to the development of our global business. In particular, we shall not entertain, provide gifts of monetary value to, or extend invitations to public officials in Japan or abroad that violate the applicable laws and regulations in each respective 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. Relationship with Society

We aim to be a good corporate citizen that is trusted by society and we shall do our best to act with humility and modesty while at the same time having self-awareness and taking pride in our actions. Moreover, we shall participate in social contribution activities centered on environmental conservation, education support, and cooperation with the local community.

16. 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.

CSR and Strategy - 35 -

VALUE CHAIN AND DAIKIN'S CSR

Establishing Key CSR Themes toward Sustainable Development

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.





Business impact, what Daikin must do

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

Efforts of significant materiality

- Supply chain management
- Anti-corruption
- Free competition and fair business dealings

CSR and Strategy - 36 -



Development, Design

Business impact, what Daikin must do

As air conditioner demand grows in emerging markets and other countries, Daikin must develop products that offer comfort and superb environmental performance and meet regional needs.

Efforts of significant materiality

- Response to climate change
- Effective use of resources and energy
- Management of chemical substances
- Waste and water-use reduction
- New value creation
- Product quality and safety
- Customer satisfaction
- Information security



Manufacturing

Business impact, what Daikin must do

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

Efforts of significant materiality

- Response to climate change
- Effective use of resources and energy
- Management of chemical substances
- Waste and water-use reduction
- New value creation
- Product quality and safety
- Customer satisfaction
- Information security



Business impact, what Daikin must do

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.

Efforts of significant materiality

- Response to climate change
- Product quality and safety
- Customer satisfaction
- Anti-corruption
- Free competition and fair business dealings
- Information security

CSR and Strategy - 37 -



Business impact, what Daikin must do

Global warming impact from air conditioner use presents a huge challenge. At the same time, air conditioners provide benefits such as preventing heatstroke and making people more productive.

Efforts of significant materiality

- Response to climate change
- Customer satisfaction
- Information security



After-sales Service, Recovery, Recycling

Business impact, what Daikin must do

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

Efforts of significant materiality

- Response to climate change
- Waste and water-use reduction
- Customer satisfaction
- Information security



Business Activity Foundation

Business impact, what Daikin must do

In order to continue contributing to society, we must develop the human resources who conduct our business, comply with laws and regulations, and have in place a system of corporate governance.

Efforts of significant materiality

- Human resource development
- Workplace diversity
- Occupational safety and health
- Labor-management relations
- Respect for human rights
- Corporate governance

CSR and Strategy - 38 -



Relationship with Society

Business impact, what Daikin must do

In order to spread Daikin technologies and thus contribute to solving society's problems, it is essential that we work closely with numerous partners, including governments, United Nations bodies, international organizations, NGOs, key individuals, and local communities.

Efforts of significant materiality

- Response to climate change
- · Biodiversity protection
- Communities
- Stakeholder engagement

Materiality (of Key Initiatives)

Revising Materiality in Line with the Fusion 20 Strategic Management Plan

In line with our Fusion 20 strategic management plan, we revised the materiality of our CSR initiatives in fiscal 2015.

We also added key items when we formulated our plan for the latter half of fiscal 2018. Evaluation was conducted with consideration in two areas: concerns and impacts of stakeholders, 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.

Materiality analysis



CSR and Strategy - 39 -

9 Key CSR Themes Reflected in Fusion 20 Strategic Management Plan

We identified nine materiality issues: four themes of CSR for value provision, which are aimed at achieving sustainable development for Daikin and society; and five themes of fundamental CSR. We have incorporated these as key focal management points in the Fusion 20 strategic management plan, and the entire Daikin Group is working toward solving these issues.

Daikin's CSR

CSR for value provision We provide healthy and comfortable air environments for people around the world while at the same time reducing environmental impact. Environment New value creation Customer satisfaction Human resources

Fundame	ental CSR
We respond to societal demands for greater transparency and more open business practices.	 Corporate governance Respect for human rights Supply chain management Stakeholder engagement Communities

CSR and Strategy - 40 -

CSR MANAGEMENT

CSR Management Structure

Daikin has set Value for CSR Provision and Fundamental CSR as its key CSR themes toward achieving sustainable development in its business and in society as it strives to solve the world's problems 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. The CSR & Global Environment Center, which has been established under the CSR Committee, leads comprehensive, cross-organizational CSR activities throughout the entire group.

The CSR Committee is made up of officers in charge of the key themes and meets once a year to discuss and share ideas on social trends, progress in key CSR themes, and issues that require addressing. Items decided on by the CSR Committee are submitted to the President and then reported to the Board of Directors.

At the fiscal 2017 meeting of the CSR Committee, members discussed the necessity and content of Daikin's long-term environmental vision based on international framework agreements such as the Paris Agreement to the UN Framework Convention on Climate Change, which aims to limit global warming by less than 2°C compared to pre-industrial levels, and the common Sustainable Development Goals (SDGs) adopted by the United Nations.

Materiality (of Key Initiatives)

> For more information, refer to "Materiality (of Key Initiatives)" (Value Chain and Daikin's CSR). (Page 39)

CSR Targets and Achievements

> For more information, refer to CSR Action Plan 2020. (Page 44)

CSR and Strategy - 41 -

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" (CSR Philosophy) (Page 32)

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" (CSR Philosophy) (Page 33)

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.

CSR and Strategy - 42 -

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 Action Plan 2020 (Page 44)

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 26)

CSR and Strategy - 43 -

CSR ACTION PLAN 2020

Based on four themes of CSR for value provision and five themes of fundamental CSR, Daikin formulated CSR Action Plan 2020, which stipulates targets for 2020 that the entire group is working together to achieve. We will provide separate reports on the targets for each theme for 2020 and progress with these themes in fiscal 2017.

> Targets and Achievements 1 (62KB)

(https://www.daikin.com/csr/company/plan.pdf)

CSR for Value Provision

We provide healthy and comfortable air environments for people around the world while at the same time reducing environmental impact.

me time reducing environmental impact.	
Environment	New Value Creation
Customer Satisfaction	Human Resources

Fundamental CSR

We respond to society's requests through corporate action based on transparency and sincerity.

Corporate Governance

Respect for Human Rights

Supply Chain Management

Stakeholder Engagement

Communities

CSR and Strategy - 44 -

ENVIRONMENT

Introduce state-of-the-art technologies to the market in order to address environmental and energy issue

About the CSR Initiatives

Provide Environmentally Conscious Products and Services Worldwide

- · Promote use of energy-efficient air conditioners, including inverter products
- Promote use of air conditioners using refrigerants with lower global warming potential
- Promote use of heat-pump-type heating systems and hot water heaters
- · Expand our environmental solutions business

2020 Target

Through the worldwide adoption of environmentally conscious products, contribute to reducing greenhouse gas emissions

60 million tons-CO₂

<Six Sustainable Development Goals Daikin Is Contributing to through Its Business>









Fiscal 2017 Achievements

Through the adoption of environmentally conscious products, contribute to reducing greenhouse gas emissions

54 million tons-CO₂

We measured how much we contributed to reducing greenhouse gas emissions through the adoption of Daikin's environmentally conscious products.

Environmentally conscious products as percentage of group sales (residential air conditioners)

83%

We measured how much we increased sales of air conditioners using inverter technology and refrigerants with lower global warming potential.

CSR and Strategy - 45 -

About the CSR Initiatives

Minimize Environmental Impact in Production Activities

- Reduce greenhouse gases
- Make effective use of water and other resources
- Reduce chemicals
- Promote green procurement

2020 Target

Greenhouse gas emissions during production for entire Daikin Group

70% reduction over fiscal 2005

<Six Sustainable Development Goals Daikin Is Contributing to through Its Business>



Fiscal 2017 Achievements

Reduction ratio of greenhouse gas emissions from production (over fiscal 2005)

74% reduction

We measured how much we reduced greenhouse gas emissions generated in the product manufacturing process.

CSR and Strategy - 46 -

Expand the Green Heart Circle of Love for the Earth

- Encourage employees to take part in environmental activities inside and outside work
- Promote environmental and social contribution activities

2020 Target

Achieve Green Heart Factory certification for all production bases

Preserve 11 million hectares of forest at 7 worldwide locations

Implement and expand environmental activities in collaboration with stakeholders

Fiscal 2017 Achievements

Number of factories certified as Green Heart Factories

24 bases

Gold Rank: 2 Silver Rank: 10 Bronze Rank: 12

We measured the increase in the number of production bases that bases achieved Daikin's inhouse standards for environmental action.

Contribution to CO₂ emission reductions through forest preservation

7 million tons-CO₂

We measured contribution to CO₂ emission reductions through forest preservation activities at 7 worldwide locations where we are working together with an international NGO.

CSR and Strategy - 47 -

NEW VALUE CREATION

Share dreams and ambitions inside and outside Daikin to realize a healthy, comfortable lifestyle through air

About the CSR Initiatives

Create New Value to Meet the Expectations of Customers and Society

- Value Creation for the Earth
- Value Creation for Cities
- Value Creation for People

2020 Target

Use IoT and AI for open innovation that creates new value

<Six Sustainable Development Goals Daikin Is Contributing to through Its Business>













Fiscal 2017 Achievements

R&D expenditure

62.1 billion yen

Number of patent applications

Japanese applications: 780

Overseas applications: 352

(FY2016) (Daikin Industries, Ltd. only)

We measured how much we invested in value creation and how many new technologies we came up with.

CSR and Strategy - 48 -

CUSTOMER SATISFACTION

Provide peace of mind and reliability through a focus on customer orientation, experience, performance, and advanced technologies

About the CSR Initiatives

Provide Customers with the Ultimate Satisfaction

- · Provide safety and quality
- Provide customer satisfaction

2020 Target

Establish a service network covering the globe

Grasp worldwide customer needs and pursue high customer satisfaction

Establish a high standard of quality

Fiscal 2017 Achievements

Progress rate of after-sales services, regarding the base year as 1.00

Japan: **1.11**

China: 1.01

Singapore: **1.03**

Italy: **1.00**

We measured how much we improved after-sales service customer satisfaction.

CSR and Strategy - 49 -

HUMAN RESOURCES

Respect individual personalities and values, and maximize the potential of each employee

About the CSR Initiatives

Create a Work Environment Where Employees Can Use Their Talents to the Fullest through People-Centered Management

- Develop human resources
- Promote workplace diversity
- · Promote occupational safety and health

2020 Target

The ratio of excellent or advanced skilled engineers in manufacturing

 $1_{\text{in}} 4_{\text{employees}}$

Women as percentage of all managers

10% (Daikin Industries, Ltd. only)

Increase percentage of overseas bases where local nationals are presidents

Frequency rate

(shows frequency of occurrence of labor accidents)

0

Fiscal 2017 Achievements

The ratio of excellent or advanced skilled engineers in manufacturing

 $1_{\text{in}} 3.4_{\text{employees}}$

(Daikin Industries, Ltd. only)

We measured the number of employees we trained, out of those involved in manufacturing, who possess advanced skills and knowledge and who can lead production activities.

Women as percentage of all managers

4.9% (Daikin Industries, Ltd. only)

We measured progress in training women to be managers in Japan.

CSR and Strategy - 50 -

Percentage of overseas bases where local nationals are president

46% (overseas bases)

We measured progress in appointing local nationals as presidents of overseas bases.

Frequency rate

1.33

We measured how well we succeeded in the safe operation of production bases.

CSR and Strategy - 51 -

FUNDAMENTAL CSR

Corporate Governance

Accelerate decision-making and operational execution in response to management tasks and the changing management environment, and raise the level of management transparency and soundness to raise corporate value

About the CSR Initiatives

- Degree of independence from the company, diversity, and transparency of the Board of Directors (Daikin Industries, Ltd. only)
- Thoroughness of compliance

Fiscal 2017 Achievements

Number of directors who are outside the company, women, and foreign nationals

3 outside directors, 1 female director,

1 foreign national director (Daikin Industries,

Ltd. only)

We measured the diversity of the make-up of directors.

Self-assessment implementation rate

Implementation rate: 99%

We measured how well we were in compliance through the implementation rate of self assessments.

CSR and Strategy - 52 -

Respect for Human Rights

Show respect for basic human rights in accordance with all international norms based on the laws and regulations of each country and region

About the CSR Initiatives

• Thoroughness of respect for human rights

Fiscal 2017 Achievements

Self-assessment implementation rate

Implementation rate: 99%

We measured how thorough we were in respect for human rights through the implementation rate of self assessments.

Supply Chain Management

Fulfill corporate social responsibility through environmental impact reduction, quality assurance, and occupational safety and health throughout the entire supply chain

About the CSR Initiatives

• Conduct CSR procurement

Fiscal 2017 Achievements

CSR procurement rate

Create a CSR procurement survey (survey conducted starting in fiscal 2018)

We measured our suppliers' progress in CSR activities.

CSR and Strategy - 53 -

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

About the CSR Initiatives

 Engage in dialogue with stakeholders and reflect this dialogue into management

Fiscal 2017 Achievements

Number of air conditioner forums held, number of countries that outside participants represent, and total participants

6 forums held in 5 worldwide regions;

118 participants from 46 countries;

university professors, specialists, etc.

Among the engagement activities, the number of times dialogue was held with key figures from around the world on air conditioning, a core Daikin business.

Communities

Respect the culture and history of different countries and regions, and create strong bonds with communities as a good corporate citizen

About the CSR Initiatives

 Contribution to environmental conservation, education support, and cooperation with the local community

Fiscal 2017 Achievements

Expenditure for social contribution activities

1.6 billion yen

We calculated the monetary amount, through donations, goods, and other ways, that we provided to communities.

CSR and Strategy - 54 -

PARTICIPATION IN THE GLOBAL COMPACT

Participation in the Global Compact

Building a System for Unified Group Action

Since 2008, Daikin has endorsed and participated in the Global Compact.

The Global Compact, proposed by former UN Secretary General Kofi Annan at the World Economic Forum in January 1999, encourages companies to act as good members of society and aim to realize sustainable growth. It also urges participating companies throughout the world to support and practice the Ten Principles in the four areas of human rights, labor, the environment and anti-corruption.

Based on the environmental philosophy of leading the way to an environmentally conscious society, Daikin is focused on resolving environmental issues through business. Further, the Group Conduct of Guidelines constituting the guideline for each group company's standards of conduct, reflects the spirit of the Global Compact in Group management by clarifying details related to respect for human rights, the elimination of forced and child labor, anticorruption and other issues from the perspectives of thorough transparency, soundness and ethical business activities throughout the entire value chain.



CSR and Strategy - 55 -

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.

CSR and Strategy - 56 -





2018

— Web version —

Environment

Environmental Vision 2050 ······	61
Basic Environmental Policy	65
Overview of Environmental Impact	67
Environmental Management	69
Management Structure ······	71
Risks and Opportunities	72
Environmental Action Plan	73
Environmental Management System	77
Environmental Audits	83
Green Heart Factories and Offices	84
Environmentally Conscious Design	85
Green Procurement	
Environmental Accounting	94
Response to Climate Change	98
Developing and Promoting Products and	
Services That Reduce Environmental Impact···	101
Increasing Air Conditioner Efficiency	103
Low Environmental Impact Refrigerants	109
Promoting the Use of Inverter Products	114
Promoting the Use of Heat-Pump Type	
Space and Hot Water Heaters	117
Energy-Efficiency through Fluorochemical	
Products and Oil Hydraulic Products	121
Reducing Greenhouse Gases during	
· · · · · · · · · · · · · · · · · · ·	125
Providing Solutions ·····	129
Recovery, Recycle and Destruction of	
Fluorocarbons ······	135

Effective Use of Resources	145
Effective Use of Resources in Products	147
Waste Reduction ·····	153
Home Appliance Recycling Results	154
Water Resource Reduction	156
Management and Reduction of	
Chemical Substances ·····	158
Management and Reduction of	
Chemical Substances Contained in Products	160
Compliance with J-Moss ·····	164
Management and Reduction of	
Chemical Substances during Production	168
Preventing Pollution	171
Protecting Biodiversity	174
Protecting Biodiversity	175
History of Environmental Activities	183
Endorsement as an Eco First Company	186

CSR for Value Provision Environment



Policy

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

CSR Targets 2020

Air conditioners, Daikin's main products, consume large amounts of energy during operation, and fluorocarbons used as refrigerants significantly influence climate change.

In addition to reducing Group-wide greenhouse gas emissions by 70% compared to fiscal 2005, we will reduce greenhouse gas emissions by 60 million tons-CO₂ by promoting environment-conscious products using inverter technologies and low environmental impact refrigerants throughout the world.

Fiscal 2017 Achievements

We measure our contribution to greenhouse gas emission reductions based on the sales ratio of environmentally conscious products and reduction in greenhouse gas emissions during manufacturing.

Contribution to greenhouse gas emission reductions

 $54_{\rm million\ tons-CO_2}$

Sales ratio of environmentally conscious products

83%

Reduction Ratio of Greenhouse Gas Emissions from Production (over fiscal 2005)

74%

Environment - 58 -

> Environmental Vision 2050

) Basic Environmental Policy

Overview of Environmental Impact

We formulated Environmental Vision 2050 with the aim of reducing CO_2 emissions to zero by 2050.

We have established a basic environmental policy that serves as the basis for our efforts.

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

Environmental Management Response to Climate
Change

> Effective Use of Resources

We regard environmental measures as important management resources and combine environmental response and corporate management.

We focus on mitigating the effects of global warming from our products and reducing greenhouse gas emissions from production.

We will effectively utilize resources in product design and production processes and contribute to the realization of a circular economy.

Management and
Reduction of Chemical
Substances

) Protecting Biodiversity

History of Environmental

We are reducing the use and emission of chemical substances and strive to prevent pollution from chemical substances. We strive to protect biodiversity through our business activities and environmental contribution activities. Daikin publishes an annual report detailing our environmental protection activities.

Environment - 59 -

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.

Related information

Environment—Key Activities of Fiscal 2017: Environmentally Conscious Products Come from Green Heart Factories (Page 392)

Environment - 60 -

Environment

ENVIRONMENTAL VISION 2050

Daikin formulated Environmental Vision 2050, the aim of which is to contribute to solving increasingly serious global environmental problems over the long term. With the aim of reducing to zero the CO₂ emissions caused by our business activities and our products and services, we set targets and implement measures every five years under our Fusion strategic management plans.

We will reduce the CO₂ emissions generated throughout the entire life cycle of our products.

Furthermore, we will create solutions that link society and customers as we work with stakeholders to reduce CO₂ emissions to zero.

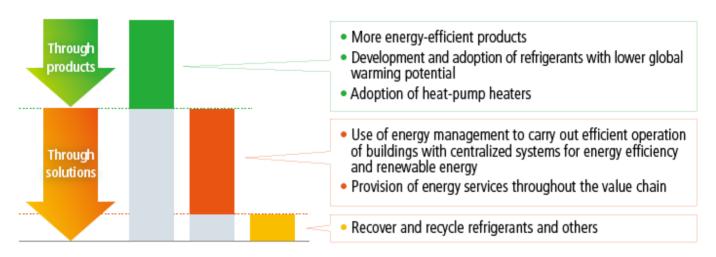
Using IoT and AI, and open solutions, we will meet the world's needs for air solutions by providing safe and healthy air environments while at the same time contributing to solving global environmental problems.



Environment - 61 -

Daikin's Philosophy on Zero CO₂ Emissions

We aim to reduce CO_2 emissions to zero by recovering and recycling refrigerants while at the same time creating products and solutions that minimize CO_2 .



First Step Toward 2050

We have already taken our first step toward our long-term goals for 2050 by beginning work on themes related to our environmental vision under the Fusion 20 Strategic Management Plan.

Through products

Creation of products and services with high environmental performance

- Promotion of energy efficiency through inverter and other technologies
- Adoption of R-32 and other refrigerants with lower global warming potential, development of next-generation refrigerants, adoption of heat-pump heaters
- Materials development, reduction of environmental impact throughout entire life cycle from material procurement to disposal and recycling

Through solutions

Creation of environmental solutions

- Use of energy
 management to achieve
 optimal operation through
 a system that integrates air
 conditioners and their
 peripheral equipment,
 buildings, and renewable
 energy
- Recovery and recycling of refrigerants in use on the market

Through the power of air

Creation of air value

- Engineering of air environments that protect people's health from air pollutants such as PM2.5 and VOCs
- Pursuit of value added in air through, for example, office environments conducive to high productivity and home environments that improve the quality of sleep

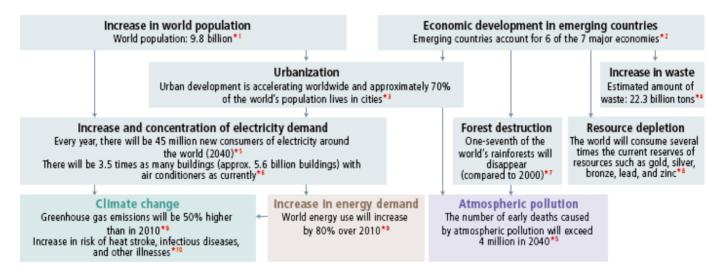
Environment - 62 -

Formulating Environmental Vision 2050

We forecast what the world would be like in 2050 and came up with how Daikin should proceed toward this based on risks and opportunities.

Forecast of Society in Which Daikin Will Operate in 2050

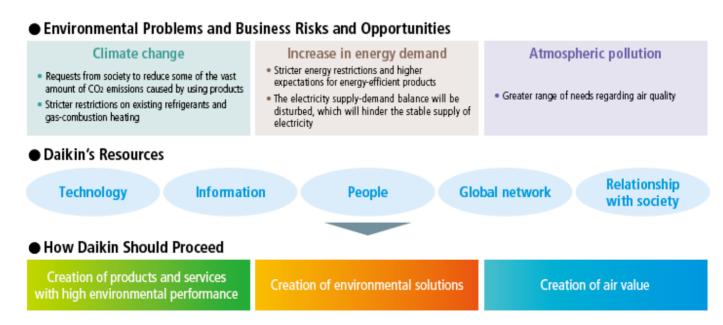
Based on the relationship between Daikin's business and the global environment, we came up with a long-term environmental to-do list that takes into account what the world will be like for Daikin's business in 2050 judging by current social scenarios.



How Daikin Should Proceed Based on Risks and Opportunities

Daikin came up with business risks and opportunities in relation to the environmental problems specified above.

We determined how we should proceed in order to solve these problems based on the company's resources.



Environment - 63 -

Daikin referred to the following reports when making its forecasts

- *1 World Population Prospects: The 2017 Revision, by the United Nations
- *2 The World in 2050, by PwC
- *3 World Urbanization Prospects: The 2018 Revision, by the United Nations
- *4 Estimates and Forecasts for the World's Waste Generation, by the RISWME
- *5 World Energy Outlook 2017, by the International Energy Agency (IEA)
- *6 The Future of Cooling, by the International Energy Agency (IEA)
- *7 The Future of Forests: Emissions from Tropical Deforestation with and without a Carbon Price, 2016-2050, by the Center for Global Development (CGD)
- *8 The Problem of Worldwide Resource Restrictions by 2050, by the National Institute for Materials Science (NIMS)
- *9 OECD Environmental Outlook to 2050, by the Organization for Economic Cooperation and Development (OECD)
- *10 Quantitative risk assessment of the effects of climate change on selected causes of death, 2030s and 2050s, by the World Health Organization (WHO)

Environment - 64 -

BASIC ENVIRONMENTAL POLICY

Basic Environmental Policy of the Daikin Group

Environmental Philosophy Lead the Way to an Environmentally Conscious Society

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.

Environment - 65 -

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).



Environment - 66 -

Environment

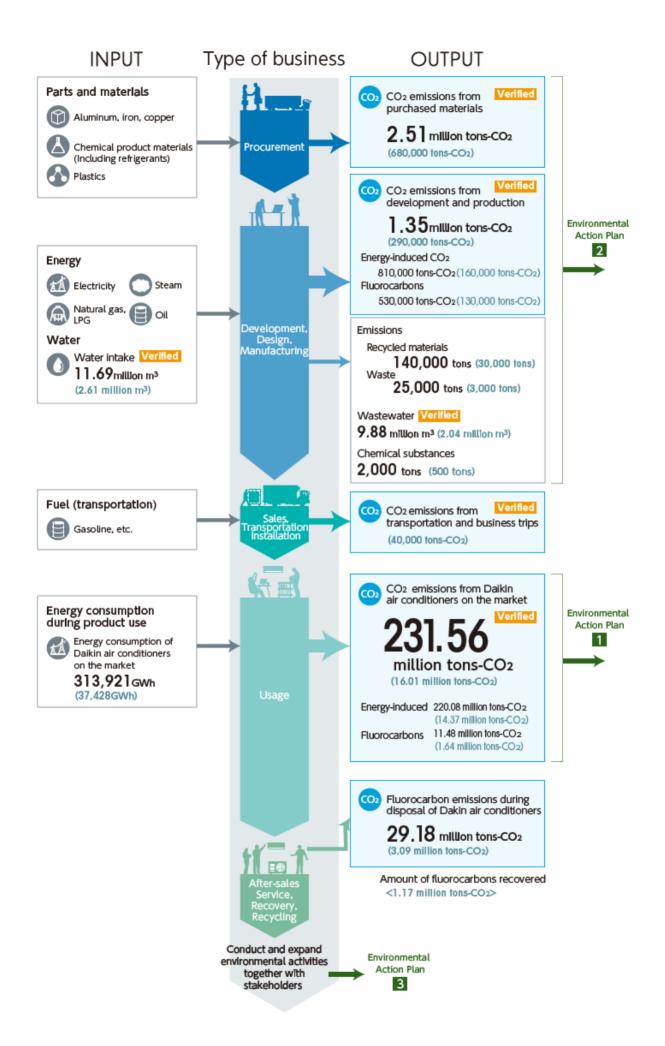
OVERVIEW OF ENVIRONMENTAL IMPACT

The Daikin Group measures the impact that its business activities have on the environment throughout the value chain: in materials procurement, development, production, transportation, installation, product use, recovery, and recycling. Air conditioners are products that consume large amounts of electricity, and within their product lifecycle, the energy consumed during product use makes a particularly large contribution to climate change.

Verified Data Verified by Third Party

Note: The figures on this page represent the total for the global group in fiscal 2017. Figures in () are for Daikin Industries, Ltd. only. Figures in < > are for the Daikin Group in Japan.

Environment - 67 -



Environment - 68 -

Environment

Environmental Management

) Management Structure

We see climate change and other environmental problems as tasks that we must tackle as part of our management, and we are doing so on a global scale.

) Risks and Opportunities

We believe that the risks and opportunities of climate change are key themes that affect our management.

> Environmental Action Plan

We formulated an environmental action plan based on our strategic management plan. We aim to achieve both corporate growth and environmental protection.

Environmental Management System

We have created and operate an environmental management system in line with ISO 14001.

Environmental Audits

We strive to maintain and improve our environmental management system through environmental audits.

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.

Environmentally Conscious Design

We strive to develop products with low environmental impact.) Green Procurement

We carry out green procurement in order to reduce environmental environmental measures and the impact in the supply chain.

> Environmental Accounting

We calculate investment in effect of this investment.

Environment - 69 -

Related information

- > Basic Environmental Policy (Page 65)
- > Supply Chain Management (Page 299)

Environment - 70 -

MANAGEMENT STRUCTURE

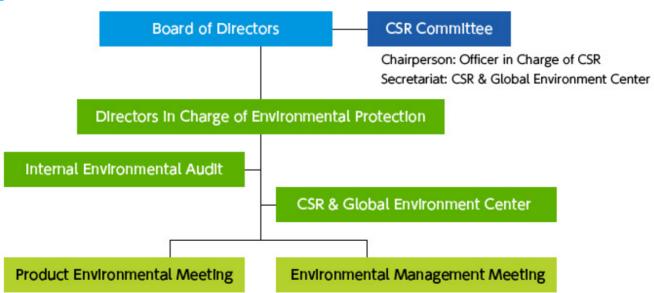
Toward the realization of a sustainable society, Daikin makes environmental issues, particularly response to alleviation of the effects of climate change, a key theme in its efforts to provide value to society through its business activities.

Air conditioners, our flagship products, consume large amounts of electricity, and the fluorocarbons they use as refrigerants contribute to climate change. In responding appropriately to the risks that could arise, we implement an environmental strategy, led by directors in charge of environmental protection, in which we disseminate the energy-efficient environmentally conscious products and services that are our main strength.

Directors in charge of environmental protection lead annual regional environmental meetings (in Japan, Europe, North America, China, and Asia-Oceania) attended by environmental managers from each base as part of Daikin's management of environmental issues related to climate change, water, and waste.

Directors in charge of environmental protection are also members of the CSR Committee. This committee meets to discuss action policy on climate change, set targets and confirm how well they are being achieved, and look at the risks and opportunities for Daikin. Results of the meetings are reported to the Board of Directors. In fiscal 2017 meeting, attendees shared information on institutional investors such as the Climate Action 100+ initiative and social trends aimed at meeting the targets of the Paris Agreement, and also discussed details of Daikin's long-term environmental vision. They also confirmed Daikin's contribution to greenhouse gas emission reductions through the dissemination of environmentally conscious products, and how well the company is doing in setting and achieving climate-related targets such as greenhouse gas emissions from production.

System Driving Environmental Management



Environment - 71 -

Environmental Management

RISKS AND OPPORTUNITIES

Among environmental risks and opportunities, Daikin takes firm measures in dealing with climate change because it considers this to be the issue with the greatest impact on its management. In our main business of air conditioning, our products consume electricity during usage and the fluorocarbons used as refrigerants impact climate change. In responding to the risks that could arise, we make it our environmental policy to work toward achieving a low-carbon society by proliferating the use of our energy-efficient environmentally conscious products.

To understand and properly respond to risks and opportunities, we prioritize the ones that are periodically reported by our worldwide bases and make plans to deal with them. Each base implements these plans and reports on their progress to the Board of Directors. For example, governments are stepping up regulations on refrigerants with a high global warming potential, and this constitutes a regulatory risk that can dramatically affect Daikin's business. Refrigerants with a low global warming potential have properties such as flammability and toxicity, and since each country has differing safety regulations, we are formulating policies on safety standards that we implement in each country.

There are also physical risks; for example, a typhoon could cause flooding that inundates a Daikin factory and halts operation, or one of our parts suppliers could have operational problems and no longer be able to supply Daikin. The flooding that occurred in Thailand a few years ago provided us with information that we use to identify issues and measures that we can use in other regions where we do business around the world.

Environment - 72 -

ENVIRONMENTAL ACTION PLAN

Environmental Action Plan 2020

Daikin positions environmental protection as one of its most important management tasks. Based on our Fusion 20 strategic management plan, we formulated Environmental Action Plan 2020, under which we aim to decrease environmental impact throughout the value chain so that we can achieve sustainable business growth and protect the environment.

Under our Environmental Action Plan 2020, which targets fiscal 2020, we are taking actions based on three pillars: 1 provide environmentally conscious products and services, 2 minimize environmental impact through manufacturing and other activities, and 3 expand the Green Heart circle worldwide.

Because air conditioners, our flagship product category, emit a particularly large amount of CO_2 when used, we are focusing on disseminating worldwide the use of energy-efficient air conditioners and air conditioners that use low-global-warming-potential refrigerants. We set a target of reducing worldwide greenhouse gas emissions in fiscal 2020 by 60 million tons- CO_2 . Calculations show that in fiscal 2017 we achieved the reductions of 54 million tons- CO_2 .

In efforts to reduce environmental impact during the production stage, we set a target of reducing total Group greenhouse gas emissions in fiscal 2020 to 1.58 million tons- CO_2 (70% reduction over fiscal 2005). In fiscal 2017, we succeeded in lowering these emissions to 1.35 million tons- CO_2 .

We work with our stakeholders in activities that raise environmental awareness. One of these is our "Forests for the Air" project, under which we aim to protect 11 million hectares of forest in seven locations worldwide. Another is our environmental education program for elementary school students, under which in fiscal 2017 we provided free teaching materials to 26 schools and helped instruct 1,700 children in Japan.

Environment - 73 -

Environmental Action Plan 2020

Action targets	Fiscal 2020 target values	Fiscal 2017 target values	Fiscal 2017 results	Self- assessment
1 Provide Environmentally	Conscious Product	s and Services	Worldwide	
Contribute to reducing greenhouse gas emissions by spreading the use of following products • Energy-efficient air conditioners and services including inverter products • Air conditioners using refrigerants with lower global warming potential • Heat-pump-type heating systems and hot water heaters • Energy-efficient solutions business	Contribution to Greenhouse Gas Emission Reductions*1 60 million tons- CO ₂	Contribution to Emission Reductions 50 million tons-CO ₂	Contribution to Emission Reductions 54 million tons-CO ₂	***
	Increase in Ratio (Environmentally (Products*2		Sales of Environmentally Conscious Products as Percentage of Residential Air Conditioners 83%	***

Environment - 74 -

2 Minimize Environmental Impact in Production Activities						
Greenhouse Gas	Emission Reductions	70% reduction over fiscal 2005 (reduction to 1.58 million tons-CO ₂)	69% reduction		74% reduction (reduction to 1.35 million tons-CO ₂)	***
	Reduction of Energy-Induced	Unit reduction in energy- induced CO ₂ emissions of	Japan	2% reduction	5% reduction	***
	CO ₂ Emissions	5% against Standard value*3	Overseas	2% reduction	9% reduction	***
Emissions		Unit Reduction in Emissions of 5% against Standard	Japan	2% reduction	12% reduction	***
		value*3	Overseas	2% reduction	5% reduction	***
Water		Unit Reduction in Water	Japan	2% reduction	6% reduction	***
		Intake of 5% against Standard value*3	Overseas	2% reduction	9% reduction	***
Chemicals		Unit Reduction in Chemical	Japan	2% reduction	11% reduction	***
		Emissions of 5% against Standard value*3	Overseas	2% reduction	2% increase	***
Green procurement		Increase in Green Procurement Rate			76%	**

Environment - 75 -

3 Expand the Green Heart Circle of Love for the Earth					
Count out and our and	Encourage employees to take part in environmental activities inside and outside work	Certify all production bases as Green Heart Factories*4	24 bases certified (6 in Japan, 18 overseas)	**	
Carry out and expand environmental activities in collaboration with stakeholders	Promote environmental and social contribution activities	Carry out forest protection activities with NGOs Educate the younger generation about the environment	Reduce emissions by 7 million tons-CO ₂ Provide free learning materials to 1,700 students	***	

- *1 Difference between emissions from all Daikin environmentally conscious products sold and emissions from non-inverter products, air conditioners using conventional refrigerants, and gas-combustion space heaters and hot water heaters.
- *2 Products that satisfy either or both of the following conditions: consume at least 30% less electricity than conventional products, or use refrigerants with at least two-thirds less global warming potential than conventional refrigerants.
- *3 Average for fiscal 2013-2015.
- *4 A Daikin standard for assessing and certifying how well each production base is doing in achieving environmental criteria related to energy efficiency, waste reduction, and biodiversity protection.

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

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

Environment - 76 -

ENVIRONMENTAL MANAGEMENT SYSTEM

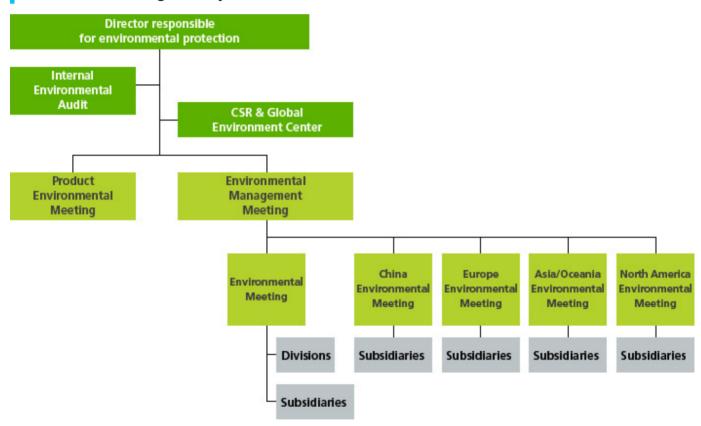
Basic Policy

Building a Group-Wide Environmental Management Promotion System

Daikin 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 proceeding at companies that are new to the Daikin Group as we work toward certification for ISO 14001 at all bases. To ensure the reliability of data and improve our mechanisms for environmental management, we have data on emissions of greenhouse gases, water, waste, and chemicals verified by a third party.

Environmental Management System



Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification (FY2017)



Environment - 77 -

Global Environmental Meetings

Boosting Environmental Action by Sharing Information and Discussing Challenges

To ensure the continuous improvement of the entire Daikin Group's environmental management, environmental meetings are held once a year in four regions (Europe, North America, China, and Asia/Oceania). In addition, once every two years Global Environmental Meetings are held. At the meetings, local base presidents, environmental heads, and environmental managers in each division, along with the environmental managers in each division in Japan, share Group policy and medium- and long-term targets.

In April 2017 the 3rd Global Environmental Meeting was held at Daikin Industries Czech Republic s.r.o. After seeing improvement examples at the company's plant, which is one of the most advanced in the Daikin Group, environmental heads from worldwide Daikin bases conducted an active discussion on the next stage of energy-efficiency activities. In November 2017, we established a new environmental office in China that allows us to closely monitor our 17 production bases in the country for progress in environmental measures during each fiscal quarter.

With the aim of helping achieve the targets of the Paris Agreement, we are stepping up energy-efficiency efforts at our worldwide bases.



Touring an upgraded plant at Daikin Industries Czech Republic s.r.o.

DAIKIN BASES CERTIFIED FOR ISO 14001 (JAPAN, OVERSEAS)

Daikin Bases Certified for ISO 14001 (Japan)

Japan	1996: Daikin Group in Japan*	
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^{*} 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.

Environment - 78 -

ISO 14001 Certification for Overseas Subsidiaries (as of March 2018)

China

Date	Subsidiary certified
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
Nov. 2004	Shenzhen McQuay Air Conditioning Co., Ltd.
Dec. 2004	Daikin Airconditioning France S.A.S.
Dec. 2005	Daikin Device (Suzhou) Co., Ltd.
Jul. 2006	Daikin Fluorochemicals (China) Co., Ltd.
Sep. 2006	Daikin Motor (Suzhou) Co., Ltd.
May 2007	McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.
May 2007	Daikin (China) Investment Co., Ltd.
Aug. 2007	Daikin Airconditioning (Hong Kong) Ltd.
Nov. 2007	Daikin Air-Conditioning Technology (Shanghai), Ltd.
Dec. 2007	Daikin Air-Conditioning Technology (Beijing), Ltd.
Dec. 2007	Daikin Air-Conditioning Technology (Guanghou), Ltd.
Jan. 2008	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
Jun. 2008	McQuay Suzhou
Jul. 2010	Daikin Refrigeration (Suzhou) Co., Ltd.
Mar. 2011	AAF (Wuhan) Co., Ltd.
Feb. 2012	JiangXi DaTang Chemicals Co., Ltd.
Jun. 2012	McQuay Technology

Environment - 79 -

Asia and Oceania

Date	Subsidiary certified			
Feb. 1998	Daikin Industries (Thailand) Ltd.			
Jan. 2004	Daikin Airconditioning (Thailand) Ltd.			
Dec. 2004	Daikin Compressor Industries Ltd.			
Jan. 2005	Siam Daikin Sales Co., Ltd.			
Mar. 2005	Daikin Trading (Thailand) Ltd.			
Mar. 2005	Daikin Airconditioning (Singapore) Pte. Ltd.			
Apr. 2005	Daikin Asia Servicing Pte. Ltd.			
Oct. 2006	Daikin Australia Pty., Ltd.			
Dec. 2006	Daikin Airconditioning India Pvt. Ltd.			
Mar. 2007	DAIKIN Electronic Devices Malaysia			
Aug. 2007	Daikin Airconditioning (Malaysia) Sdn., Bhd.			
Nov. 2008	Daikin R&D Sdn Bhd			
Mar. 2009	DAIKIN Steel Malaysia			
Aug. 2009	DAIKIN Refrigeration Malaysia			
Aug. 2012	Daikin Airconditioning India Pvt. Ltd. (Neemrana Plant)			

Environment - 80 -

Europe, Middle East, and Africa

Date	Subsidiary certified
Feb. 1998	Daikin Europe N.V.
Jan. 2004	Daikin Chemical Netherlands B.V.
Jan. 2004	Daikin Airconditioning Germany GmbH
Jun. 2004	Daikin Airconditioning Spain S.A.
Dec. 2004	Daikin Airconditioning France S.A.S.
Jan. 2005	Daikin Airconditioning Central Europe Handels GmbH
Feb. 2005	Daikin Airconditioning Poland Sp. zo.o
Feb. 2005	Daikin Airconditioning Italy S.p.A
Apr. 2005	Daikin Airconditioning Belgium N.V.
Dec. 2005	Daikin Airconditioning U.K., Ltd.
Jan. 2006	Daikin Chemical France S.A.S.
Jun. 2006	Daikin Industries Czech Republic s.r.o.
Jun. 2008	Daikin Chemical Europe GmbH
Jul. 2008	Daikin Device Czech Republic s.r.o.
Sep. 2008	Daikin Airconditioning Portugal S.A.
Jan. 2009	Daikin Airconditioning Greece S.A.
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	AAF-Limited (United Kingdom)
Oct. 2010	AAF Internation sro (Slovakia)
Jan. 2011	AAF-International B.V. (The Netherland)
Mar. 2011	Daikin Airconditioning Netherlands B.V.
Mar. 2012	AAF S.A.(Spain)
May 2015	Daikin Refrigerants Europe GmbH

Environment - 81 -

North America, Latin America

Date	Subsidiary certified
Sep. 1997	Daikin America, Inc.
Jan. 2008	Cri-Tech Inc.
Mar. 2008	Daikin America, Inc. (Orangeburg)
Jan. 2009	American Air Filter Manufacturing Sdn Bhd
Jan. 2010	Daikin Applied Americas (Faribault)
Jan. 2010	Daikin Applied Americas (Owatonna)
Mar. 2010	Goodman Global Group, Inc (Cooling)
Mar. 2010	Goodman Global Group, Inc (Furnece)
Mar. 2010	Goodman Global Group, Inc (Fayetteville)
Mar. 2010	Goodman Global Group, Inc (Dayton)
May 2010	Daikin Applied Americas (Dayton)
Mar. 2011	AAF (Columbia)
Jun. 2012	AAF International (Louisville)
Jun. 2013	Daikin Applied Americas (Staunton)

Environment - 82 -

ENVIRONMENTAL AUDITS

Environmental Audits

Audit by Internal Auditors and Third-Party Institutions

At Daikin, inspections by third-party institutions based on ISO 14001 are conducted and internal audits are implemented annually. Internal audits focus on conformity with standards and confirmation of legal compliance.

The Daikin Group in Japan, which possesses an Environmental Management System (EMS), confirmed compliance and efficacy through an internal audit in fiscal 2017 conducted in response to the transition to ISO 14001: 2015 in the previous fiscal year. Three major non-compliance issues were revealed and have already been corrected. Inspections conducted by third-party institutions revealed no issues of non-compliance.

At each Daikin production site and production subsidiary, systems are in place to minimize environmental damage in the unlikely event that accidents or disasters should occur. Also, we seek closer interactions with nearby residents' associations and conduct factory tours among other daily efforts to maintain an emergency contact system coordinated with local communities.

Report from Audits (FY2017)

	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non- conformance	3	0
Minor non- conformance	28	0
Items improved	149	13

Audit by Internal Auditors and Third-Party Institutes

There are currently 87 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 nine 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 2017, auditor development consisted of education pertaining to waste management and auditing exercises on the environmental initiative plan formulation process aimed at improving auditor capabilities.

Environment - 83 -

GREEN HEART FACTORIES AND OFFICES

Green Heart Factories

Certifying Environmentally Conscious Plants Based on In-House Standards

Since fiscal 2005, Daikin has utilized in-house standards for evaluating and certifying environmentally conscious plants for their environmental and social performance.

In fiscal 2017, we revised these standards to elevate these efforts to a higher level. In addition to the standards used up to now focused on whether environmental activities, including mechanisms for the participation of all employees and organization-wide countermeasures were deployed throughout the organization, we established criteria whereby organizations attaining 150 or more points out of a possible 200 are deemed "Green Heart Factories" and established a certification ranking system consisting of platinum, gold, silver and bronze categories.

As of the end of fiscal 2017, 24 bases in Japan and overseas had been certified as gold (two bases), silver (10 bases) and bronze (12 bases).

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. In fiscal 2014 we created a Green Heart Office checklist, which includes a graph with "reduce resource usage" 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. This allows us to make comparative assessments among bases. We have set a target of achieving Gold Class for major non-production bases by 2020, and in fiscal 2016 all major bases achieved Bronze Class. In fiscal 2017, we will continue efforts to achieve at least Bronze Class for all bases and increase the number of bases in the Silver or Gold Class.

Environment - 84 -

ENVIRONMENTALLY CONSCIOUS DESIGN

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

Environment - 85 -

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 utilizes the characteristics of fluorine to provide various products that are useful for environmental conservation. Examples include ZEFFLE infrared reflective coating, which suppresses temperature increases by its mere application and alleviates air conditioning loads, and Neoflon ETFE, which contributes to prolonging the life of solar cells. Both products contribute to customer energy saving efforts. In addition, as fluoride material contributes to higher lithium-ion battery capacity, it is used for lithium-ion battery electrolytic solution and for electrode binding and packing.

Environmental Solutions Pioneered with Fluorochemical Products Electricity, telecommunications, Machinery applications Automotive applications information applications Material bag filters Fuel tubes, fuel hoses, Wire coating material for bearings cable ducts, for LANs Good sliding improves piston coating material efficiency Reduces metal wiring Prevents Improves gas and saves resources air pollution Good sliding saves energy Freezing, air conditioning Construction applications Environmental applications solutions pioneered New refrigerant Infrared reflective coating with fluorochemical products Improves energy Curbs global warming efficiency Semiconductor applications Chemical applications Energy field applications Materials for lithium-ion Material for wiring pipes Material for lining, batteries and solar cell and joints sheets, valves protector film

Prevents pollution from

acids and other chemicals

Fluoride Materials Reduce Environmental Impact in Various Applications

Prevents pollution from

acids and other chemicals

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.

Improves energy

efficiency

Environment - 86 -

Product Assessment Items

		Assessment item	Assessment standard
	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?
01. Weight reduction of products	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?
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. Reduction in environmental	4-1	Reduce amount of production waste	Have products been designed so that less waste is generated during production?
impact in the manufacturing process	4-2	Energy efficiency in the production stage	Are product specifications such that less energy is consumed in the production stage?

Environment - 87 -

	5-1	Improve energy efficiency during use	Has the product been made more energy efficient during use?
05. Energy and resource conservation in use	5-2	Reduce energy consumption in standby mode	Has the product been made more energy efficient in standby?
	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?
	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?

Environment - 88 -

07. Ease of delivery/collecting/transporting	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?
	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	8-1	Raise possibility of use of plastics	Have easy-to-recycle plastics been used?
resources	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?
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?

Environment - 89 -

	11-1	Use low global warming potential refrigerants	Do products use low global warming potential refrigerants, which contribute less to global warming?	
11. Environmental conservation capabilities	11-2	Reduce PVC Has the amount of PVC by reduced?		
	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?	
	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 CO ₂ emissions and global warming potential?	

Environment - 90 -

GREEN PROCUREMENT

Basic Policy

Daikin Group Requests that Worldwide Suppliers Abide by Green Procurement Guidelines

Daikin established its Green Procurement Guidelines in fiscal 2000 and requires suppliers from which it procures materials in Japan and overseas to abide by these guidelines to place a priority on the procurement of materials and parts used in manufacturing that reduce environmental burdens.

In implementing these guidelines, we evaluate suppliers on environmental protection activities using a green procurement inspection list. This inspection list also ascertains the presence or absence of environmental management systems and chemical substances management while recording CO₂ emissions. It also includes criteria such as biodiversity and water resource protection.

Overview of Green Procurement Guidelines, 9th Edition

Essential conditions for suppliers' management

- Environmental Management System
 (We request our suppliers to either structure environmental management system to obtain ISO14001 certification, or acquire third-party certification for their environmental management system.)
- 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.
- > Green Procurement Guidelines (Supply Chain Management) (Page 311)
 - Biodiversity
 - · Protecting water resources

Environment - 91 -

Targets and Achievements

Implementing Improvement and Guidance at Overseas Bases, Increasing Green Procurement Rate

Supplier procurement rate scores of 82 points or more on the green procurement inspection list are set as the green procurement rate, which we promote globally with the aim of 100% compliance. The Group's overall green procurement rate in fiscal 2017 was 76%.

We attempt to increase the green procurement rate in each region through briefings and other events aimed at facilitating an understanding of the importance of green procurement among suppliers.

We launched green procurement in South America in 2016. In Thailand, China and Europe, where green procurement has been established, we ask suppliers below a certain standard to make improvements and provide guidance to assist them. Supporting improvements in supplier environmental activities enables us to continue doing business with them.

Green Procurement Rate (%)

	FY2013	FY2014	FY2015	FY2016	FY2017
Japan	95	94	96	91	92
China	96	97	95	96	92
Thailand	98	98	95	95	97
Other countries in Asia and Oceania	84	76	65	58	84
Europe	86	91	93	93	95
North America	38	39	38	30	30
South America	-	-	-	97	94
All regions	84	78	65	74	76

Value of goods procured from suppliers

Green procurement rate = who meet our assessment criteria

Value of all goods procured

Environment - 92 -

Compliance with Restrictions on Toxic Chemicals

Establishing Standards for Managing Chemical Substances in Products

The Daikin Group maintains a list 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.

- *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.

Related information

> Management and Reduction of Chemical Substances Contained in Products (Page 160)

Environment - 93 -

ENVIRONMENTAL ACCOUNTING

Environmental Accounting

FY2017 Environmental Accounting Figures

Total environmental protection costs in FY2017 were ¥26.7 billion (investment in equipment: ¥4.4 billion; expenses: ¥22.3 billion), 93% 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 inverter technologies offering both comfort and energy efficiency, R-32 refrigerant, which reduces global warming impact to just one-third that of conventional refrigerants, and heat pump-type heating systems and water heaters, which result in CO₂ emissions less than half of those from conventional combustion-type heating.

Accounting Method

The costs and effects of Daikin's environmental efforts were calculated based on the Environmental Accounting Guideline 2005 released by Japan's Ministry of the Environment.

Costs of Environmental Conservation

Expenses include labor costs but not depreciation expenses for investment in facilities. The expenses not full allocated to environmental protection were proportionally divided and totaled according to a relevant Daikin standard.

Effects of Environmental Conservation

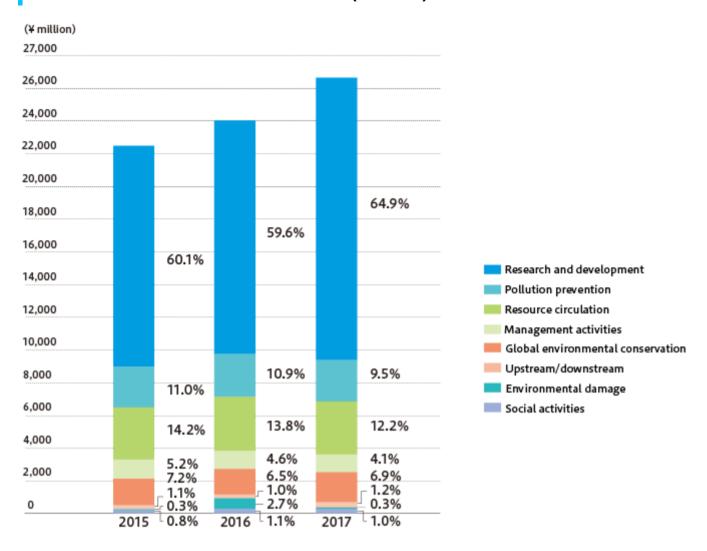
Please see the relevant page for details of each item.

Economic Benefits of Environmental Conservation Efforts

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

Environment - 94 -

Breakdown of Environmental Conservation Costs (% of total)



Environment - 95 -

(¥ million)

					(¥ million
	Cost of environmental conse	ervation			
		FY2016		FY2017	
Category	Major activities	Amount of equipment invested	Expenses	Amount of equipment invested	Expenses
Cost in business area		1,682	5,816	2,076	5,538
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.	857	1,765	776	1,743
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	760	756	1,070	774
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	66	3,255	231	3,021
Upstream/ downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	9	231	43	278
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	21	1,080	19	1,065
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	1,747	12,591	2,218	15,074
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	2	256	1	261
Environmental damage	Costs for purification of polluted groundwater and soil.	0	638	0	72
Total		3,461	20,613	4,357	22,288
Total of investm	nent in facilities within the period		90,300		96,600
Total of investm	nent in R&D activities within the period		53,900		62,100

Environment - 96 -

	Effects of environmental of	conservation		
Effects			FY2016 figures	FY2017 figures
Effects corresponding with costs within business area	Effects of the resources used for	Energy consumption	53,489 tons- CO ₂	14,088 tons-CO ₂
	business activities	Reduction in water consumption	-2,710,768m ³	-131,643m ³
	Effects against environmental impacts and waste resulting from business	Reduction in fluorocarbon emissions	-27 tons	575 tons
	activities	Reduction in waste materials	-1,422 tons	-2,067 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	280,000 units 175 tons 133.0 tons	320,000 units 205 tons 78.0 tons

(¥ million)

Economic benefits of environmental conservation efforts (monetary benefits)			
	Effects	FY2016	FY2017
Profit	Profit from sale of recycled waste	2,105	3,303
Reduction in expenses	Reduction in energy expenses resulting from energy conservation efforts	901	-151
	Reduction in waste disposal expenses resulting from resource conservation or recycling resources	971	366

Environment - 97 -

Environment

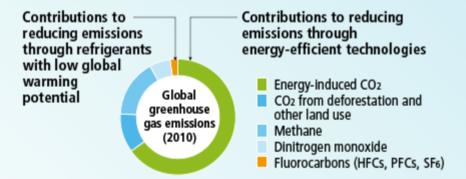
Response to Climate Change



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 the dissemination of refrigerants with low global warming impact and energy-efficient technologies, and through the provision of energy-efficient solutions that combine air conditioners, their peripherals, and the buildings in which they operate.

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



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

Environment - 98 -

Developing and Promoting Products and Services That

Reduce Environmental Impact

Increasing Air Conditioner Efficiency

Low Environmental Impact Refrigerants

We disseminate products and services with low environmental impact in order to contribute to solving environmental and energy problems.

We strive to develop products that use minimal electricity by conducting quantitative environmental assessments for each product life cycle.

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 energyefficient inverter air conditioners.

Promoting the Use of Heat-

> Pump Type Space and Hot **Water Heaters**

We develop space and hot water heaters that use highly energy**Energy-Efficiency through**

> Fluorochemical Products and Oil Hydraulic Products

We develop products that consume minimal electricity by efficient heat-pump technology. using our fluorochemical products and oil hydraulic equipment.

Reducing Greenhouse) Gases during Production and Transportation

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

stages.

> Providing Solutions

We strive to make progress in energy management, demand response, and energy creation.

Recovery, Recycle, and) Destruction of

Fluorocarbons

We work to recover, recycle, and destroy refrigerants so as to reduce their environmental impact throughout the entire product life cycle.

Environment - 99 -

Related information

- > Environment (Page 58)
- > Environmentally Conscious Design (Page 85)
- > Daikin's Policy on the Environmental Impact of the Refrigerant

(http://www.daikin.com/csr/information/influence/)

> Daikin's position on the Kigali Agreement for HFC phase down € (86KB)

(http://www.daikin.com/csr/EN_Kigali_Agreement_Daikin_Stance_FINAL.pdf)

Environment - 100 -

Response to Climate Change

DEVELOPING AND PROMOTING PRODUCTS AND SERVICES THAT REDUCE ENVIRONMENTAL IMPACT

The Daikin Group is working in numerous areas to reduce environmental impact, such as by improving the energy efficiency and environmental performance of products and by converting to refrigerants that are safer and that have a lower global warming potential.

Furthermore, by promoting environmentally conscious products and services all over the world, we will contribute to solving environmental and energy problems while providing a healthy and comfortable air environment.

Contributing to Greenhouse Gas Emission Reductions through the Promotion of Environmentally Conscious Products

Air conditioners, our main products, emit a particularly massive amount of CO_2 when used, thus we are focusing efforts on the global promotion of energy-efficient air conditioners using inverter technologies and air conditioners using low environmental impact refrigerants. Having set a goal of reducing greenhouse gas emissions by 60 million tons- CO_2 in fiscal 2020, in fiscal 2017 we estimate that we contributed to reducing greenhouse gas emissions by 54 million tons- CO_2 .

Contribution to Greenhouse Gas Emission Reductions from Daikin Air Conditioners on the Market*



- * Difference between emissions from all Daikin environmentally conscious products sold and emissions from non-inverter products, air conditioners using conventional refrigerants, and gas-combustion space heaters and hot water heaters
 - Values up to fiscal 2014 are for emerging countries only
 - Reviewed by the third-party

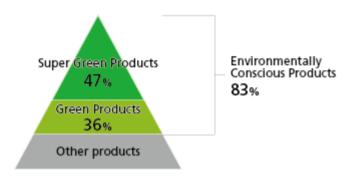
Environment - 101 -

Environmentally Conscious Product Sales Ratio

In order to mitigate the global warming impact of its air conditioners, the Daikin Group defines its environmentally conscious products as Super Green Products and Green Products, developing and spreading the use of these products.

In fiscal 2017, environmentally conscious products accounted for 83% of residential air conditioner sales.

Environmentally Conscious Products as Percentage of Net Sales (residential air conditioners)



Name	Definition
Super Green Products	 Air conditioners that meet all of the following conditions. Consume at least 30% less electricity than conventional products Example: Air conditioners equipped with inverters Use refrigerants with at least two-thirds less global warming potential than conventional refrigerants Example: Air conditioners using HFC-32, a refrigerant with lower global warming potential
Green Products	Air conditioners that meet at least one of the above conditions.

Related information

- > Promoting the Use of Inverter Products (Page 114)
- Low Environmental Impact Refrigerants (Page 109)

Environment - 102 -

INCREASING AIR CONDITIONER EFFICIENCY

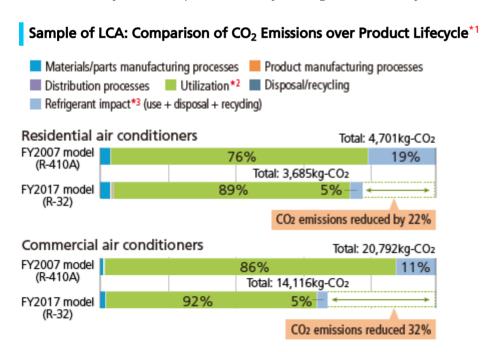
As a manufacturer of air conditioners doing business globally, Daikin makes it its mission to reduce energy consumption in order to improve people's comfort and contribute to reducing global warming. To this end, we conduct quantitative environmental assessments for each product life cycle in order to develop products and services that use minimal electricity and to combine these in order to optimize the overall energy consumption of buildings.

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.

In the life cycle of an air conditioner, the majority of the greenhouse gas that is emitted occurs during product use stage, and refrigerants also represent a large impact. That is why we focus on reducing the impact of these two. In addition to incorporating inverter technology to reduce power consumption, we employ the HFC-32 low-global-warming refrigerant to achieve greater energy efficiency. In fiscal 2017, we reduced CO₂ emissions from residential air conditioners by 22% and from commercial air conditioners by 32% compared to lifecycle CO₂ emissions 10 years earlier.



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

Environment - 103 -

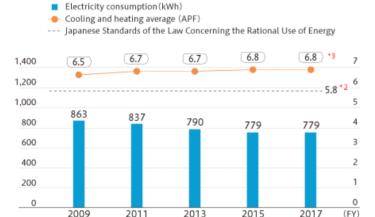
Improving Energy Efficiency of Air Conditioners

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.

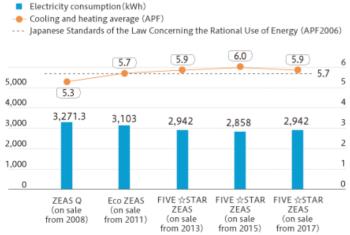
- *1 Annual performance factor (APF): The APF represents heating and cooling capacity per kWh over one year of use of an air conditioner under specific conditions. The higher the APF, the greater an air conditioner's energy efficiency.
- *2 Integrated part load value (IPLV): The IPLV is an energy efficiency 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



- *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)*



* 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).

Environment - 104 -

Developing Energy-Efficient Products

Launched machi Multi, multi-split type air conditioners for stores and offices enabling energy saving in small buildings.

In urban areas where small buildings are densely packed in together it is difficult to find space for installing conventional outdoor multi-split type air conditioners for commercial buildings. In many cases, several small outdoor units are installed. As a result, many outdoor units line buildings and building walls, making maintenance work difficult.

The machi Multi, launched in April 2017, reduces the space needed for installation up to approximately 58% compared to conventional multi-split type air conditioners for commercial buildings due to its smaller size for an outdoor unit. Even in urban areas with many small buildings, multi-split type air conditioners for commercial buildings can be operated individually enabling energy savings.



Sales Launch of cocotas Multi-Cassette-Type Air Conditioners Ideal for Small Spaces

Daikin newly developed the cocotas multi-cassette-type air conditioner for smaller spaces such as washrooms, kitchens and other non-living spaces for which conventional small capacity 2.2 kW air conditioners had been too powerful to be practical. With a 0.8 kW cooling capacity and a 1.0 kW heating capacity, this is the industry's smallest size air conditioner, ideal for spaces equivalent to the size of 2–3 tatami mats.

In addition to the combination of Daikin's proprietary inverter control and low-speed, high-efficiency swing pressure unit, the adoption of a new motorized valve able to control low flow rate refrigerant that limits capacity to as low as 0.2 kW enables finely-tuned operation and comfortable temperature control. This unit is equipped with "modulated operation" in response to the need to leave air conditioning on when no one is in the room, such as washrooms, which experience frequent in and out traffic in the mornings, and hallways outside bedrooms at nighttime. Modulated target temperature operation maintains temperature differences between living spaces and non-living spaces within a range that does not place a burden on the human body while keeping energy costs low, eliminating extreme temperature differences in the home and contributing to energy savings.

Environment - 105 -

Products for Detached Homes Added to DESICA Series

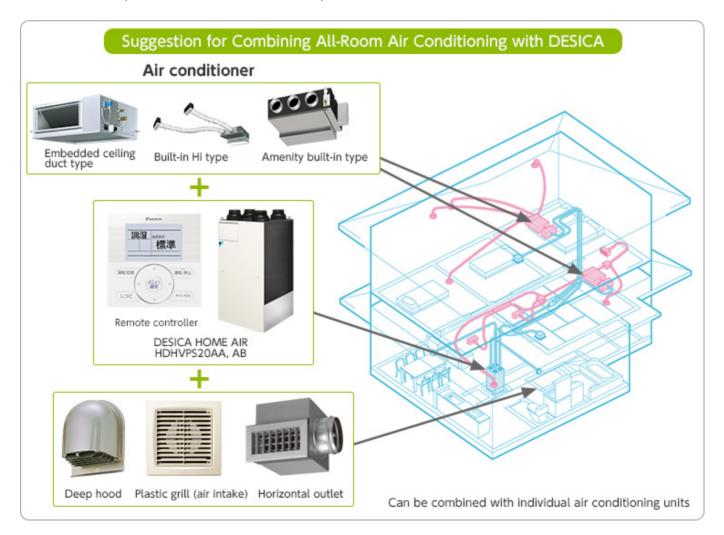
Requiring no water drainage or supply pipes, DESICA instead uses outside air to control humidity, either humidifying or dehumidifying. Equipped with the Hybrid DESICA Element, which contains both highly efficient water absorption material and a heat exchanger, it consumes just one-sixth the energy of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

For this, In June 2011 Daikin received the Invention Award from the Minister of Economy, Trade and Industry at the National Commendation for Invention, sponsored by the Japan Institute of Invention and Innovation.

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.



Environment - 106 -



Related information

> DESICA HOME AIR (available in Japanese only) □

(http://www.daikinaircon.com/catalog/kanki/desica_home/)

Environment - 107 -

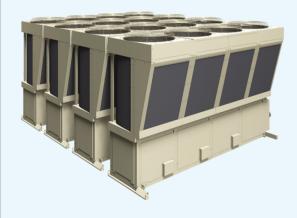


HEXAGON Force Air-Cooled Heat-Pump Modular Chiller Awarded the Chairman Prize of Energy Conservation Center, Japan (ECCJ) in the 2017 Energy Conservation Grand Prize

Air conditioning heat source equipment energy consumption differs significantly between times when loads are heavy, such as midsummer and midwinter, and lighter load operations accounting for approximately 90% of the year. To conserve energy, efficient operation is important regardless of whether the load is heavy or light.

HEXAGON Force achieves operational efficiency throughout the year due to a high-efficiency scroll compressor that efficiently pressurizes refrigerant to control energy and a proprietary F-shaped heat exchanger configuration.

Further, the use of IoT-compatible cloud services enables more detailed energy management. This results in the realization of more efficient air conditioner operation and longer life, contributing to lower air conditioner lifecycle costs for large facilities that are on the rise mainly in the Tokyo metropolitan area.



Business Model Promoting Energy Conservation through Replacement of Installed Equipment Heat Source Awarded the Chairman Prize of Energy Conservation Center, Japan (ECCJ) in the 2017 Energy Conservation Grand Prize

The VRV Q Series for replacement use is a product equipped with the latest energy saving technologies that replaces outdoor units while leaving indoor units, refrigerant pipes and wiring as is. By eliminating the required expenses and indoor construction work that had been an issue when replacing heat-pump commercial air-conditioning equipment multi-split type air-conditioning systems for buildings and ECOCUTE heat-pump water heaters, the time required for construction work is shortened and approximately 25% less energy is consumed. This removes the burden from users and has gained a strong reputation as a new replacement business achieving energy saving easily using existing equipment.

Environment - 108 -

LOW ENVIRONMENTAL IMPACT REFRIGERANTS

Low Environmental Impact Refrigerants

Working Toward Practical Application of Diversity 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 aims to achieve 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 lifecycle, including energy efficiency during air conditioner use. We make decisions based on all contributing factors: besides the environmental impact of the refrigerant itself, we look at safety factors such as flammability and toxicity, the cost and availability of the refrigerant, and the cost of producing air conditioners that use the refrigerant.

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



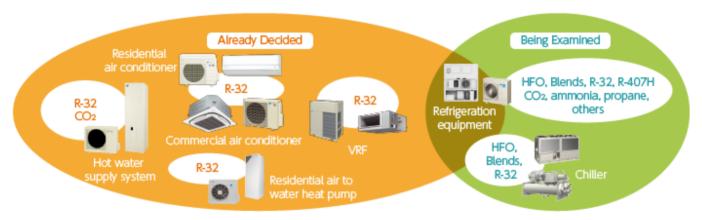
Environment - 109 -

Choosing the Best Balanced 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 (R-600a, R-290, etc.) for home-use refrigerators and window air conditioners or HFO refrigerants for mobile air conditioners.

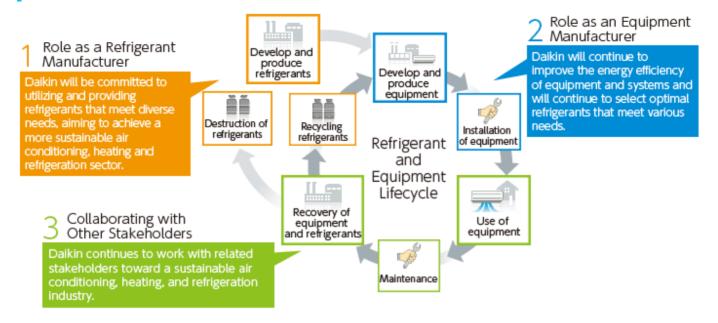
Protecting the Ozone Layer

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.

Environment - 110 -

Daikin's Action on Refrigerant and Goals



Kigali Amendment

In October 2016, at the 28th Meeting of the Parties to the Montreal Protocol, members voted to phase down the CO₂ equivalent total of HFCs, which, despite not harming the ozone layer, have a high GWP. With this, HFCs, which were covered by the Paris Agreement adopted at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) but were not part of the Montreal Protocol, thus became part of the Montreal Protocol, due to the success of efforts to completely eliminate HCFCs. This decision is called the Kigali Amendment, after the Kigali, the capital city of Rwanda, where the conference was held. The Amendment had exceeded the threshold for ratification by at least 20 countries at the end of 2017, thus it will go into effect on January 1, 2019.

A major point of the Kigali Amendment is that it is not meant to phase out HFCs but rather phase down the production and consumption of HFCs based on their GWP value. The amount of HFC will not be restricted but rather phased down in terms of total GWP of HFC (weight of HFC in Kg x GWP value). By using lower GWP HFCs, it is possible to maintain or increase the use amount of HFC itself while reducing the overall global warming impact. In enacting the Kigali Amendment, the plan provides developed countries with a common phase-down schedule. The Amendment divides developing countries into two groups. Those groups are provided with different phase-down schedules.

Upon the introduction of new refrigerants, the Amendment requires an increase in efficiency of air conditioners in addition to a phasing down of HFCs in terms of total GWP.

Environment - 111 -

Daikin is pursuing the following measures in response to the Kigali Amendment.

- 1. Daikin welcomes the Kigali Agreement for an HFC phase down in terms of CO₂ equivalent under the Montreal Protocol.
- 2. The main tenet of Daikin's policy is "diversity of refrigerants." And there is no ideal "one-size-fits-all" refrigerant solution for all applications, because many criteria need to be assessed, such as the ODP and GWP value of the refrigerant and safety, energy consumption, availability, affordability, resource efficiency, recyclability, recoverability and total global warming impact of the equipment.
- 3. Daikin has identified R-32 as a very beneficial refrigerant for single and multi-split type air conditioners and heat pumps based upon the above criteria. Daikin believes that the transition to R-32 will help to meet both the HFC phase down schedule and the HCFC phase out schedule. Daikin is now in the process of further study to identify a suitable refrigerant for other applications.
- 4. To mitigate future global climate change, it is important to take a "Sooner the Better" approach. Early implementation is a key to the further reduction of future impact. As soon as the most balanced and feasible solution for an application is found, Daikin will commercialize and disseminate the technology to contribute to the efforts to mitigate global climate change.
- 5. Also, while taking a "Sooner the Better" approach, as a refrigerant manufacturer, Daikin will continue to seek the "optimal refrigerant" for every type of application for further mitigation of global climate change.

Related information

Xey Activities of Fiscal 2015: Environment—Creating a New Market that Contributes to the Mitigation of Global Warming

(https://www.daikin.com/csr/feature2015/01.html)

- ➤ Key Activities of Fiscal 2014: Dissemination of Refrigerants with Low Global Warming Impact (https://www.daikin.com/csr/feature2014/01.html)
- > Recovery, Recycle and Destruction of Fluorocarbons (Page 135)

Mitigate the Global Warming Impact

Promoting the Use of R-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 R-32 (HFC) for the Japanese market; R-32 has just one-third the global warming potential of conventional R-410A (HFC) refrigerant. In March 2013, we released a residential air conditioner using R-32 in India. We are in the process of releasing these R-32 air conditioners in other countries and using R-32 for commercial air conditioners and water heaters as well.

To disseminate R-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 R-32 single component refrigerant.

Environment - 112 -

In addition, Daikin provides technical support in emerging countries by cooperating with governments and international organizations throughout the world and provides information and technical support through international conferences, academic conferences, and papers on the impact and countermeasures in relation to refrigerants and global warming. For example, in India, Thailand, and Malaysia, seminars were held for government officials and air-conditioning industry groups to promote understanding of R-32, and we conducted training for local air-conditioning installation and service technicians on the appropriate handling of R-32. In Mexico, Daikin was commissioned by the Japan International Cooperation Agency (JICA) to handle private-sector technology promotion projects in an expanded range of activities, including the distribution of air conditioners with R-32 refrigerant and initiatives to create energy-efficient markets.

Daikin has sold more than 12 million R-32 air conditioners in 53 countries. It is estimated that, including the products of other companies, the worldwide R-32 air conditioner market exceeds 43 million units. (As of March 2017)

Countries where Daikin R-32 air conditioners are sold (as of December 2017)

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, United States, Canada, Mexico and Panama
Commercial Air Conditioner	Japan, India, some European countries
Water Heaters (certain models)	Japan

Related information

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

(https://www.daikin.com/csr/feature2015/01.html)

- > Key Activities of Fiscal 2014: Dissemination of Refrigerants with Low Global Warming Impact (https://www.daikin.com/csr/feature2014/01.html)
- Dialogue with Governments and Industry Groups (Page 319)

Environment - 113 -

Response to Climate Change

PROMOTING THE USE OF INVERTER PRODUCTS

To reduce global warming worldwide, it is crucial to spread the use of highly energy efficient products, such as those using inverters, to all countries. The Daikin Group is developing affordable air conditioners for Southeast Asian countries, where market penetration is still low. We are also working to support the creation of a mechanism to assess the energy performance of inverter models in Southeast Asia, Latin America, the Middle East and other areas.

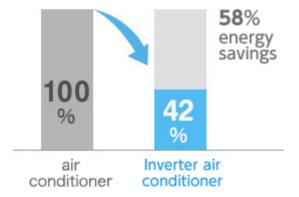
Inverter Technology

Can Reduce Power Consumption by Approx. 58%

The Daikin Group aims to spread the use of highly energy-efficient inverter air conditioners so that consumers use less energy during air conditioner operation and thus emit less CO_2 .

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 consumption (Non-inverter air conditioner 100%)



Related information

➤ Inverters □

(https://www.daikin.com/about/why_daikin/benefits/inverter/)

Environment - 114 -

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.

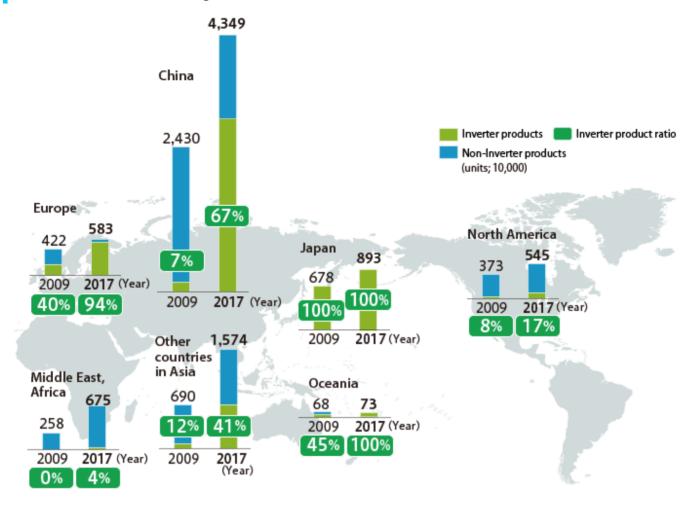
Because inverter products are more expensive than non-inverter products, they have been slow to achieve market penetration in Southeast Asia. However, in fiscal 2014, we developed an inverter air conditioner at an affordable price especially for the Asian air conditioner market. Such products are gradually 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 in Latin America, the Middle East and other areas as the industry standard and to create energy labelling systems as part of support for creating evaluation standards.

Environment - 115 -

Inverter Products as Percentage of All Residential Air Conditioners Worldwide



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

Related information

Key Activities of Fiscal 2015: Environment—Creating a New Market that Contributes to the Mitigation of Global Warming

(https://www.daikin.com/csr/feature2015/01.html)

Dialogue with Government and Industry Groups (Page 319)

Environment - 116 -

PROMOTING THE USE OF HEAT-PUMP TYPE SPACE AND HOT WATER HEATERS

In recent years, growing environmental awareness has led to the spread of highly energy-efficient space and hot water heaters. In Europe in particular, which has a relatively cold climate, space and water heaters account for more than 80% of household energy consumption, thus there is an ongoing shift from conventional combustion-heat source equipment to heat-pump heating that emits less CO₂.

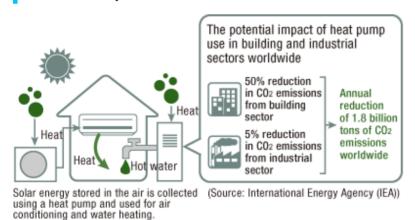
Daikin is engaged in the development and promotion of hot water heaters and space heaters using highly energy-efficient heat pump technology while striving o increase comfort and reduce CO₂ emissions.

Heat-Pump Technology

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



Related information

> Heat Pumps 📮

(http://www.daikin.com/about/why_daikin/benefits/heatpump/)

Environment - 117 -

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

Daikin is engaged in the development and promotion of hot water heaters and space 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, Daikin began selling a heat-pump type hot water heaters and heating system in Europe. We have since been expanding the product lineup and we have one of the leading shares in the market.

In addition, we are developing hybrid products combining heat pumps and boilers for extremely cold regions in an effort to increase comfort and reduce CO₂ emissions.

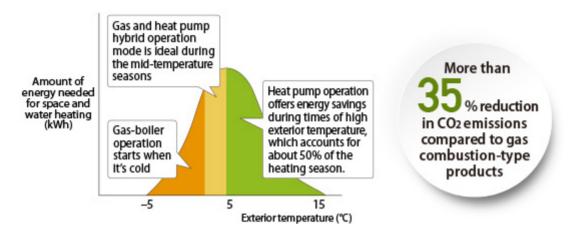
In addition, in fiscal 2014 we began focusing on the development of highly energy-efficient gas combustion space heaters and moving to energy-efficient models that meet user needs. We have been working to spread the use of energy-efficient models through a policy that consists of switching from space 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.

In 2018, we are developing a small-capacity hybrid 4 kW space heater and heat-pump water heaters and space heaters that utilize geothermal energy intended for use by major home builders, local municipalities, public power companies and other entities.

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 expand the product lineup for the European heat market, and we will carry out meticulous marketing efforts as we make our heat-pump and gas-combustion-type products more energy efficient and thus contribute to reducing CO₂ emissions.

Daikin Altherma Hybrid Heat Pump

In Europe, we sell 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.



Promoting Residential Water Heaters and Floor Heaters in Japan

In Japan, water heaters account for 25% of all residential electricity consumption, thus there is a need to switch over to systems with minimal environmental impact to control global warming.

Daikin's heat-pump technology is incorporated into ECOCUTE heat-pump water heaters and Hot Eco-Floor heat-pump hot-water floor heaters. The latest ECOCUTE model reduces annual energy consumption approximately 23% by improving heat transfer performance with a highly efficient water heat exchanger that facilitates agitation in the water pipe shape and an air heat exchanger with a uniquely shaped waffle guide fin.

In this way, new products incorporating the latest technologies have greatly improved energy saving performance compared to past products, but if energy savings can be improved even in existing equipment, energy consumption can be reduced substantially throughout the entire market with the commercialization of replacement heat source units. In recognition of high energy savings and the lower introduction costs and shorter construction time compared to system replacement, Daikin received the Chairman Prize of Energy Conservation Center, Japan (ECCJ) in the Energy Conservation Grand Prize for fiscal 2017.



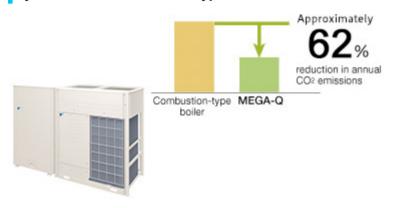
Environment - 119 -

Promoting Highly Energy-efficient Products Including the MEGA-Q Large-Scale Heat-Pump Hot Water System in the Japanese Commercial Market

In Japan, we are 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. In addition to commercial applications such as these, in the near future we will come out with products for processes in factories that must respond to environmental requirements.

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



Related information

- ➤ Key Activities of Fiscal 2017: Customer Satisfaction—Create a Mechanism That Brings Peace of Mind by Promoting Adoption of Low-Environmental-Impact Heat-Pump Heating (Page 400)
- ➤ Commercial heat-pump hot water heaters (available in Japanese only) ☐ (http://ec.daikinaircon.com/ecatalog/DKCB028/?ID=airconitiran)
- ➤ Danzen Heat heat-pump space heaters (available in Japanese only) ☐ (http://ec.daikinaircon.com/ecatalog/DKCB032/?ID=airconitiran)

Environment - 120 -

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. Stores sell building construction materials such as exterior panels and aluminum sashes, as well as construction materials from manufacturers such as heat-blocking paint.

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) Co., Ltd. installed facilities for the manufacture of the raw material resin and mass-production began in May 2013.

Features of ZEFFLE Infrared Reflective Coating Heat-shielding effect Durability Reflects away 88% of the infrared 15-20 years of protection against rays that are converted to heat weathering, fouling, and rusting Infrared Reflective resin Amount reflected at each layer of ZEFFLE Sunlight Top coat Middle ZEFFLE Infrared reflective Primor coating coat Roofing material

Environment - 121 -

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



ZEFFLE applied to this tank prevents temperature rise and thus stops the contents from vaporizing

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 improving light-harvesting ability by modifying the film surface and making use of the high-dielectric properties of fluoropolymers as we conduct research and development into products that help miniaturize the film condensers used in power conditioners and other such equipment.

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

Daikin Launched New R-407H, Refrigerant with 62% Lower Global Warming Potential

Daikin developed and launched new R-407H refrigerant for freezers and refrigerators, which has an approximately 62% lower global warming potential (GWP) than R-404A, the refrigerant commonly used today in freezers and refrigerators. R-407H is already being adopted, mainly in European markets.

Environment - 122 -

Oil Hydraulic Equipment

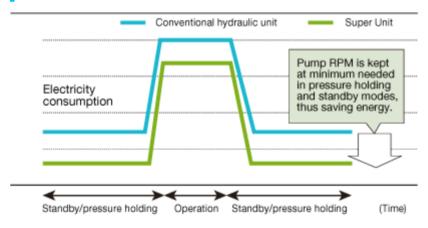
Energy-Efficient Hybrid Hydraulic Super Unit Energy Savings and Lower CO₂ Emissions in Factories

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. In 2017, we launched two for 37 kW models compatible with large machines that consume large amounts of power.

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



EcoRich Energy-efficient Hydraulic Unit Helps Reduce Energy Consumption

EcoRich was developed in 1999 and was the world's first product to combine hydraulics technology and air conditioner motor inverter technology. It achieved approximately 50% lower energy consumption compared to Daikin's piston pump. In 2016, this product underwent a model change with the incorporation of high-efficiency IPM motor. Among its many features were a 30% decrease in energy consumption over the previous model and a 5°C reduction in oil temperature rise.

Environment - 123 -

9 Series Oil Cooling Unit

Product Lineup Expanded 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 ± 0.1 °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.

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



Immersion type products 9 Series Oil Cooling Unit

Environment - 124 -

REDUCING GREENHOUSE GASES DURING PRODUCTION AND TRANSPORTATION

Reducing Greenhouse Gas Emissions

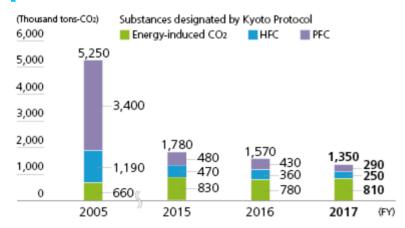
Target Reached: 70% Reduction Compared to Fiscal 2005

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. At Daikin America, Inc., to reduce PFC emissions, we are attempting to improve the accuracy of emissions measurements, find leaks and promote countermeasures.

Starting in fiscal 2016, we revised the calculation method, which includes companies that joined the Daikin Group after 2010. With an eye to reducing fiscal 2025 CO_2 emissions by 75% against fiscal 2005, we have set a target of reducing fiscal 2020 CO_2 emissions by 70% against fiscal 2005.

Daikin America Inc. is moving ahead with replacing and recovering fluorocarbons and in fiscal 2017 it had greenhouse gas emissions of 1.35 million t- CO_2 (down 70% over fiscal 2005).

Greenhouse Gas Emissions (during production)



Note: The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

The results for the past five years of the old scope of calculations and the calculation method are here

↑. (http://www.daikin.com/csr/report/data/data_before2015.pdf)

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 CO_2 , methane, N_2O , and three fluorocarbon alternatives (HFC, PFC, and SF-6).

Environment - 125 -

Reducing Energy-Induced CO₂

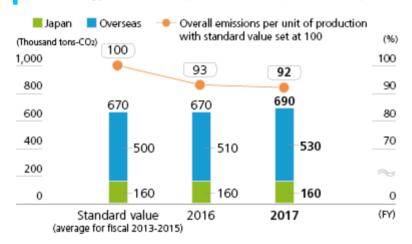
CO₂ Emissions per Production Unit Dropped by 8% Against Fiscal 2005

Since fiscal 2016, we have been stepping up energy-efficiency efforts with the target of achieving a fiscal 2020 reduction in CO_2 emissions per production unit of 5% against the standard value (average for fiscal 2013 to 2015).

In fiscal 2017, CO₂ emissions per production unit dropped 8% against the standard value. In fiscal 2017, the Air Conditioning Manufacturing Division of the Sakai Plant continued the introduction of a mobile app for viewing energy usage in the factory. A Global Environmental Meeting was held at Daikin Industries Czech Republic s.r.o. and data measurement exercises were held to visualize energy usage in an attempt to increase employee's awareness at Daikin sites around the world.

We also received certification for the ISO 50001 international standard for energy management at our Shiga Plant in Japan, and at Daikin Europe N.V. and Daikin Industries Czech Republic s.r.o.

Total Energy-Induced CO₂ Emissions, CO₂ Emissions per Unit of Production



Note: The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan

> The results for the past five years of the old scope of calculations and the calculation method are here

↑.

(http://www.daikin.com/csr/report/data/data_before2015.pdf)



CO₂ emissions per production output

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

Environment - 126 -

Reducing CO₂ Emissions during Transportation

CO₂ Emissions Reduced by 2% Over Fiscal 2016

Daikin Industries, Ltd. set a goal of decreasing CO_2 emissions (per sales) from transportation by 5% in fiscal 2020 compared to fiscal 2016 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 2017, amid an ongoing shortage of drivers, shipment volumes fluctuated dramatically making it difficult to secure vehicles leading to a revision in the flow of distribution to home electronics retailers. Advanced supplies to mass retailers based on production, sales and other inventory information enabled us to eliminate transportation and respond quickly to customer demands. During the peak shipping season, we supported batch shipments and substantially reduced burdens on drivers, enabling us to achieve fiscal 2017 targets three months ahead of schedule. Also, the modal shift conversion rate in fiscal 2017 was 26%, the same as in the previous year.

CO₂ Emissions per Sales from Transportation (Japan)



Reducing Other Environmental Impact during Transportation

- In fiscal 2017 we resolved the problems of a shortage of drivers by reducing the truck waiting times and loading times and thus the amount of work hours.
- At manufacturing bases in Japan, we have replaced gasoline-powered forklifts for logistics with electric models.
- All vehicles driving at distribution 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 engaged in 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.

Environment - 127 -

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 CO_2 previously emitted from purchased electricity, and so the company has reduced the previous 5,000 tons- CO_2 per year, or a total of approximately 1,660 tons- CO_2 .

In fiscal 2015, we installed tracking solar panels at the TIC, which helped the solar power system generate 330,000kwh a year, which translates to CO_2 emission reductions of approximately 127 t- CO_2 .

We are also moving forward with the installation of large-scale solar panels in Thailand and India to further promote the use of renewable energy.



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

Environment - 128 -

Responding to Climate Change

PROVIDING SOLUTIONS

Population and economic growth in emerging countries is spurring urbanization worldwide, and energy demand in cities is expected to continue increasing. These cities will require air conditioning to realize comfortable living spaces and deal with the effects of increasing temperatures.

Driven by proprietary inverter and refrigerant technologies, Daikin's air conditioners help control environmental impact, and not just through individual air conditioners but also via building-wide energy solutions. Through optimal management and demand response measures that combine air conditioning, peripheral equipment, buildings, and renewable energy, we are contributing to solving energy problems brought on by urbanization. In addition, through the creation of cyclical systems and new energy sources, we are also contributing to the creation of sustainable cities.

Optimal Energy Management for Buildings

Helping Realize Net Zero Energy Buildings (ZEBs)

Daikin is providing building-wide energy solutions that use the company's technologies to solve energy problems. One way we are doing this is through net zero energy buildings (ZEBs).

A ZEB is a building that achieves dramatic energy savings (at least 50% greater than standards) while maintaining a comfortable air environment. There are three categories: ZEB, Nearly ZEB, and ZEB Ready depending on the energy efficiency rate.

In 2015, we completed construction on our Technology and Innovation Center (TIC), where we are carrying out ZEB demonstration testing in this newly-built large facility. In 2017 at the Daikin Industries, Ltd. building in Fukuoka (Fukuoka Building), we achieved ZEB Ready* status for a small- and medium-sized renovated building- by pooling our experience and knowledge. Normally, ZEB requires improving the performance of a building's outer layer, using passive energy, incorporating high-efficiency equipment such as air conditioners, ventilation, lighting, and elevators, and using advanced control. However, the Fukuoka Building achieved ZEB Ready status by incorporating high-efficiency air conditioning and ventilation, selecting appropriate air conditioning capacity by analyzing existing air conditioners, controlling LED lighting, and improving performance on a portion of the building's outer layer (with double-pane windows).

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. As of fiscal 2017, we had provided energy-efficiency diagnostic services for a cumulative total of 403 projects, resulting in savings for customers of approximately 33,500,000 kWh per year, and a cumulative total of 67,800,000 kWh so far.

Environment - 129 -

In addition, in October 2017 we registered as a ZEB planner in order to accelerate our ZEB planning business.

We will leverage the success we have had so far to provide solutions that increase the number of ZEB buildings—not just in the Daikin Group but throughout society as a whole.

* ZEB Ready: A building that consumes at least 50% less energy compared to normal building energy standards.



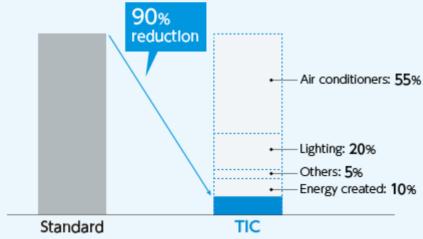
Daikin's ZEB Efforts Recognized with Director-General's Prize, Agency for Natural Resources and Energy, 2017 Grand Prize for Excellence in Energy Efficiency and Conservation

Using Daikin's TIC as a ZEB verification model, we teamed up with an architectural firm to jointly design an environmentally conscious building and air conditioning facilities that reduced overall building energy consumption by 90%. The effort involved installing highly efficient lighting and air conditioning, natural energy sources such as solar and geothermal, and the use of natural ventilation and outside air cooling wherever possible.

The parties developed a system that predicts how much electricity air conditioning will consume and grasps the difference in the actual and desired figures for factors such as indoor environment and electricity consumption. The system uses this information to quickly adjust the indoor environment and electricity consumption to desired levels.

Our goal is to use multi-split type air conditioners and other products that are relatively easy to design in order to achieve versatility and thus more widespread use of ZEB in buildings.

Energy Consumption at TIC



Environment - 130 -

Green Building Certification

Daikin Bases Worldwide Certified as Energy-Efficient Buildings

Daikin has been busy working toward green building certification at its worldwide bases with facilities whose design, construction, and operation are in harmony with the environment and society.

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 October 2017, we were selected in the AHSRAE Honors and Awards (sponsored by the American Society of Heating, Refrigerating and Air-Conditioning Engineers, ASHRAE) for developing a revolutionary, highly energy-efficient system and for reducing environmental impact and providing a comfortable indoor environment that matches Japan's climate needs.

In fiscal 2017, as in fiscal 2016, Daikin Australia Pty., Ltd.'s head office buildings received a rating of 5 stars in NABERS (National Australian Built Environment Rating System) ratings.

In addition, 19 buildings that have Daikin products such as VRV multi-split type air conditioners and systems installed earned LEED® Platinum certification, showing that we are contributing to the worldwide certification of green buildings.



Certificate of LEED® Platinum certification for the Technology and Innovation Center



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



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

- 131 -



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

City-Wide Optimal Energy Management

Energy Efficiency throughout Entire Cities

Between fiscal 2014 and 2016, along with Hitachi, Ltd. and Mizuho Bank, Ltd., we participated in the Smart Communities Project in Greater Manchester, UK, implemented by Japan's New Energy Development Organization (NEDO). Under this project, heating systems in 500 homes were converted from combustion-type boilers and electric heaters to heat-pump models to reduce energy consumption. We also conducted a demonstration project for a potential business model using automated demand response technology*, in which the electricity usage at multiple residences is aggregated, operation is automatically adjusted based on the demand situation, and excess electricity is generated.

We are also participating in a verification project of automated demand response technology in Lisbon, Portugal that makes use of the advantages of inverters. In the project period from November 2016 to December 2019, the New Energy and Industrial Technology Development Organization (NEDO) is installing VRV multi-split air conditioners equipped with this technology in several buildings including the city hall. The aim is to use data such as energy usage and weather to build a system that will achieve optimal control of the balance between renewable energy and the amount of electricity purchased.

* Automated demand response technology: Daikin's technology which automatically adjusts power consumption of airconditioning systems

Environment - 132 -

Creating New Energy

Aiming to Disseminate Renewable Energy

Daikin is making use of the energy-efficiency technologies, built up through products and services, for energy-creation technologies in order to spread the use of renewable energy.

Daikin Industries, Ltd. developed a compact, low-cost pipeline-type micro-hydroelectric power generation system on which it has been conducting demonstration testing. In 2013, this demonstration testing was adopted under a project, Low Carbon Technology, Research, Development and Demonstration Program, under Japan's Ministry of the Environment (MOE). Micro-hydroelectric power generation refers to small-scale hydropower generating 100 kW or less. Micro-hydroelectric power is characterized by the fact it can make efficient use of the potential energy from water flow, such as in cyclical water treatment facilities such as waterworks, factory water pipes, factories, and pools, or can even use water that maintains minimal flow in rivers during times of drought.

Hydroelectric power can be a stable power source because it generates high annual amounts of electricity, and has a higher utilization rate than sources such as solar and wind power. However, microhydroelectric power has not enjoyed widespread use: it has a high cost considering the amount of electricity it generates—100 kW or less—and the large amount of space it requires for installation limits the locations where it can be used.

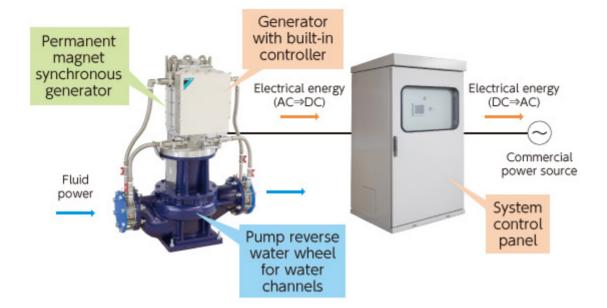
Daikin has developed a compact micro-hydroelectric power generation system that packages a water wheel, generator, and controller by making use of the technologies it has built up in developing energy-efficient air conditioning and hydraulic machinery. This product gives micro-hydroelectric power generation that is highly efficient, low cost, and compact.

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 May 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 CO_2 emissions.

Also under the above-mentioned MOE project, an ultra-compact, ultra-low-cost, small-capacity micro-hydroelectric power generation system developed by Daikin Industries, Ltd. was adopted and the target is to develop a 5.5-kW system during for a three-year period from fiscal 2016 to 2018. We believe that the development of a small-capacity product increases the number of possible installation locations for hydroelectric power systems, particularly among small-sized waterworks-related companies, and can contribute to reducing CO₂ emissions.

Including installations set for fiscal 2017 in the cities of Kobe and Nagaoka, there are six Daikin microhydropower plants operating in Japan. Our goal is to be generating 84,000 MWh annually, enough to power 28,000 average homes*, from these plants by 2020.

Environment - 133 -



* Based on homes with annual electricity consumption of 3,000 kWh

Related information

> DK-Power, Ltd. □

(http://www.dk-power.co.jp/)

Environment - 134 -

RECOVERY, RECYCLE AND DESTRUCTION OF FLUOROCARBONS

Recovery, Recycle and Destruction of Fluorocarbons from Air Conditioners

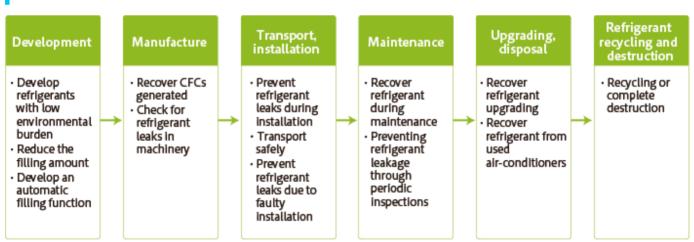
Reducing Impact throughout the Entire Life Cycle

The fluorocarbons used as refrigerants in air conditioners have a global warming impact that is several hundred to several thousand times greater than that of CO₂.

The Daikin Group is the only comprehensive air conditioner manufacturer developing everything from refrigerant to air conditioners and engaging in the recovery, recycle and destruction of refrigerants. 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.

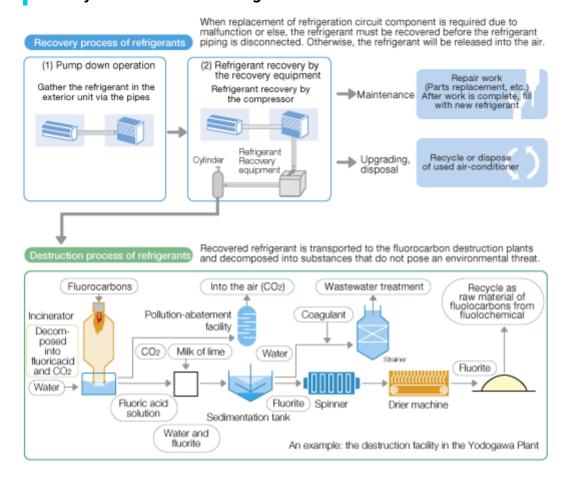
At all worldwide production bases, we recover and destroy refrigerants placed in air conditioners during testing and other processes. In Japan, with the enforcement of the Act on Rational Use and Proper Management of Fluorocarbons, we are supporting customers in carrying out inspection, repair, and maintenance of their commercial air conditioners, including non-Daikin products. 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



Environment - 135 -

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.

Environment - 136 -

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

During the air conditioner manufacturing process at our worldwide production bases 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.

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 2017, the refrigerant emissions ratio was 0.2% at Daikin in Japan and 0.5% overseas. In addition, by converting to low global warming potential refrigerants, we are reducing CO_2 -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.



Recovering refrigerant

Environment - 137 -

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.

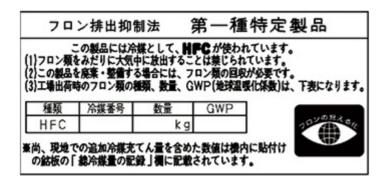
Visual Representations of Refrigerants in Refrigeration and Air Conditioning Equipment

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. In accordance with the Act on Rational Use and Proper Management of Fluorocarbons went into effect from 2015, these 'visualization' stickers have shown the global warming impact 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)



Environment - 138 -

Efforts during Installation, Use and Repair

Daikin Begins Certification System for Refrigerant Pipe Installation Technicians

The development of technicians able to properly install refrigerant pipes is essential for the prevention of faulty pipe installation, one of the causes of refrigerant leaks during use. Since April 2011, Daikin has implemented a certification system for refrigerant pipe technicians. 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 2017, a cumulative total of 1,226 people at retailers and installers had been certified.



Refrigerant pipe installation training

Helping Customers Prevent Refrigerant Leakage

The Act on Rational Use and Proper Management of Fluorocarbons went into effect in April 2015 in Japan with the aim of strengthening the prevention of fluorocarbon leaks that cause global warming. Accordingly, 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 offered the free smartphone app "Daikin Fluorocarbon Tool (Dfct)" that can identify and list equipment subject to this law just by photographing the equipment. It also provides notifications for periodic inspections and a simple checklist menu for all equipment.

In response to customer feedback, we upgraded the app with everyday functions in fiscal 2017, launching the use of Excel for the batch entry of equipment data for customers who want to manage multiple units as well as a map function able to display lists of equipment and properties on a map.

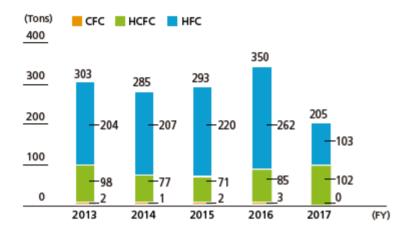
Dfct is also used throughout Daikin to thoroughly manage targeted equipment located inside the Company.

Environment - 139 -

Repair 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 in Japan has recovery equipment at service outlets across Japan that carry out such repair work, and this equipment is used to recover refrigerant before any repair work begins. In fiscal 2017, Daikin Industries, Ltd. recovered 204.8 tons of refrigerants.

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



Related information

➤ Read about Daikin's free smartphone web application, Dfct (Defacto), which allows customers to easily inspect for possible refrigerant leakage (available in Japanese only) □ (https://dfct.daikinaircon.com/)

Efforts during Disposal

Installing Refrigerant Recovery Equipment, Training Personnel in Refrigerant Recovery

In the Daikin Group, refrigerant recovery equipment is deployed to sales company service divisions in each country. Regardless of differences in the laws and regulations of each country, all technicians conduct refrigerant recovery work with a strong awareness of environmental measures.

In accordance with fluorocarbon regulations in Europe, especially in countries like France and Italy, Daikin provides training to employees and dealers as a certification course for the acquisition of national certification in gas welding and fluorocarbon handling.

In Asia and Oceania, refrigerant recovery training is conducted within instructors development training, which was held three times in fiscal 2017 with a total of 19 national instructors deployed to sales companies in each country. In some countries, refrigerant recovery trainings were also conducted for service cooperation stores that requested them.

Environment - 140 -

Refrigerant Recovery Network System

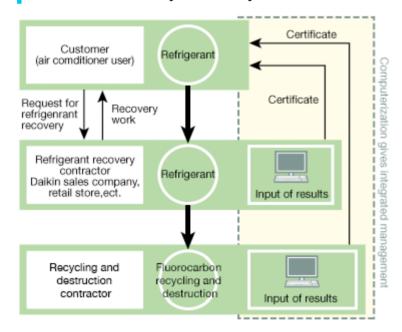
In Japan, we are thorough in our recovery of fluorocarbons (refrigerants) from commercial refrigeration and air conditioning equipment. We have created a network system for the integrated management of all information from recovery to destruction of refrigerants, including the amount of refrigerant recovered and the amount destroyed by contractors. By entering the type and quantity of equipment for each case of refrigerant recovery and the amount of refrigerant recovered, we accurately ascertain refrigerant recovery rates and thoroughly manage compliance with the Act on Rational Use and Proper Management of Fluorocarbons.

Companies responsible for charging, recovering, recycling and destroying refrigerants add up the total amounts they charged, recovered, recycled and destroyed, which they are required to report annually to prefectural governments in Japan. As this system also assists with generating these reports, it contributes to these companies working more efficiently.

In addition, even overseas in European and North American countries with strict regulations, we have established recovery systems similar to that used in Japan to manage the process from recovery to destruction. In other regions, we also comply with regulations in each country and take appropriate measures from the perspective of environmental protection.

Further, Daikin destruction equipment is used in Japan and Thailand to thoroughly destroy fluorocarbons.

Fluorocarbon Recovery Network System



Environment - 141 -

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 2017, 2,183 people, mostly from retailers and installers, passed the test. Of all those registered as refrigerant recovery technicians in Japan, 71% took the Daikin technician training course.

The Act on Rational Use and Proper Management of Fluorocarbons went into effect in 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 2017, workshops that we held for people who have acquired certification as first and second grade refrigerant fluorocarbons handling technicians were attended by 450 people (first grade) and 1,842 people (second grade) throughout Japan.

Overseas, in April 2018, we began implementation of the R-32 air conditioner installation and refrigerant recovery technology workshops at the Singapore training base in order to disseminate R-32 refrigerant. Daikin provides the Singapore training base with information from training in Japan for use in these workshops.

Environment - 142 -

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

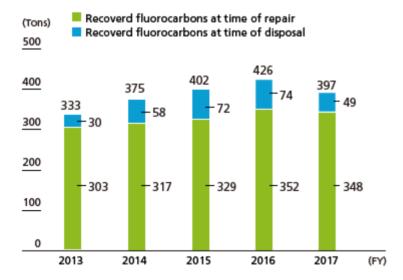
We take requests from retailers and other businesses for the proper recovery and destruction of refrigerants. The Daikin Contact Center receives calls all day, every day. Recovered refrigerants are taken to our Yodogawa Plant, Kashima Plant, or one of the contracted destruction facilities around Japan where they are properly destroyed or handed over to recyclers authorized under the Act on Rational Use and Proper Management of Fluorocarbons

In fiscal 2017, the total amount of refrigerants destroyed in the recovery and destruction business by the Daikin Group in Japan was 397 tons.



Fluorocarbon destruction facilities (Yodogawa Plant)

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



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, Ltd. only, and figures from fiscal 2014 are for the Daikin Group in Japan.

Environment - 143 -

Supporting the Recovery, Recycle and Destruction of Refrigerants in Developing Countries

In developing countries, Daikin cooperates with the Japanese government, national governments and other agencies to conduct foundational research aimed at creating refrigerant recovery, recycle and destruction schemes among other support for the recovery, recycle and destruction of fluorocarbons.

As in fiscal 2016, in fiscal 2017 Daikin was entrusted by the Ministry of the Environment to engage in research projects for the purpose of supporting developing countries, and in cooperation with the United Nations Environment Programme in Sri Lanka, we worked on promoting energy-saving air conditioners created refrigerant recovery, recycle and destruction schemes. Based on survey results obtained over a two-year period, we compiled policy recommendations that were proposed to the government of Sri Lanka. We explained the details of this policy during a local briefing attended by more than 70 people involved in government, academia and industry.



Local briefing

Related information

Dialogue with Government and Industry Groups (Page 319)

Environment - 144 -

Environment

Effective Use of Resources



Air conditioners utilize metal and a wide range of other resources. Daikin makes effective use of resources in product design and production processes and contributes to the realization of circular economy.

Daikin designs products to be small and lightweight to conserve resources and uses materials common in all products in consideration of recyclability. In production processes, we not only promote the recycling of waste generated, but also strive to eliminate the amount of waste that occurs.

Further, we regard water shortages as a social issue posing an operational risk, thus we are enhancing our management of water used in production processes and strive to conserve water resources.

Effective Use of Resources in Products

Under the 3R & Repair initiative, Daikin strives to use resources in products as effectively as possible.) Waste Reduction

Daikin strives to recycle 100% of its waste and reduce the amount of waste generated.

Home Appliance Recycling
Results

In accordance with the Act for Recycling of Specified Kinds of Home Appliances, Daikin reports the results of used residential air conditioner recycling efforts.

Environment - 145 -

Water Resource Reduction

Daikin works to reduce the amount of water used in production processes, identify water risks and take the appropriate countermeasures.

Related information

- > Environmentally Conscious Design (Page 85)
- > Green Procurement (Page 91)

Environment - 146 -

EFFECTIVE USE OF RESOURCES IN PRODUCTS

Daikin Circular Economy Initiatives

To cope with resource shortages caused by increasing populations, the circular economy is a concept that aims to generate profits using resource waste and discarded materials involving drastic changes to socio-economics at the level of design and business models to enable a linear system of circulation at various levels from production to disposal.

Daikin engages in the circular economy through product and packaging material resource conservation, product designs that are easily recyclable and the promotion of reuse and recycling.

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.

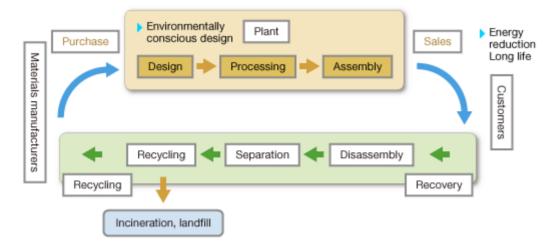
This initiative plays a key role in our product design and development. Based on product assessment, we design and develop products that are smaller and lighter, have fewer numbers of parts and screws, and that use materials and construction that make them easy to maintain, separate, and recycle.

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	

Environment - 147 -

3R & Repair: Effective Use of Resources



Related information

> Environmentally Conscious Design (Page 85)

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 2017, Daikin developed an all-aluminum micro channel heat exchanger for the VRV X and VRV A multi-split type air conditioners. (Sales launched in July 2018)

Environment - 148 -

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.

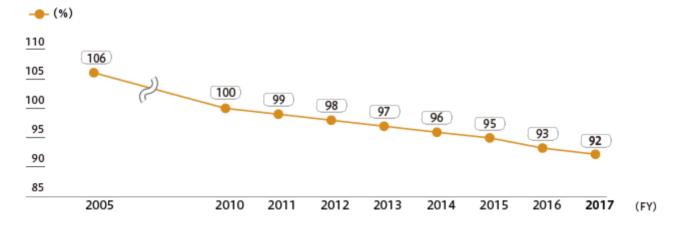
When Daikin Industries, Ltd. develops new products, we establish weight reduction targets for each product on the condition that the annual performance factor (APF) does not decrease. The cocotas multi-cassette-type air conditioner for small spaces uses an air circulation technology combining a new downsizing turbo fan and a U-shaped heat exchanger that reduces size and weight, achieving an approximately 68% reduction in surface installation area compared to conventional residential cassette air conditioners installed in the ceiling.

Product Packaging Weight Reduced by 1% Since Fiscal 2016

We set a target of reducing the amount of packaging for air conditioning products by 1% in fiscal 2017 compared to fiscal 2016. Replacing corrugated cardboard packaging material with polystyrene foam, we are making efforts from the viewpoint of thinner packaging and reducing the number of parts and amount of cardboard used. In fiscal 2017, we achieved this goal by reducing the amount of cardboard and replacing heavy paper tubes with regular cardboard. Going forward, in consideration of strength, we will work with the development division to reduce the amount of packaging materials used.

At overseas Group companies, we are reducing the amount of reinforcement materials and simplifying the bottom trays used in packaging for outdoor air conditioning units. Furthermore, we are also collaborating with packaging materials manufacturers to eliminate the plywood used as reinforcement for commercial indoor air conditioner units and reduce the amount of packaging material used by effectively utilizing the cushioning properties of styrofoam.

Amount of Packaging per Product (wood, cardboard, styrofoam, etc.) (With fiscal 2010 value set at 100)



Environment - 149 -



17% Reduction in Square EcoCute Tank Packaging Wins Good Packaging Category Award (Electronics/Device Packaging Category) and WorldStar Award

Daikin reduced packaging materials for the square Eco-Cute tank by 15%, realizing packaging that is easy to fold, maintains its perpendicular shape and increases assembly work efficiency.

This packaging material won the Good Packaging Category Award (Electronics/Device Packaging Category) at the Japan Packaging Contest held by the Japan Packaging Institute and the WorldStar Contest 2018 held by the World Packaging Organisation (WPO).







Reusing

Repair and Reusing Parts that have Already Been Replaced

At Daikin, 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.

Environment - 150 -

Repair

Reinforcing the Global Repair System

Making products that last longer means that fewer resources are used. To this end, Daikin 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

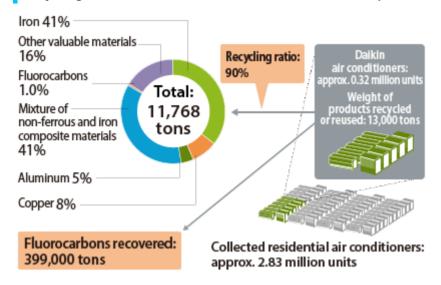
Daikin Achieves Recycling Ratio of 90%, Well above Obligations under Home Appliance Recycling Law

Japan's 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 2017, we recovered about 320,000 products totaling 13,000 tons. The recycling ratio was 90% and the amount of fluorocarbons recovered was 399,000 t-CO₂.

Environment - 151 -

Recycling of Residential Air Conditioners in FY2017 (Japan)



Related information

Home Appliance Recycling Results (Progress in carrying out recycling, etc. of specified home appliances) (Page 154)

Environment - 152 -

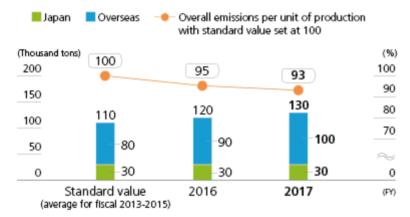
WASTE REDUCTION

Reducing Emissions

Up until fiscal 2010, Daikin 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 and worked to reduce total emissions (recycled materials and waste including hazardous waste).

We have set a target of reducing fiscal 2020 emissions by 5% against the standard value (average for fiscal 2013 to 2015), and to this end we are working to decrease the amount of waste generated through efforts such as reducing the amount of packaging material for parts and other items and the utilization of reusable boxes. In fiscal 2017, we achieved a 7% reduction in emissions per production unit against the standard value.

Emissions/Emissions per Unit of Production



Note: Because the scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020, the past fiscal year values were retroactively corrected.

The results for the past five years of the old scope of calculations and the calculation method are here

↑. (http://www.daikin.com/csr/report/data/data before2015.pdf)

Related information

Search by ESG Data (Page 443)

Environment - 153 -

HOME APPLIANCE RECYCLING RESULTS

(PROGRESS IN CARRYING OUT RECYCLING, ETC. OF SPECIFIED HOME APPLIANCES)

Daikin's Progress in Recycling Home Appliances in Fiscal 2017

Total amount of home appliances recycled in one year (April 1, 2017 to March 31, 2018) based on Japan's Home Appliance Recycling Law

Progress in recycling used home appliances

Residential air conditioners	
Number of appliances received at specified dropoff sites (Units: 1,000)	316
Number of appliances recycled, etc. (Units: 1,000)	315
Number of appliances recycled, etc. (offics. 1,000)	313
Amount recycled, etc. by weight (ton)	
Amount recycled by weight (ton)	11,767
Recycling rate (%)	90

Note1: The number of appliances recycled, etc. and the amount recycled, etc. by weight are the total number of used appliances and the total weight processed by the necessary methods in order to carry out recycling, etc. in fiscal 2017.

Note2: All values are rounded off to the decimal point.

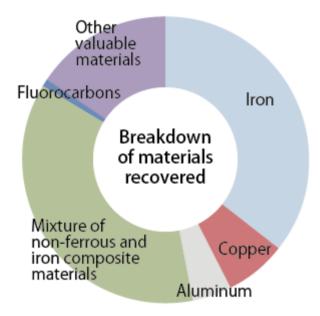
Note3: The number of appliances received at designated dropoff sites and number of appliances recycled, etc. do not include items for which the manufacturers that should process those items could not be determined due to problems such as incorrectly filled out manifests.

Environment - 154 -

Progress in recycling parts and materials, etc.

Relevant parts processed into a state in which they can be transferred as parts or materials to the user for a fee or free of charge.

Residential air conditioners		
Iron (ton)	4,191	
Copper (ton)	831	
Aluminum (ton)	532	
Mixture of non-ferrous and iron composite materials (ton)	4,304	
Fluorocarbons (ton)	98	
Other valuable materials (ton)	1,809	
Total weight (ton)	11,767	



Note1: Other valuable materials means plastic, etc.

Note2: All values are rounded off to the decimal point.

Amount of fluorocarbons recovered and recycled, reused, or destroyed

Recovered weight of fluorocarbons used as refrigerants (kg)	205,326
Shipped weight of fluorocarbons used as refrigerants (kg)	201,568
Weight of recycled and reused fluorocarbons used as refrigerants (kg)	172,343
Weight of destroyed fluorocarbons used as refrigerants (kg)	28,791

Note: All values are rounded off to the decimal point.

Environment - 155 -

WATER RESOURCE REDUCTION

Basic Policy

As water shortages become an increasingly serious social problem, Daikin, which develops business globally, strives to protect water resources through the enhanced management of water used at our manufacturing bases throughout the world.

We strive to reduce the amount of water consumed, which we define as the difference between water intake and wastewater, by reducing water intake by improving manufacturing processes and purifying and recycling used water once used, as well as purifying used water and returning it to water resources. In terms of purification, we operate under voluntary standards that are stricter than what is required by law.

Risks and Opportunities Related to Water Resources

Daikin recognizes that water shortages carry the risk of affecting factory operations. We utilize tools to evaluate water stress conditions (indicated by the degree of tightness between water supply and demand) in the areas where our factories operate throughout the world to identify manufacturing bases operating in highly water-stressed regions. Further, we view the reduction of water used as an opportunity to reduce production costs, and by taking measures to reduce water risks, we are working to avoid water risks and reduce production costs. Chemicals business manufacturing bases that require the use of large amounts of water are located in large river basins such as the Yangtze River in China and the Tennessee River in the United States, where water resources are easily secured.

Also, in consideration of the impact of water shortages on the provision of materials from suppliers, we evaluate water stress conditions at major suppliers and establish items related to water resources within our Green Procurement Guidelines that all suppliers are requested to follow to promote water resource conservation throughout the supply chain.

Water Intake Reduction

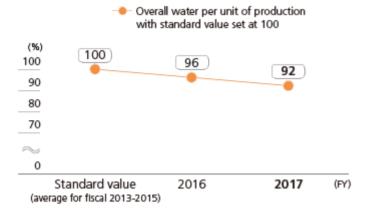
8% Reduction in Water Intake Per Unit of Production

At Daikin, we strive to reduce water intake by ascertaining the volume of water intake at manufacturing bases and reusing wastewater to the full extent possible. We established the goal of reducing water consumption per unit of production by 5% in fiscal 2020 compared to a baseline comprising the average water intake between fiscal 2013–2015. In fiscal 2017, we reduced total water intake per unit of production throughout the Group by 8% compared to baseline through the use of wastewater recycling equipment, rainwater utilization and improved cleaning processes.

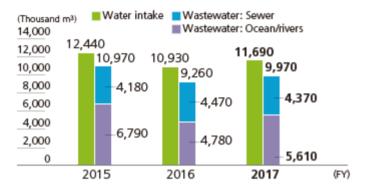
In addition, we established and strictly managed voluntary standards for wastewater quality that are stricter than what is required by law.

Environment - 156 -

Water Intake per Unit of Production



Water Intake and Wastewater Trends



Response to Water Risks and Opportunities

Operation Surveys in Water-stressed Regions

Water risk has become a pressing issue in recent years. Since fiscal 2014, Daikin has utilized the World Resources Institute (WRI) water risk map (Aqueduct) and the World Business Council for Sustainable Development (WBCSD) Global Water Tool to conduct surveys in water-stressed regions, confirming that operations are taking place in two water-stressed regions: India and China. We have implemented countermeasures including the addition of rainwater pits and formulated a business continuity plan (BCP) assuming scenarios in which operations are hindered due to water shortages.

Lowering Costs through Water Intake Reductions

We reduced water intake volumes by reusing water used for cleaning processes after purifying it with reverse osmosis membranes and activated carbon.

For example, at Daikin Compressor Industries, Ltd. in Thailand, these efforts have resulted in an approximately 80 million m³ (10% overall) reduction in the amount of water used. And at Daikin Europe N.V., changing cleaning solutions to simplify the cleaning process reduced water usage, leading to water resource conservation and lower production costs.

Environment - 157 -

Environment

Management and Reduction of Chemical Substances

Basic Policy

Daikin makes efforts to reduce the use and emission of chemical substances, prevent pollution caused by products and prevent pollution from plant operations.

Regarding chemical substances used in products, as indicated by laws and regulations, we request that materials suppliers thoroughly prevent the inclusion of prohibited chemical substances from entering our products.

We manage and reduce emissions of chemical substances handled in the manufacturing process,. We also monitor voluntary standards for hazardous substance emissions in the air and water.

Management and
Reduction of Chemical
Substances Contained in
Products

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

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.

Management and
Reduction of Chemical
Substances during
Production

We strive to reduce the amount of chemical substances used in production.

Environment - 158 -

> Preventing Pollution

We strive to prevent pollution from plant operations by controlling atmospheric and water quality contamination.

Related information

- > Environmentally Conscious Design (Page 85)
- > Green Procurement (Page 91)

Environment - 159 -

Management and Reduction of Chemical Substances

MANAGEMENT AND REDUCTION OF CHEMICAL SUBSTANCES CONTAINED IN PRODUCTS

Compliance with Restrictions on Hazardous Chemicals

Daikin Green Procurement Guidelines (9th edition) Include RoHS 2 Restricted Substances in Specified Chemical Substances

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.

In the ninth edition of our Green Procurement Guidelines, published in January 2017, we added RoHS 2 restricted substances*3 as prohibited substances to our list of specified chemical substances.

- *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 From July 2019, four phthalate substances will be banned in the EU.

Environment - 160 -

Chemical Substance Management Guidelines (for products)

Control levels	Substance name
Prohibited	Cadmium and cadmium compounds Chromium VI compounds Lead and lead compounds Mercury and mercury compounds Bis (Tributyl tin oxide (TBTO)) Tributyl tins (TBTs) compounds *1 Triphenyl tins (TPTs) compounds *1 Dibutyltin compounds (DBTs) *1 Diotyltin compounds (DBTs) *1 Diotyltin compounds (DGTs) *1 Polybrominated biphenyls (PBBs) Polybrominated biphenyls (PBBs) Polybrominated biphenyls (PCBs) Polychlorinated biphenyls (PCTs) Polychlorinated biphenyls (PCTs) Polychlorinated biphenyls (PCTs) Polychlorinated paraffins Perfluorooctane sulfonate (PFOSs) *2 F gas (HFC, PFC, SF6) *3 Asbestos Azocolourants and azodyes which form certain aromatic amines *4 Ozone depleting substances (other than HCFCs) *5 Radioactive substances Phenol,2-(2H-benzotriazol-2-yl)-4,6-bis(1,1-dimethylethyl) Dimethyl fumarate (DMF) *6 HBCD (Hecabromocyclododecane) *7 PFOA (Perfuluorooctane acid) *8 Bis (2-ethylhexyl) phthalate (DBF) *9 Dibutyl phthalate (DBP) *9 Dibutyl phthalate (DBP) *9 Dibutyl phthalate (DBP) *9 Dibutyl phthalate (DBP) *9 Disobutyl phthalate (DBP) *9 Disobutyl phthalate (DBP) *9 Disobutyl phthalate (DBP) *9 Disobutyl coronatic hydrocarbons (PAHs) *11 Substances covered by biocide regulations *12
Reduced	Polyvinyl chloride (PVC) *13 Ozone depleting substances (only HCFCs)
Managed	Beryllium oxide (BeO) Perchlorates Nickel and nickel compounds *14 Brominated flame retardants (other than PBBs, PBDEs, or HBCD) Formaldehyde EU REACH Regulation (SVHC: substances of very high concern) group (Prohibited materials specified by this guideline are excluded) *15

Environment - 161 -

- *1 The use of TBTs and TPTs is prohibited in the EU. Tin concentration must be 0.1% or less. The use of DBTs is prohibited in the EU. Tin concentration must by 0.1% or less. The use of DOTs is prohibited in the EU. However, only "Commodities that touch the skin" and "Two-component normal temperature cured sealing material" will be prohibited. Tin concentration must by 0.1% or less.
- *2 Under the POPs Agreement of May 2009, PFOS was added to Appendix B (prohibited substances). In October 2009, PFOSs were added to the list of class I specific chemical substances under revisions to Japan's Law Concerning the Evaluation of Chemical Substances. 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).
- *3 The use of F gas (HFC, PFC, etc.) is prohibited in one-component foams (banned in the EU starting on July 4, 2008.) However, the use of F gas (HFC, PFC, etc.) is permitted for refrigerants.
- *4 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 (example: out surface of remote controllers).
- *5 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.
- *6 Under a Commission Decision in March 2009 (2009/251/EC), products containing DMF are banned as of May 2009. DMF is used as an anti-fungal agent and in items such as packaging and leather products.
- *7 Under the POPs agreement of May 2013, HBCD was added to Appendix A (prohibited substances). Since November 26, 2014, the Daikin Group has not used HBCD.
- *8 Since June 1, 2014 (June 1, 2016 for certain applications) in Norway, it has been illegal to manufacture, import, and export consumer products containing specific PFOA.
- *9 Under EU directive (EU) 2015/863 (March 31, 2015), four phthalate esters were added to the list of restricted substances. This goes into effect in the EU on July 22, 2019, but the Daikin Group will begin phasing these out in January 2019 in manufacturing covered by regulations.
- *10 As of March 14, 2015, the manufacture, use, sale, distribution, and import of BNST and products containing BNST are prohibited under the Canadian Environmental Protection Act.
- *11 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
- *12 As of March 2, 2017 in the EU, it is illegal to use non-approved biocidal active substances.
- *13 PVC substitutes are being reduced.
- *14 In cases in which the nickel comes into contact with the human body for long hours.
- *15 All SVHC (substances of very high concern) added in future shall be managed. Postscripts do not need to be added in future.

Environment - 162 -

Reducing Transpiration of Chemical Air Pollutants through Using 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. The DACS VOC processing device is a system that purifies air by breaking down, condensing, and oxidizing harmful substances in exhaust gases, such as VOCs and foul odors. It condenses and recovers highly pure organic solvents at a low cost, thus realizing purification of an entire air environment.

In China and other emerging countries where automobile production is on the rise, fluoride materials are replacing general-purpose materials to comply with stricter environmental regulations. Sales of highly functional fluorine materials such as NEOFLON CPT are rising every year in developed countries, where environmental regulations are increasing in scope and severity. Going forward, Daikin aims to respond to the growing demand that will be created by these trends.

Automobile Fuel Hose Made of Fluororesin



Laminated hose made of general purpose rubber

Related information

> NEOFLON CPT 🗖

(https://www.daikin.com/chm/products/resin/resin_06.html)

Environment - 163 -

Management and Reduction of Chemical Substances

COMPLIANCE WITH J-MOSS

Management and Reduction of Chemical Substances

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.



Environment - 164 -

Substances Contained in Room Air Conditioners

Product type: Room air conditioner (indoor unit/outdoor units)

Model: All models produced since in July 2006*

Class	Chemical substance code						
Class	Pb	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.

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

Environment - 165 -

^{*} Models designated below.

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

Environment - 166 -

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

* 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)

Environment - 167 -

Management and Reduction of Chemical Substances

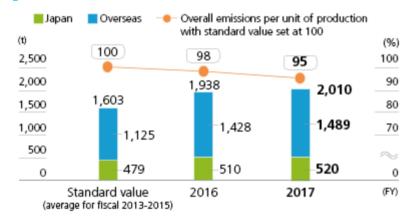
MANAGEMENT AND REDUCTION OF CHEMICAL SUBSTANCES DURING PRODUCTION

Management of Chemical Substances

Daikin bases around the world take voluntary action to reduce the amounts of various chemical substances, such as PRTR substances and VOCs. From fiscal 2016, we are working toward a target of reducing emissions per unit of production (total of PRTR substances and VOCs) in fiscal 2020 by 5% against the standard value (average for fiscal 2013-2015).

In fiscal 2017, our Chemicals Division strove to reduce emissions of the raw material methylene chloride and our Air Conditioning Manufacturing Division strove to reduce emissions of volatile processing oil, resulting in a 5% reduction against the standard value.

Chemical Emissions / per Unit of Production (total of PRTR substances and VOCs)



Note: Because the scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020, the past fiscal year values were retroactively corrected.

> The results for the past five years of the old scope of calculations and the calculation method are here

↑.

(http://www.daikin.com/csr/report/data/data_before2015.pdf)



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.

Environment - 168 -

Compilation of PRTR Substances in FY2017 (PRTR substances of which at least 1 ton was handled)

Substance name		nount emitted(ton	Amount transported (tons)		
		Public waterways	Soil	Waste	Sewage
Chlorodifluoromethane; HCFC-22	57.35	0.00	0.00	0.00	0.00
Dichloromethane; methylene dichloride	19.61	0.00	0.00	2.90	0.00
1-chloro-1,1-difluoroethane; HCFC-142b	11.00	0.00	0.00	0.00	0.00
Toluene	3.12	0.06	0.00	0.48	0.00
2-chloro-1,1,1,2-tetrafluoroethane; HCFC-124	1.60	0.00	0.00	0.00	0.00
Phenol	0.73	0.00	0.00	0.75	0.00
Chloroform	0.62	0.00	0.00	5.90	0.00
Xylene	0.61	0.00	0.00	0.04	0.00
Formaldehyde	0.38	0.62	0.00	0.27	0.00
Ethylbenzene	0.33	0.00	0.00	0.00	0.00
N-hexane	0.25	0.00	0.00	0.73	0.00
Hydrogen fluoride and its water-soluble salts	0.24	0.00	0.00	41.01	0.00
Poly(oxyethylene)alkyl ether(alkyl C=12-15)	0.04	0.01	0.00	49.00	0.63
1,3,5-trimethylbenzene	0.03	0.00	0.00	0.00	0.00
N,N-dimethylformamide	0.03	0.00	0.00	0.01	0.00
Poly (oxyethylene) = octylphenyl ether	0.02	0.01	0.00	0.00	0.00
1,2,4-trimethylbenzene	0.02	0.00	0.00	0.00	0.00
N,N-dimethylformamide	0.01	0.00	0.00	7.30	0.00
Dichloropentafluoropropane; HCFC-225	0.01	0.00	0.00	0.00	0.00
Methylnaphthalene	0.01	0.00	0.00	0.00	0.00
Poly (oxyethylene) = nonylphenyl ether	0.00	0.00	0.00	0.00	0.00
Acetonitrile	0.00	0.00	0.00	2.80	0.04
Nickel	0.00	0.00	0.00	0.00	0.00

Environment - 169 -

Boron compounds	0.00	0.44	0.00	0.58	0.00
Ethylene glycol monoethyl ether	0.00	0.00	0.00	0.00	0.00
Ferric chloride	0.00	0.00	0.00	10.33	0.00
Antimony and its compounds	0.00	0.00	0.00	0.85	0.00
Methylenebis (4,1-phenylene) diisocyanate	0.00	0.00	0.00	0.08	0.00
Tritolyl phosphate	0.00	0.00	0.00	0.04	0.00
Molybdenum and its compounds	0.00	0.00	0.00	0.03	0.00
Nickel compound	0.00	0.00	0.00	0.02	0.00
chromium and chromium(III) compounds	0.00	0.00	0.00	0.01	0.00
Allyl alcohol	0.00	0.00	0.00	0.00	0.00
Manganese and manganese compounds	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
2-aminoethanol	0.00	0.00	0.00	0.00	0.01
Tetrachloromethane	0.00	0.00	0.00	0.00	0.00
Styrene	0.00	0.00	0.00	0.00	0.00

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.

Environment - 170 -

PREVENTING POLLUTION

Preventing Pollution

Minimizing Environmental Damage in Case of Accident or Disaster

Daikin has systems in place that allow it to minimize environmental damage if there should be an accident or calamity at Daikin production sites around the world. Our Disaster Prevention Manual details how to deal with emergencies like chemical and oil leaks and spills. The manual is the basis for regular emergency drills.

In fiscal 2017 at the Yodogawa Plant, we teamed up with the fire department and police in conducting two chemical disaster response drills that simulated a fire at night and included the use of a drone. We also conducted an evacuation drill that simulated a large earthquake and tsunami. At the Kashima Plant, a total of 110 employees took part in fire drills and in semiannual drills to prevent the spread of pollution from hazardous substances and protect workers from harm. At the Sakai Plant during June Environmental Month, hands-on training was held in how to deal with oil leaks. At the Shiga Plant, drills were held for plant employees and employees of Daikin contractors.



Disaster drill (Kashima Plant)



Hands-on training in dealing with oil leaks (Sakai Plant)

Environment - 171 -

Monitoring Environmental Standards

Strict Management at Manufacturing Bases Exceeds Legal Requirements

Daikin controls air and water pollution 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.

Related information

Report by business site (https://www.daikin.com/csr/report/site_data/)

Measures for Soil and Groundwater Pollution

Dealing with Soil Pollution at the Yodogawa Plant

At the Yodogawa Plant, it was discovered that the site's groundwater contained concentrations of chloroethylene that exceeded environmental standards. Chloroethylene is a breakdown product of tetrachloroethylene and trichloroethylene and a substance newly added to the list of designated chemical substances in April 2016. This was reported to the Osaka Prefectural authorities, and we continued to pump up groundwater to prevent pollution from spreading beyond the boundaries of the site.

Groundwater Cleanup Continues at the Kashima Plant

In 2000, the concentration of organic chlorine-based compounds in groundwater at the Kashima Plant was found to exceed environmental standards. Ongoing groundwater cleanup managed to reduce pollution concentrations in the groundwater; however, concentrations still exceeded standards in one area. Cleanup will therefore continue to remedy this situation.

Environment - 172 -

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 been disposing of waste with high PCB concentrations based on PCB disposal plans of the Japan Environmental Storage & Safety Corporation (JESCO), and we were one of the first companies to register with JESCO. Waste with low PCB concentrations is being disposed of based on a Daikin disposal plan.

Disposal and Treatment of Equipment Containing PCBs

Plants	Items disposed of	Storage and disposal plan
	FY2017	FY2018 and on
Shiga Plant	1 low-PCB-concentration transformer	126 ballasts
Sakai Plant	72 liters of insulating oil, 1 condenser, cloths for wiping condenser oil	7 ballasts, 200 ml of insulating oil
Yodogawa Plant	448 ballasts	6 transformers, 1 condenser, 5 switches

Environment - 173 -

Environment

Protecting Biodiversity



Basic Policy

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.

Related information

> "Forests for the Air" Project □ (https://www.daikin.com/csr/forests/)

Environment - 174 -

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 is to provide comfortable air environments, Daikin considers forests to be the Earth'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.

Environment - 175 -

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.

Environment - 176 -

Initiatives around the World

"Forests for the Air" Project Helps Preserve Irreplaceable Resources—The World's Valuable Forests

In 2014, Daikin launched its "Forests for the Air" project aimed at preserving valuable forests in seven locations around the world. The goal for the project's 10-year period is to conserve forests covering some 11 million hectares and in the process contribute to reducing 7 million tons of CO₂ emissions.

In each of the seven locations, Daikin leverages global partnerships in not just planting trees but in helping local residents secure a livelihood that reduces their dependence on cutting down the trees of the forest. Through forest preservation, the project aims to solve social problems such as poverty and thus contribute to the achievement of Sustainable Development Goals (SDGs).

Related information

▶ "Forests for the Air" project □ (https://www.daikin.com/csr/forests/)

Efforts at Bases

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

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

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

When Daikin Industries, 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 July 2016, 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.

Environment - 177 -

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)

Environment - 178 -

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. As a result, the number of flora and fauna living in the Daikin Shiga Forest increased from 398 to 517 species compared to 2012, advancing diversity in the environment.

In fiscal 2016, we began creating a virtuous circle that would contribute to making the Daikin Shiga Forest a place for environmental education; for example, we take Daikin employee family members and local elementary school students on nature walks in the forest.

Nature Forest at Yodogawa Plant

At the Yodogawa Plant, in conjunction with the opening of the Technology and Innovation Center (TIC) in November 2015, we created an approximately 4,000m² green belt stretching from Yodogawa Plant main gate to the west gate.

The forest, known as the TIC Forest, has evergreens in all directions, a large clearing affording a view of the sky, flowers and trees that change with the seasons, and a path along a babbling brook.

The TIC Forest is a space that relaxes and stimulates the senses of R&D staff, while the wild birds and insects that fly in from the neighboring Yodogawa River contribute to the rich biodiversity.

Under the motto "From the TIC Forest to the Yodogawa Plant Forest," flora grown from seed in this forest are transplanted from inside the facility to other areas where they are currently being cultivated by employees. In recognition of our efforts aimed at enhancing employee environmental awareness and achieving comparative harmony with the TIC exterior, in November 2017 Daikin won the Osaka Governor's Award, the highest honor bestowed in the Landscape Design category at the 7th Annual Midori no Machizukuri Awards.

We will maintain efforts to grow seedlings currently being cultivated, continue planning and holding Yodogawa Plant nature walks and photo contests and instill an awareness of biodiversity preservation in our employees.

Environment - 179 -



Employees plant seedlings



Forest at the TIC



Photo contest winner Babbling brook and autumn colors



Chinese windmill



Falcon



7th Annual Midori no Machizukuri Awards certificate

Environment - 180 -

Projects in Surrounding Neighborhoods

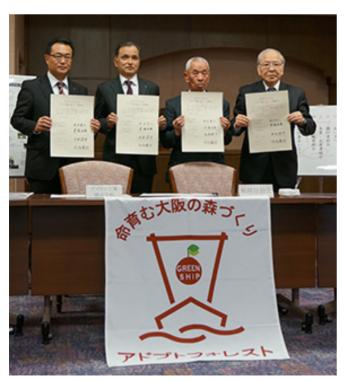
Rejuvenating Community Forests in Osaka Prefecture

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 2017, a cumulative total of 63 employees and their family members volunteered.

The Harashiroyama forest project completed its five-year agreement period in March 2017. Because of the success of this activity, the contract was renewed and work continues on caring for the bamboo forest.

To expand the scope of this activity, in March 2016 an agreement was reached under the "Adopt a Forest" system in Izuhara in Ibaraki City, Osaka Prefecture as a way to protect community forests other than just bamboo forests. With the goal of creating an abundant ecosystem in an abandoned coppice forest, activities will continue until March 2020. In fiscal 2017, a total of 27 employees and their families participated in volunteer activities, removing bamboo trees growing in the coppice forest in May and September.



Izuhara Adopt a Forest signing ceremony



Forest preservation activity in Izuhara

Environment - 181 -

Ongoing Efforts at Overseas Bases Including Tree-Planting and Biodiversity Protection

To protect the natural environment adjacent to Daikin's worldwide production and sales bases, we conduct activities such as tree-planting, protection of nearby oceans and rivers, and protection of biodiversity.

Daikin Industries (Thailand) Ltd.



At a tree-planting event held near the factory, employees, their families and local residents totaling 400 people planted 2,500 trees. Over the past ten years, a total of 11,822 trees have been planted.

Daikin Compressor Industries, Ltd.



Mangrove forest preservation activities contribute to the preservation of biodiversity by protecting the environment creatures live and grow in while preserving the livelihood of fishermen engaged in traditional fishing practices.

Related information

- > Protecting the Environment (Page 327)
- > Report by Business Site (https://www.daikin.com/csr/report/site_data/)

Environment - 182 -

HISTORY OF ENVIRONMENTAL ACTIVITIES

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 		

Environment - 183 -

1998	First Environmental Report published	 Released Super Inverter 60 ultra-energy-efficient commercial air conditioner Released HFC multi- purpose air conditioner for buildings, HFC residential air conditioners 	
1999	 Environmental accounting introduced, Environmental Meetings launched 		Established fluorocarbon destruction facilities
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.	

Environment - 184 -

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	
	Started environmental protection activities in Shiretoko	
2012		 Released Urusara 7 residential air conditioner, world's first air conditioner to use the new R-32 refrigerant
2013		Released FIVE STAR ZEAS, world's first commercial air conditioner to use new refrigerant R-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 R-32 air conditioners "Daikin's Policy and Comprehensive Actions on the Environmental Impact of Refrigerants" published 	

Environment - 185 -

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.

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 refrigerants, the Daikin Group makes it a top priority to reduce global warming. Using our strengths in energy-efficient technologies, we strive to mitigate our impact on climate change.

Under our Eco First Commitment, which we revised in March 2012 and October 2017, 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.



The Eco First symbol

Environment - 186 -

Daikin Group's Eco First Commitment

- 1. By developing and disseminating products that contribute to mitigating global warming, we aim to reduce greenhouse gas emissions in fiscal 2020 by 60 million tons-CO₂.
 - We will disseminate energy-efficient products, such as low-energy-consuming inverter models, worldwide.
 - In worldwide markets, we will introduce air conditioners that use low-global-warming-potential refrigerants such as HFC-32, which has two-thirds less global warming potential than conventional refrigerants.
 - By promoting the recovery and destruction of refrigerants, we will minimize refrigerant leakage in all stages from production to final product disposal.
 - We will develop and disseminate heat pump space heaters and hot water heaters, which are much more energy efficient than gas-combustion products, by adapting to local conditions.
 - By introducing our energy-efficient solutions businesses, such as air conditioner remote monitoring systems, to worldwide markets, we will contribute to greater energy efficiency in entire buildings and towns.
- 2. To minimize the environmental impact of our production activities, in fiscal 2020 we aim to reduce the Daikin Group's emissions of greenhouse gases (CO₂, HFCs, PFCs) by 70% over fiscal 2005 (a reduction of 3.5 million tons-CO₂).
 - Even as we increase the number of our production bases and our production volume, we will reduce the Daikin Group's total greenhouse gas emissions through numerous measures; for example, eliminate wasted energy by making energy usage more transparent, and thoroughly recover fluorocarbons in production processes.
 - We will reduce emissions through strict management of waste, water usage, and chemical substances.
- 3. We aim to work together with stakeholders to protect biodiversity. We will also expand the Green Heart circle, considering the Earth and taking care of the natural environment.
 - Through Daikin's "Forests for the Air" project, which is being undertaken at seven locations around the world, during the 10-year period from 2014 to 2024, we will conserve forests covering some 11 million hectares and in the process contribute to reducing CO₂ emissions by 7 million tons-CO₂.
 - Employees are the main drivers in initiatives at our worldwide bases to certify factories and
 offices under our Green Heart system. Daikin employees boost their environmental awareness
 by minimizing environmental impact through energy efficiency and other measures, creating
 and preserving biodiversity at their companies, and teaming up with local citizens in carrying
 out environmental and social contribution activities.
 - By holding free-of-charge environmental education classes for elementary schools, we provide an opportunity for youngsters to learn how to build a sustainable society.

Related information

> Environment (Page 58)

Environment - 187 -





2018 -Web version -

New Value Creation

Daikin's Goal for Value Creation191	Start-Up Arises from Collaborative
Management Structure 194	innovation ····· 198
	Value Creation through Collaborative
	Innovation

New Value Creation - 188 -

CSR for Value Provision New Value Creation



Policy

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

CSR Target 2020

Air-conditioners bring innovation to work and everyday life in hot regions, contributing to higher quality of life and economic growth.

Daikin fuses core technologies accumulated through air conditioning using IoT and Al with advanced technological open innovation to provide new value that makes humans and indoor spaces healthy and comfortable by pursuing the unlimited possibilities of air.

Fiscal 2017 Achievements

Measures the amount invested in value creation and the number of new technologies created.

R&D Expenditure

¥ 62.1 billion

Number of patent applications (FY 2016) (Daikin Industries, Ltd. only) Patent applications in Japan:

780

Patent applications overseas:

352

New Value Creation - 189 -

Daikin's Goal for Value
Creation

) Management Structure

Start-Up Arises from
Collaborative Innovation

Making people and indoor spaces healthy and comfortable to provide new value and contribute to the Sustainable Development Goals (SDGs) Daikin R&D Centers such as the Technology Innovation Center are located throughout the world.

Introducing initiatives from collaborative innovation to commercialization

Value creation through collaborative innovation

We cooperate with industry groups and other companies, and work in industry-academia tie-ups with the aim of creating new value.

Related information

- > Key Activities of Fiscal 2017: New Value Creation—Reducing Fatigue and Realizing Pleasant Air Environments through Open Innovation (Page 396)
- > Stakeholder Engagement (Page 313)
- > TECHNOLOGY AND INNOVATION CENTER [

(https://www.daikin.com/about/corporate/tic/)

New Value Creation - 190 -

DAIKIN'S GOAL FOR VALUE CREATION

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 people. 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

Helping mitigate climate change by reducing environmental impact through business activities

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.











New Value Creation - 191 -

Value Creation for Cities

Contributing to the creation of sustainable cities by solving energy-related issues arising from 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 zero net energy consumption, 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 People

Contributing to healthy and comfortable lifestyles by expanding the possibilities of air

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.









New Value Creation - 192 -

Sustainable Development Goals: SDGs



1. No poverty

End poverty in all its forms everywhere



5. Gender equality

Achieve gender equality and empower all women and girls



9. Industry, innovation and infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



13. Climate action

Take urgent action to combat climate change and its impacts



17. Partnerships for the goals

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



2. Zero hunger

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



6. Clean water and sanitation

Ensure availability and sustainable management of water and sanitation for all



10. Reduced inequalities

Reduce inequality within and among countries



14. Life below water

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



3. Good health and wellbeing

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



7. Affordable and clean energy

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



11. Sustainable cities and communities

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



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



4. Quality education

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



8. Decent work and economic growth

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



12. Responsible consumption and production

Ensure sustainable consumption and production patterns



16. Peace, justice and strong 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

New Value Creation - 193 -

New Value Creation

MANAGEMENT STRUCTURE

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.

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. 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. We also have R&D bases at 14 sites around the world at which we develop products in order to promptly and accurately respond to the needs of regional customers.

Worldwide R&D Bases



New Value Creation - 194 -

Technology Development Base: Technology and Innovation Center

Collaborative innovation with internal and external partners to create new value

In November 2015, Daikin established the Technology and Innovation Center (TIC). As a core base of technological development, the TIC brings together approximately 700 technicians in a range of fields. Amassing the strength of Daikin Group technicians, and strengthening cooperation and ties among companies, universities, and research institutes possessing unique technologies in differing industries and fields, the TIC is aimed at combining the strengths of people, information, and technologies from inside and outside Daikin in order to come up with innovation through collaboration.

To maximize this collaboration between Daikin and its partners, the TIC has gathering rooms, which can be used for anything from technician meetings to exchange unbridled opinions, to gatherings of opinion leaders from universities and industries around the world to use as they wish in spreading their ideas. These rooms have been used extensively: Eiichi Negishi, winner of the Nobel Prize in Chemistry and Distinguished Professor at Purdue University, has used them to provide technological guidance; and they act as satellite offices of industry-academia collaboration projects between Daikin and Kyoto University, Osaka University, and other universities.



Technology and Innovation Center (TIC)

Related information

> TIC (https://www.daikin.com/about/corporate/tic/)

New Value Creation - 195 -

Boosting Development Functions around the World

Responding to the needs that arise from differing cultures and values in countries and regions of the world

Daikin has over 90 production bases around the world and does business in over 150 countries, and more than 75% of its sales come from outside Japan. To create the new value demanded by customers and their societies, we must develop products that match the cultures and values of each worldwide region. Daikin has R&D centers around the world, including in China, Europe, and North America, where efforts are made to create new value that matches various regional needs.

In today's era of lightning-fast change, conventional core technologies no longer meet the world's diverse needs. That's why in May 2017 we have established the Daikin Open Innovation Lab Silicon Valley (DSV) as a sub-office of the TIC, a place where we come up with distinctly new products through the fusion of state-of-the-art technologies in artificial intelligence (AI) and the Internet of Things (IoT). At the DSV in North America, a society of rapid technological change, we are striving to both absorb current state-of-the-art technologies and strengthen IoT and AI technologies.

On December 5, 2017, we opened the Daikin Information Technology University in the TIC with the goal of fostering human resources who develop technologies and new businesses utilizing AI. The aim is to create new innovation through basic research in areas such as AI and IoT, create new systems for things like smart factories, and carry out collaborative projects that foster human resources.

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 2017, in addition to compensation for patent applications, Daikin compensated employees for 629 successful uses of the patent.

The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. In fiscal 2016, we awarded incentive bonuses to the creators of 70 patents.

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 2017, we applied for 780 patents in Japan and 352 patents overseas.

New Value Creation - 196 -

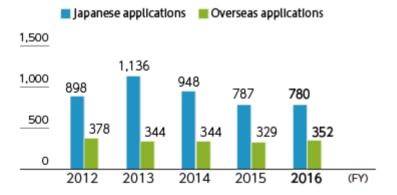
In fiscal 2017, in the air conditioning divisions, the number of patent applications increased; this covered everything from development of new products that we intend to release, to near-future products that make use of AI and IoT technologies. In the Chemicals Division, we stepped up patent applications with the goal of growing sustainably in existing products areas and capturing a dominant market share in new product areas.

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.



Awarding incentive bonuses to inventor group representatives

Number of Patent Applications (Daikin Industries, Ltd. only)



New Value Creation - 197 -

START-UP ARISES FROM COLLABORATIVE INNOVATION

From Collaborative Innovation to Market

The new value that arises from collaborative innovation won't benefit people around the world unless= it comes in the form of an available product.

Products must be made into business models that benefit a company, its customers, and society;= otherwise, it's just an empty proposition.

In the field of energy, in 2017 Daikin established a new company that makes micro-hydroelectric power= generation systems.

This company, DK-Power, Ltd., is the first start-up to come out of the Technology and Innovation Center= (TIC); the first case of an R&D theme at TIC leading all the way to market participation.

DK-Power, Ltd.

Local production and local consumption of energy: helping solve environmental problems

There has been increasing focus on micro-hydroelectric power, which taps energy from the water flow of rivers, water supply and sewage systems, and other waterways. Although they provide only a fraction of the power of conventional large-scale power plants, they can be set up in a large number of locations where there is a water canal or other flow of water—not just in the mountains but in many other places close to towns and cities. These "water wheels of the future" can be used almost anywhere. However, this method of power generation has not spread significantly, due to the high cost per amount of power generated and the large size of the equipment.

Daikin has utilized its technologies in air conditioning and hydraulic machinery to develop a compact, low-cost micro-hydroelectric power generation system, equipped with vertical inline pump reverse turbine, for water channels. Through technology for making electricity from waterflow using the motor inverter technologies that Daikin has built up, it is now possible to create natural energy instead of discharging CO_2 in the power generation process. The "small energy" created by micro-hydroelectric power generation systems is also green energy.

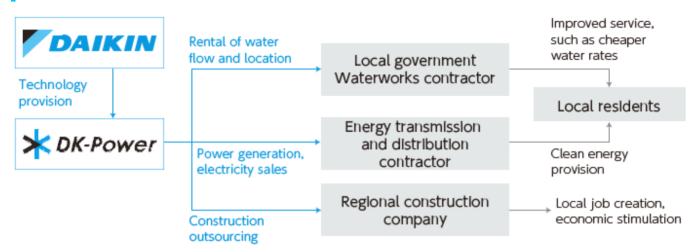
In 2013, Daikin's micro-hydroelectric power generation system was adopted under the Low Carbon Technology, Research, Development and Demonstration Program of Japan's Ministry of the Environment (MOE). It underwent demonstration testing over a three-year period in Nanto City, Toyama Prefecture, and Soma City, Fukushima Prefecture, which resulted in practical product application.

New Value Creation - 198 -

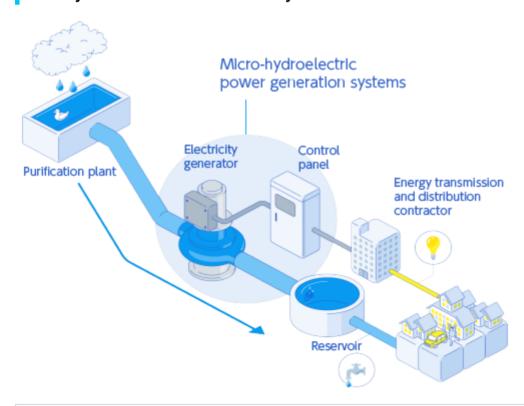
In June 2017, we established DK-Power, Ltd., a subsidiary whose business is generating power through micro-hydroelectric power generation systems. The company installs these systems on waterworks facilities owned by local governments, and manages, operates, and sells the electricity that is generated. We will collaborate with numerous partners—such as municipal waterworks contractors, regional construction companies, and energy transmission and distribution contractors—as we pursue the business of generating and providing renewable energy.

By using micro-hydroelectric power generation systems and the clean energy they provide, cities, towns, and neighborhoods in Japan and around the world get independently produced and sustainable electricity and thus contribute to a sustainable society.

Business Model Based on Use of DK-Power's Micro-hydroelectric Power Generation Systems



Micro-hydroelectric Power Generation System



Related information

> DK-Power, Ltd. □ (http://www.dk-power.co.jp/)

New Value Creation - 199 -

VALUE CREATION THROUGH COLLABORATIVE INNOVATION

With problems such as climate change and air pollution increasing on a global scale, Daikin is aiming to reduce environmental burden while providing new value that brings health and comfort to people and spaces.

To this end, we are advancing the state of our core technologies of inverters, heat pumps, and fluorochemicals, and stepping up joint research with companies, organizations, and other external parties in order to come up with innovations that contribute to solving society's problems.

Open Innovation through Collaboration with Other Companies

Establishing a Collaborative Platform Utilizing Data on Air and Space

Daikin has established a collaborative platform called CRESNECT under which it works with a number of partner companies to utilize data gathered from air conditioners in order to come up with new value and services encompassing air and space.

Using data that can be gathered from air conditioners, Daikin and the partner companies study how to improve office productivity and maintain worker health and come up with new value and services.

Daikin and Three Other Companies Launch Cross-Industry Mite Allergy Countermeasures Society

Daikin, Sangetsu Corporation, Shionogi & Co., Ltd., and Teijin Frontier Co., Ltd. launched the Mite Allergy Countermeasures Society, a symposium with the goal of raising awareness of perennial allergic rhinitis and educating people about how to combat it.

In 2004, as part of creating an indoor air environment that is healthy and comfortable, we developed our own Streamer technology to decompose allergens such as mites, fungi, and pollen, and suppress bacteria and viruses. While looking into possible further uses of Streamer technology and leveraging the knowledge and knowhow of companies across different industries, the Mite Allergy Countermeasures Society is striving to provide society with a comfortable and healthy lifestyle through the joint creation of new value in air and space.

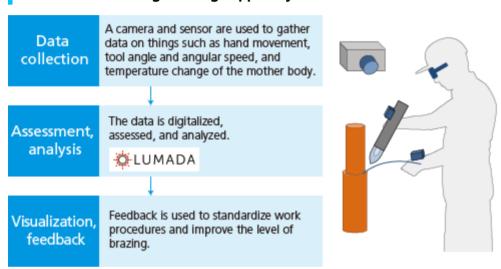
New Value Creation - 200 -

Daikin and Hitachi Begin Collaboration to Create Next-Generation Production Model Using IoT

Daikin and Hitachi, Ltd. embarked on a collaborative project to create the next-generation production model using IoT to support skills transfer from expert workers as of October 2017.

The two companies are proceeding with a joint demonstration of the viability of a new production model. Combining Daikin's brazing process, which is part of the manufacturing of air conditioners, and Hitachi's advanced image analysis technology, the solution core of the company's Lumada IoT platform, the demonstration project will digitalize the skills of expert workers and trainees so that these can be compared and analyzed in verifying a production model. The goal is to move this system to full-scale production, encompass other production processes in the system, and expand it for application at production bases around the world and in our servicing activities.

Illustration of Brazing Training Support System



Teaming Up with NEC Corporation in Utilizing AI and IoT to Create Air and Space that Boosts Intellectual Productivity

In October 2016, Daikin Industries, Ltd. and NEC Corporation began joint research utilizing AI and IoT aimed at realizing air and space that raises people's intellectual productivity. By fusing Daikin Industries, Ltd.'s technologies related to air conditioning and its knowledge in biometrics with NEC's AI and IoT technologies in facial recognition and crowd behavior analysis, the parties aim to be able to create comfortable, focused spaces that are not just determined by factors such as climate and room environment, but that are geared to respond to the physical and mental feelings of the people in that space.

Daikin Industries, Ltd. and NEC Corporation have so far conducted research in areas such as precise control of air conditioning and lighting and measurement of comfort level. However, more analysis needs to be done since there is still much to be learned regarding the cause-effect relationship between people and the air and space around them. As the base of research for this joint effort, the TIC is carrying out demonstration testing in office environments.

In fiscal 2017, we built an environment for conducting tests on human subjects and identified effective temperature stimulation for raising intellectual productivity. To further perfect the ideal conditions, we are conducting field testing.

New Value Creation - 201 -

Illustration of air and space improving intellectual productivity in an office



Open Innovation through Industry-Academia Collaboration

DK Innovation Program with Kyoto University

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.

Under this program, researchers from not just the field of science but from the arts as well have come up with the concept of 'Good Air' through unique science-arts collaborations such as the 100 Person World Café. The program is working toward concrete activities that apply this 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.

New Value Creation - 202 -

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 two themes: 'clean innovations' in pursuit of high-level anti-fouling, and 'air and IoT' aimed at applying research results to existing businesses as soon as possible. The collaboration is also continuing to identify future research themes.

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. In September 2016, we established a base in the Organization for Research and Development of Innovative Science and Technology of Kansai University in order to accelerate joint research with the university's science and technology departments in areas such as battery materials.

We will continue to seek ways to create new value, not just in the sciences but in the arts as well.

Daikin Collaboration Research Institute at Osaka University

In 2006, Daikin Industries, Ltd. launched the Daikin (Fluorine Chemistry) Joint Research Chair at Osaka University, under which our fluorochemical technologies and the university's advance research capabilities are combined in order to come up with innovative fundamental technologies. In 2016, a 10-year collaboration called the Daikin Collaboration Research Institute, which covers air conditioning related technologies, was launched and is conducting R&D in new materials, new processes, and processing technologies.

This facility will continue acquiring and advancing core technologies in chemistry and air conditioning by expanding its organization to include areas such as machinery, construction, information, and medicine.

Tie-up with Tsinghua University

In 2003, the Tsinghua University-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, the parties began collaborating in the chemical field as well. The center will expand into environmental fields such as air and water quality and energy, as it carries out research with top-level scientists aimed at solving environmental problems.

New Value Creation - 203 -

Daikin Industries Ltd. and RIKEN Start Wellness Life Collaboration Program

In October 2016, Daikin Industries Ltd. teamed up with RIKEN, Japan's only comprehensive research institution dedicated to the natural sciences, to launch the RIKEN-DAIKIN Wellness Life Collaboration Program. Under the theme of comfortable, healthy spaces, the program aims to provide society with new value.

In June 2017, the partners established the Riken BDR-Daikin Collaboration Center for joint research into creating spaces that prevent fatigue. In November 2017, test facilities were established at Riken's Integrated Innovation Building (IIB) in Kobe for clinical research investigating how differing levels of temperature and humidity affect levels of fatigue. Data on the differing levels of fatigue that men and women experience in air environments was presented in May 2018 at a meeting of the Japanese Society of Fatigue Science.

We are also making use of Riken's knowledge in areas other than air environments to come up with challenges in creating new value for our customers.

Related information

> Key Activities of Fiscal 2017: New Value Creation (Page 396)

Cooperation with Influential Figures and Industry Groups

World Sleep Conference Studies How Air Can Improve Sleep

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. By March 2017, three companies—Wacoal Corp., Philips Lighting Holding B.V, and Ricoh Japan Corp.—had joined. With the organization now including companies dealing in clothing, lighting, and offices—all crucial elements in sleep—members are creating and sharing new ideas related to improving health through better sleeping.

At the fiscal 2017 meeting of the World Sleep Conference, attendees shared both interesting and useful information that raises awareness of the importance of sleep and contributes to the discovery of latent needs regarding sleeping.

We also conducted a two-day overnight event on the theme of how to establish the conditions for a good sleep. Participants experienced the daily routines that ensure a sound sleep and thus learned firsthand about good sleep cycles.

It is well known that sleep affects people not only physically but mentally as well. Poor sleep is said to lead to problems like depression and insomnia, which result in lack of concentration and poor productivity. Sleep disorders have emerged as a cause of some of today's social problems. Against this background, Daikin Industries, Ltd. recognized the strong connection between sleep and warm environments. Utilizing the Sleep and Metabolism Laboratory at the TIC, which simulates a round-the-clock living environment, we are coming out with new products and services that improve the quality of sleep through the power of air.

New Value Creation - 204 -

Participation in the World Green Building Council Worldwide

Daikin Industries, Ltd. strives to contribute to lower power consumption through energy-efficient air conditioners and buildings.

In order to achieve even more environmentally conscious buildings through the provision of products and services, we have joined green building organizations around the world and our bases and sales regions are helping form regulations that will make it easier to provide products and services that help realize green buildings and ZEBs*.

* 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.

New Value Creation - 205 -





2018 - Web version -

Customer Satisfaction

Product Quality and Safety ·····	209	Protecting Customer Information	226
Customer Satisfaction	216		

Customer Satisfaction - 206 -

CSR for Value Provision Customer Satisfaction



Policy

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

CSR Targets 2020

Developing business in more than 150 countries throughout the world, Daikin provides customers with the highest degree of satisfaction by ensuring a high level of quality through efforts to provide products and services meeting local needs.

We regularly listen to customer feedback from around the world and utilize this feedback in product development in a continued pursuit of customer satisfaction throughout the product lifecycle.

Fiscal 2017 Achievements

With fiscal 2015 as the base year, we measured how much we improved after-sales service customer satisfaction.

Customer Satisfaction (over fiscal 2015)

Japan: China: Singapore: Italy:

1.11 1.01 1.03 1.00

Customer Satisfaction - 207 -

> Product Quality and Safety

Customer Satisfaction

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

Related information

> Key Activities of Fiscal 2017: Customer Satisfaction—Create a Mechanism That Brings Peace of Mind by Promoting Adoption of Low-Environmental-Impact Heat-Pump Heating (Page 400)

Customer Satisfaction - 208 -

PRODUCT QUALITY AND SAFETY

Quality Policy

Providing Safe, High-Quality Products and Services

With this in mind, Daikin strives to stay ahead of customer needs by providing high-quality products and services based on its corporate policies of "Absolute Credibility," "Enterprising Management," and "Harmonious Personal Relations."

With a quality management system in place, we ensure that our products are of the highest levels of safety and quality in all processes: from design and manufacture to sales and after-sales service.

Quality Policy in the Divisions

Air conditioning divisions: "Provide high-quality products through relentless improvement activities."

Service divisions: "Achieve the highest level of service quality (in speed, accuracy, and politeness)." **Chemicals divisions:** "Provide quality that sells and that satisfies customers' demands."

Product Quality Management Structure

Thorough Management in Development, Procurement, and Production

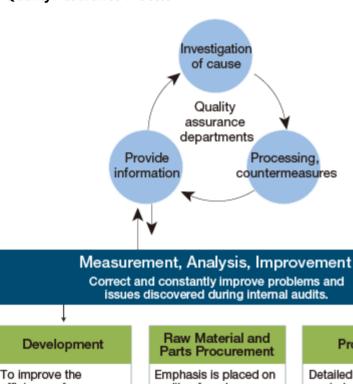
All major manufacturing bases in Daikin are ISO 9001-compliant and have quality assurance systems conforming to this international standard. Company divisions maintain high levels of product quality and ensure proper management of each department, such as development, parts procurement, and production. We are also improving quality at our contract manufacturers.

Customer Satisfaction - 209 -

Quality Control System



Quality Assurance Process



To improve the efficiency of development, members of production, purchasing, quality control, sales, service, and distribution join the design team in carrying out a design preview.

emphasis is placed of audits of, and guidance for, suppliers. Results of inspection of goods purchased are fed back to suppliers, leading to quality improvement.

Production

Detailed checks are carried out to ensure that production plans have been met and that planned level of quality is attained.

Sales

Customer needs

Various regulations; Examples of past defects Defect information is fed back so that preventative and corrective measures can be implemented.

Market information
Quality information on customers' use of the product

Customer Satisfaction - 210 -

Improving Quality

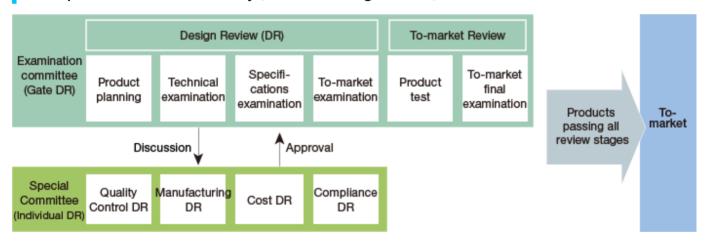
Only Those Products That Pass Our Strict Design Review for Product Safety Are Manufactured

The air conditioning divisions have reformed their development process with a stricter, more segmented design review* under which the personnel in charge of the development 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. The same design review is conducted at Daikin's overseas bases.

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.

* 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)



Customer Satisfaction - 211 -

Example of Quality Improvement in Development: Forced Fire Test Conducted in Combustion Test Room

During the development stage, actual products are used to ensure that even if an accident occurs due to a faulty product the problem does not spread beyond the product itself.

Forced fire test conducted in a combustion test room



A fire is set on purpose by igniting a point, such as solid fuel or nichrome wire, in a part where risk of fire exists (such as inside the product casing). This is to ensure fire does not spread beyond the product.

Example of Quality Improvement in Development: Global Product Structural Audit

Every two years, Daikin holds a meeting of the Global Product Structural Audit. With participation by quality control managers from production bases, the goal is to share know-how and bring together those working on the front lines of quality so as to ensure that Daikin's product structural auditing is conducted at the highest possible level worldwide. In fiscal 2016, the meeting focused on reviewing the number of defects inherent in products, the use of tools and equipment, and improving auditing of factors such as work safety.



At a Global Structural Audit Society activity

Customer Satisfaction - 212 -

Tracking Customer Information and Product Information

We have two global systems for gathering information—on customers and products—from markets around the world. The information is used to solve problems at each base and thus create better products.

System for Sharing Information to Solve Problems



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 2017, there were no cases of product recall.

Related information

➤ Important Announcements (available in Japanese only) ☐ (http://www.daikin.co.ip/taisetsu/)

Working Closely with Suppliers

> Refer to "Raising Product Quality and Ensuring Safety Together with Suppliers" (Working Closely with Suppliers) (Page 306)

Customer Satisfaction - 213 -

Policy on Product Safety

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)

Customer Satisfaction - 214 -

Global Product Safety Standards

We have formulated our Global Product Safety Standards to ensure products are designed for the utmost safety by having standards common to all Daikin worldwide bases. The goal is to make sure that products can be operated safely and that damage is limited to the absolute minimum in case of a product accident—whether the customer is using the product correctly or incorrectly.

These safety standards set common rules for the global Daikin Group regarding things like fire, electrical shock, and explosion, and stipulate two layers of safety in the design: design that will prevent accidents from occurring, and design that will minimize damage should an accident occur.

Efforts to Ensure Safety

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.

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

User Manuals Available Online

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 easier to read. For wired remote controllers launched in April 2017, users can easily download the manual from our website by smartphone or computer.

Customer Satisfaction - 215 -

CUSTOMER SATISFACTION

Basic Policy

Daikin measures the degree to which customers are satisfied with after-sales services and utilizes this information to improve customer satisfaction. We are engaged in enhancing service engineer technical capabilities and improving the level of support for customers under a basic policy aimed at "the ultimate in quality service through speed, accuracy, and good manners" in the Service Division responsible for maintenance and other services.

The Daikin group philosophy states that our mission 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 proactively proposing new products, we want to not only improve convenience and comfort for customers, but also increase the level of customer satisfaction.

Increasing Satisfaction with Services

Building a Worldwide Customer Service System

At Daikin, 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.

Having established Contact Centers overseas, 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 slogan of "speed, accuracy, and good manners."

In fiscal 2017, we opened a dedicated B2C Contact Center in the UK to strengthen the heating business. Going forward we will establish Call Centers, provide technical information on the Internet and conduct training to enhance the quality of support.



Contact Center UK



Contact Center China

Customer Satisfaction - 216 -

Understanding Service Satisfaction

At Daikin, we attempt to understand the degree of service satisfaction using the degree to which customer satisfaction with after-sales service has improved compared to fiscal 2015 as a benchmark.

Customer Satisfaction*

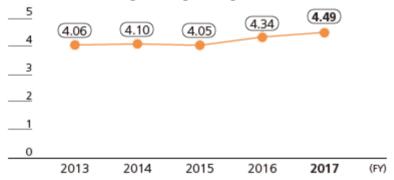
	2015	2016	2017
Japan	1.00	1.07	1.11
China	1.00	1.00	1.01
Singapore	1.00	1.03	1.03
Italy	1.00	1.01	1.00

^{*} Degree of satisfaction with fiscal 2015 (1.00) as the base year.

In Japan, we conduct surveys after service has been completed to assess customer support with aim of improving customer service within air conditioning after-sales services. In fiscal 2017, services rendered during the summer busy season (June–August) received an overall customer satisfaction score of 4.49 out of a total 5.0 points, the highest score to date compared to 1.11 in fiscal 2015. We believe this result reflects our education and training in such areas as "enhancing technical capabilities" and "improving our response to customers" as well as priority measures including "speed from reception to completion" and "repairs completed in one visit."

Overall Satisfaction





Note: Results of responses online as well as on postcard-sized surveys that are sent to a random sampling of customers one or two weeks after they receive servicing. Weighted average on a scale of 5.

Customer Satisfaction - 217 -

Establishing Systematic Knowledge and Skills Education Necessary for Improving Service Quality

Service engineers' individual technical expertise is crucial to providing quality service. In addition to basic training on air conditioning service quality for service engineers, we conduct a variety of training for each management level and job description and provide education necessary for acquiring certification.

In Japan, 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 1,600 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.

Overseas, we also introduced service engineer certification systems and educational programs among other efforts to promote systematic regional unification, launching programs in China in 2016 and in ASEAN and Oceania in 2017. Further, we have plans to introduce these programs in Europe in 2018. We dispatch service experts from Japan to each country to conduct brazing instruction, diagnose failures and provide technical guidance on repairs for key personnel to improve service quality. We provide a foundation and support enabling key personnel to continue developing these efforts in their own country.

In fiscal 2017, six service experts from Japan were dispatched to Hong Kong, Malaysia, the Philippines, Indonesia and France to conduct 10 training sessions over 30 days to 50 service engineers.

Case Study: Service Olympics

After holding the first Service Olympics in 2016 at which 28 service engineers from overseas companies in 20 countries were selected to compete, in 2017 the first skills contests where participants competed on repair technology and customer support service quality were held in China, Asian countries and France.

Further, in 2018 we are planning skills contests in Italy and at major European sales companies as well as regional competitions in the ASEAN and Oceania regions.

Going forward, we will provide an environment in which employees and engineers in each country and region are able to improve through competition.

Case Study: Service University and Service Awards

For service engineers in Japan, 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.

Also, 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 areas such as speed, accuracy, and good manners. This makes for a fun and rewarding way for service bases to raise our ability to offer customer satisfaction.

Customer Satisfaction - 218 -

Developing Educational Programs to Improve Installation Quality

Quality of installation work is also an important aspect of customer satisfaction when using air conditioning. Daikin Industries, Ltd., has six training centers around Japan where we hold a variety of courses so that distributors can learn design, installation, and service techniques. We develop training programs to improve the installation and service skills of Daikin engineers as well as dealers.

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. To foster technicians at dealers in extremely cold climate regions, where demand is growing rapidly, we opened up Daikin Training Center Tohoku and Daikin Training Center Sapporo, where we hold hands-on training in areas such as air conditioner installation and servicing.

The training includes specialized courses geared to the particular desires of participants from the dealers and repair outlets. There are 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.

There are five environment-related solution training courses that deepen participants' understanding of the importance of environmental protection. Trainees in these 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.

Another way in which we strive to raise customer satisfaction and ensure safety among Daikin workers is to continue to offer more and improved training; for example, seminars for new employees at group companies in Japan and skills training for dealers of overseas group companies.



Skills training for distributors



eco-booklet

Customer Satisfaction - 219 -

Understanding and Reflecting Customer Needs

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.

In China, we have been developing products to meet customer needs and lifestyles; 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.

In North America, we established an R&D Center and in fiscal 2018, we plan to open the Daikin Open Innovation Lab Silicon Valley. In addition to creating product differentiation combining the technologies (inverters, multi-units, refrigerants, etc.) comprising Daikin's strengths to air conditioning products unique to North America, we are planning to promote new value utilizing advanced AI and IoT technologies in North America.

Utilization of Daikin Solutions Plaza

Daikin aims to propose optimal solutions that make customer lifestyles more comfortable. To anticipate future customer desires amid increasingly diverse lifestyles, we believe it is essential that product designers and engineers deepen communications with customers to get a direct sense of their needs. At our Solutions Plaza facilities located in Tokyo, Osaka, Shanghai, New York and throughout the world, we consult with customers while they are browsing actual products and energy management systems.



Daikin Solutions Plaza Fuha Osaka

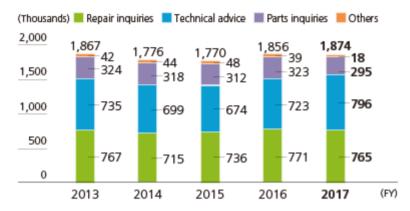
Customer Satisfaction - 220 -

Customer Inquiries Used in Improving Products and Developing New Ones

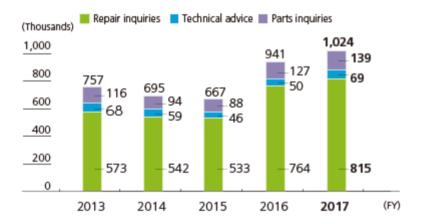
Requests, complaints, and other information obtained by the Contact Centers is recorded in a database. Information regarding the opinions and requests that sales representatives obtain from customers is shared among the Quality Division and relevant departments, who investigate causes and establish countermeasures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

Specifically, in fiscal 2017, we focused efforts on promptly sharing information, including market reactions after new products went on sale, to sales and product development divisions, which was then utilized in creating the next products aimed at making customers happy.

Number of Inquiries to the Contact Center (Japan)



Number of Inquiries to the Contact Center (China)



Survey Results Go Toward Improving Products and Services

Each division conducts customer surveys to enhance customer satisfaction.

In order to determine customer needs and levels of satisfaction, we gather 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. For residential air conditioners, we use a research company to regularly conduct awareness surveys among purchasers to research trends in brand image and changes in awareness.

We utilize customer opinions in the development of new products.

Customer Satisfaction - 221 -

Gathering Customer Feedback for Use in Product Development

Products Reflecting Customer Feedback: risora

In fiscal 2017, in response to requests for stylish air conditioners from customers who "want to remodel their home to become more fashionable but don't know what to about the air conditioner," we developed risora residential air conditioner offering designs that pursue harmony with interior design and offer the latest features.

With a body only 185mm thick, this model pursues comfort of space and is equipped with the latest features, including vertical airflow, ceiling airflow and premium dehumidification, features culminated in the Urusara 7 energy-efficient air conditioner.

The risora residential air conditioner design and functionality have gained a strong reputation in Japan and overseas, winning the fiscal 2017 Good Design Award and the international design award iF Design Award 2018.

Products Reflecting Customer Feedback: cocotas

getting out of a hot bath."

The cocotas multi-cassette-type air conditioner for small spaces that went on sale in fiscal 2017 is for small spaces such as washrooms, kitchens and study rooms that have no air conditioning, a product born from customer comments (dissatisfaction) about having to put up with heat or cold in the past. This is an air conditioner for small spaces in response to customer feedback including "I lose my appetite when frying food in the hot kitchen" and "I get sweaty when using the hair dryer in the bathroom after

The cocotas was selected for the Good Design Best 100 in the Good Design Awards.

Even after sales, we enhance after-marketing with feedback from dealers and contractors on product usage and are anticipating future needs by looking at recent housing information.

Products Reflecting Customer Feedback: Intuitive Remote Control Units that Are Easy for Seniors and Foreign Visitors in Japan to Operate

Commercial air conditioners used in offices, shops and hotels are advancing with a variety of features that consider comfort, energy-saving and convenience.

At the same time, remote controls are becoming more complicated, making them difficult to understand by seniors and foreign visitors to Japan, two groups that have been on the rise in recent years, resulting in an inability to use the air conditioner in the way they expect.

The intuitive remote control used for the FIVE STAR ZEAS series of air conditioners for stores and offices released in April 2017 have a limited number of buttons and the LCD display can be changed to make operation easier for the user.

In addition, the display languages include Japanese, English, and for the first time, Chinese, as well as pictograms for those who speak other languages. In addition to the FIVE STAR ZEAS series, the remote controls can be used with multi-split type air conditioners for commercial buildings, realizing intuitive remote control operation easy for anyone to understand in a wider range of settings.

Customer Satisfaction - 222 -

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.

Daikin Industries, Ltd. constantly strives to ensure that UD takes into account the needs of users by developing products with the realization that UD and monotsukuri are one and the same.

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 and stress-free for anyone to use. Through a usability test, we sought the optimal button size and layout for preventing operation errors.

In April 2014, we made available for download the Daikin Home Controller APP, which allows control of air conditioners, the Eco-Cute (a gas water heater), floor heating, and other home appliances from a smartphone or mobile information terminal.



Applications allow operation of multiple products from a smartphone

Related information

➤ Daikin Smart APP, Daikin Home Controller APP (available in Japanese only) ☐ (http://www.daikinaircon.com/app/)

Customer Satisfaction - 223 -

Chemicals Division Initiatives

The Chemicals Division has identified "improvement of quality," "stable supply," "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.

Product Study Sessions and Various Exchange Gatherings

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 we hold product study sessions to guide them on the molding/processing methods using the facilities and equipment available to the company. In fiscal 2017, we held four Fluorine Classroom sessions covering plastics, rubber, and paint.

In addition, we have vastly increased the amount of product information on our website in efforts to share more about the features and safety of our products. Inquiries from customers via our website are handled by sales representatives, who share the details of these inquiries with Daikin divisions related to technical service, research and development, quality assurance, and environment and safety.

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 that integrate business, research, and manufacturing, sales performance announcement meetings, and training sessions. The goal is to share not only business information, but also knowledge regarding products, related laws and patent information. 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. They also give sales staff a deeper understanding of product features so that they can provide customers with new solutions.

In fiscal 2017, meetings were held on topics including the acquisition of patent information, chemical substance regulations (PFOA, REACH), quality assurance systems and overseas trade operations.

The Division also 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.

Customer Satisfaction - 224 -

Related information

> Fluorochemicals website (available in Japanese only)

(http://www.daikin.co.jp/chm/)

Customer Satisfaction - 225 -

PROTECTING CUSTOMER INFORMATION

Protecting Customer Information

Personal Information Managers and Thorough Employee Education

To properly protect the range of customer information entrusted to us, Daikin has a Personal Information Protection Policy, as well as various in-house rules for information protection. For example, in the Daikin Group in Japan, personal information managers and others 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.

In May 2017, the revised Act on the Protection of Personal Information of Japan went into effect, and in response we revised in-house rules and procedures and had all employees of the Daikin Group in Japan take e-learning on personal information protection.

Related information

- Information Security (Page 287)
- > PRIVACY POLICY (https://www.daikin.com/privacy/)

Customer Satisfaction - 226 -





2018 -Web version -

Human Resources

Fostering Human Resources ······	230	Work-Life Balance	254
Workplace Diversity	237	Employee Evaluation and Treatment	261
Occupational Safety and Health	245	Labor Management Relations	263

Human Resources - 227 -

CSR for Value Provision Human Resources



Policy

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

CSR Targets 2020

For Daikin to realize sustainable growth, human resources are the most critical component of these endeavors.

Through initiatives focused on human resource development, ensuring diversity and occupational safety and health, we aim to create an organization able to grow alongside society that enables all employees to work actively with purpose and maximize their skills.

Fiscal 2017 Achievements

In terms of human resource development, we measure the degree to which employees have grown in terms of manufacturing leadership abilities. In terms of diversity, we track the appointment of local nationals as presidents at overseas bases. In terms of occupational safety and health, we analyze the safety of operations at manufacturing bases.

Ratio of excellent or advanced skilled engineers in manufacturing

1 in 3.4 employees (Daikin Industries, Ltd. Only)

Percentage of overseas bases where local nationals are presidents

46% (Overseas bases)

Frequency rate (shows frequency of occurrence of labor accidents)

1.33

Human Resources - 228 -

> Fostering Human Resources

) Workplace Diversity

Occupational Safety and Health

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. 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.

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.

> Work-Life Balance

Employee Evaluation and Treatment

Labor Management

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

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.

Related information

> Key Activities of Fiscal 2017: Human Resources—Human Resource Development in the U.S.—Growing with Local Communities (Page 404)

Human Resources - 229 -

FOSTERING HUMAN RESOURCES

Basic Policy

Daikin 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. To provide our workforce with as many improvement opportunities as possible, we supplement OJT with off-the-job training (Off JT)*2, such as the Daikin Leadership Development Program for executives who will work on the front line of our business, and overseas base practical training for fostering young, globally minded employees. We also provide opportunities for independent learning through language training and correspondence courses.

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.

Human Resources - 230 -

Education Measures

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 2017, more than 13,500 employees made use of the 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-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 boost human resources and facilitate mutual communications between the headquarters and branch offices, such as by boosting global recruitment, increasing the number of inter-regional and international deployments, and creating competitive assessment and reward systems.



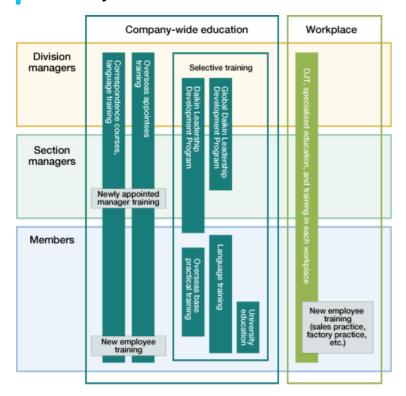
Daikin Ales Aoya Global Training Center



The Daikin recreational facility in Tateshina, Nagano Prefecture

Human Resources - 231 -

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.

Every year, new employees spend five nights and six days at the Daikin Ales Aoya global training center in Tottori Prefecture, Japan. In 2017, we held the 45th session of this training camp over a three-week period for more than 340 employees consisting of periodically hired persons and all career-track hires. Also taking part were more than 120 persons including Chairman Noriyuki Inoue, President and CEO Masanori Togawa, nine officers, and experienced employees, who acted as training leaders and secretariat staff.

The goal of the session is to have employees learn through hands-on, participatory training in which they hold discussions and practice 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 2017, 29 employees took part in this training. Since the program started in fiscal 1999, a total of 258 employees have participated.

Human Resources - 232 -

Global Training Program for Overseas Personnel

Since fiscal 2015, we have held the Global Training Program in Japan to train young employees from Daikin overseas bases. Training at Daikin Industries, Ltd., participants deepen their understanding in areas such as Daikin technologies, quality, and production technologies, so that they can lead Daikin's worldwide efforts at their respective overseas bases.

In fiscal 2017, six overseas employees started their training at the TIC and in our development, production technology, procurement, quality control, and finance and accounting divisions.

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 2017, there were six Daikin employees studying at university: one at the International University of Japan, and five 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. In fiscal 2015 we opened the Global Daikin Leadership Development Program, and in 2017 we increased the number of annual sessions from one to two in order to accelerate the training of Daikin's global group leaders. In fiscal 2017, the cumulative number of participants has reached 229 in the Daikin Leadership Development Program and 145 in the Global Daikin Leadership Development Program (including those at the former Daikin Business School).



The Global Daikin Leadership Development Program

Human Resources - 233 -

Fostering Monotsukuri Human Resources

Focus on Excellent Skilled Engineers Conveying Techniques to Overseas Bases and the Training of Advanced Skilled Engineers

Daikin fosters human resources capable of passing on the skils that are the foundation of our monotsukuri. Daikin has set a goal of having 1 in 4 employees working in production worldwide be an excellent skilled engineer or an advanced skilled engineer, both of whom possess advanced skills and knowledge and leadership abilities. At Daikin in Japan in fiscal 2017, this rate was 1 in 3.4. As our business expands globally, we are stepping up our worldwide training.

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 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.



Manufacturing operations

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.

In fiscal 2017 in the Chemicals Division, we added chemical operation trainers. 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 2017, there were 22 Takumi and 101 Trainers (30 in Japan, 71 at overseas bases) in the air conditioning divisions, and eight 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.

Human Resources - 234 -



Skills Competitions and Skills Training Boost Level of Production Workers

The biannual Global Skills Competition for Daikin's worldwide production bases aims to boost the skills of employees in manufacturing. In addition to practical skills such as assembly and disassembly, participants take written tests that confirm their knowledge about dealing appropriately with workplace accidents. In fiscal 2016, 147 participants from 26 bases in 10 countries competed in a range of 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 2017 training sessions, there were 15 employees from production bases in Japan and seven from overseas.

As fiscal 2017 skills training in the Chemicals Division, a skills trainer workshop was held, with three participants from Japan, one from Daikin America, Inc., and one from Daikin Fluorochemicals (China) Co., Ltd.

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.



Opening ceremony (player oath)

Human Resources - 235 -

Fostering Human Resources in the AI Field

Daikin Information Technology University

Daikin Information Technology University responds to the dramatic changes occurring in the industrial and social structures by aggressively fostering AI and IoT human resources possessing specialized knowledge and the power to think and act, and who have the power to get people around them involved. Using instructors invited from educational institutions such as Osaka University and leading-edge research organs, Daikin Information Technology University offers education covering everything from the fundamentals to applied sciences.

The first class of Daikin employees enrolled at the university comprised 43 selected persons from various divisions, with classes commencing in December. The nine-month curriculum has an AI technologies development course and a system development course.

About 100 new employees will be selected to attend, and over a period of just over two years they will be educated to become innovative human resources who will drive the fields of AI and IoT using Daikin technologies as their base.

In addition, starting in February 2018, we established the Daikin Information Science Research Unit (Di-CHiLD) within the Institute for Open and Transdisciplinary Research Initiatives, Osaka University (OTRI). Twenty-one engineers from Daikin's TIC are stationed at the Di-CHiLD, where they conduct theme-based R&D jointly with Osaka University professors and research staff.

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 2017, a cumulative total of 160 employees at the Sakai Plant and 114 employees at the Shiga Plant have taken this training.

Human Resources - 236 -

WORKPLACE DIVERSITY

Basic 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 Conduct 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.

Group Conduct Guidelines

10. Respect for Human Rights and Diversity

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization.

Based on this philosophy, we strive for diverse management in which we make the most of the talents of all people, regardless of their nationalities, ages, genders, sexual orientation, gender identity, or level of able-bodiedness.

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.

Human Resources - 237 -

Employee Composition (Data for Daikin Industries, Ltd.)*

	2	013	2	014	2	015	2	016	2	017
	Male	Female								
Number of employees	6,810	1,084	6,839	1,151	6,844	1,189	6,896	1,232	7,002	1,286
Average range of services (years)	16.4	10.3	16.6	10.3	16.7	10.5	16.9	10.8	17.3	11.3
Average age	41.6	34.6	41.5	34.5	41.3	33.8	41.0	34.1	42.2	35.1
Number of managers	951	22	957	29	984	36	1,013	47	1,030	53
Number of board members	47	1	46	1	48	1	49	1	48	1
Number of foreign nationals	38	20	47	29	52	21	48	25	52	28

^{*} 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. To greater maximize the talents of women at bases and in divisions, we hold hearings with leaders in charge of this in each division as part of efforts to tackle issues throughout Daikin Industries, Ltd.

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 fiscal 2017 was 4.9%, or a total of 53 comprising 8 department managers and 45 section managers). We are carrying out numerous efforts to this end: measures aimed at speeding up training for future female managers, awareness training for male managers and female employees, and support for workers making an early return to work from childcare leave so that maternity leave and childcare leave do not inhibit an employee's career advancement.

At overseas companies, we are increasing the numbers of females who are base heads and directors (including current personnel).

Human Resources - 238 -

In fiscal 2017, as part of diversity efforts we are carrying out jointly with the Osaka University and the National Institutes of Biomedical Innovation, Health and Nutrition, we conducted joint research by female research leaders, and under the cross appointment system we dispatched a female researcher from the TIC to work as an assistant professor.

For our efforts to foster female employees and help women achieve a work-life balance, in August 2016, Japan's Ministry of Health, Labour and Welfare (MHLW) awarded Daikin the highest level of certification (L-boshi certification), which is given to companies that show excellence in promoting the talents of women in the workplace. In March 2018, we were 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. This was the fifth time, and the fourth consecutive year.





Seminars for Education of Female Engineers

On June 19, 2017, as part of seminars to educate female engineers, we held the Female Engineers Networking Forum (for the second time), a joint event with the Kansai Electric Power Co., Inc., Kawasaki Heavy Industries, Ltd., Kobe Steel, Ltd., and NTT Docomo, Inc. On November 27, 2017, we held the third edition of this forum jointly with the Kansai Electric Power Co., Inc., Kawasaki Heavy Industries, Ltd., Kobe Steel, Ltd., Daiwa House Industry Co., Ltd., and Ezaki Glico Co., Ltd.

Lectures by Female Instructors

Lectures led by female instructors were held twice: the Lecture on Rethinking Women's Working Styles on July 7, 2017 (speaker: Hiroko Kawamoto, Executive Vice President, ANA Strategic Research Institute Co., Ltd.); and Steps to a Borderless Career on October 20, 2017 (speaker: Kakuko Yoshida, United Nations Environment Programme).

Human Resources - 239 -

Hiring Women

Increasing Percentage of Female Employees

As of the end of March 2018, women accounted for 15.5% of all employees of Daikin Industries, Ltd.

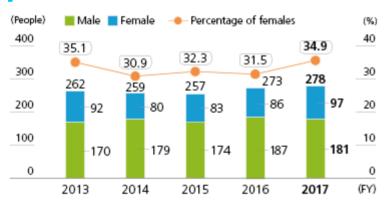
Starting in fiscal 2013, we began our policy of hiring more women for technical and skills positions. As a result, women periodically hired accounted for more than 30% of all new employees hired for the fourth consecutive year.

In fiscal 2015, we began collaborating with universities to hold lectures, round-table discussions, and internships 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.

In fiscal 2017, we launched the Women in Engineering Recruiter Team to help female engineers at all universities find employment.

There were 131 women newly hired in April 2018, 30% of all those hired.

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



Human Resources - 240 -

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 reemployment 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.

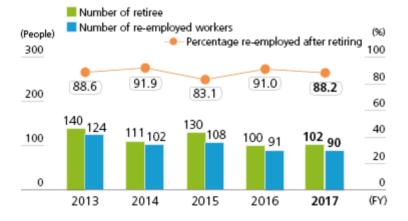
Since introducing this system, over 100 have been re-employed each year. In fiscal 2017, there were 457 retirees working under this system at Daikin. Seventeen of these re-employed veterans have been assigned to overseas posts so that they can impart their superior skills and know-how to our bases in 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)



Human Resources - 241 -

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

Based on the belief that the cumulative growth of all individuals leads to the Daikin Group's development, we have faith in people's unlimited abilities, whether they are able bodied or disabled, and we strive to maximize their talents in becoming a corporate group in which employees can continue to work with enthusiasm and pride.

In 1993, based on the Act on Employment Promotion etc. of Persons with Disabilities, Daikin Industries, Ltd. established Daikin Sunrise Settsu Co., Ltd. (DSS), a cooperative venture with the Osaka Prefecture and Settsu City governments. The company began with 16 employees with disabilities.

In June 2018, a new DSS business premises was completed.

The goal is to increase the number of employees with disabilities from the current 143 to 210 by 2023. DSS strives to provide these people with an environment conducive to working so that they have the opportunity to make the most of their talents.

We also strive to hire persons with disabilities not just at DSS but at Daikin Industries, Ltd. and Daikin Group companies.

In April 2018, Daikin Industries, Ltd. hired seven new employees with disabilities.

As of the end of fiscal 2017, 2.28% of workers in the Daikin Group are disabled, a percentage above the legal requirement.

Human Resources - 242 -

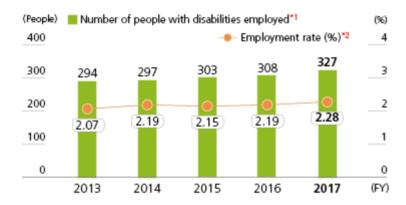


Daikin Sunrise Settsu (Japan)



New business premises of Daikin Sunrise Settsu

Number of People with Disabilities Employed and Employment Rate (Group companies in Japan)



- *1 Legally, one severely disabled person employed is counted as two people with disabilities.
- *2 Disabled persons 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 58 disabled employees. In April 2014, the company was recognized by the government as an occupational training base for people with disabilities.

In November 2016, Shanghai Open University and Shanghai Educational TV Station jointly hosted an international conference at which employees of Daikin Air-conditioning (Shanghai) performed a dance to "Flame of Youth." The performance was well received.

In December 2017, employees took part in the Shanghai regional disabled persons skills competition of the 2017 China national skills competition, where they came in second place in embroidery, nails, and artisan weaving.

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 25 disabled employees, and Daikin Compressor Industries Ltd. has 16 disabled employees.

Human Resources - 243 -

Promoting More Foreign Nationals

Promoting Local Employees to Managerial Positions at Overseas Bases, and to Officer Positions at Daikin Industries, Ltd.

As Daikin's business globalizes, we are trying to globalize our management as well by promoting more employees at overseas bases to managerial positions at their bases. 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 2017, local nationals accounted for about 46% of the presidents at overseas Daikin bases and about 48% of the directors.

In addition, outstanding personnel hired at overseas bases are being chosen and trained for positions as officers at Daikin Industries, Ltd. (Group head office). (2 officers as of end of fiscal 2017.)

Aggressively Hiring Non-Japanese Nationals

As Daikin's business becomes increasingly globalized, Daikin Industries, Ltd. is aggressively hiring university graduates from countries such as India and China.

As of December 2017, there were 86 foreign nationals from 14 different countries working at the head office, an indication of Daikin efforts to include a diverse range of nationalities in its ranks.

Diversity Education for Employees

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.

In fiscal 2017, 98 employees took part in this training.

Human Resources - 244 -

OCCUPATIONAL SAFETY AND HEALTH

Basic Policy

The Daikin Group Conduct Guidelines state that 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.

Group Conduct Guidelines

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.

Occupational Safety and Health Management Structure

Officer in Charge of Safety Leads Safety and Accident-Prevention Efforts

Daikin aims to maintain "zero accident" workplaces at all global production facilities. An Officer in Charge of Safety is appointed to drive these efforts and comprehensively promote the safe operation of production facilities throughout the Group.

In Japan, Occupational Safety and Health Committees are established at each manufacturing facility to devise annual safety policies, formulate occupational safety and health plans and implement the PDCA cycle.

Overseas, employees responsible for safety are appointed at each production base and tasked with promoting safety and accident prevention measures. Annual safety meetings are held in each region in an attempt to improve the level of safety measures.

To improve the level of safety throughout the entire Group, joint safety and security meetings led by the Officer in Charge of Safety are held twice a year to share know-how. Also, divisions responsible for safety monitor the status of accidents within the Group on a monthly basis and provide guidance on prevention measures as necessary.

Human Resources - 245 -

Occupational Safety and Health Promotion Structure President Officer in Charge of Safety Global Joint Safety and Security Meeting Chemical manufacturing Global EHS Meeting bases overseas **European Occupational Safety and Health Meeting** United States Occupational Safety and Health Meeting Air-conditioning manufacturing bases overseas China Occupational Safety and Health Meeting ASEAN Region Occupational Safety and Health Committee Production Manufacturing Facility Occupational Safety and Health Committees in Japan

Targets and Achievements

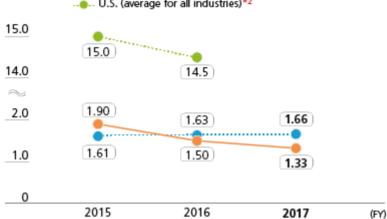
Aiming for "Zero Accident" Workplaces at All Production Facilities

Aiming for "zero accident" workplaces, Daikin utilizes a rate showing the frequency of occupational accidents as an indicator of operational safety. The frequency rate of occupational accidents for the entire Daikin Group in fiscal 2017 was 1.33, an improvement of 0.17 points over the previous fiscal year.

Human Resources - 246 -

Frequency Rate*1 (Including group companies in Japan and overseas)

- Daikin Group (including overseas)
- -- Japan (manufacturing industry average)
- U.S. (average for all industries)*2



- *1 This shows the frequency of work-related calamities, expressed in number of casualties for every 1,000,000 working
 - Frequency rate = Number of calamities by industrial injuries / Total actual working hours × 1,000,000
- *2 No data was released for the U.S. in fiscal 2017. (As of end of June 2018) Calculated based on information from U.S. Bureau of Labor Statistics (October 2017).

Frequency Rate* (Daikin Industries, Ltd.)

- Daikin Industries
- -- National average for all industries





- * This shows the frequency of work-related calamities, expressed in number of casualties for every 1,000,000 working
 - Frequency rate = Number of calamities by industrial injuries / Total actual working hours × 1,000,000

- 247 -**Human Resources**

Severity Rate* (Daikin Industries, Ltd.) Daikin Industries National average for all industries 0.10 0.09 0.08 0.08 0.06 0.07 0.06 0.04 0.02 0.00 0.00 0.00 0 (FY) 2016 2015 2017

* 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

Occupational Safety and Health Management System

73 Bases Certified for OHSAS 18001 and Other Standards

Daikin 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 and manage the risk of health and safety problems, and we ensure that we are continuously in compliance with laws and regulations. Education and safety patrols are conducted with the aim of achieving "zero accident" workplaces.

As of the end of fiscal 2017, 66 air conditioning manufacturing bases and seven chemical manufacturing bases had acquired certification related to OHSAS 18001 and other occupational safety and health management systems.

Human Resources - 248 -

Number of Bases with Occupational Safety and Health Management System Certifications

	Air Conditioning	Chemicals	Total
Japan	3	1	4
China	18	2	20
Asia/Oceania	10	0	10
Europe	9	3	12
The Americas	26	1	27
Total	66	7	73

Employee Education and Training

Hands-On Training Raises Safety Awareness at Daikin Worldwide

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 be 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.

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.

Related information

"Business Partners Contribute to Plant Safety" (Working Closely with Suppliers) (Page 309)

Human Resources - 249 -

Employee Health Management

Supporting Employee Health through Checkups and Counseling

Daikin Industries, Ltd. strives to maintain employees' health by providing all employees with semiannual health checkups, as well as semi-annual special checkups for those engaged in specialized work, as required by health and safety laws. In fiscal 2017, 99% of employees underwent checkups. 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.

Daikin plants have numerous ways in which they help employees maintain their health.

For example, health seminars are conducted at the Yodogawa Plant for all employees. A seminar on the theme of practicing mindfulness as a means of coping with stress was conducted as an opportunity to heighten awareness regarding mental and physical health and reexamine lifestyle habits. Instruction on lifestyle habits and coping with stress incorporated lectures and activities leading to changes in consciousness and behaviors.

Further, Daikin held an AJTA contest (776 participants) to provide employees with an opportunity to exercise. An annual health festival is also held to promote employee health and encourage communication with employee families. A total of 1,477 people attended in fiscal 2017.

The Sakai Plant holds annual sporting events on its grounds with the goal of promoting employee health and getting employees communicating. More than 900 employees and their families took part in a 2017 carnival on the theme of mental and physical well-being.

The Shiga Plant continued to steadily improve in terms of the rate of employee findings compared to fiscal 2016.

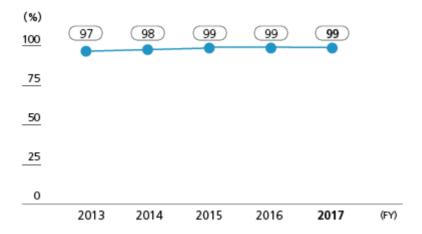
Daikin promotes exercise and healthy meals with the objective of improving lifestyle diseases related to blood pressure, blood sugar and lipids so that employees can reach retirement age in a healthy condition. All employees walk during breaktime and learn about nutrition, with each workplace engaging in independent initiatives, the results of which are tabulated and posted on the intranet in the Shiga Plant with the effect of leading to improved findings.

The physical fitness of all employees is measured so that employees can understand their own level of physical fitness. To avoid future negative outcomes indicated by these results, seminars are conducted by sports science lecturers as an opportunity to develop exercise habits. Furthermore, to encourage smoking abstinence, employees are only able to smoke at designated times.

Every autumn, a sports festival is held as a healthy event in which employees and their families participate. Conducted in conjunction with the health insurance union, this event is an opportunity for employees to make up for their lack of exercise and deepen communication in the workplace and with their families.

Human Resources - 250 -

Percentage of Employees Taking Periodic Health Checkups (Daikin Industries, Ltd. only)



Percentage of Employees Requiring Health Guidance and Attention (Daikin Industries, Ltd. only)



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 healthcare 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 whose questionnaires have showed they are facing problems. There are also mental health lectures.

In fiscal 2016, we began conducting stress checkups at all Daikin bases. Persons judged to have a high risk of stress met with industrial physicians so that their problems could be discovered early and solved through numerous approaches such as self-care and work environment improvement.

Human Resources - 251 -

At the Sakai Plant, an industrial counselor provided counseling to 173 employees as part of self-care education for employees in their 20s and 30s. Self-care education conducted by a mental healthcare professional was provided six times to a total of 175 employees in their late 30s and early 40s. Further, line care education was provided 10 times in the form of groupwork based on case studies in which participants learned how to recognize and deal with stress.

At the Yodogawa Plant, mental care handbooks (stress check and stress management methods updated each year) were published and line care mental health education (lectures and case studies) was conducted for all employees as part of self-care activities.

At the Shiga Plant, resilience training was conducted for young employees in their third year of employment with the aim of improving their mental toughness, management training was provided to managers and employees in leadership positions as part of line care, and anger management training was conducted for all employees as part of self-care. Within stress checks, categories related to desired workplace improvements were established and initiatives are being promoted that aim to improve the environment of all workplaces.

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

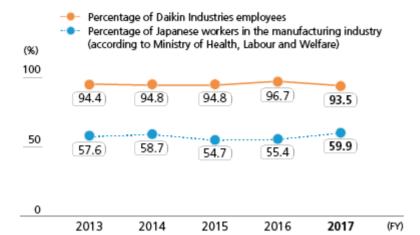
Daikin Industries, Ltd. strives to eliminate long working hours through measures such as obligating employees to leave the office at closing time once a week and prohibiting employees from coming to work on their days off (unless absolutely necessary and approved by the department head).

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.

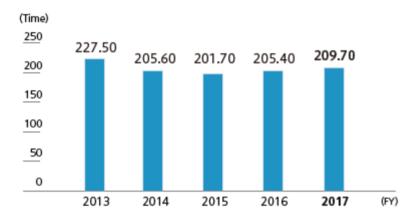
Furthermore, by implementing a planned 5-day paid work leave system and establishing 3 days of general paid leave, we aim to promote respect for work-life balance and a more vibrant work environment.

Human Resources - 252 -

Percentage of Employees Taking All Paid Leave (Daikin Industries, Ltd. only)



Average Hours of Overtime per Employee (Daikin Industries, Ltd. only)



Measures to reduce working hours

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

Human Resources - 253 -

WORK-LIFE BALANCE

Basic 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.



Daikin Awarded Highest Rating in Nikkei Smart Work Survey

Daikin Industries, Ltd. received the highest rating, 5 stars, in the Nikkei Smart Work Survey conducted by Nikkei, Inc., which selects companies with leading-edge practices in reforming work styles to improve worker productivity.

The Nikkei Group defines smart work management as a management strategy for making optimal use of human resources by introducing diverse and flexible work styles, encouraging innovation, and creating a virtuous cycle of continuously developing new markets, thereby maximizing the productivity and other parameters of the organization.

The Nikkei Smart Work Management Survey assesses and scores companies in three areas of corporate competence—human resources, innovation, and market strategy—plus a fourth, management fundamentals. Daikin Industries, Ltd. received the highest possible rating, 5 stars (deviation value of at least 70), receiving the highest evaluation of "S++" in each category. Only 13 companies in the survey received 5 stars, and Daikin Industries, Ltd. was the only company to get "S++" in all survey categories.



Human Resources - 254 -

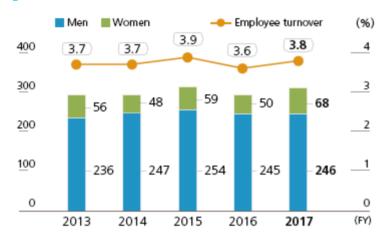
Helping Employees Match Work Schedule with Lifestyle

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 3.8% (including mandatory retirement age employees) in fiscal 2017: this is far below the average of 15.0% for all industries in Japan (according to a 2015 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.

Human Resources - 255 -

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. This system was established to help workers making an early return to work from childcare leave. It is used in the case when employees must return to pressing work and it has taken firm root among employees.

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.



Daycare Entrance and Childcare Leave Support Seminars

In June 2017 and February 2018, Daikin held seminars to support employees needing help getting their children into daycare centers and taking childcare leave.

There have been problems with Daikin employees not realizing how hard it is to find daycare for their children, and not having enough information on how to find daycare. This has made it difficult for employees to make a swift return to work and to get their children into the daycare center of choice, leading to longer childcare leave. In response, Daikin has supplemented its existing consultation service (which includes distributing textbooks and giving explanations over the phone) for employees looking for daycare centers with these seminars.

The aim of the seminars is to give attendees an opportunity to think about what working style they will adopt after returning to work from leave by alleviating their concerns about finding daycare and taking childcare leave. The seminars gave examples of Daikin's work-life balance support systems and skills improvement hints for returning to work, including case studies of these at Daikin.

257 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.

Starting in December 2016, we stepped up efforts to publicize this system, distributing information about childcare leave to male employees whose wives have recently given birth, and these employees' bosses. We are also publicizing it in email newsletters and on the Daikin intranet.

Human Resources - 256 -

Starting in fiscal 2017, we stepped up information provision by confirming who has taken childcare leave and having the HR division send email reminders once every three months to employees who have not taken leave. This serves as a follow-up to ensure that as many men as possible are planning and taking childcare leave.

As a result of these efforts, 208 men (77.3% of eligible employees) took childcare leave in fiscal 2017. 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 Childcare Leave (Daikin Industries, Ltd. only)



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

Human Resources - 257 -

Fourth Action Plan based on the Law for Measures to Support the Development of the Next Generation

1. Plan duration: Five years, from April 1, 2014 to March 31, 2019

2. Content

Target 1: Implement measures to help employees make a smooth return to the workplace following childcare leave and to help them play an active role at work.

Measures

•From April 2014: Announce revisions to the childcare cafeteria plan system and

encourage employees to use this system.

•Until end of March 2016: Introduce measures to maintain and improve skills during

childcare leave.

•Until end of March 2017: Thoroughly establish the nursery school assistance service and

implement improvements that will lead to its effective

enforcement.

Target 2: Look into introduction of the system for allowing employees to work a few days a week at home, a new way of working aimed at employees who want to a work-life balance.

Measures

•From April 2014: Conduct trial.

•From July 2014: Verify results of trial, fix problems, and look into making it into a

new work system.

Target 3: Create a workplace culture and atmosphere in which employees can achieve a work-life balance while at the same time taking on new challenges, growing, and building a career.

Measures

•From April 2014: Have ongoing management training for bosses (of employees

seeking a work-life balance).

•From July 2014: Have ongoing seminars on returning to the workplace for

employees returning to work from childcare leave and their

bosses, and continuously improve the content of these seminars.

•Until March 2016: Hold exchange events with other companies and seminars at

which participants think about balancing work and childcare and

building a career.

Human Resources - 258 -

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.			

Human Resources - 259 -

Support for Family Care

Family Care Leave and Shortened Working Hours

Under our family care leave system, employees can take leave up to a maximum of 365 days, which can be taken continuously or broken up into numerous leave blocks. Under this system, we have also increased from once to three times the number of leave blocks that can be taken for each time that member's condition becomes such as to require care.

With our system for adjustment of working hours for family care (under which employees can opt to work a staggered or flexible work schedule, or a shorter six-hours-per-day schedule), for each family member who requires care, employees can break their use of this system into two or more times over a period of three years starting from initial use of this system. (This is in addition to days taken under the family care leave system.) And under our short family care leave, employees can now take leave in units of half a day.

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



Other Employee Benefit Systems (some are abridged)

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

Human Resources - 260 -

EMPLOYEE EVALUATION AND TREATMENT

Basic Policy

Daikin 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.

Human Resources - 261 -

Job Placement and Transfer

Creating Opportunities to Understand Employee Circumstances

Whenever possible, Daikin Industries, Ltd. asks new 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 - 262 -

LABOR MANAGEMENT RELATIONS

Basic 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, 86.5% 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 2017, there were 18 such meetings held at the head office. Participants discussed topics including boosting efforts to improve the quality of work. 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.

Human Resources - 263 -

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.

Human Resources - 264 -





2018 -Web version -

Corporate Governance

Corporate Governance ······	268	Prohibiting Bribes ·····	285
Risk Management ·····	274	Information Security	287
Compliance	279	Respect for Intellectual Property Rights	289
Free Competition and Fair Rusiness Dealings	284		

Corporate Governance - 265 -

Fundamental CSR

Corporate Governance



Policy

Accelerate decision-making and operational execution in response to management tasks and the changing management environment, and raise the level of management transparency and soundness to raise corporate value

) Corporate Governance

Through an integrated management system for fast decision-making and execution, we improve our operational speed and ensure sound, transparent management.

) Management <a>_

(http://www.daikin.com/about/corporate/directors/)

Names and biographies of the Daikin Industries, Ltd.'s 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.

Corporate Governance - 266 -

) Compliance

We confirm the status of compliance with the Group Conduct of Guidelines and ensure thorough legal

compliance.

Free Competition and Fair Business Dealings

The Daikin group strives for fair business practices through measures for complying with laws.

> 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 - 267 -

CORPORATE GOVERNANCE

Basic Policy

Further Boosting Corporate Value

Daikin 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. The Group will continue to raise corporate value by ensuing the increasing sophistication of speedy management and still-higher levels of transparency and soundness. 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 "committee system" that completely separates decision making and work supervision from operational execution, Daikin Industries, Ltd. has adopted an "integrated management" system that provides more advanced management. We believe that this system is effective in speeding up decision making and execution based on the Daikin Group's characteristics. In an integrated management system, directors guickly make strategic decisions and conduct sound and appropriate supervision and guidance, thus achieving management responsibility through cooperation across all management and at the same time achieving work execution responsibility through prompt action. Directors make decision, execute operations, and provide supervision and guidance in an integrated manner, thus executing their own decisions and taking responsibility for seeing these through. We appoint numerous external officers, who monitor the execution of operations from an independent perspective and offer appropriate supervision and advice during decision making, in the process taking responsibility for supporting our "integrated management" from the standpoint of transparency and soundness. To improve actual execution of operations, Daikin Industries, Ltd. has introduced an Executive Officer System, whose members are appointed by the Board of Directors. The goal of this system is 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. This helps us globalize, expand our scope of business, and achieve diversity in management. With the guidepost of ensuring that our external, female, and non-Japanese national directors are independent of Daikin, represent a diverse group, and allow transparency, as of the end of June 2018, we have 10 directors (including one woman and two non-Japanese nationals). These directors oversee prompt and strategic decision making and sound supervision and guidance throughout the entire Group.

Corporate Governance - 268 -

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 have an average tenure of 7 years and 2 months and 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 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 & Supervisory Board and seeks to nominate two or more outside members to its Audit & Supervisory Board. The principal nomination criteria for external Audit & 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 2018, Daikin Industries, Ltd.'s four Audit & Supervisory Board members include two external Audit & Supervisory Board members.

The external Audit & 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 & 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 & Supervisory Board members, there is the Office of Audit & Supervisory Board members and support staff for assisting Audit & Supervisory Board members in their duties. Staff of the Office of Audit & Supervisory Board members carry out their duties under the orders of corporate auditors. Audit & Supervisory Board members' decisions on employee transfers and evaluations take into account the opinions of the Audit & Supervisory Board.

Corporate Governance - 269 -

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 management bodies and as a rule each is convened once a month.

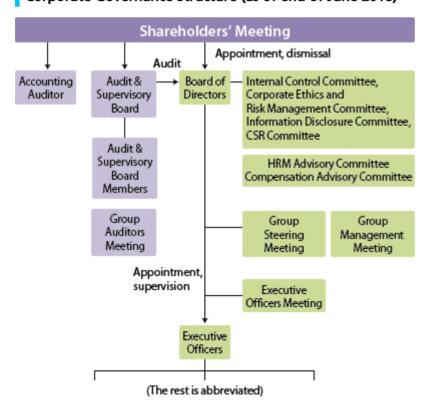
The Board of Directors is the Group-wide decision-making body for items stipulated in laws, regulations, and articles of incorporation. It also provides sound, appropriate supervision and guidance in the execution of operations. The board periodically conducts self assessments with regards to its effectiveness. Each director is interviewed individually as a way to confirm his or her effectiveness. In fiscal 2017, the Board of Directors Meeting was convened 16 times, with external directors attending on average 83% of the meetings and external Audit & 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 the Daikin Group decides on future direction and solves issues related to important management policy and strategies. The Group Steering Meeting was convened 9 times in fiscal 2017.

In addition, with the introduction of the Executive Officer System, we have established the Executive Officers Meeting, a platform to promote speedy implementation and thorough deliberation regarding Important management tasks related to operational execution.

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 2018)



Corporate Governance - 270 -

Corporate Officer Remuneration, Etc.

To ensure the transparent management of its corporate officer personnel and remuneration processes, Daikin Industries, Ltd. has established the HRM Advisory Committee and the Compensation Advisory Committee. These committees engage in discussions and deliberations regarding issues including corporate officer nomination criteria, corporate officer candidates, and remuneration. As of the end of June 2018, the HRM Advisory Committee and the Compensation Advisory Committee consist 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 & Supervisory Board members is determined so as to fall within the aggregate remuneration ceiling based on a report by the HRM Advisory Committee and the 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 & 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 CEO is eligible to receive a performance-linked compensation for a maximum of one year.

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 just under 300 Japanese companies listed on the First Section of the Tokyo Stock Exchange.

In fiscal 2017, the CEO's annual compensation was 250 million yen and the median employee compensation was 7.4 million yen. The CEO-to-employee pay ratio was thus 35-to-1.

Corporate Governance - 271 -

Corporate Officer Remuneration (Fiscal 2017)

Catagory	Total compensation (Million yen)	Total of different types of compensation (millions of yen)			Persons
Category		Base compensation	Stock options	Bonus	paid
Director (Excluding external directors)	1,250	746	133	370	8
Audit & Supervisory Board member (Excluding external Audit & Supervisory Board members)	64	64	-	-	2
External corporate officers	76	76	-	-	5

Corporate Officers with Compensation Over 100 Million Yen (Fiscal 2017)

Name	Total compensation (Million yen)	Category	6	Total of different types of compensation (millions of yen)		
Name			Company	Base compensation	Stock options	Bonus
Noriyuki Inoue	410	Director	Daikin Industries, Ltd.	263	29	116
Masanori Togawa	273	Director	Daikin Industries, Ltd.	166	29	76
	170	Director	Daikin Industries, Ltd.	99	14	45
Ken Tayano		President	Daikin (China) Investment Co., Ltd. (Consolidated subsidiary)	11	-	-
		Director	Daikin Industries, Ltd.	8	14	36
Masatsugu Minaka	132	Director	Daikin Europe N.V. (Consolidated subsidiary)	72	-	-
Jiro Tomita	147	Director	Daikin Industries, Ltd.	92	14	40
Takashi Matsuzaki	109	Director	Daikin Industries, Ltd.	66	11	32

Accounting Auditor Compensation (Fiscal 2016)

Auditing expenses	243 million yen

Corporate Governance - 272 -

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.

Related information

- ➤ Corporate Governance Report (updated on June 28, 2018) (467KB) (https://www.daikin.com/csr/management/pdf/Corporate_Governance_Report_2018.pdf)
- ➤ Management (About Daikin) ☐ (https://www.daikin.com/about/corporate/directors/index.html)
- ➤ Disclosure Policy (Investor Relations) ☐ (https://www.daikin.com/investor/management/disclosure/index.html)

Corporate Governance - 273 -

RISK MANAGEMENT

Basic Policy and Management System

With the Daikin Group expanding rapidly around the globe, we have introduced company-wide, cross-organizational risk management in order to quickly get an overall picture of risks from a global point of view and reduce the risks. With our president as the highest ranking person in Daikin's risk management structure, we carry out risk management in the following three areas.

1. Strategic risk

Risk related to strategic decision-making in the management of Daikin (Division in charge: Corporate Planning Department)

2. Internal control risk in financial reports

Risk related to the reliability of financial reports (Division in charge: Finance and Accounting Division)

3. Operational risk

Management and operational risk related to internal and external causes (Division in charge: Corporate Ethics and Risk Management Committee)

Strategic risk is deliberated on by management members through platforms such as the Group Steering Meeting and the Executive Officers Meeting. As for risk related to the reliability of financial reports and operational risk, the Internal Control Committee, headed by the president, inspects these to ensure that they are being properly managed within the Group's risk management and overall internal control structure.

Related information

> Risks and Opportunities (Page 72)

Principal Risks Associated with the Daikin Group's Operations

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 2018.

Corporate Governance - 274 -

(1) Sudden changes in politico-economic conditions or supply-demand relationships in principal markets

The Daikin Group conducts activities such as development, manufacturing, sales, and procurement worldwide. In the regions and markets in which we operate, group performance can be affected by external factors such as politico-economic changes and the introduction of stricter environmental regulations, and by business environment matters such as intensifying competition with other companies and increased material prices.

The Daikin Group has acquired other companies, such as Goodman Global Group, Inc. (acquired in fiscal 2012), and overseas dealers, and it has made investments and outlays in establishing facilities such as production bases. Although these have been carried out with the goal of expanding our production and sales network and increasing earnings of the Daikin Group, how well these moves progress affects our business 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 89.6% 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 76.3% of the Daikin Group's consolidated net sales in fiscal 2017. 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 currencydenominated 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.

Corporate Governance - 275 -

(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 predevelopment 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 such as earthquakes, typhoons, and floods can affect Daikin Group manufacturing, sales, and distribution bases, leading to a possible impact on Group performance.

Operational Risks

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.

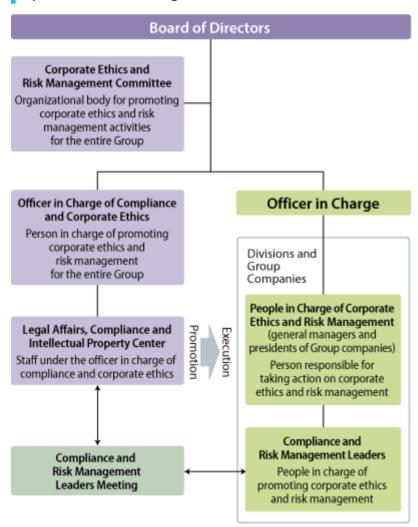
Corporate Governance - 276 -

Major Operational Risks in Fiscal 2017

- Earthquakes
- Product liability and quality
- · Intellectual property
- · Control of information leaks
- · Overseas crisis management
- Others

All divisions and major group companies around the world carry out annual risk assessments to determine the most important risks. Based on this, companies propose and implement countermeasures to reduce risk. They also make reports on the progress of these measures and present and share them via the Corporate Ethics and Risk Management Committee.

Operational Risk Management



Corporate Governance - 277 -

Preparing for Other Major Risks

Revamping Earthquake Risk Measures and Stepping Up Safety Measures

Daikin has made earthquake risk measures one of its key company-wide themes 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), identifying risks, and making and implementing proposals to, for example, prevent production equipment from toppling and ensure stable procurement of parts and materials.

Group companies are all proceeding with their own BCPs.

Measures to Deal with Information Leak

Daikin has made preventing information leaks one of its key company-wide themes. 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. In line with the Ministry of Economy, Trade and Industry's Guidelines for the Management of Trade Secrets, we are strengthening efforts, such as by inspecting how well our measures to prevent information leaks are working.

Corporate Governance - 278 -

COMPLIANCE

Basic Policy

The Group Conduct Guidelines set forth the basic premises to observe as a basic framework for corporate ethics compliance for all group companies as well as each and every one of their executives and employees in the worldwide expansion of Daikin. We strive for compliance by committing to thorough compliance measures under our CSR Action Plan 2020, a medium-term plan that follows our key CSR themes.

Related information

"Group Conduct Guidelines" (CSR Philosophy) (Page 34)

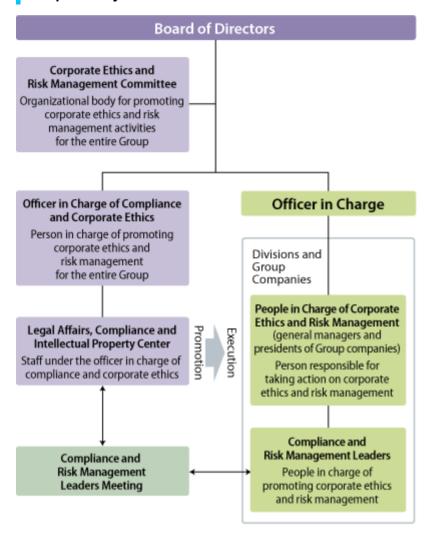
Management System

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. At meetings held twice a year, the committee focuses on solving key issues and reports on efforts by overseas group companies to tackle compliance issues.

Our Group Conduct Guidelines stipulate the appropriate behavior of our directors and employees, and compliance and risk management leaders (CRLs) are appointed in each division and major worldwide group company to ensure thorough compliance. By regularly confirming the state of compliance and risk management efforts, sharing information, and making the Group Conduct Guidelines second nature to everyone, we aim to cultivate a corporate culture and improve a system in which all employees ensure that they and their colleagues are always in compliance.

Corporate Governance - 279 -

Compliance System



Compliance Efforts

Ensuring Constant Compliance with Conduct Guidelines through Self Assessments, a Daikin Initiative

Once a year, we use our unique self assessment system to check that we are following the Group Conduct Guidelines. Using self assessments, employees check their own actions based on the Group Conduct Guidelines. Based on these self assessment results, they create a to-do list of issues and appropriate solutions in their workplace. They also present and share these issues and solutions via the Corporate Ethics and Risk Management Committee.

In addition, the legal department conducts legal audits in divisions and group companies, while the Internal Auditing Department confirms legal compliance through audits.

Corporate Governance - 280 -

Formulating Common Worldwide Rules and Sharing Them with Overseas Group Companies

Daikin has formulated common worldwide rules that it shares with overseas group companies so that all Daikin bases around the world can carry out compliance and risk management.

Each overseas group company has created a compliance and risk management system for its own region based on these common worldwide rules.

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

In addition, members of the legal department of Daikin Industries, Ltd. regularly visit overseas group companies and join compliance committee meetings in efforts to confirm the state of compliance and risk management and to share information. In April 2018, we held the global legal and compliance meeting, which was attended by legal and compliance representatives from each worldwide region. Participants shared a range of information such as progress with their respective compliance efforts and recent trends in legal systems. These and other efforts enable Daikin Industries, Ltd. and its overseas companies to share and implement each other's best practices.



Participants share their compliance efforts at a meeting in China

Handbook for Corporate Ethics Uses Concrete Examples to Familiarize Employees with Group Conduct Guidelines

Our Group Conduct Guidelines stipulate the appropriate behavior of our directors and employees. To help them act in accordance with these guidelines, we have also created the Handbook for Corporate Ethics, which uses concrete examples to help all employees attain a thorough understanding of compliance.

For example, Daikin Industries, Ltd. gives employees, along with this handbook, compliance cards that they must carry with them at all times so that they can be sure they are following rules and always be aware of the importance of compliance.

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.

Corporate Governance - 281 -



Handbook for Corporate Ethics

Related information

" Ensuring Legal Compliance in the Entire Supply Chain" (Working Closely with Suppliers) (Page 305)

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.

At Daikin Industries, Ltd., 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 addition, whenever there is an important revision to a relevant law or regulation, all employees take e-learning on the matter.

Corporate Governance - 282 -

Major Legal Violations in Daikin in Fiscal 2017

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 2017 at Daikin.

Help-Line

Help-Line for Corporate Ethics Offers Counseling and Gathers Opinions both Inside and Outside Daikin Industries, Ltd.

Daikin Industries, Ltd. has a Help-Line for Corporate Ethics both inside and outside the company, 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.

In fiscal 2017, we set up an external help-line at a law firm. Employees were informed of this through, for example, posters in workplaces.

Corporate Governance - 283 -

Corporate Governance

FREE COMPETITION AND FAIR BUSINESS DEALINGS

Basic Policy

Ensuring thorough legal compliance and conducting fair business practices

Based on our Group Conduct Guidelines, which state that we conduct free competition and fair business dealings, Daikin conducts fair business practices.

Group Conduct Guidelines

2. Free Competition and Fair Trading

We shall observe all applicable laws and regulations relating to fair competition and fair trade of each country and region, including antimonopoly laws. Furthermore, we shall conduct fair sales and procurement activities based on proper corporate ethics and in accordance with sound business practices and social norms.

Daikin Industries, Ltd. strives to always comply with laws on antimonopoly, misleading representations, and subcontracting. 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.

Related information

- "Education" (Compliance) (Page 282)
- "Compliance Effort" (Compliance) (Page 280)
- > Philosophy on Suppliers (Page 300)

Corporate Governance - 284 -

PROHIBITING BRIBES

Basic Policy

Daikin's Group Conduct Guidelines state that we practice moderation in entertainment and gift exchanges. We strictly implement our corporate ethics and risk management system, which covers matters such as prohibiting bribes.

Group Conduct Guidelines

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, the exchange of presents, and invitations relating to the development of our global business. In particular, we shall not entertain, provide gifts of monetary value to, or extend invitations to public officials in Japan or abroad that violate the applicable laws and regulations in each respective country and region.

Thoroughly Implementing Compliance Guidelines for Preventing Bribery of Public Officials, Etc.

In fiscal 2014, with the approval of our board of directors, we created our Compliance Guidelines for Preventing Bribery of Public Officials, Etc., which give detailed directives related to entertaining, gift-giving, and invitations for government officials.

Every year, we confirm compliance with our Group Conduct Guidelines by conducting inspections through our unique self assessment system. Any compliance problems found are shared by reporting them to the Corporate Ethics and Risk Management Committee.

Corporate Governance - 285 -

Educational Activities

Daikin holds 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.

To ensure that employees are familiar with every aspect of guidelines, since fiscal 2014 we have held briefings for each division and group company around the world and provided e-learning for all employees of Daikin Industries, Ltd.

Monitoring

Since formulating the Compliance Guidelines for Preventing Bribery of Public Officials, Etc., we have carried out audits in divisions and group companies that do business in countries and regions where corruption is prevalent to ensure that bribes are not occurring. Guideline-related issues discovered during the audits are dealt with by creating solutions in collaboration with relevant divisions and group s. In addition, issues and successful countermeasures are shared via the Corporate Ethics and Risk Management Committee and global legal and compliance meetings attended by compliance and risk management leaders in each worldwide region.

Related information

"Compliance Effort" (Compliance) (Page 280)

Help-Line System

Daikin Industries, Ltd. has a Help-Line for Corporate Ethics, through which employees can give opinions or receive consultation on all corporate ethics matters, including bribe-related issues.

Related information

> "Help-Line" (Compliance) (Page 283)

Corporate Governance - 286 -

INFORMATION SECURITY

Basic Policy on Information Security

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

Daikin's Group Conduct 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.

In October 2018, Daikin formulated its Information Security Basic Policy, the goal of which is to clarify our basic philosophy and action on information security and get all of Daikin working as one to manage and protect information.

Group Conduct Guidelines

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.

Corporate Governance - 287 -

Information Security Basic Policy

The Daikin Group recognizes that one of our most important management issues is to deliver safe and highly reliable products and services and protect our information assets as well as customers' information assets in our possession from various types of threats by addressing information security risks which increase on a daily basis. To deal with these issues, we establish the Group basic information security policy and unite as the Daikin Group to further reinforce information security.

- 1. Our Group complies with rules and regulations, national guidelines, and other social standards in connection with information security.
- 2. Our Group establishes and complies with internal rules related to information security based on the basic information security policies.
- 3. Our Group implements appropriate security measures from personnel, organizational, and technological perspectives to protect and manage information.
- 4. Our Group provides continuous education and awareness programs for information security to all employees.
- 5. Our Group properly collects information and quickly reports to top management in the event that a security problem occurs on information assets. In addition, we rapidly investigate the cause and strive to minimize the damage and prevent recurrence.
- 6. Our Group inspects the information security management system and its initiatives and continuously reviews and improves them.

Personal Information

See Protecting Customer Information (Customer Satisfaction) (Page 226)

Response to Personal Data Regulations for EU Citizens

> See Response to Personal Data Regulations for EU Citizens (Respect for Human Rights) (Page 296)

Corporate Governance - 288 -

RESPECT FOR INTELLECTUAL PROPERTY RIGHTS

Basic Policy

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

Daikin understands that intellectual property rights constitute a valuable company asset. We thus strive to both protect these rights and use them effectively. Our Group Conduct Guidelines state that we will respect other companies' intellectual property rights and ensure that our inventions do not infringe on these rights.

Group Conduct Guidelines

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.

Based on the Group Conduct 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, we distinguish between open technologies and confidential technologies, and confidential technologies are designated as such and kept out of reach.

Corporate Governance - 289 -

System for Protection of Intellectual Property

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. We also continue to offer classroom and elearning, and on-the-job training for intellectual property managers and developers at overseas R&D bases.

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, Daikin 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 2017, we came up with a five-year plan to strengthen intellectual property rights at R&D bases and give them more autonomy over intellectual property duties. We hold global intellectual property conferences, where participants share and discuss their respective efforts and common issues, and intellectual property managers strengthen ties.

In fiscal 2018, we plan to have overseas R&D bases gain more autonomy over intellectual property rights functions and step up group-wide governance of intellectual property.

Corporate Governance - 290 -

Encouraging Employees to Create Intellectual Property

> Refer to "Spurring the Creation of Intellectual Property" (Management Structure) (Page 196)

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.

Related information

- Low Environmental Impact Refrigerants (Page 109)
- ➤ Press release: Daikin Offers Worldwide Free Access to Patents for Equipment Using Next-Generation Refrigerant (131KB)

(http://www.daikin.com/csr/pdf/press_20150910.pdf)

➤ Key Activities of Fiscal 2015: Environment — Creating a New Market that Contributes to the Mitigation of Global Warming

(http://www.daikin.com/csr/feature2015/01.html)

 Key Activities of Fiscal 2014: Environment — Disseminating Refrigerants with Low Global Warming Impact

(http://www.daikin.com/csr/feature2014/01.html)

Corporate Governance - 291 -





2018

-Web version -

Respect for Human Rights

Respect for Human Rights 294

Respect for Human Rights

Fundamental CSR

Respect for Human Rights



Policy

Based on the laws and regulations of each country and region, we respect basic human rights in accordance with international norms

> Respect for Human Rights

In countries and regions where we conduct business activities, we respect the human rights of all our stakeholders.

Related information

- > Participation in the Global Compact (Page 55)
- "Group Conduct Guidelines" (CSR Philosophy) (Page 34)

Respect for Human Rights - 293 -

RESPECT FOR HUMAN RIGHTS

Basic Policy

Advocating Human Rights in Our Group Conduct Guidelines in Order to Promote Respect for Individuals

Human rights are enshrined in our Group Conduct Guidelines, which detail how Daikin Group officers and employees should act.

Based on the laws of countries and regions around the world, we respect basic human rights by understanding and abiding by various international norms related to human rights, such as the International Bill of Human Rights and the Guiding Principles for Business and Human Rights.

In addition, 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.

Group Conduct Guidelines

10. Respect for Human Rights and Diversity and Observance of Labor Laws

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances shall we sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

Related information

> Participation in the Global Compact (Page 55)

Managing Human Rights Matters and Assessing Impact

Identifying and Reducing Human Rights Risks

Daikin identifies human rights issues in its business, assesses risk throughout the value chain, and lists risks that should be prioritized. In our operational risk management system, we identify human rights risks and reduce the chance of these occurring by creating countermeasures.

Our CSR Action Plan 2020 stipulates respect for human rights. The quantitative index of respect for human rights is the execution rate of self assessments. Since respect for human rights is one of the criteria of the self assessments, they confirm how well Daikin is respecting the rights of individuals.

The results of self assessments, as well as issues that come up and proposals for their solution, are reported to the Corporate Ethics and Risk Management Committee, thus ensuring this information is shared throughout the Daikin Group.

Human Rights Risks in the Daikin Group Value Chain and Relation to Major Stakeholders

Types of human rights risks	Details of risks	Related stakeholders	
	Eroding safety or health due to work accidents or poor working environment	Employees Suppliers	
Occupational safety and health	Noise, vibration, fires, etc. at bases		
	Child labor, forced labor	Employees Suppliers	
Products and	Harm to customers' life and health because of faulty products or services	Customers	
services	Wrongful use or abuse—unforeseen by the company—of products or technologies	Customers	
Discrimination	 Lack of concern for people because of their gender, or because they are members of indigenous groups, ethnic monitories, LGBT, immigrant laborers, etc. (inappropriate language, advertising expressions, etc.) 	Customers Employees Suppliers Community members	
Communities	Air and water pollution, misuse of natural resources		
	Procurement of conflict minerals associated with inhumane acts	Community members	
	Procurement of conflict minerals mined under inhumane conditions	Suppliers	
Societies and government	Leakage of personal information	Customers Suppliers Employees	
	Violation of human rights-related laws	Customers Suppliers Community members Employees	

Related information

> Philosophy on Suppliers (Page 300)

Dealing with Human Rights Risks

Respecting Human Rights in the Supply Chain

Formulated in April 2017, Daikin's Supply Chain CSR Promotion Guidelines stipulate mechanisms and rules for protecting human rights; for example, a system for monitoring human rights and the prohibition of child labor and forced labor. Our suppliers are urged to abide by these guidelines.

In the air conditioning divisions, we confirm that the worldwide bases of our major suppliers are not violating human rights in any way based on these guidelines.

In our Chemicals Division, every year in April as part of ongoing assessments, we have suppliers fill out questionnaires to diagnose their own compliance and that of their external providers. These questionnaires contain items on human rights and thus tell us what suppliers are doing in this respect.

In addition, we take part in the subcommittee on supply chains of the Global Compact Network Japan, the local body of the UN Global Compact. The subcommittee is made up of UN Global Compact member companies and organizations. In fiscal 2107, we strove to step up our human rights-related efforts by, for example, meeting with NGOs and NPOs to learn what other companies are doing with regards to human rights issues and to hear from experts on the subject.

Response to Personal Data Regulations for EU Citizens

Daikin has its own Group guidelines for the protection of personal information that it strictly enforces. These guidelines are the basis for promotion systems and rule systems of each Daikin Group company. In addition, we have formulated rules regarding the handling of personal data in the EU. These rules cover the requirements under the General Data Protection Regulation (GDPR), a regulation on the personal data of EU citizens. The Daikin rules cover protection measures for when personal data is taken out of the EU, the recording and control of how personal data is handled, and measures to ensure safe management of personal information. Every employee in the Daikin Group is familiarized with these rules.



Briefing at a group company

Respect for Human Rights - 296 -

Related information

> Philosophy on Suppliers (Page 300)

Human Rights Education

Raising Human Rights Awareness through Periodic Education Sessions and Assessments

Daikin strives to raise awareness of human rights among officers and employees through periodic education sessions and assessments.

Through annual self assessments to confirm how well the Group Conduct Guidelines are being followed, employees assess themselves and thus contribute to their improved understanding of the guidelines. Human rights education for each level of employees helps them improve their human rights awareness.

For example, at Daikin Industries, Ltd. training is held every year for all officers, new employees including those at affiliates, and newly appointed managers. To prevent harassment through improved employee awareness, efforts include training for career-path employees and educational posters around the company. In fiscal 2017, training was held for compliance and risk management leaders (CRLs) to deepen their understanding of diversity management.





2018 -Web version -

Supply Chain Management

Philosophy on Suppliers	300	Green Procurement Guidelines	311
Working Closely with Suppliers ·····	305		

Supply Chain Management - 298 -

Fundamental CSR Supply Chain Management



Policy

Fulfill our social responsibility through environmental impact reduction, quality assurance, and occupational safety and health throughout the entire supply chain

> Philosophy on Suppliers

We make efforts to engage in fair transactions with suppliers and promote CSR initiatives throughout the supply chain. Working Closely with Suppliers

We make efforts to collaborate with suppliers to enhance product quality while supporting technological capability improvements and safety countermeasures.

Green Procurement
Guidelines

Based on our Green Procurement Guidelines, we cooperate with suppliers in conducting green purchasing.

Related information

> Green Procurement (Page 91)

Supply Chain Management - 299 -

PHILOSOPHY ON SUPPLIERS

Basic Policy

Dealings Based on Our Purchasing Policy

Daikin 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.

Management System

Giving All Suppliers an Equal Opportunity through an Open Door Policy

Daikin 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.

Supply Chain Management - 300 -

CSR Procurement

Formulation of Supply Chain CSR Promotion Guidelines

Daikin's CSR Action Plan 2020, which is a medium-term plan taking up key CSR themes, proclaims that we will conduct socially responsible procurement as we tackle issues like the environment, human rights, and labor throughout the supply chain.

In April 2017, Daikin formulated its Supply Chain CSR Promotion Guidelines. These guidelines aim to further CSR at suppliers and other partners through stable and ongoing growth. In addition to standard requirements such as proper management and abidance with laws and regulations, the guidelines urge suppliers to strive to be better in every aspect of CSR, such as improving performance in the environment, quality, labor safety, and human rights, and abstaining from dealing with companies in war-torn regions.

Our air conditioner cooperative meeting is aimed at sharing information among suppliers and promoting exchange with other industries. At the fiscal 2017 meeting, we explained our CSR Promotion Guidelines and urged the 34 suppliers in attendance to comply with these.

As part of ongoing assessments of our suppliers conducted every April in our Chemicals Division, we have them fill out questionnaires to diagnose their own compliance and that of their external providers. These questionnaires contain items related to CSR so that we can follow their progress in this area.

Supply Chain CSR Promotion Guidelines

1. Policy regarding social responsibility in business practices

Have written rules to inform employees of their social responsibilities and ensure they strictly fulfill such social responsibilities in areas such as business policy and code of conduct in business practices.

2. Provision of safe, high-quality products and services

Always strive to ensure safety and quality of products for end users. If problems regarding safety arise, take action promptly and appropriately.

3. Free competition and fair trading

Conduct company business activities in a fair manner by being compliant with laws and regulations related to free competition and fair trading, including antitrust laws in each country and region.

4. Compliance with trade-related laws and regulations

Comply with trade-related laws and regulations of each country and region, and under no circumstances get involved in dealings that risk endangering world peace and safety and the maintenance of world order.

5. Respect and protection of intellectual property rights

Respect the intellectual property rights of other companies and ensure not to infringe upon them.

6. Proper management and utilization of information

Properly manage and efficiently utilize confidential information and personal information of your own and other companies, and always ensure that such information is obtained under lawful means.

Supply Chain Management - 301 -

7. Prohibition of insider trading

To maintain trust as company, do not take a part in the buying and selling of stockshares with the aid of non-disclosed information obtained from your own or other companies (insider trading).

8. Timely and proper disclosure of corporate information

When Daikin, based on appropriate reasons and situations, requests that you disclose information on your company, respond earnestly and in a timely manner, and strive for earnest two-way communication with Daikin.

9. Preservation of the global environment

Comply with environment-related laws and regulations in each country and region, and implement activities to sustain and improve the global environment in all areas of business, including development, production, sales, logistics, and services.

10. Guarantee of safe operations

Besides ensuring safety in the workplace, obtain the trust of stakeholders in the community by always putting "safety first" and by making every effort to ensure safe operations.

11. Respect for human rights and diversity, and compliance with labor-related laws

Respect the human rights of each and every individual; do not in any way discriminate against people based on their nationality, race, ethnicity, religion, skin color, age, gender, birth, or disability; and respect people's diverse values and approaches to work. In addition, observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

12. Protection of Company Assets

We shall properly manage the tangible and intangible assets of our company to protect and utilize effectively these assets.

13. Proper handling of accounting procedures

Perform accounting procedures lawfully and properly according to accounting standards and tax laws, and strive for a high level of internal control.

14. Moderation in entertainment and gift exchanges

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 the exchange of gifts related to business activities.

15. Firm stance toward anti-social behavior

Take a firm stance against anti-social forces or organizations that threaten the safety and order of citizens and society.

16. Compliance with industry laws and regulations

Accurately comprehend and observe all business laws and regulations applicable to your company's business activities.

17. Proper grasp of industry risks and implementation of business continuity plans

Conduct appropriate risk management in your company's business activities, and have a business continuity plan (BCP) in place.

* BCP: Business Continuity Plan

Green Procurement Ensures Thorough Chemicals Management

> Refer to Green Procurement (Environmental Management) (Page 91)

Supply Chain Management - 302 -

Dealings Based on Our Basic Policy Regarding Conflict Minerals

Under "11. Respect for human rights and diversity, and compliance with labor-related laws" of the Supply Chain CSR Promotion Guidelines, the Daikin Group does not use conflict minerals, which are mined under inhumane conditions in the Democratic Republic of the Congo or surrounding countries. In July 2013, we established our Basic Policy Regarding Conflict Minerals.

In our air conditioning divisions, in fiscal 2016 we started an online registration system for results of conflict mineral surveys based on the latest Conflict Mineral Survey EICC Sheet*. This strengthens our system for surveying the procurement sources of conflict minerals.

* Conflict Mineral Survey EICC Sheet: A standardized tool for surveying the source of conflict minerals; based on the Electronic Industry Code of Conduct, which stipulates standards covering areas such as labor and environment in the electronics industry supply chain.

Basic Policy Regarding Conflict Minerals

To ensure that Daikin 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.

Regular Assessment of Suppliers to Review Business Relationship

Before starting business dealings in Daikin, 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. 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 we assist them in implementing.

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 production control. In fiscal 2017, such assessments resulted in Daikin bringing on four 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

Daikin Industries, Ltd. 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.

Supply Chain Management - 303 -

Risk Management in the Supply Chain

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.

Through our Global Supplier Conference, we work to adjust order volume, streamline costs, and ensure stable procurement in dealings with our 28 overseas supplier companies.

Participating in Initiatives

Participation in the UN Global Compact

Since October 2008, Daikin Industries, Ltd. has been an official member of the UN Global Compact, an initiative of the United Nations. It is also a member of the local body Global Compact Network Japan. We take part in the subcommittee on supply chains, a subcommittee comprising representatives of member companies and organizations. Subcommittee members meet to discuss and exchange information on CSR efforts in the supply chain, and to collaborate and cooperate in order to advance these efforts and thus strengthen supply chain management.

Related information

Participation in the Global Compact (Page 55)

Supply Chain Management - 304 -

WORKING CLOSELY WITH SUPPLIERS

Ensuring Legal Compliance in the Entire Supply Chain

Doing Everything Possible to Help Suppliers Achieve Compliance

Daikin 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. During on-going assessments, we also have suppliers fill out questionnaires to diagnose their own compliance and that of their external providers. 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

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 Environmental Management Systems

Daikin Industries, Ltd. requires that its suppliers abide by the Green Procurement Guidelines and that they establish and operate their own environmental management systems.

Amidst increasingly strict chemical control laws, in January 2017 we published a revised edition (9th 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 strictly execute environmental management systems they have established themselves. Using a green procurement survey, Daikin Industries, Ltd. determines the effectiveness of suppliers' environmental management systems. In fiscal 2017, we added an item about water resources protection to the survey in order to gather information on the amounts of water that suppliers use and dispose of.

Supply Chain Management - 305 -

In fiscal 2016, 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). In fiscal 2017 as well, we used the latest conflict minerals guide to conduct a survey designating the latest conflict mineral mines.

Related information

- > Green Procurement (Page 91)
- Green Procurement Guidelines (Page 311)

Raising Product Quality and Ensuring Safety Together with Suppliers

Suppliers Take Part in Quality Improvement Conferences, Receive Quality Guidance

In our air conditioning divisions, we hold supplier 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 improvement proposal meetings. We also conduct a range of other activities in support of quality improvement at our suppliers; for example, we visit suppliers' factories to offer assistance, we dispatch our "Takumi," who have been certified as outstanding engineers in Daikin Industries, Ltd., and we encourage suppliers to take part in Daikin skills competitions.

Our annual technical exchange meetings provide an opportunity to share information with suppliers. At the fiscal 2017 meeting, representatives from 60 companies touched on 102 topics.

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.

Supply Chain Management - 306 -



Quality improvement announcement meeting

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 2017)
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 2017, five quality improvement announcement meetings were held for a total of 20 companies and 215 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. (Audits were conducted at 117 companies in fiscal 2017.)
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 2017.)
Quality audits	Suppliers who provided defective products underwent audits based on ISO 9001. (Conducted at 9 companies in fiscal 2017.)

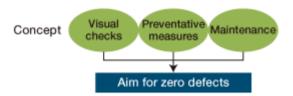
Supply Chain Management - 307 -

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 2017, one ZD announcement meeting was held and 32 individual announcement meetings for 20 companies were held. These meetings contributed to preventing the occurrence of defects when new parts are introduced or when suppliers alter their production processes.

ZD Activities with Suppliers





Quality Control Training in Thailand

In fiscal 2017, Daikin Industries (Thailand) Ltd. hosted a training session, where representatives of 170 suppliers could acquire the knowledge and techniques necessary to improve quality.

Also in fiscal 2017, executive management members visited suppliers to conduct quality patrols to inspect progress in quality improvement efforts.



Quality control training session for suppliers

Supply Chain Management - 308 -

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 2016, we began distributing a pocket-sized "Safety Booklet" with the goal of preventing accidents and calamities. This guide is aimed at helping workers who are unfamiliar with rules and their jobs confirm things they are not sure of immediately and on the spot. Also in fiscal 2017, the Chemicals Division held safety workshops in June with participation by approximately 360 drivers and truck delivery managers.

Related information

Occupational Safety and Health (Page 245)

Supply Chain Management - 309 -

Building a Relationship of Growth

Communication is Key to Building Understanding and Trust

Daikin 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 April 2014, we re-started our air conditioner cooperative. 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.

In fiscal 2017, we focused on subcommittees in the air conditioner cooperative. Divided into the three categories of safety, delivery improvement, and rental assets, subcommittee meetings benefitted all participants by bringing together suppliers to share information and opinions on common concerns.

In the Chemicals Division, besides the ongoing Quality Forum meetings, 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.



Quality Forum sponsored by the Chemicals Division

Supply Chain Management - 310 -

GREEN PROCUREMENT GUIDELINES

Green Procurement Guidelines

Helping Suppliers be Legally Compliant

Daikin 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. In January 2017, we published a revised ninth edition of the Green Procurement Guidelines.

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 the Supplier Cooperative, through which we share information on environmentally related laws and how the Daikin Group abides by these. This information is released on our website.

Overview of the Green Procurement Guidelines (PDF file)

- ➤ Guidelines PDF Data (356KB)(Jan.2017 revised) (http://www.daikin.com/csr/supplier/guidelines.pdf)
- ➤ Green Procurement Inspection List PDF Data (390KB)(Jan.2017 revised) (http://www.daikin.com/csr/supplier/inspection.pdf)

Supply Chain Management - 311 -





2018 -Web version -

Stakeholder Engagement

Stakeholder Engagement	314	Dialogue with Government and	
Dialogue with Shareholders and Investors	316	Industry Groups	319

Stakeholder Engagement - 312 -

Fundamental CSR

Stakeholder Engagement



Policy

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

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 - 313 -

Stakeholder Engagement

STAKEHOLDER ENGAGEMENT

Basic Policy

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 stakeholder engagement*.

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

The process of being actively involved with one or more stakeholders through dialogue or other means, with the aim of achieving a mutually acceptable outcome, in the course of a corporation's integration of its social responsibility into day to day practice. (From the Keidanren's Charter of Corporate Behavior)

Stakeholder Engagement - 314 -

Stakeholder Engagement Efforts

Stakeholders	Main dialogue methods and opportunities	Main dialogue representatives at Daikin
> Customer (Page 207)	 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 316)	 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 299)	 Daily procurement activities Supplier briefings Supplier Quality Conferences Quality improvement announcement meetings Quality audits 	Procurement Division
> Employees (Page 228)	 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 324)	 Informing local community of emergency disaster drills Factory tours for local citizens Involvement with local groups and events Providing environmental education 	Companies workplaces CSR Division
> NPOs, NGOs (Page 319)	Dialogue with NPOs and NGOs	CSR Division
National and local governments, industry, academia (Page 319)	 Dialogue with government representatives in each country Dialogue with UN representatives Participation in industry activities Research in joint industry-academia initiatives Air Conditioner Forums 	Companies workplaces PR divisions CSR Division Research Department

Stakeholder Engagement - 315 -

Stakeholder Engagement

DIALOGUE WITH SHAREHOLDERS AND INVESTORS

Basic Policy

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.

Related information

➤ Disclosure Policy □

(http://www.daikin.com/investor/management/disclosure/index.html)

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.

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.

Stakeholder Engagement - 316 -

The opinions from shareholders and investors are reflected in our management. Since fiscal 2010, the Tokyo Branch has had an IR manager in charge of media relations, and this has allowed us to better meet the information needs of institutional investors.

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



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

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.

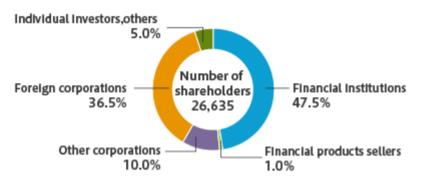
As a result of these efforts, the percentage of voting rights exercised reached 89.5% in fiscal 2017. The number of votes cast over the Internet also increased to 1,744,888 in fiscal 2017 (1,020 shareholders).

Stakeholder Engagement - 317 -

Voting Rights Exercised

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Voting rights exercised	82.1	83.2	85.7	86.8	89.5
Votes cast over the Internet	1,337,000	1,443,620	1,495,992	1,596,419	1,744,888
Shareholders voting online	868	923	902	921	1,020

Breakdown of Shareholders (March 31, 2018)



Stakeholder Engagement - 318 -

DIALOGUE WITH GOVERNMENT AND INDUSTRY GROUPS

Dialogue with Experts and CSR-Related Groups

Worldwide Air Conditioner Forums, "Konwakai," Discuss the Future of Air Conditioning

Since 1995, the Daikin Group has been holding Air Conditioner Forums in Japan to exchange opinions with experts on the future of air conditioning.

With the rapid globalization of our business, since fiscal 2007 these forums have spread worldwide: to Europe, China, the U.S., Asia and Oceania, and Latin America. At each Konwakai, we exchange ideas and opinions on environment and energy with local experts, and the information we gather is reflected in the development of technologies and products, and in how we pursue business.

In fiscal 2017, we held Air Conditioner Forums six times in the five global regions.

In April 2017, we also held our first Air Conditioner Forums in Latin America, where the theme was progress in energy-efficient and environmental technologies with the goal of creating a sustainable society. At the Air Conditioner Forums, we introduced Daikin's technologies and efforts aimed at achieving this goal, and we exchanged opinions and ideas with participants who included officials of various governments and university professors.

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 took part in the International Sorption Heat Pump Conference (ISHPC 2017) in August 2017 in Tokyo, and we will take part in the 9th Asian Conference on Refrigeration and Air-conditioning (ACRA 2018) in June 2018 in Sapporo.



Air Conditioner Forum in Latin America

Stakeholder Engagement - 319 -

Fiscal 2017 Air Conditioner Forums

Region	Main discussion topics	Invited guests
Asia, Oceania	 Green buildings, demand-response, indoor air quality, outlook for air conditioning business, Daikin's policy on refrigerant environmental issues 	Total of 22 from 11 countries; university professors, specialists, etc.
Latin America	Progress in energy efficiency and environmental technologies toward building a sustainable society	Total of 25 from 7 countries; university professors, specialists, etc.
Japan	 Themes were ICT and future of air conditioning and construction, demand-side-centered society (DSS technicians who will support Industry 4.0 society of automation and data exchange) Introduction to Daikin's response to BIM, and Daikin's product strategy and CSR efforts 	Cumulative total of 23 for the year; university professors, specialists, etc.
North America	 Introduction to Daikin's efforts in environmental technologies and energy efficiency, situation in North American air conditioning market 	Total of 28 from 11 countries; university professors, specialists, etc.
Europe	 Energy performance evaluation of buildings and its effect on selection of air conditioners, and role and significance of standardization that will expand innovation in indoor air quality 	Total of 20 from 16 countries; university professors, specialists, etc.

Active Information Exchange with NPOs and NGOs

We take every possible opportunity to exchange opinions with a range of environmental NPOs and NGOs.

In fiscal 2017, we took part in technical information exchange events with American NGOs working on issues such as climate change and energy efficiency, including the Natural Resources Defense Council (NRDC), the Alliance to Save Energy (ASE), and the American Council for an Energy-Efficient Economy (ACCC). The goal of such talks is to deepen and further debate on these issues in the U.S., where environmental measures have been slow in getting implemented under the Trump administration.

We are looking to increase the frequency of such information exchanges as we study the direction that Daikin's environmental actions should take.

Stakeholder Engagement - 320 -



Dialogue session with an American NGO

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 2017, we took part in subcommittees of the Global Compact Network Japan, a CSR research conference, and the Eco-First Promotion Conference.

Related information

- Participation in the Global Compact (Page 55)
- > Endorsement as an Eco First Company (Page 186)

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.

Stakeholder Engagement - 321 -

Daikin Joins Projects by Japanese Government and International Organizations

In fiscal 2017, Daikin again joined other companies in carrying out a basic survey that will be used to create a scheme in Sri Lanka for disseminating air conditioners using low-GWP refrigerants, as well as recovering, recycling, and destroying refrigerants. The survey is part of support for emerging countries under Japan's Ministry of Economy, Trade and Industry (METI).

In fiscal 2016, under the survey covering 40 factories in 13 industrial parks in Sri Lanka, information was gathered on air conditioner electricity consumption and refrigerants, and calculations were made on potential CO₂ emission reductions. In addition, hearings were held on progress in the recovery, recycling, and destruction of refrigerants that will accompany the switch to energy-efficient air conditioners.

Based on information gathered, participants studied the possibilities for creating a new scheme.

In fiscal 2017, low-GWP air conditioners were installed in classrooms at a vocational training school in Sri Lanka so that verification testing could be carried out under actual conditions.

Students at the vocational school not only learned how to install the air conditioners but also learned how to take efficient measurements so that they could carry these out on their own.

In addition, after a series of discussions with the Sri Lankan government regarding the new scheme, the parties managed to come up with a proposal that would contribute to the creation of a scheme.

At an announcement event held in unison with the government of Sri Lanka, attended by more than 70 members of government, academic associations, and industry, we strove to raise awareness of the importance of disseminating energy-efficient products and recovering, recycling, and destroying refrigerants.

Also at the meeting, the principal of the vocational training school, which conducted verification tests with actual air conditioners, spoke about what the school's students learned through the Daikin training about things like improved installation service and the collection and recycling of refrigerants. This talk by a local participant about the importance of this initiative, given based on firsthand experience, prompted many in attendance to voice their approval of this joint effort. The Sri Lankan government has shown a strong desire to continue with this effort, and plans are to carry out verification of the proposed scheme in the next fiscal year and beyond.

In fiscal 2016, a Daikin project proposal to disseminate environmentally conscious, high-efficiency air conditioners in Mexico was chosen by the Japan International Cooperation Agency (JICA) as a project to disseminate private enterprise technologies. This was followed by the adoption of a project in Brazil in fiscal 2017.

As in Mexico, in Brazil Daikin conducted measurement testing of high-efficiency air conditioners using the R-32 refrigerant, and subsequently quantified the effects of using these products. Daikin also shared with the Brazilian government knowledge on making energy-efficiency-related policies. We will strive to build markets for energy-efficient products in Mexico and Brazil and subsequently aim to expand in the entire South American Market.

Stakeholder Engagement - 322 -





2018

— Web version —

Communities

Daikin's Philosophy of Social Contribution	326	Harmony with Communities	
Protecting the Environment ·····	327	 Contributing to Promotion of Art and Culture 	359
Supporting Education ·····	331	Harmony with Communities	
Harmony with Communities		— Contributing to Promotion of Sports	362
— Strengthening Bonds ·····	338	List of Daikin's Social Contribution Activities	365

Communities - 323 -

Fundamental CSR Communities



Policy

Respect the culture and history of different countries and regions, and create strong bonds with communities as a good corporate citizen

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.

Communities - 324 -

Harmony with Communities

—Strengthening Bonds

Harmony with Communities

—Contributing to

Promotion of Art and
Culture

Harmony with CommunitiesContributing toPromotion of Sports

We provide the regions where we do business with the support they need in order to help them progress proactively. To achieve harmony with communities, we contribute to the promotion of the culture and art of each country and region.

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.

Related information

- > Report by Business Site (https://www.daikin.com/csr/report/site_data/)
- > "Forests for the Air" Project □ (https://www.daikin.com/csr/forests/)

Communities - 325 -

DAIKIN'S PHILOSOPHY OF SOCIAL CONTRIBUTION

Basic Policy

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.

Our Group Conduct Guidelines are the basis for action that Daikin employees must take, and they clearly state our aim of being a good corporate citizen that is trusted by society.

Under our Group Conduct Guidelines, based on our three pillars of protecting the environment, supporting education, and living in harmony with communities, we use our management resources to contribute to society in every way possible.

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.

Daikin values its partnership with communities. We strive to contribute to society by donating money and goods, volunteering in various activities, and holding community events.

Social Contribution Expenses

	2013	2014	2015	2016	2017
Total (millions of yen)	1,175	1,220	1,286	1,548	1,623

Communities - 326 -

PROTECTING THE ENVIRONMENT

Basic Policy

Daikin works with a range of groups, including governments, local citizens, and NGOs, to protect and rejuvenate precious natural environments around the world as well as the natural environments around Daikin's worldwide bases.

Examples of Initiatives

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

Daikin works together with international NGO Conservation International (CI) and the Shiretoko Nature Foundation in carrying out the "Forests for the Air" project in seven regions around the world. In Shiretoko (Japan), Indonesia, Brazil, Cambodia, India, China, and Liberia, Daikin employees, local governments, NGOs, and customers cooperate in efforts to help locals earn a livelihood while also protecting forests. The goal by 2024 is to protect forests covering some 11 million hectares and contribute to reducing 7 million tons CO₂ emissions. Through forest protection, the project aims to solve social problems like poverty and contribute to achieving the Sustainable Development Goals (SDGs).

Related information

- > "Forests for the Air" Project □ (https://www.daikin.com/csr/forests/)
- **>** Key Activities of Fiscal 2014: Contributing to Environmental Protection (http://www.daikin.com/csr/feature2014/05.html)

Daikin Supports Environmental Protection on the Shiretoko Peninsula

In July 2011, Daikin, 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 education support, 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.

In fiscal 2017, 11 Daikin employees volunteered to go to Shiretoko in May to plant seedlings to contribute to reforestation. In September, 12 employees went to put up windbreak fences to protect the young trees and to create plant nurseries.

Communities - 327 -



The twelfth excursion to Shiretoko by Daikin volunteers (May 2017)



The thirteenth excursion to Shiretoko by Daikin volunteers (September 2017)

Wild animals in Shiretoko







Yezo deer



Steller's sea eagle



Trout

Related information

➤ Protecting the Natural Environment of Shiretoko: People and Nature Living in Harmony (https://www.daikin.com/csr/shiretoko/)

Working on Reforestation in Indonesia

Since June 2008, Daikin 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, there has been rapid deforestation as social problems such as poverty have forced people to clear land for agriculture and cut down trees to support their lifestyle.

Toward solving this problem, Daikin is contributing to reforestation but also offering support to secure alternate livelihoods for residents to reduce their dependence on cutting down trees. So far under this project, about 150,000 trees (local species) were planted on about 300 hectares with the help of 644 local farmers and 20 national park rangers.

Communities - 328 -

We have been supporting farming that utilizes the replanted areas (agroforestry), providing environmental education, and helping residents build a foundation for their lifestyles. We have also helped bring the natural gift of water and hydropower to households in these areas. Thanks to these efforts, residents can enjoy more convenience and sanitation, and better appreciate the importance of the forest, with the result that they are more eager to protect their natural resources.

Through forest conservation activities like this, Daikin is contributing to the achievement of SDGs by helping solve social problems such as poverty.



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



Helping create a livelihood for local farmers: Preparing cucumbers grown in the planted forest to be sold in the market

(c) Conservation International, Photo by Anton Ario



Helping create a livelihood for local farmers: Fresh-water fish aquaculture (c) Conservation International, Photo by Anton Ario

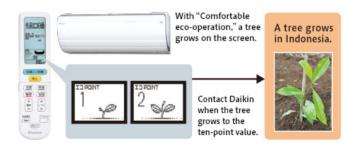
The reforestation project in Indonesia is a joint effort between Daikin and customers who use its products

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 2017, 390 customers were registered as project supporters.



The board shows the names of Daikin customers who support reforestation



Communities - 329 -

Related information

> Reforestation in Indonesia 🖵

(https://www.daikin.com/csr/environment/reforestation/index.html)

Daikin's forest protection initiative in Indonesia won the Aroma Environment Association of Japan Prize in the 2016 Contest for Corporate Activities on Biodiversity, which honors companies and individuals who pursue the protection and rejuvenation of biodiversity.

Daikin contributes to the local environment through biodiversity preservation activities on its bases and their surrounding areas.

Related information

- "Projects in Surrounding Neighborhoods" (Protecting Biodiversity) (Page 181)
- "Efforts at Bases" (Protecting Biodiversity) (Page 177)

Communities - 330 -

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 2017, approximately 1,700 students from 26 schools took part in the program, and 14 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

Related information

➤ "Circle of Life" Environmental Education program (available in Japanese only) □ (http://www.daikin.co.jp/csr/edu/)

Daikin Leads Science Classes at Elementary Schools

In support of the Sakai Municipal Board of Education's initiative to implement special classes on 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 2017, approximately 1,300 students at 13 elementary schools took part.



Classroom science experiment 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 the part of instructors in leading science experiments. In fiscal 2016, we held classes at fuha:OSAKA for 22 junior high school students on the theme of how air conditioners cool the air.

Communities - 332 -



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.

In fiscal 2017, while touching on the environmental contributions by Daikin Industries, Ltd. and the features of products made by the Chemicals Division, nine experiments involving surface tension were conducted, including a Daikin water repellent agent used to scoop up super balls and a cloth that does not get dirty, among other experiences enabling students to learn about Daikin products and the fun of science.



Daikin employees (from the Kashima Plant) lead an elementary school class

Communities - 333 -

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 2017, the Yodogawa Plant held factory tours for 117 students of two nearby elementary schools. The students observed the Eco-Cute storage tank line and tried their hand at attaching O-rings. In addition, an exhibition introducing Daikin technologies through easily understandable displays, including experiments in chemistry (fluoropolymer repellent) and air conditioning (cooling mechanism), was held at the Technology Innovation Center (TIC), which opened in November 2015. In response to visitors who expressed an interest in exploring the TIC Forest at the entrance of the building, a forest walk and observation tour was conducted.

At the Shiga Plant, tours were conducted for 137 students from an elementary and junior high school in Kusatsu City. In addition to observing the residential air conditioner manufacturing process, elementary school students searched for flora and fauna endemic to the region in the Shiga Forest located inside the plant and learned about the environment by experiencing the temperature differences between forest and grassland. The plant also welcomed visits from six other schools, including a technical college and an overseas university.



A factory tour at the Yodogawa Plant



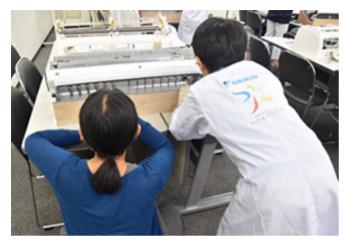
Experience our technology at TIC "Knowledge Forest"

Communities - 334 -

Hands-On Events Foster Interest in Technology

Events such as science experiments for junior high school students and air conditioner disassembly for elementary school students were held. Through hands-on activities such as taking apart air conditioners to see how heat pumps work, participants understand the importance of the environment and what Daikin is doing to protect it.

In fiscal 2017, fuha:TOKYO hosted a cumulative total of 240 people at its events while fuha:OSAKA welcomed 700.



Hands-on event at fuha:TOKYO

Related information

➤ See the following for more about fuha, Daikin's hands-on showrooms. ☐ (http://www.daikin.co.jp/fuha/)

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.



Communities - 335 -

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. Further, Daikin donates air-conditioners to technical schools used for instruction in technical training and supports the development of engineers essential for the spread of air conditioning.



Factory tour for high school students (Daikin America, Inc.)



Tour for university students to learn about quality control (Daikin Air-Conditioning (Shanghai) Co., Ltd.)



Factory tour for university students (Daikin Malaysia Sdn. Bhd.)

Communities - 336 -

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

Related information

- "List of Support for Education" (List of Daikin's Social Contribution Activities) (Page 371)
- Report by Business Site (https://www.daikin.com/csr/report/site_data/)

Communities - 337 -

Communities

HARMONY WITH COMMUNITIES— STRENGTHENING BONDS

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.

Communities - 338 -

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. Providing human resources and other assistance for various local communit 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.

Communities - 339 -

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.

Related information

➤ Safety and Disaster Prevention at Plants
☐ (Page 344)

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.

Communities - 340 -



Daikin Bon dance festival

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 2017, Bon dance festivals at Daikin plants in Japan welcomed over 40,000 visitors.

At the Sakai Plant, young employees and local elementary school students put on a joint taiko drum performance. In support of victims of the April 2016 earthquake in Kumamoto, Japan, food stands sold representative dishes of Kumamoto and Oita and a portion of the proceeds were donated. There were also stands selling goods of Kumamoto and Oita companies hurt by the disaster, as well as donation boxes set up.

Led by the 40-member Bon dance executive committee, approximately 900 employees took part in making this event a success.

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

Communities - 341 -

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 1,297 employees (cumulative total) for 2017.

Daikin employees also took part in a cleanup of waterways bordering on the Yodogawa Plant. In response to concerns voiced by the local community, such as fears of damage from last year's torrential rains and the lack of cleanup participants due to the aging of the local population, the Yodogawa Plant expanded the cleanups from once to twice a year, in spring and autumn from fiscal 2015. The 71 people who took part in spring waterway cleanup activities included division and section managers, union members, dormitory residents, and partner company employees. (The autumn waterway cleanup was cancelled due to inclement weather)

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 240 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 300 employees took part in cleanups between January and December 2017.



Yodogawa Plant employees pick up litter



Tokyo Office employees conduct a cleanup

Communities - 342 -

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.

McQuay China (Suzhou)



Employees held a Christmas party at a facility for the disabled, where they presented the children with gifts and led games.

Daikin Applied Europe S.p.A. Daikin Airconditioning Italy S.p.A. Others



Source: Federazione Nazionale Brigate di Solidarieta Attiva

Daikin provided relief funds to areas affected by an earthquake in central Italy, as well as relief supplies such as air conditioners for evacuation shelters.

Related information

- "List of Activities for Local Citizens" (List of Daikin's Social Contribution Activities) (Page 380)
- Report by Business Site (https://www.daikin.com/csr/report/site_data/)

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.
Yodogawa Plant	Joined the special firefighting team of Settsu City	Thirteen employees from the Yodogawa Plant joined the special firefighting team of Settsu City, which is the first of its kind in Japan. Since January 2010, in the case of a large fire in the Settsu area, the Yodogawa Plant firefighters drive their fire engine to the scene and help under the guidance of the Settsu City Fire Department. Yodogawa Plant firefighters took part in Settsu City's New Year's firefighting parade in January 2018.
Shiga Plant	Formation of in-house firefighting unit Collaboration with the Konan Fire Department	The plants formed an in-house firefighting division, and in each division a firefighting unit was formed. The General Manager of the Quality Control Department attends the 16th Annual Fire Survey Case Study Seminar as a panelist

Communities - 344 -

Site	Activity	Overview, results
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 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.

Communities - 345 -

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		In 2000, Soka Station, Soka City, and five neighboring communities signed an agreement to cooperate in preparing for natural disasters.
	Agreement signed for regional disaster cooperation	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 employees took part.

Communities - 346 -

Site	Activity	Overview, results
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.

Communities - 347 -

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 and the Sonezaki crime prevention association, interacting with local businesses and cooperating in safety promotion.
	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)
	or rotal me and ponce departments,	Installed breathing apparatus, held fire hydrant usage competition (once a year).
		Participated in disaster training held by Osaka Prefecture and Settsu City (once a year).
		Took part in disaster training of Ajifu Elementary School district in Settsu City.
Yodogawa Plant	Participation in local safety activities	Took part in nighttime patrols.
rodogawa Plant		Took part in nationwide awareness activities for fire prevention (in spring and autumn).
		Took part in nationwide traffic safety campaign.
	Hold safaty cominars	Held driving safety seminars for suppliers (stressed on-site road safety; twice a year).
	Held safety seminars	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.

Communities - 348 -

Site	Activity	Overview, results
	Disaster training	Disaster training was held once a year for the plant grounds and employee dormitory; fire hydrant usage competition held (July); plant disaster training held (June, November); evacuation training for earthquakes held. This year, at the request of the Konan Fire Department, disaster prevention managers from neighboring companies were invited to fire prevention training for disaster management managers held at the Shiga Plant.
Shiga Plant	Participation in the Fire Prevention Association	The Shiga Plant took part in a disaster prevention training convention in unison with the fire department.
	In-house firefighting unit takes part in a training convention	
		The Konan district in-house firefighting division took part in a disaster training convention. Daikin employees earned the following honors in the convention:
	Disaster training	Held disaster training (twice a year), joined fire hydrant usage competition (once a year), held public relations training (once a year)
	Participation in local safety events	Joint disaster training was held with the fire department as part of cooperation among companies in the industrial park (once a year).
Kashima Plant		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.
		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.

Communities - 349 -

Site	Activity	Overview, results
Soka Station	Contest to prevent accidents and abide by rules of the road	The Soka Plant took part in a rules-of-the- road contest held annually by the Police Department.
	Regional joint disaster training	Holds disaster training with five neighborhood associations. (May each year)
Talan Office	Participation in meeting of Tokyo Metropolitan Police Department to prevent organized crime.	The Tokyo Office took part in scheduled meetings and training sessions
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.

Communities - 350 -

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 times of emergency, Daikin lends equipment like forklifts to communities.)
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.
Shiga Plant	Secure supplies for emergencies	Emergency supplies are stocked (emergency food, drinking water, 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 emergenciesJoint regional disaster training held	 Stored water, food, firefighting equipment, etc. Exhibit and disaster drills were held with the surrounding community.

Communities - 351 -

Site	Activity	Overview, results
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). AEDs were installed in June 2014.

Communities - 352 -

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 earthquakeresistance standard (fiscal 2009). Measures for 2-meter tsunami: Measures for loss of infrastructure such as power. Complete emergency measures before tsunami arrives (within 2 hours), ensure the chemical plant is safe, and evacuate employees to a high, safe place. Use secured emergency power, close up dangerous chemicals to render them harmless, and safely shut down plant (turn off, cool down, close).

Communities - 353 -

Site	Activity	Overview, results
Yodogawa Plant	Revise earthquake scale assumptions and conduct Earthquake reinforcement Infrastructure loss measures Evacuation and emergency measures	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 (completed 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 Installed satellite phones (for communication among work sites) Use walkie-talkies (one for each division, one for division headquarters)
Shiga Plant	Earthquake reinforcement and evacuation training drills	 Earthquake reinforcement completed (cafeteria, No. 1 plant, No. 2 plant, product warehouse, 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). Installed satellite phones (for communication among work sites)

Communities - 354 -

Site	Activity	Overview, results
Kashima Plant	Tsunami measures	Established one new tsunami evacuation shelter in a high location to use in case of a large tsunami warning, and held evacuation drills using this shelter.
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	Currently in the process of furthering earthquake risk measures (measures for transfer of building functions in case of earthquake, tsunami measures, and risk management measures) based on the policies of the Legal Affairs, Compliance, and Intellectual Property Center. Measures to prevent equipment and machinery from falling over.

Communities - 355 -

Site	Activity	Overview, results
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 or moving in an earthquake. In 2017, measures to prevent movement of individual side shelving were implemented, and the fixing of all castor-equipped products in offices was completed (photo). Side shelving movement prevention device Carpet-like floor surface floor surfac

Communities - 356 -

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 Introduction

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	Drills held in replying to this system (once a year).

Communities - 357 -

Site	Activity	Overview, results
		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.
Tokyo Office	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).

Communities - 358 -

Communities

HARMONY WITH COMMUNITIES— CONTRIBUTING TO PROMOTION OF ART AND CULTURE

Basic Policy

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.

Examples of Initiatives

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.

Communities - 359 -



The National Museum of Art, Osaka



The National Museum of Art, Osaka

Related information

> NMAO ((http://www.nmao.go.jp/en/)

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

Related information

➤ Kansai Philharmonic Orchestra website (available in Japanese only) ☐ (http://kansaiphil.jp/)

Communities - 360 -

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.



Concert in China

Related information

- "List of Support for Promotion of Arts and Culture" (List of Daikin's Social Contribution Activities) (Page 377)
- > Report by Business Site (https://www.daikin.com/csr/report/site_data/)

Communities - 361 -

HARMONY WITH COMMUNITIES— CONTRIBUTING TO PROMOTION OF SPORTS

Basic Policy

To promote sports, Daikin sponsors local sports teams and sporting competitions.

Examples of Initiatives

Daikin Orchid Ladies Golf Tournament

For almost 30 years, Daikin Industries, Ltd. has been sponsoring the Daikin Orchid Ladies Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour (hereinafter, "Daikin Orchid").

The Daikin Orchid Ladies Golf Tournament was inaugurated in 1988 as the opening round of the Japan Ladies' Pro Golf Tour. The slogan "Ever Onward with Okinawa," indicates our desire to join with Okinawa in boldly addressing the challenges of the future and work closely with local communities through interactions between business leaders in Okinawa and the rest of Japan.



Min-Young Lee was the winner of the tournament's 31st edition

Related information

➤ Daikin Orchid (available in Japanese only) ☐ (http://www.daikin.co.jp/orchid/)

Communities - 362 -

Local Amateur Golfers Invited to Participate in Daikin Orchid Ladies Golf Tournament

The "Daikin Orchid Ladies Amateur Golf Championship (hereinafter, "the amateur tournament")" is held as part of Daikin Orchid based on a desire to contribute even just a little to the development and revitalization of the Okinawa golf world.

The amateur tournament qualifies amateur lady golfers from Okinawa, with a total of 4,000 players participating so far. From this competition, players such as Ai Miyazato, Shinobu Moromizato (pro golfer affiliated with Daikin Industries, Ltd.) and Mamiko Higa have become professional golfers.

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 2017, a cumulative total of 655 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 provide their assistance by raising money. 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 2018, Orchid Bounty donated ¥6.4 million to a total of 11 organizations and individuals, bringing the total contributions since 1995 to ¥142.6 million.



The Orchid Bounty donation ceremony

Communities - 363 -

Local Junior High School Students Invited to Watch Tournament

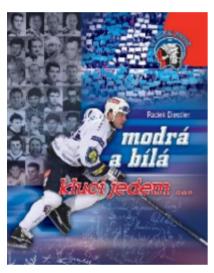
Every year, many of the students from the local Tamashiro Junior High School are invited to watch the tournament. This gives the students a valuable opportunity to learn about and experience the joy of golf. In fiscal 2017, about 145 grade seven students were invited.

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 Also Supports Sports Overseas

For example, 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.



Daikin Industries Czech Republic s.r.o. supports the publishing of books on the Pilsen hockey team

Related information

- "List of Support for Promotion of Sports" (List of Daikin's Social Contribution Activities) (Page 379)
- > Report by Business Site (https://www.daikin.com/csr/report/site_data/)

Communities - 364 -

LIST OF DAIKIN'S SOCIAL CONTRIBUTION ACTIVITIES

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 Indonesia. (C) Conservation International /Photo by Anton Ario
	Reforestation volunteer activities in Shiretoko
	Rejuvenating a forest in Harashiroyama, Takatsuki City, Osaka Prefecture. Rejuvenating a forest in Izuhara, Ibaraki City, Osaka Prefecture.
Daikin Europe N.V.	Employees and their families took part in a beach cleanup in Ostende, Belgium, near company plant.

Communities - 365 -

Base	Recipient of support, details of support
	Contributed to forest protection by purchasing office paper from a company doing tree-planting.
	Developing a biotope onsite at the plant.
	Participating in the "Clean Advantage" CCS project that converts fuel purchased into CO ₂ and invests in projects to reduce CO ₂ emissions from automobiles.
Daikin Industries Czech Republic s.r.o.	Clean Advantage ZELENÁ FLOTILA
	Conducting environmental education (including waste separation) for kindergartners.
Daikin Device Czech Republic s.r.o.	Onsite cleanup activities during Earth Day.
Daikin Turkey A.S.	The Clean Air Ambassador Project aims to educate children on environmental protection.
	Held environmental problems seminar.
	Called for participation in WWF Earth Hour (energy saving).

Communities - 366 -

Base	Recipient of support, details of support
Daikin Airconditioning France S.A.S.	Recovered used paper for recycling, which contributed to earnings.
	Recycled commercial products and parts, which contributed to earnings.
Daikin Airconditioning Germany GmbH	Proactively donated to research project aimed at decarbonizing the German economy.
Daikin Air-conditioning (Shanghai) Co., Ltd.	Conducted tree-planting inside industrial park.
Daikin Air-conditioning (Suzhou) Co., Ltd.	Cleanup activities around plant.
Daikin Device (Suzhou) Co., Ltd.	Tree-planting activities at a local school.

Communities - 367 -

Recipient of support, details of support
Community cleanup activities.
Providing environmental education to elementary school students.
Participating in tree-planting activities.
Tree-planting activities. 麦克维尔 聚色百年
On national Tree-Planting Day, all employees planted vegetation on the company premises. 90 employees held a cleanup activity on Wutong Mountain in Shenzhen.

Communities - 368 -

Base	Recipient of support, details of support
McQuay China (Suzhou)	To raise awareness of environmental protection, employees held a cleanup in nearby mountains.
Daikin Malaysia Sdn. Bhd.	Participating in tree-planting and cleanup activities at Forest Research Institute Malaysia (FRIM).
Daikin Industries (Thailand) Ltd.	Planting 2,500 trees in a community forest.
	Cleaning up the Bangsaen coast along with government agency employees and Burapha University students.
Daikin Compressor Industries Ltd.	Conducted tree-planting inside industrial park. Held mangrove rejuvenation activities. Activities at the Wat Khao Ma Phud temple.

Communities - 369 -

Base	Recipient of support, details of support
PT. Daikin Airconditioning Indonesia	Replanting pine trees destroyed by fire.
Goodman Global Group, Inc.	Participation in the Adopt-A-Country Mile (AACM) program (trash removal to maintain cleanliness on Harris County roadways).
Daikin America, Inc.	Employees volunteered at a local recycling center.
	Supporting Recycle Day held by the City of Decatur.

Communities - 370 -

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.
Daikin Industries, Ltd. (Sakai Plant)	Support for the Sakai Rugby School The Kanaoka Factory lends its field three times a month to the Sakai Rugby School. In fiscal 2016, about 150 elementary and junior high school rugby players took part.
	Factory tours to educate local elementary school students about working society In fiscal 2016, 251 students from three schools took tours.
Daikin Industries, Ltd. (Yodogawa Plant)	Kendo Training Hall for Children Classes were held three times a week, with 12 students each time.
	Factory tours for local elementary schools In fiscal 2017, 117 students from two schools took tours.
	Experience work days for local junior high school students In fiscal 2017, three second-year junior high students from Daiyon Junior High School in Settsu City took part.

Communities - 371 -

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Shiga Plant)	Factory tours and environmental study were offered for elementary school students in the city as part of social studies lessons on local industry and science lessons on observing nearby nature In fiscal 2017, 105 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 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, contributed products for practical training to technical schools and made donations to schools.
Daikin Airconditioning Belgium N.V.	Contributed products for practical training to technical schools.
Daikin Industries Czech Republic s.r.o.	Accepted internship students and donated to educational programs for children aged four to six years old.

Communities - 372 -

Base	Recipient of support, details of support
Daikin Device Czech Republic s.r.o.	Cooperated with local communities and universities on employment.
Daikin Applied Europe S.p.A.	Accepted internship students, introduced work opportunities, contributed to local schools and presented the Daikin Award to a young researcher contributing to biodiversity conservation.
Daikin Airconditioning France S.A.S.	Accepted internship students.
Daikin AC Spain, S.A.	Supported schools and other organizations.
Dailein Turkay A S	Donated books and sports equipment to village schools.
Daikin Turkey A.S.	Supported high school group in robot building competition.
Daikin McQuay Middle East FZE	Donated six air conditions to schools.
McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.	Hosted interns, provided educational support to employing universities.
	Supporting elementary schools.
	Gave factory tours to students from across China and Japanese university students. Gave factory tours to government and social organizations.
Daikin Air-Conditioning (Shanghai) Co., Ltd.	Established Daikin Class at local trade school. Provided scholarships to students.
	Donated to educational projects in the City of Shanghai.
	Donated school supplies to elementary school.

Communities - 373 -

Base	Recipient of support, details of support
Daikin Fluorochemicals (China) Co., Ltd.	Awarded scholarships to local schools.
Daikin Fluoro Coatings (Shanghai) Co., Ltd.	Held factory tours and made monetary donation to elementary schools.
Daikin Malaysia Sdn. Bhd.	Technical Vocational Education Training Program.
	Cooperation with vocational training conducted by the Malaysian Ministry of Education.
	Held factory tours for local university students.
	Donated to local universities, provided scholarships to students.
	Donated funds and air conditioners to elementary schools.
Daikin Industries (Thailand) Ltd.	Repaired school house and maintained roads.
	Contributed to educational scholarships.

Communities - 374 -

Base	Recipient of support, details of support
Daikin Compressor Industries Ltd.	Held factory tours for students. Donated to schools.
Daikin Airconditioning India Pvt. Ltd.	Donated computers to schools.
	Established nine technical education centers.
	Established the Japan-India Institute for Manufacturing (JIM) with the aim of developing human resources in Japanese manufacturing processes.
	Established a library and gymnasium at a public women's college.
Daikin Australia Pty., Ltd.	Hosted interns.
Daikin America, Inc.	Tied up with university to provide scholarships. Held homestay program in Japan for American high school students.
	Hosted internship students.
	Held factory tour for high school students.

Communities - 375 -

Base	Recipient of support, details of support
Goodman Global Group, Inc.	Conducted a homestay program in Japan for local high school students. Sponsored an art contest.

Communities - 376 -

List of Support for Promotion of Arts and Culture

Base	Recipient of support, details of support
	National Museum of Art, Osaka
	Mitsubishi Ichigokan Museum
	Kansai Philharmonic Orchestra
	Kansai Nikikai Public Interest Incorporated Association
	Japan Opera Foundation
	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
Daikin Industries, Ltd. (Japan)	Friendship Society of National Museum of Art, Osaka
Daikin industries, Ltd. (Japan)	Arts Support Kansai
	Takarazuka Review Supporters
	Osaka Nohgaku Youseikai Kouenkai
	Osaka Symphony Orchestra
	International Music Exchange Association
	National Museum of Ethnology
	Rekishi Kaido Promotional Council
	Paleological Association of Japan
	Fan Club of Mozart-Kammerorchester Japan
	Art Stream 2017
	Dojima Yakushido
	Kaitokudo
	Ryozen Museum of History
	Osaka Wasso Cultural Exchange Association
	Maison de la culture du Japon à Paris

Communities - 377 -

Base	Recipient of support, details of support	
	Japanese Red Cross Society, Osaka Chapter	
	Living & Design 2017	
Daikin Industries, Ltd. (Japan)	SHIKI THEATRE COMPANY	
	25th EU-Japan Fest	
Daikin Industries Czech Republic s.r.o.	Sponsored international music festival Young Prague.	
	Sponsored the AMEROPA international indoor music festival.	
Daikin America, Inc.	Made donation to local theater.	
	Lent support to a local art school.	
	Held art contest at a local elementary school.	
	Supported the Carnegie Art Center.	

Communities - 378 -

List of Support for Promotion of Sports

Base	Recipient of support, details of support		
	Daikin Orchid Ladies Golf Tournament		
Daikin Industries, Ltd. (Japan)	Osaka Council, Scout Association of Japan		
	Booster club of Kyoto University football team		
Daikin Industries Czech Republic	Employees took part in the Pilsen Half Marathon.		
s.r.o.	Made donation to the Pilsen ice hockey team.		
	Donated to a local soccer school.		
Daikin Turkey A.S.	Supported local billiard team activities.		
	Supported local amateur soccer team.		
Daikin Airconditioning France S.A.S.	Made monetary donation to support activities of the French national ice hockey team.		
Daikin Airconditioning Germany	Sponsored the BMV Open tennis tournament.		
GmbH	Sponsored the BTV Bayern tennis association.		
Daikin Fluorochemicals (China) Co., Ltd.	Donated to international men's basketball game.		
Daikin Australia Pty. Ltd.	Supported Port City Charity Golf Day.		
Daikin America, Inc.	Made donations to support construction of facilities for softball.		
	Donated to a golf tournament.		

Communities - 379 -

List of Activities for Local Citizens

Base	Recipient of support, details of support	
Daikin Industries, Ltd. (Sakai Plant)	Holds annual Bon dance festival.	
	Continued participation in "Adopt a Road" cleanup initiative Under Sakai City's public cleanup campaign, employees took turns cleaning up the streets once a month. The area around the plant and nearby sidewalks were cleaned. At the Kanaoka Plant, employees planted greenery nearby and cleaned up the streets, and employees of the waterfront plants picked up litter on the median dividing the main street.	
	Anti-noise measures Employees patrolled the plant at night to ensure there was no disturbing noise or vibration that would disturb nearby residents. When the sound-proof wall was erected, to make the structure less imposing, a sound-proof glass wall was put up at strategic points, and trees were planted. Aesthetic measures	
	To improve the view from the adjacent high-rise apartment building, the plant roof had its rust removed and was painted.	
	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. Had a booth in the Settsu City environmental festival.	

Communities - 380 -

Base	Recipient of support, details of support	
Daikin Industries, Ltd. (Shiga Plant)	Holds annual Bon dance festival	
	Weeding and cleanup Employees removed weeds that had spread to adjoining public roads and picked up litter.	
	Cleanup Litter was picked up around the plant (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.	
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). Holds blood donation drive.	
Daikin Applied Europa S n A	Sponsored a local festival.	
Daikin Applied Europe S.p.A.	Donated to a charitable foundation.	

Communities - 381 -

Base	Recipient of support, details of support		
Daikin Europe N.V.	Supported an event in aid of cancer patients.		
Daikin Industries Czech Republic s.r.o.	Built a new bus stop.		
	Held Family Day.		
Daikin Device Czech Republic, s.r.o.	Provided a local firefighting unit with necessary supplies.		
	Donated to various charity organizations that support the disabled and others.		
Daikin Airconditioning Belgium N.V.	Engaged in various donation activities including contributions to cancer funds and barrier-free buildings.		
Daikin Airconditioning U.K., Ltd.	Supported a range of charity activities.		
Daikin AC Spain, S.A.	Support for charity and other groups.		
Daikin Turkey A.S.	Invited 12 children from "Protect the Children Association" to Family Day.		
	Supported various women's rights projects.		
	Supported high school blood donation campaign.		
	Holds annual Bon dance festival.		
Daikin Air-conditioning (Shanghai) Co., Ltd.	Held blood donation drive.		
	Formed a volunteer brigade.		

Communities - 382 -

Base	Recipient of support, details of support		
Daikin Device (Suzhou) Co., Ltd.	Blood donation activities.		
	Visited a children's hospital and made donations.		
	Donated daily necessities and other items to a seniors home.		
Daikin Fluorochemicals (China) Co	Supported the holding of a local cherry blossom festival.		
Daikin Fluorochemicals (China) Co., Ltd.	Condolence visit to local fire department.		
	Contributed to volunteer organization.		
	Concluded contribution agreement with charity foundation (supported families with lifestyle difficulties).		
Daikin Fluoro Coatings (Shanghai)	Cleaned up area around the factory.		
Co., Ltd.			

Communities - 383 -

Base	Recipient of support, details of support	
	Held a blood drive	
Daikin Malaysia Sdn. Bhd.	Donated wheelchairs to children's ward and distributed bags of goodies (souvenirs).	
Daikin Industries (Thailand) Ltd.	Donated air conditioners to local government.	
	Joined blood donor clinics for the Thai Red Cross.	
Daikin Compressor Industries Ltd.	Engaged in activities raising awareness about the safety and health of monks in the surrounding area by increasing understanding.	
	Donated to government and other organizations.	
Daikin Airconditioning India Pvt. Ltd. Held blood donation drive.		

Communities - 384 -

Base	Recipient of support, details of support	
Daikin Australia Pty. Ltd.	Held a drive to collect toys to donate to a shelter for children taken from homes experiencing domestic violence.	
	Supported families possessing customized houses for sick children.	
	Supported the Australian North Cyprus Friendship Association.	
	Supported men's cabins in Southern Brisbane.	
	Donated to hospitals, cancer associations and community events.	
Daikin America, Inc.	Contributed to Morgan County and non-profit charitable organizations.	
	Held Neighbors Night.	
Daikin Texas Technology Park	Supported non-profit organizations.	
Daikin PT	Sponsored dolphin watching tour.	

Communities - 385 -

List of Support for Disaster Victims

Base	Recipient of support, details of support	
Daikin Industries, Ltd. (Japan)	Contributed to fund for Houston hurricane victims.	
Daikin Europe N.V.	Contributed to fund for Houston hurricane victims.	
Daikin Airconditioning Belgium N.V.	Donated proceeds from local soccer team charity tournament to fund for Houston hurricane victims	
Daikin Airconditioning Italy S.p.A.	Contributed to fund for Houston hurricane victims.	
Daikin McQuay Middle East FZE	Contributed to fund for Houston hurricane victims.	

Communities - 386 -



2018 -Web version -

Key Activities

List of Fiscal 2017 Key Activities	388
Environment:	
Environmentally Conscious Products Come from Green Heart Factories ······	392
New Value Creation:	
Reducing Fatigue and Realizing Pleasant Air Environments through Open Innovation	396
Customer Satisfaction:	
Create a Mechanism That Brings Peace of Mind by Promoting Adoption of	
Low-Environmental-Impact Heat-Pump Heating	400
Human Resources:	
Human Resource Development in the U.S.— Growing with Local Communities	404

Key Activities - 387 -

KEY ACTIVITIES

Environment

Environmentally Conscious Products Come from Green Heart Factories

> DAIKIN'S APPROACH

• Striving to Reduce Environmental Impact in Manufacturing as Our Business Expands Worldwide

> DAIKIN'S PERFORMANCE

- Evaluating and Certifying Production Bases' Environmental Efforts under a Globally Unified Standard
- Bases Boost Their Energy-Efficiency Measures through Concrete Improvement and Information Sharing

> NEXT CHALLENGE

• Achieve Sustainable Growth While Reducing the Environmental Impact of Production Activities



Key Activities - 388 -

New Value Creation

Reducing Fatigue and Realizing Pleasant Air Environments through Open Innovation

> DAIKIN'S APPROACH

• Joint Research toward the Creation of the Air and Spaces Demanded by Society

> DAIKIN'S PERFORMANCE

 Approximately 120 People Take Part in Experiments to Validate Relationship between Room Environment and Fatigue

> NEXT CHALLENGE

• Reveal the Relationship between Environment and Health, and Strive for Air That Raises the Overall Quality of Life



Key Activities - 389 -

Customer Satisfaction

Create a Mechanism That Brings Peace of Mind by Promoting Adoption of Low-Environmental- Impact Heat-Pump Heating

> DAIKIN'S APPROACH

• Developing a Platform Linking Three Parties: Europe's Customers, Dealers, and Daikin

> DAIKIN'S PERFORMANCE

- Eliminate Customers' Concerns and Help Dealers' Work Efficiently
- Dealers Satisfied with How SBM Enhances Relationships with Customers

> NEXT CHALLENGE

Contribute to Overall Reduction of CO₂ Emissions in Society while Bringing Customers and Dealers
Greater Satisfaction



Key Activities - 390 -

Human Resources

Human Resource Development in the U.S.— Growing with Local Communities

> DAIKIN'S APPROACH

• Daikin Group's Largest Plant Opens, Embarks on New Initiatives in Human Resource Development

> DAIKIN'S PERFORMANCE

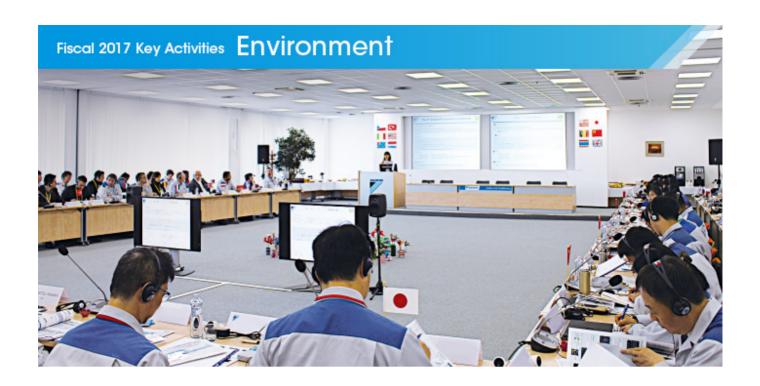
• People-Centered Management Takes Hold in the U.S.

> NEXT CHALLENGE

• Human Resource Development in the U.S. Will Lead to Higher Quality of Human Resources Worldwide



Key Activities - 391 -



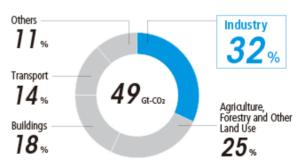
Environmentally Conscious Products Come from Green Heart Factories

Why is it important?

Society Is Increasingly Demanding That Companies Reduce Their Environmental Impact in Manufacturing and All Other Business Activities

Factories and other industrial facilities account for more than 30% of the world's greenhouse gas emissions. With the Paris Agreement aiming to hold the increase in global average temperature to less than 2°C above pre-industrial levels and society as a whole keen to reduce greenhouse gas emissions, manufactures must not only make their products energy efficient; they must also reduce their environmental impact in manufacturing and all other aspects of their business.

Worldwide Greenhouse Gas Emissions, by Economic Sectors (2010)



Note: Compiled by Daikin based on the Working Group III Contribution to the 5th Assessment Report of the IPCC

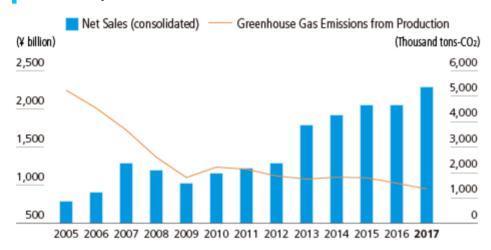
Key Activities - 392 -

Striving to Reduce Environmental Impact in Manufacturing as Our Business Expands Worldwide

Under the Fusion 20 strategic management plan, Daikin aims to both expand business and contribute to the environment. As our business expands, the number of manufacturing bases increases each year and so does our environmental impact. Besides just developing and promoting the adoption of environmentally conscious products, we strive to decrease the environmental impact of our manufacturing activities.

Based on the belief that environmentally conscious products can only come from environmentally conscious factories, the entire Daikin Group works to make this happen through efforts such as setting in-house environmental standards and holding environmental conferences.

Daikin Group Net Sales and Greenhouse Gas Emissions from Production



DAIKIN'S PERFORMANCE

Evaluating and Certifying Production Bases' Environmental Efforts under a Globally Unified Standard

In fiscal 2005, Daikin began implementing a system for certifying environmentally conscious plants using an in-house standard. We established our Green Heart Factory (GHF) standard, a unified Group standard for evaluating social contribution and other socially efforts, in addition to environmentally efforts such as reduction of energy, fluorocarbons, and water use, reduction of waste generated and chemicals used, and the use of renewable energy. Factories with high scores under this standard are certified as Green Heart Factories.

Key Activities - 393 -

Under the GHF standard, production bases conduct more transparent efforts and compete with each other to achieve high scores. The GHF standard also encourages all employees at a base to work together to achieve certification and raises their environmental awareness.

In fiscal 2017, we revised the GHF standard to raise the quality of environmental activities and established four certification ranks. Under the new standard, 24 of 68 bases achieved GHF certification. Our goal is to have all production bases GHF certified by fiscal 2020.

GHF Standard Certification System (revised in fiscal 2017)

Evaluation Criteria	Evaluation Standards	Certification Rank
Energy efficiency Waste (Waste + recycled materials) Water Chemicals Relationship with society Others	Presence/absence of GHF promotion system Effectiveness of management system Achievement rate of targets Innovativeness of activities Others	Platinum 195 points and higher Gold 190-194 points Silver 170-189 points Bronze 150-169 points Note: Four-level evaluation with top score of 200 points

Bases Boost Their Energy-Efficiency Measures through Concrete Improvement and Information Sharing

Daikin holds global environmental meetings in five regions (Japan, Europe, the U.S., China, and Asia/Oceania). Besides periodically confirming the state and progress of each base's environmental efforts at these regional meetings, since 2013 we have been holding a biannual Global Environmental Meeting attended by environmental managers from Daikin bases in each of the five worldwide regions.

In April 2017, Daikin Industries Czech Republic s.r.o hosted the 3rd Global Environmental Meeting with attendance by 79 representatives of 27 bases. In addition to sharing improvement case studies at various bases, participants practiced analysis methods in hands-on data measurement workshops aimed at making energy usage more transparent and reducing the use of unnecessary energy. They also discussed standards for making investment decisions in the creation of measures. Furthermore, in order to continue reducing energy use at production facilities, participants confirmed things like future tasks, the development of new production methods, and environmental action promotion systems.

Through these efforts, we are stepping up group-wide energy-saving measures and have set targets of reducing greenhouse gas emissions against fiscal 2005 by 70% by fiscal 2020 and by 75% by fiscal 2025. In fiscal 2017, we succeeded in achieving a 74% reduction.

Key Activities - 394 -

Achieve Sustainable Growth While Reducing the Environmental Impact of Production Activities

We can foresee that as Daikin's business continues to expand, production volumes around the world will increase. To counter this, we will continue to reduce greenhouse gas emissions from production activities by strengthening collaboration among our global production bases so that they can reduce Daikin's overall environmental impact while achieving sustainable growth.

Stakeholder's Comment

Environmental Meetings Allow Us to Learn from Other Bases and Step Up Activities

By taking part in the Global Environmental Meeting, I understood that other bases are dealing with the same issues that we are. At the same time, I learned new points of view, such as the importance of raising employee awareness and getting them involved in environmental activities. While I am honored that our base received a Silver certification rank, we will step up future environmental action in order to be certified for an even higher rank next time.



Mr. Mojmir KrejchaDaikin Industries Czech Republic
s.r.o

Key Activities - 395 -



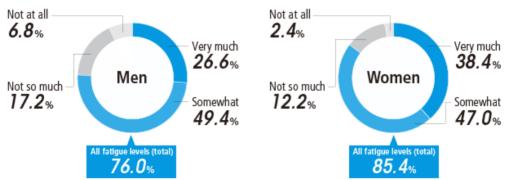
Reducing Fatigue and Realizing Pleasant Air Environments through Open Innovation

Why is it important?

Fatigue Has Become a Social Problem That Adversely Affects Human Health and Reduces Productivity

Health is affected by numerous mental and physical factors, including the quality of sleep, fatigue, and stress. Among these, fatigue is one that especially requires a solution because it not only adversely affects health but also leads to losses for society in the form of lowered productivity. However, it is difficult to objectively evaluate fatigue, and it is unclear as to what the relationships are between things like the causes of fatigue and illness.

Which Best Describes Your State of Fatigue?



Note: Compiled by Daikin based on 2017 survey on state of fatigue of business people working in Tokyo, by Yomeishu Seizo Co., Ltd.

Key Activities - 396 -

Joint Research toward the Creation of the Air and Spaces Demanded by Society

In 2015, Daikin established the Technology and Innovation Center (TIC). Employing approximately 700 engineers, the TIC collaborates with other companies, research institutes, and universities to conduct joint research aimed at creating new value that contributes to solving issues faced by society in areas such as the environment, energy, and health.

As part of open innovation spawning breakthroughs by pooling the technologies and know-how of Daikin and partners, in October 2016 we opened the RIKEN-DAIKIN Wellness Life Collaboration Program together with Riken, Japan, and began joint research under the theme of comfortable, healthy spaces.

The parties will combine Daikin's air control technologies and Riken's know-how in fatigue, health, and life sciences, and under the theme of creating spaces that help people reduce fatigue, will conduct validation of how factors such as temperature and humidity relate to fatigue. The aim is to create new value for society through, for example, the development of scientifically proven products.



Key Activities - 397 -

Approximately 120 People Take Part in Experiments to Validate Relationship between Room Environment and Fatigue

Despite the fact that the majority of people spend at least 90% of their time indoors, there is still much that is not known about how room conditions such as temperature and humidity affect people. That's why for the very first research topic, we chose to clarify and benchmark the effects that air environments in offices and other rooms have on people.

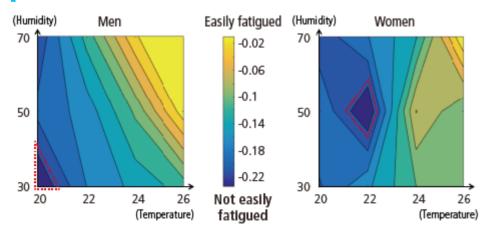
To realize this research topic, we established test facilities at Riken's Integrated Innovation Building (IIB) in Kobe in November 2017. We gathered the test subjects from the public, and in December we began tests to clarify the relationship between room environment and level of fatigue.

The test facilities have four rooms, each of which can be given its own environment by controlling precisely for temperature (in 0.1°C increments) and humidity (in 1% increments). The 120 test subjects were put in various temperature and humidity environments and given computer work requiring concentration. Data for the subjects was gathered; for example, they were measured for the state of autonomous nerves that can be estimated from the change in heart rate, and for the change in work efficiency and subjective level of fatigue.

Tests so far have indicated that, regarding mental, physiological, and activity aspects, the conditions most conducive to warding off fatigue in an office environment in the winter are a temperature of 20°C and a humidity of 30% for men, and a temperature of 22°C and a humidity of 50% for women. This is the first time ever that tests have clarified the difference in how air environments affect men and women differently. These test results were presented in May 2018 at the Japan Society of Fatigue Science. (See diagram below.)

Plans for future research include changes caused to the body when a person goes back and forth between two spaces with different temperatures, a cause of heat shock, and revealing how this eventually affects a person's health; and how to create ideal air environments for a person's individual characteristics and condition through a combination of factors other than temperature and humidity, such as airflow, lighting, and odors.

Relation between Temperature/Humidity and Level of Physiological Fatigue (Men/Women)



Key Activities - 398 -

Reveal the Relationship between Environment and Health, and Strive for Air That Raises the Overall Quality of Life

Under the RIKEN-DAIKIN Wellness Life Collaboration Program, we aim to establish a fatigue index for warm environments before the end of fiscal 2018. By using this index, we want to propose and validate air environments aimed at preventing and recovering from fatigue, which will eventually lead to the development of products scientifically proven to realize low-fatigue environments.

In addition, in July 2017, Daikin and Osaka University signed a 10-year comprehensive agreement for further joint research into creating air environments that improve sleep quality, an area Daikin has spent years researching. We will continue to use open innovation toward the realization of creating air and spaces that improve peoples overall quality of life.

Stakeholder's Comment

Bringing People of Future Generations Scientifically Proven Healthy and Comfortable Air

The human race has always used its ingenuity to come up with air and environments that are comfortable and healthy. One way we are doing this is through our program with Daikin. Toward realizing healthy, comfortable environments that meet people's individual requirements, we are collaborating with Daikin by maximizing our R&D capabilities in controlling all types of daily environments and our comprehensive strength in fatigue research.



Dr. Yasuyoshi WatanabeDirector, RIKEN BDR-DAIKIN
Collaboration Center

Key Activities - 399 -



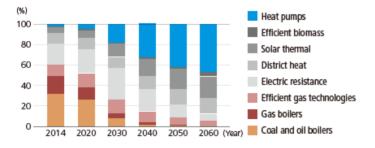
Create a Mechanism That Brings Peace of Mind by Promoting Adoption of Low-Environmental-Impact Heat-Pump Heating

Why is it important?

The Paris Agreement Has Spurred Global Warming Countermeasures, and Society Has High Hopes for Decarbonized in Space and Water Heaters

A large percentage of Europe's CO_2 emissions come from heating, but it is in the midst of switching from combustion heating using gas and kerosene to heat-pump heating, which has a lower environmental impact than combustion heating thanks to the use of heat in the air. However, heat-pump heating is still a relatively unfamiliar concept in Europe. Daikin believes that it is important to create a mechanism that both customers and dealers can rely on.

Change in Heat Source for Space and Water Heaters to Achieve Paris Agreement Goals



Note: Compiled by Daikin based on Energy Technology Perspectives 2017, published by the International Energy Agency (IEA)

According to B2DS scenario (holding the future temperature increase to less than 2°C)

Key Activities - 400 -

Developing a Platform Linking Three Parties: Europe's Customers, Dealers, and Daikin

Europe is aggressively reducing greenhouse gas emissions through government policies aimed at transitioning to a highly energy-efficient, decarbonized society. Over 80% of total household energy consumption in Europe, a relatively cold region, is for space and water heaters, and there is an ongoing shift of these products from conventional combustion-heat source equipment to heat-pump heating, which emits less CO₂. That being said, heat-pump heaters still account for only a small percentage of the European heating market. Having used combustion-type heating for so many years, Europeans are still unfamiliar with heat-pump heating and have a low awareness of its heating capacity, durability, and after-sales service system. These factors make people hesitant to change how they heat their homes.

To help raise awareness, in 2017 we developed a cloud-based platform that links the three parties of customers, dealers, and Daikin, with the goal of putting customers at ease about using heat-pump heating. We call this service Stand By Me (SBM) to symbolize that Daikin is always by your side to assist with heating needs.

Stand By Me: Linking Customers, Dealers, and Daikin



Key Activities - 401 -

DAIKIN'S PERFORMANCE

Eliminate Customers' Concerns and Help Dealers' Work Efficiently

To eliminate the biggest concern about heat-pump heaters—whether they can warm a house at extremely cold times—we developed an online tool for dealers called Heat Solution Navigator, which allows them to select a heating product for customers that provides sufficient warmth for a particular region and even for the coldest times of the year. In addition to aiding product selection, Heat Solution Navigator eases the burden on dealers by, for example, simplifying calculation of energy consumption depending on where the product is installed.

In Europe, great importance is placed on heating equipment after-sales service. With this in mind, Daikin links customers and dealers by having equipment registered under the SBM service. Customers are provided with an eight year extended warranty and a maintenance contract on the SBM portal site, and they can even settle accounts online. The service will soon include listings online of the available times of maintenance staff and prices they charge, and a system for customers to request when they want staff to make maintenance visits. Our goal is to have maintenance staff visit customers within eight hours of the request, another way we are providing peace of mind through this service.

Furthermore, dealers who customers have a maintenance contract with can conduct this maintenance based on the customer information stored in the SBM database, thus streamlining work processes. Dealers get the ability to read repair history and order the appropriate service parts for customers, while customers get the peace of mind that comes from knowing their servicing needs will be met.

Dealers Satisfied with How SBM Enhances Relationships with Customers

As of May 2018, there were approximately 30,000 units of heating equipment registered under the SBM service in Europe.

A survey of dealers in Spain showed high ratings for SBM in terms of reducing workload, supporting sales, and enabling long-term customer relationships, with more than 67% of respondents saying that they were either "extremely satisfied" and 50% saying "satisfied" with these aspects.

Key Activities - 402 -

Contribute to Overall Reduction of CO₂ Emissions in Society while Bringing Customers and Dealers Greater Satisfaction

In October 2018, Daikin will offer improved after-sales service support for dealers with the addition of a remote monitoring function to SBM. This will make it possible to confirm equipment's operational state over the Internet, without having to visit the actual site, with the information gathered useful for diagnosing problems and predicting breakdowns. In addition, through a platform linking customers, Daikin, and its formidable dealer network, all three parties can benefit as products registered under SBM expand beyond heating equipment to include air conditioners as well.

We will continue to promote the adoption of heat-pump heaters so that we can bring greater satisfaction to customers and dealers while helping realize a decarbonized society.

Stakeholder's Comment

Wide-Ranging Information Provision Enables Efficient Work Processes

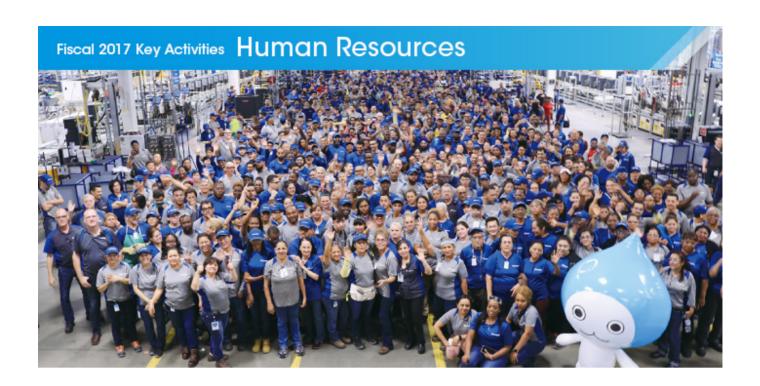
Under SBM, Daikin provides us with comprehensive information on all heating equipment installed at customer locations, such as warranty period and the maintenance and repair situations. This has dramatically streamlined our work processes.

In addition, Daikin has gone out of its way to make the interface intuitive and easy to operate.



Mr. Luis José Garcia Reparaciones Técnicas del Hogar S L (Daikin Dealer)

Key Activities - 403 -



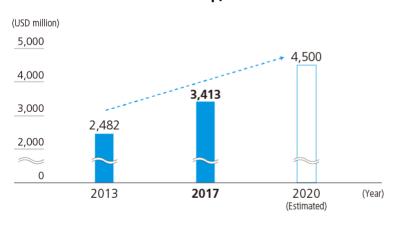
Human Resource Development in the U.S.— Growing with Local Communities

Why is it important?

For a Company to Grow Sustainably, Its Employees Must Grow

The U.S. is the world's largest air conditioning market and the birthplace of air conditioning. Recently, there has been increasing demands for energy-efficient and environmentally conscious air conditioners. In response, Daikin is pursuing innovation that will allow us to progress with society. To this end it is crucial that we hire high-quality human resources in all fields and foster them over the long term.

Sales of Goodman Global Group, Inc.



Key Activities - 404 -

Daikin Group's Largest Plant Opens, Embarks on New Initiatives in Human Resource Development

In 2012, Daikin acquired Goodman Global Group, Inc., the company with the largest share of the North American residential air conditioner market. This marked our full-fledged entry into the U.S., the world's largest air conditioning market. Since then, we have continued to increase sales.

In May 2017, we opened Daikin Texas Technology Park (DTTP), the largest production facility in the Daikin Group, in Waller, Texas, just outside Houston. Daikin invested approximately 450 million dollars in the 2-million-square-meter site, which comprises four existing Goodman factories and a distribution base. DTTP manufactures a range of products including commercial and residential air conditioners and heating equipment for the U.S. market. Besides consolidating various departments for smoother inhouse coordination, DTTP has a new R&D center that boosts our ability to develop products locally.

DTTP will continue to value Goodman's corporate culture while at the same time implementing people-centered management, which is based on Our Group Philosophy that "the cumulative growth of all Group members serves as the foundation for the Group's development." We will strive to create an environment in which each and every employee can enjoy rewarding work and use their strengths to the fullest.



Birds-eye view of DTTP

Key Activities - 405 -

People-Centered Management Takes Hold in the U.S.

Upon opening of DTTP, the production division established a training center, called a "*Dojo*," where employees systematically learn technologies and skills. At the training center, all employees, including dispatch workers, are shown what skills they should acquire to advance their careers. This gives everyone an equal opportunity to prove themselves anywhere in the world in the future. As a result of efforts like this, employees have been able to plan concrete, long-term careers, set goals, and enjoy rewarding work. DTTP has also raised the skill level of its employees, as shown by the results of the fiscal 2017 Global Skills Competition*, where the company turned out some of the top finishers. Human resources growth has also led to product quality improvements in the form of a decrease in the defect rate.

In order to come up with innovations by balancing business growth with environmental efforts in the U.S. market, human resource development is crucial in not just the production division but in all company divisions, including product development, marketing, sales, and after sales service. In addition to on-the-job training (OJT), we have introduced a training management system for company-wide training called Compass that gives employees opportunities to study both online and in the classroom with others. In fiscal 2017, our educational programs offered approximately 3,000 courses in areas such as leadership and IT.

As we have proceeded with these efforts, people-centered management is starting to take firm root at DTTP, as shown by comments from managers, such as "our entire organization is encouraging new challenges and we are building a corporate culture that values this" and "I now understand the importantance of raising motivation."

As of the end of March 2018, DTTP had hired approximately 5,000 employees and it is striving to create an environment conducive to improving the quality of work and to promote inter-departmental coordination. DTTP is looking to increase the number of employees to 7,000 as it expands business in the U.S.

* A global competition among production base employees that aims to ultimately boost skill levels of workers in manufacturing processes.



Training in the Dojo

Key Activities - 406 -

Human Resource Development in the U.S. Will Lead to Higher Quality of Human Resources Worldwide

A company's sustainable growth is tied closely to its hiring practices and human resource development. Daikin will continue to create jobs and develop human resources in the U.S. contributing to the country and communities.

We also believe that aggressively developing human resources in the U.S. will lead to a higher level of human resources and skills throughout the entire Daikin Group. By having well trained human resources create and provide the world with new products and services, we can contribute to higher quality lifestyles and achieve sustainable growth together with society.

Stakeholder's Comment

We Expect Daikin to Contribute to Regional Development as a Good Corporate Citizen

Daikin has brought a breeze of fresh air to our community. I am grateful for not only the positive economic effect that the company has had through job creation, but also for how it has aggressively boosted the capabilities our local human resources and given residents hopes and dreams. I look forward to continuing to strengthen our partnership with Daikin—a company indispensable to regional growth.



Mr. Danny Marburger Mayor, Waller, Texas

Key Activities - 407 -



2018 -Web version -

Sustainability Report

Third-Party Verification ·····	409
Method of Calculating Greenhouse Gas Emissions Data	412
Honors for Daikin	416

Sustainability Report - 408 -

Sustainability Report

THIRD-PARTY VERIFICATION

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

Data Covered by Verification

Environmental Impact Data on Business Operations in FY2017

- Scope 1 and Scope 2 greenhouse gas (GHG) emissions, water use, waste water, waste emissions, and chemical substances emissions from business operations of four production bases in Japan of Daikin Industries, Ltd., eight production subsidiaries in Japan, and 47 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 fiscal 2017.
- Contribution to CO₂ emission reductions through the use of air conditioners sold in industrialized countries in fiscal 2017.
- Contribution to greenhouse gas emission reductions through fiscal 2017 worldwide sales of air conditioners that use R-32 low global warming potential refrigerant.

Sustainability Report - 409 -

Daikin Group Sustainability Report 2018 Independent Verification Report

To: Daikin Industries, Ltd.



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 2018 (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 FY2017

Bureau Veritas conducted a verification of the following data

Data verified	Sites Visited	Verification or Review Methodology
The following data through business operations of four production bases of Daikin, eight production subsidiaries within Japan and 47 production subsidiaries overseas - CO ₂ emissions from energy use - HFCs and PFCs emissions - Water intake and Wastewater - Recycled materials and Waste - VOC emissions Release amount of PRTR (*1) chemical substances through business operations of four production bases of Daikin and eight production subsidiaries within Japan	Daikin Head Office Daikin Sheet-Metal Co., Ltd. DAIKIN SUNRISE SETTSU, LTD. Daikin Shiga Plant Jiangxi Datang Chemicals Co., Ltd Daikin Fluoro Coatings (Shanghai) Co.Ltd. Daikin Fluorochemicals(China) Co.Ltd. Daikin Fluorochemicals(China) Co.Ltd. Daikin Fluorochemicals(China) Co.Ltd. Daikin Mustralla Pty. Ltd. Daikin Malaysia Sdn. Bhd. Daikin Steel Malaysia Sdn.Bhd. American Air Filter Manufacturing Sdn Bhd AAF-Limited(United Kingdom)	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
(*1) Pollutant Release and Transfer Register system	- Daikin Isitma Ve Sogutma Sistemleri San. Tic. A.S.	
The following data through business operations of four production bases of Daikin - CO ₂ emissions from non-energy use - CH ₄ , N ₂ O and SF ₆ emissions		
Categories 1, 4, 6 and 11 of Scope 3 GHG emissions accounted in line with the GHG Protocol's 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard'	- Daikin Head Office	

The verification was conducted using Bureau Veritas' standard procedures and guidelines for external verification of non-financial reporting, based on current best practice. Bureau Veritas refers to the International Standard on Assurance Engagements (ISAE) 3000 in providing a limited assurance for the scope of work stated herein.

2) Amount of contribution to 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 CO₂ emission reduction through the use of inverter air conditioners sold for emerging countries in FY2017	Daikin Head Office	Review of documentary evidence produced by Daikin Head Office and the departments of the relevant products and services
The amount of contribution to CO₂ emission reduction through the use of air conditioners sold for advanced countries in FY2017 (Base year FY2005)		Interviews with relevant personnel of Daikin Head Office and the departments of the relevant products and services Comparison between the data used in the calculation
The amount of contribution to GHG emission reduction through the change to low global warming potential refrigerant (R32) charged into air conditioners sold in FY2017		of emissions reductions and the supporting documentary evidence

The review was conducted using Bureau Veritas' standard procedures for external review of sustainability reporting.

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.

Sustainability Report - 410 -

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 2018 for the period of April 1, 2017 through March 31, 2018.

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 47 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 1 755,094 t-CO ₂ e	Scope 2 698,144 t-CO ₂ e (location-based) 592,983 t-CO ₂ e (market-based)	Scope 3 234,149,008 t-CO ₂ e

The breakdown of Scope 3 emissions are as follows.

Category 1: 2,552,076 t-CO $_2$ e | Category 4: 24,796 t-CO $_2$ e | Category 6: 14,810 t-CO $_2$ e Category 11: 231,557,326 t-CO $_2$ e

[Statement of independence, impartiality and competence]

Bureau Veritas is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 180 years history in providing independent assurance services. No member of the verification team has a business relationship with Daikin, its Directors or Managers beyond that required of this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest. Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities. The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes.

Sustainability Report - 411 -

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

- The scope of calculation covers four manufacturing bases of Daikin Industries, eight manufacturing subsidiaries in Japan, and 47 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 47 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 Fourth 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 Fourth Assessment Report.

Sustainability Report - 412 -

(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 47 manufacturing subsidiaries overseas.

• CO₂ emissions coefficients are as follows.

Purchased electricity: In Japan: 0.384kg-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

- 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, the Czech Republic, and the U.S.
- 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

- 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.

Sustainability Report - 413 -

(7) Business trips (Energy-induced CO₂)

Scope 3

- 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, the EU, and the U.S.
- Calculation method: Annual electricity consumption X product lifecycle X electricity CO₂ emission coefficient X products sold.
- Annual electricity consumption and others are as follows.
 - Annual electricity consumption: Catalog values for room air conditioners, assumed conditions of actual use for other products.
 - Product lifecycle: 10 years for room air conditioners, water heaters, and air purifiers, 13 years for other products.

Electricity CO₂ emission coefficient:

In Japan: 0.348 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 CO_2 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.

Sustainability Report - 414 -

(9) Refrigerant leakage in use of products sold in Japan

Scope 3

- Scope of calculation covers refrigerant leakage during use of refrigeration and air conditioning equipment sold in Japan, ASEAN, China, Hong Kong, Taiwan, Australia, the EU, and the U.S.
- 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 Fourth Assessment Report.
- Up to 80% of the total sales volume, in order of highest selling products, was calculated, and a 100% value estimate calculation was done.

Sustainability Report - 415 -

HONORS FOR DAIKIN

Awards for 2017

Overall CSR (Including SRI)

Daikin Industries, Ltd.

■ Chosen for inclusion in the Morningstar Socially Responsible Investment Index



■ Chosen for inclusion in the MSCI Japan ESG Select Leaders Index



■ Chosen for inclusion in the MSCI Japan Empowering Women Index (WIN)



■ Daikin's Sustainability Report 2017 won the Review Board Special Award of Excellence in the Environmental Communication Awards.



渠現報宣書部门

■ Won the Best IR Award as selected by the Japan Investor Relations Association

Daikin Middle East and Africa FZE

■ Was awarded the Dubai Chamber CSR Label by the Dubai Chamber of Commerce and Industry



Daikin (China) Investment Co., Ltd.

■ Won the Sustainable Best Practices Award from the Shanghai Daily

Sustainability Report - 416 -

Environmental Honors

Daikin Industries, Ltd.

- Received a rating of "A-" in climate performance by the Carbon Disclosure Project (CDP), an international NGO
- **FY 2017 Energy Conservation Grand Prize**
 - Received the Director-General Prize of Agency for Natural Resources and Energy, for achieving a ZEB-type office using state-of-the-art air conditioning technologies and optimal management
 - Received the Chairman Prize of Energy Conservation Center,
 Japan (ECCJ) for the VRV Q Series for replacement use
 - Received the Chairman Prize of Energy Conservation Center, Japan (ECCJ) for the HEXAGON Force air-cooled heat-pump modular chiller



Daikin Airconditioning India Pvt. Ltd.

■ Received the Most Energy Efficient Air Conditioners Award from the Government of India

Goodman Global Group, Inc.

■ Earned LEED Gold certification for office buildings in DTTP under the LEED green building certification system



Sustainability Report - 417 -

Honors for Customer Satisfaction

Daikin Industries, Ltd.

■ Daikin's risora residential air conditioner won a iF Design Award and a Good Design Award.



■ The cocotas multi-cassette-type air conditioner for small spaces was selected a Good Design Best 100 in the Good Design Awards.



■ Won an Award of Excellence in the Service and Hospitality Awards sponsored by the Japan Institute of Information Technology (JIIT)



■ For the third consecutive year, received the Directors Award in the Corporate Telephone Answering Contest sponsored by the Japan Telecom Users Association (JTUA). First company in the manufacturing industry to be selected a Gold Ranked Company



Sustainability Report - 418 -

Human Resource Honors

Daikin Industries, Ltd.

■ Granted Nadeshiko Brand designation for the fifth time, and the fourth consecutive year, by the Ministry of Economy, Trade and Industry



■ Awarded the highest level of certification (Lboshi certification) from Japan's Ministry of Health, Labor and Welfare for being a company that shows excellence in promoting the talents of women in the workplace



■ Awarded the highest rating, 5 stars, in the NIKKEI Smart Work survey conducted by Nikkei Inc., which assesses companies based on the adoption of diverse, flexible work practices

Smart Work

Best13 **** 2018

Daikin (China) Investment Co., Ltd.

■ Won the China Model Human Resources Hiring Company Prize in awards sponsored by 51job, China's leading human resource solutions provider

Daikin Compressor Industries, Ltd.

■ Received a Prime Minister's Industry Award (Safety Management category)



Daikin Malaysia Sdn. Bhd.

■ Won a Gold Class 1 Award from the Malaysian Society for Occupational Safety and Health (MSOSH)

Daikin Applied (UK)

■ Awarded Gold level in the Better Health at Work Awards

Sustainability Report - 419 -





2018 -Web version -

Search for CSR Contents

Search by Guidelines	421
Search by ESG Data	443

Search for CSR Contents - 420 -

SEARCH BY GUIDELINES

Fiscal 2017 report content regarding efforts toward sustainability corresponding to various guidelines is as follows.

Information and indices required for each guideline is summarized and disclosed as searchable > ESG Data. (Page 443)

Climate-Related Financial Information Disclosure Taskforce Comparison Table

This page discloses information categorized as recommended by the Task Force on Climate-related Financial Disclosures (TCFD).

Disclosure Categories Recommended and Endorsed by the Task Force on Climate-related Financial Disclosures	Posted location
Governance	
Governance related to climate-related risks and opportunities	
a) Board of Director monitoring system with regard to climate-related risks and opportunities	> Management Structure
b) Management Role within the assessment and management of climate-related risks and opportunities	> Management Structure
Strategy	
Actual and potential impact of climate-related risks and opportunities on business, strategy and	d financial planning
a) Details of climate-related risks and opportunities over the short-, medium- and long-term	> Risks and Opportunities
b) Impact of climate-related risks and opportunities on organization business, strategy and financial planning	> Risks and Opportunities
c) Strategic resilience in light of considerations based on climate related scenarios including scenarios where temperatures rise by 2 degrees or lower	> Environmental Vision 2050
Risk Management	
Process for identifying assessing and managing climate-related risks	
a) Process for specifying and assessing climate-relate risks	> Risks and Opportunities
b) Process for managing climate-relate risks	> Risks and Opportunities
c) Specification, assessment and management process integration of climate-related risks for comprehensive risk management	> Risks and Opportunities

Search for CSR Contents - 421 -

Indices and Targets	
Indices and targets used to assess and manage climate-related risks and opportunities	
a) Indices used by organizations to assess climate-related risks and opportunities in line with strategy and risk management processes	> Environmental Action Plan
b) Scope 1–3 greenhouse gas emissions volume and related risks	> Overview of Environmental Impact
c) Targets and achievements for managing climate-related risks and opportunities	> Environmental Action Plan
	> Search by ESG Data

Search for CSR Contents - 422 -

GRI Standard Guidelines

This page indicates standard disclosure items in accordance with the GRI Sustainability Reporting Guidelines.

Universal Standards

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance	
Organizational P	rofile					
Disclosure 102-1 Name of the organization	a. Name of the organization.		6.3.10			
Disclosure 102-2 Activities, brands, products, and services	a. A description of the organization's activities.b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.		6.4.3			
Disclosure 102-3 Location of headquarters	a. Location of the organization's headquarters.		6.4.4			
Disclosure 102-4 Location of operations	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.		6.4.5			
Disclosure 102-5 Ownership and legal form	a. Nature of ownership and legal form.		6.8.5	Daikin Group Business Overview		
Disclosure 102-6 Markets served	a. Markets served, including:i. geographic locations where products and services are offered;ii. sectors served;iii. types of customers and beneficiaries.					
	a. Scale of the organization, including:					
	i. total number of employees;					
	ii. total number of operations;					
Disclosure 102-7 Scale of the organization	iii. net sales (for private sector organizations) or net revenues (for public sector organizations);					
	iv. total capitalization (for private sector organizations) broken down in terms of debt and equity;					
	v. quantity of products or services provided.					

Search for CSR Contents - 423 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance					
	a. Total number of employees by employment contract (permanent and temporary), by gender.									
	b. Total number of employees by employment contract (permanent and temporary), by region.									
	c. Total number of employees by employment type (full-time and part-time), by gender.									
Disclosure 102-8 Information on employees and other workers	d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees.	GC principle 6				> Workplace Diversity				
	e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries).									
	f. An explanation of how the data have been compiled, including any assumptions made.									
Disclosure 102-9 Supply chain	a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.			> Value Chain and Daikin's CSR						
	a. Significant changes to the organization's size, structure, ownership, or supply chain, including:									
Disclosure 102- 10	i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions;									
Significant changes to the organization and its supply chain	ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations);			-						
	iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.									
Disclosure 102- 11 Precautionary Principle or approach	a. Whether and how the organization applies the Precautionary Principle or approach.			> Risk Management						

Search for CSR Contents - 424 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Disclosure 102- 12 External initiatives	a. A list of 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	
Disclosure 102- 13 Membership of associations	a. A list of the main memberships of industry or other associations, and national or international advocacy organizations.			-	
Strategy					
Disclosure 102- 14 Statement from senior decision- maker	a. 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 its strategy for addressing sustainability.		6.2	> Message from	
Disclosure 102- 15 Key impacts, risks, and opportunities	a. A description of key impacts, risks, and opportunities.			the President	
Ethics and Integr	ity				
Disclosure 102- 16 Values, principles, standards, and norms of behavior	a. A description of the organization's values, principles, standards, and norms of behavior.	GC principle 10		> CSR Philosophy	
Disclosure 102- 17 Mechanisms for	a. A description of internal and external mechanisms for: i. seeking advice about ethical and lawful behavior, and organizational	GC principle 10	6.6.3	> Compliance	
advice and concerns about ethics	integrity; ii. reporting concerns about unethical or unlawful behavior, and organizational integrity.	GC principle 10		> Compliance	
Governance					
Disclosure 102- 18 Governance structure	 a. Governance structure of the organization, including committees of the highest governance body. b. Committees responsible for decision-making on economic, environmental, and social topics. 		6.2	> Corporate Governance	
Disclosure 102- 19 Delegating authority	a. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.			-	

Search for CSR Contents - 425 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Disclosure 102- 20 Executive-level responsibility for economic, environmental, and social topics	 a. Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics. b. Whether post holders report directly to the highest governance body. 			> CSR Management	
Disclosure 102- 21 Consulting stakeholders on economic, environmental, and social topics	a. Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics. b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body.			-	
Disclosure 102- 22 Composition of the highest governance body and its committees	a. Composition of the highest governance body and its committees by: i. executive or non-executive; ii. independence; iii. tenure on the governance body; iv. number of each individual's other significant positions and commitments, and the nature of the commitments; v. gender; vi. membership of under-represented social groups; vii. competencies relating to economic, environmental, and social topics; viii. stakeholder representation.		6.2	➤ Management	
Disclosure 102- 23 Chair of the highest governance body	 a. Whether the chair of the highest governance body is also an executive officer in the organization. b. If the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement. 			Not on website.	
Disclosure 102- 24 Nominating and selecting the highest governance body	a. Nomination and selection processes for the highest governance body and its committees. b. Criteria used for nominating and selecting highest governance body members, including whether and how: i. stakeholders (including shareholders) are involved; ii. diversity is considered; iii. independence is considered; iv. expertise and experience relating to economic, environmental, and social topics are considered.			• Corporate Governance	

Search for CSR Contents - 426 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Disclosure 102- 25 Conflicts of interest	a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed. b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum: i. Cross-board membership; ii. Cross-shareholding with suppliers and other stakeholders; iii. Existence of controlling shareholder; iv. Related party disclosures.		6.2	-	
Disclosure 102- 26 Role of highest governance body in setting purpose, values, and strategy	a. 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 topics.			> CSR Management	
Disclosure 102- 27 Collective knowledge of highest governance body	a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.			-	
Disclosure 102- 28 Evaluating the highest governance body's performance	a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics. b. Whether such evaluation is independent or not, and its frequency. c. Whether such evaluation is a self-assessment. d. 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	-	

Search for CSR Contents - 427 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Disclosure 102- 29 Identifying and managing economic, environmental, and social impacts	a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities – including its role in the implementation of due diligence processes. b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social topics and their impacts, risks, and opportunities.		Subjects / Issue	> Risk Management	
Disclosure 102- 30 Effectiveness of risk management processes	a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.			> Risk Management	
Disclosure 102- 31 Review of economic, environmental, and social topics	a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities.			> Risk Management	
Disclosure 102- 32 Highest governance body's role in sustainability reporting	a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered.			-	
Disclosure 102- 33 Communicating critical concerns	a. Process for communicating critical concerns to the highest governance body.			-	
Disclosure 102- 34 Nature and total number of critical concerns	a. Total number and nature of critical concerns that were communicated to the highest governance body. b. Mechanism(s) used to address and resolve critical concerns.			No violation	

Search for CSR Contents - 428 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Disclosure 102- 35 Remuneration policies	a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: i. Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses, and deferred or vested shares; ii. Sign-on bonuses or recruitment incentive payments; iii. Termination payments; iv. Clawbacks; v. Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees. b. How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics.		6.2	> Corporate Governance	
Disclosure 102- 36 Process for determining remuneration	 a. Process for determining remuneration. b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management. c. Any other relationships that the remuneration consultants have with the organization. 			> Corporate Governance	
Disclosure 102- 37 Stakeholders' involvement in remuneration	a. How stakeholders' views are sought and taken into account regarding remuneration.b. If applicable, the results of votes on remuneration policies and proposals.			-	
Disclosure 102- 38 Annual total compensation ratio	a. 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	
Disclosure 102- 39 Percentage increase in annual total compensation ratio	a. Ratio of the 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.			-	

Search for CSR Contents - 429 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Stakeholder Enga	gement				
Disclosure 102- 40 List of stakeholder groups	a. A list of stakeholder groups engaged by the organization.			> Stakeholder Engagement	
Disclosure 102- 41 Collective bargaining agreements	a. Percentage of total employees covered by collective bargaining agreements	GC principle 3		> Labor Management Relations	
Disclosure 102- 42 Identifying and selecting stakeholders	a. The basis for identifying and selecting stakeholders with whom to engage.			> Stakeholder Engagement	
Disclosure 102- 43 Approach to stakeholder engagement	a. 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	
Disclosure 102- 44 Key topics and concerns raised	a. Key topics and concerns that have been raised through stakeholder engagement, including: i. how the organization has responded to those key topics and concerns, including through its reporting; ii. the stakeholder groups that raised each of the key topics and concerns.			> Stakeholder Engagement	
Reporting Practic	e				
Disclosure 102- 45 Entities included in the consolidated financial statements	a. A list of all entities included in the organization's consolidated financial statements or equivalent documents. b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.			> Editorial Policy	
Disclosure 102- 46 Defining report content and topic Boundaries	 a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organization has implemented the Reporting Principles for defining report content. 			> Editorial Policy	

Search for CSR Contents - 430 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Disclosure 102- 47 List of material topics	a. A list of the material topics identified in the process for defining report content.			> CSR Management	
Disclosure 102- 48 Restatements of information	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements.			-	
Disclosure 102- 49 Changes in reporting	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries.			-	
Disclosure 102- 50 Reporting period	a. Reporting period for the information provided.			> Editorial Policy	
Disclosure 102- 51 Date of most recent report	a. If applicable, the date of the most recent previous report.			> Editorial Policy	
Disclosure 102- 52 Reporting cycle	a. Reporting cycle.			> Editorial Policy	
Disclosure 102- 53 Contact point for questions regarding the report	a. The contact point for questions regarding the report or its contents.			SustainabilityReportQuestionnaire	

Search for CSR Contents - 431 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Disclosure 102- 54 Claims of reporting in accordance with the GRI Standards	a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either: i. 'This report has been prepared in accordance with the GRI Standards: Core option'; ii. 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'.				
Disclosure 102- 55 GRI content index	a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report. b. For each disclosure, the content index shall include: i. the number of the disclosure (for disclosures covered by the GRI Standards); ii. the page number(s) or URL(s) where the information can be found, either within the report or in other published materials; iii. if applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made.			> Guidelines	
Disclosure 102- 56 External assurance	a. A description of the organization's policy and current practice with regard to seeking external assurance for the report. b. If the report has been externally assured: i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process; ii. The relationship between the organization and the assurance provider; iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report.			• Third-Party Verification	

Search for CSR Contents - 432 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Management App	proach			•	-
Disclosure 103-1 Explanation of the material topic and its Boundary	a. An explanation of why the topic is material. b. The Boundary for the material topic, which includes a description of: i. where the impacts occur; ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships. c. Any specific limitation regarding the topic Boundary.			> CSR Action Plan 2020	
Disclosure 103-2 The management approach and its components	For each material topic, the reporting organization shall report the following information: a. An explanation of how the organization manages the topic. b. A statement of the purpose of the management approach. c. A description of the following, if the management approach includes that component: i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives			> CSR Action Plan 2020	
Disclosure 103-3 Evaluation of the management approach	a. An explanation of how the organization evaluates the management approach, including: i. the mechanisms for evaluating the effectiveness of the management approach; ii. the results of the evaluation of the management approach; iii. any related adjustments to the management approach.			> CSR Action Plan 2020	

Search for CSR Contents - 433 -

Topic-specific Standards

Disclosure	Inditcator	GC Principle	Core Subjects / Issue	WEB	External Assurance
200: Economic	-	•	•	•	
Economic Performanc	ce				
Disclosure 201-1	Direct economic value generated and distributed		6.8 6.8.3 6.8.7	Daikin's Philosophy of Social Contribution	
Disclosure 201-2	Financial implications and other risks and opportunities due to climate change	GC principle 7	6.5.5	> Environmental Accounting	
Disclosure 201-3	Defined benefit plan obligations and other retirement plans		6.8.7	-	
Disclosure 201-4	Financial assistance received from government			-	
Market Presence					
Disclosure 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	GC principle 6	6.3.7 6.3.10 6.4.3 6.4.4	-	
Disclosure 202-2	Proportion of senior management hired from the local community	GC principle 6	6.4.3 6.8	> Workplace Diversity	
Indirect Economic Imp	pacts				
Disclosure 203-1	Infrastructure investments and services supported		6.3.9 6.8 6.8.7 6.8.9	> Key Activities: Environment	
Disclosure 203-2	Significant indirect economic impacts		6.3.9 6.6.6 6.6.7 6.7.8 6.8 6.8.5	-	
			6.8.9		

Search for CSR Contents - 434 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Procurement Pra	ctices				
			6.4.3		
	Proportion of spending on local		6.6.6	-	
Disclosure 204-1	suppliers		6.8	-	
			6.8.7	-	
Anti-corruption					
	Operations assessed for risks related to	GC	6.6		
Disclosure 205-1	corruption	principle 10	6.6.3	> Compliance	
	Communication and training about anti-	GC	6.6.3	> Compliance	
Disclosure 205-2	corruption policies and procedures	principle 10	6.6.6	Prohibiting Bribes	
Disclosure 205-3	Confirmed incidents of corruption and actions taken	GC principle 10	6.6.3	No violation	
Anti-competitive	Behavior				
			6.6	> Compliance	
	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	6.6.5		> Free Competition and Fair	
Disclosure 206-1			6.6.5		
			6.6.7	Business	
200, Farriage and a				Dealings	
300: Environmen	tai				
Materials		66		> Overview of	
Disclosure 301-1	Materials used by weight or volume	GC principle	6.5.4	Overview of Environmental	
	, ,	7, 8		Impact	
Disclosure 301-2	Recycled input materials used	GC principle 8	6.5.4	-	
			6.5.3	> Effective Use	
Disclosure 301-3	Reclaimed products and their packaging materials	GC principle 8	6.5.4	of Resources in	
		pc.p.c c	6.7.5	Products	
Energy					
Disclosure 302-1	Energy consumption within the organization	GC principle 7, 8	6.5.4	> Overview of Environmental Impact	
Disclosure 302-2	Energy consumption outside of the organization	GC principle 8	6.5.4	> Overview of Environmental	
	-			Impact	
Disclosure 302-3	Energy intensity	GC principle 8	6.5.4	Reducing Greenhouse Gases during Production and Transportation	

Search for CSR Contents - 435 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Disclosure 302-/	sure 302-4 Reduction of energy consumption GC principle 8, 9 6.5.4 6.5.5		6.5.4	> Reducing Greenhouse Gases during	
Disclosure 302-4		6.5.5	Production and Transportation		
Disclosure 302-5	Reduction in energy requirements of	GC	6.5.4	> Overview of Environmental Impact	
Disclosure 302-5	products and services	principle - 8, 9	6.5.5	> Value Chain and Daikin's CSR	
Water					
Disclosure 303-1	Water withdrawal by source	GC principle 7, 8	6.5.4	> Water	
Disclosure 303-2	Water sources significantly affected by withdrawal of water	GC principle 8	6.5.4	Resource Reduction	
Disclosure 303-3	Water recycled and reused	GC principle 8	6.5.4		
Biodiversity					
Disclosure 304-1	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	-	
Disclosure 304-2	Significant impacts of activities, products, and services on biodiversity	GC principle 8	6.5.6	> Protecting Biodiversity	
Disclosure 304-3	Habitats protected or restored	GC principle 8	6.5.6	> Protecting Biodiversity	
Disclosure 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	GC principle 8	6.5.6	-	
Emissions					
Disclosure 305-1	Direct (Scope 1) GHG emissions	GC principle 7, 8	6.5.5	 Overview of Environmental Impact Reducing Greenhouse Gases during Production and Transportation 	

Search for CSR Contents - 436 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Disclosure 305-2	Energy indirect (Scope 2) GHG emissions	GC principle 7, 8	6.5.5	 Overview of Environmental Impact Reducing Greenhouse Gases during Production and Transportation 	
Disclosure 305-3	Other indirect (Scope 3) GHG emissions	GC principle 7, 8	6.5.5	 Overview of Environmental Impact Reducing Greenhouse Gases during Production and Transportation 	
Disclosure 305-4	GHG emissions intensity	GC principle 8	6.5.5	Reducing Greenhouse Gases during Production and Transportation	
Disclosure 305-5	Reduction of GHG emissions	GC principle 8, 9	6.5.5	Reducing Greenhouse Gases during Production and Transportation	
Disclosure 305-6	Emissions of ozone-depleting substances (ODS)	GC principle 7, 8	6.5.3	 Low Environmental Impact Refrigerants Recovery, Recycle and Destruction of 	
Disclosure 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	GC principle 7, 8	6.5.3	> Overview of Environmental Impact	
Effluents and Wa	ste				
Disclosure 306-1	Water discharge by quality and destination	GC principle 8	6.5.3 6.5.4	> Overview of Environmental Impact	
Disclosure 306-2	Waste by type and disposal method	GC principle 8	6.5.3	Overview of Environmental ImpactWaste Reduction	

Search for CSR Contents - 437 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Disclosure 306-3	Significant spills	GC principle 8	6.5.3	> Environmental Risk Management	
Disclosure 306-4	Transport of hazardous waste	GC principle 8	6.5.3	> Waste Reduction	
Disclosure 306-5	Water bodies affected by water discharges and/or runoff	GC principle 8	6.5.3 6.5.4 6.5.6	> Water Resource Reduction	
Environmental Co	ompliance				
Disclosure 307-1	Non-compliance with environmental laws and regulations	GC principle 8		Major Legal Violations in Daikin in Fiscal 2017	
Supplier Environr	mental Assessment				
Disclosure 308-1	New suppliers that were screened using environmental criteria	GC principle 8	6.3.5	Supply Chain	
Disclosure 308-2	Negative environmental impacts in the supply chain and actions taken	GC principle 8	6.3.5	Management	
400: Social	l .				
Employment					
Disclosure 401-1	New employee hires and employee turnover	GC principle 6	6.4.3	> WorkplaceDiversity> Work-LifeBalance	
Disclosure 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		6.4.4	-	
Disclosure 401-3	Parental leave	GC principle 6	6.4.4	> Workplace Diversity	
Labor/Manageme	ent Relations				
Disclosure 402-1	Minimum notice periods regarding operational changes	GC principle 3	6.4.3	-	
Occupational Hea	alth and Safety				
Disclosure 403-1	Workers representation in formal joint management–worker health and safety committees		6.4.6	-	
Disclosure 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		6.4.6	> Occupational Safety and Health	
Disclosure 403-3	Workers with high incidence or high risk of diseases related to their occupation		6.4.6 6.8.8	-	

Search for CSR Contents - 438 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Disclosure 403-4	Health and safety topics covered in formal agreements with trade unions		6.4.6	Occupational Safety and Health	
Training and Educ	cation				
Disclosure 404-1	Average hours of training per year per employee GC		6.4.7	> Fostering Human Resources	
Disclosure 404-2	Programs for upgrading employee skills		6.4.7	> Fostering - Human	
Disclosure 404-2	and transition assistance programs		6.8.5	Resources	
Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews	GC principle 6	6.4.7	> Employee Evaluation and Treatment	
Diversity and Equ	al Opportunity				
	Diversity of governance bodies and employees	principle 6	6.2	Corporate Governance Workplace	
Disclosure 405-1			6.3.7		
Disclosure 405-1			6.3.10		
			6.4.3	Diversity	
		GC principle 6	6.3.7		
Disclosure 405-2	Ratio of basic salary and remuneration		6.3.10		
Disclosure 405-2	of women to men		6.4.3	-	
			6.4.4		
Non-discrimination	on				
Disclosure 406-1	Incidents of discrimination and corrective actions taken	GC principle 6	6.3.6	No violation	
Freedom of Assoc	iation and Collective Bargaining				
			6.3.3		
			6.3.4		
	Operations and suppliers in which the		6.3.5	> Labor	
Disclosure 407-1	right to freedom of association and	GC principle 3	6.3.8	Management	
	collective bargaining may be at risk		6.3.10	Relations	
			6.4.5		
			6.6.6		

Search for CSR Contents - 439 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Child Labor					
			6.3.3		
			6.3.4		
			6.3.5		
Disclosure 408-1	Operations and suppliers at significant risk for incidents of child labor	GC principle 5	6.3.7	Respect for Human Rights	
		pc.p.c 5	6.3.10	l	
			6.6.6		
			6.8.4		
Forced or Compu	Isory Labor				
			6.3.3		
			6.3.4		
Disclosure 409-1	Operations and suppliers at significant	GC	6.3.5	> Respect for	
Disclosure 409-1	risk for incidents of forced or compulsory labor	principle 4	6.3.7	Human Rights	
			6.3.10		
			6.6.6		
Security Practices					
	Security personnel trained in human rights policies or procedures	GC principle 1	6.3.4	-	
Disclosure 410-1			6.3.5		
			6.6.6		
Rights of Indigen	ous Peoples	,			
			6.3.4		
			6.3.6		
Disclosure 411-1	Incidents of violations involving rights of	GC	6.3.7		
Disclosure 411-1	indigenous peoples	principle 1	6.3.8	-	
			6.6.7		
			6.8.3		
Human Rights As	sessment				
	Operations that have been subject to		6.3.3		
Disclosure 412-1	human rights reviews or impact	GC principle 1	6.3.4	-	
	assessments	principle i	6.3.5		
Disclosure 412-2	Employee training on human rights policies or procedures	GC principle 1	6.3.5	> Respect for Human Rights	
	Significant investment agreements and		6.3.3		
Disclosure 412-3	contracts that include human rights clauses or that underwent human rights	GC principle 2	6.3.5	No violation	
	screening		6.6.6		

Search for CSR Contents - 440 -

		66	ISO 30000 Com		Furtamaal
Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
Local Communitie	es				
			6.3.9		
Disclosure 412.1	Operations with local community	GC	6.5		
Disclosure 413-1	engagement, impact assessments, and development programs	principle 1	6.5.3	-	
			6.8		
	Operations with significant actual and		6.3.9		
Disclosure 413-2	potential negative impacts on local	GC principle 1	6.5.3	No violation	
	communities	principie i	6.8		
Supplier Social As	ssessment	•	•		
			6.3.3		
Disclosure 414-1	New suppliers that were screened using	GC	6.3.4	Supply Chain	
Disclosure 414-1	social criteria	principle 2	6.3.5	Management	
			6.6.6		
	Negative social impacts in the supply chain and actions taken	GC	6.3.3		
Disalasura 414.2			6.3.4	No violation	
Disclosure 414-2			6.3.5		
			6.6.6		
Public Policy					
		GC	6.6		
Disclosure 415-1	Political contributions	principle 10	6.6.4	-	
Customer Health	and Safety				
			6.7		
Dia-lanua 446 4	Assessment of the health and safety		6.7.4	> Product	
Disclosure 416-1	impacts of product and service categories		6.7.5	Quality and Safety	
			6.8.8		
			6.7		
D' 1 446.3	Incidents of non-compliance concerning		6.7.4		
Disclosure 416-2	the health and safety impacts of products and services		6.7.5	No violation	
			6.8.8		
Marketing and La	abeling				
			6.7		
			6.7.3		
Disclosure 417-1	Requirements for product and service information and labeling		6.7.4	> Efforts to Ensure Safety	
	information and labelling		6.7.5	Ensure Salety	
			6.7.9		

Search for CSR Contents - 441 -

Disclosure	Inditcator	GC Principle	ISO 26000 Core Subjects / Issue	WEB	External Assurance
			6.7		
	Incidents of non-compliance concerning		6.7.3		
Disclosure 417-2	product and service information and		6.7.4	No violation	
	labeling		6.7.5		
		6.7.9	-		
Disalasuma 417.2	Disclosure 417-3 Incidents of non-compliance concerning marketing communications		6.7	No violetien	
Disclosure 417-3			6.7.3	No violation	
Customer Privacy				•	
DiI 440.4	Substantiated complaints concerning		6.7	Nie odelesie o	
Disclosure 418-1	breaches of customer privacy and losses of customer data		6.7.7	No violation	
Socioeconom Cor	npliance			•	
	Non-compliance with laws and		6.7	> Major Legal	
Disclosure 419-1	regulations in the social and economic			Violations in	
area		6.7.6	Daikin in Fiscal 2017		

Search for CSR Contents - 442 -

SEARCH BY ESG DATA

Pages focusing on environmental performance information and social performance indicators can be found here.

Figures not included here should be assumed to be the actual results for the fiscal year (April to March of the following year).

Companies	covered	by	data:

Daikin Industries, Ltd.	D	Includir	ng group in Japan	JG
Overseas group compa	nies only	OG		

Including group companies in Japan and overseas OJG

Environment

Low-Impact Products

Environmentally Conscious Products* as Percentage of Net Sales (residential air conditioners)

(%)

		2016	2017
Environm	nentally Conscious Products	74	83
	Super Green Products	43	47
	Green Products	31	36
Other pr	oducts	26	17

- * Environmentally conscious products: Name for Super Green Products and Green Products.
 - Products that satisfy at least one of the conditions are Green Products.
 - Consume at least 30% less electricity than conventional products Example: Air conditioners equipped with inverters
 - Use refrigerants with at least two-thirds less global warming potential than conventional refrigerants Example: Air conditioners using R-32, a refrigerant with lower global warming potential

Contribution to Greenhouse Gas Emission Reductions from Daikin Air Conditioners on the

Market* OJG (Thousand tons-CO₂)

	2013	2014	2015	2016	2017
Contribution to Greenhouse Gas Emission Reductions from Daikin Air Conditioners on the Market	23,000	28,000	34,800	45,000	54,000

- * Difference between emissions from all Daikin environmentally conscious products sold and emissions from non-inverter products, air conditioners using conventional refrigerants, and gas-combustion space heaters and hot
 - Values up to fiscal 2014 are for emerging countries only.
 - Reviewed by the third-party.

Search for CSR Contents - 443 -

	2013	2014	2015	2016	2017
Japan	95	94	96	91	92
China	96	97	95	96	92
Thailand	98	98	95	95	97
Other countries in Asia and Oceania	84	76	65	58	84
Europe	86	91	93	93	95
North America	38	39	38	30	30
South America	-	-	-	97	94
All regions	84	78	65	74	76

^{*} Green procurement rate= Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured

	2013	2014	2015	2016	2017
Iron	62,734	67,760	61,986	64,650	66,925
Copper	14,170	14,620	13,316	14,758	15,290
Aluminium	11,637	11,408	11,667	12,138	12,847
Other metals	1,754	1,446	1,264	1,452	1,844
Plastics	19,130	18,499	18,369	18,203	17,188
Chemicals (PRTR-designated)	126,346 ^{*1}	122,426	122,795	138,421	132,299
Packaging	10,253 ^{*2}	8,079	10,371	11,313	13,005

^{*1} From fiscal 2010 to 2012, calculation covered PRTR substances and refrigerants, but starting in fiscal 2013 other materials were included as well.

Search for CSR Contents - 444 -

^{*2} Classification was changed in fiscal 2013, with packaging material other than wood and paper being included in each item.

		2013	2014	2015	2016	2017
sidential air co	nditioners collected by Daikin (units: thousand)	280	230	250	280	320
Weight of products recycled or reused (tons)		10,523	10,783	10,369	11,165	13,000
Amount recycled (tons)		9,313	9,661	9,419	10,116	11,76
Recycling ratio	0 (%)	88	89	90	250 280 0,369 11,165 0,419 10,116 90 90 36 36 8 8 5 4 35 36	9
	Iron	38	36	36	36	4
	Copper	8	9	8	8	
(Breakdown)	Aluminium	7	6	5	4	
(%) Mixture of non-ferrous and iron composite materials CFCs		34	34	35	36	4
		-	-	0.1	0.5	1.
	Other valuable materials	13	15	16	16	1
Fluorocarbons	recoverd (tons)	158	164	160	175	20

Amount of Fluorocarbons Recovered

JG

(Thousand tons-CO₂)

	2013	2014	2015	2016	2017
Electric appliances recycling	250	260	260	280	400
Fluorocarbon Recovery and Destrution	540	620	680	840	770

Low-Impact Production

Greenhouse Gas Emissions (Production)*1	OJG	Verified	*2	(Thousand tons-CO ₂)
---	-----	----------	----	----------------------------------

	2005	2010	2015	2016	2017
Energy-induced CO ₂	660	710	830	780	810
HFC	1,190	390	470	360	250
PFC	3,400	1,130	480	430	290
Total	5,250	2,230	1,780	1,570	1,350

^{*1} The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Search for CSR Contents - 445 -

^{*2} Fiscal 2015-2017 values were verified by a third party.

		Standard value (average for fiscal 2013-2015)	2016	2017
	Total	160	160	160
Emissions (Thousand tons-CO ₂)	Overseas	500	0 160 0 510 0 670 0 97 0 92	530
	Total	670	670	690
	Japan	100	97	95
Unit with standard value set at 100 (%)	Overseas	100	160 510 670 97 92	91
(/-/	Total	100	93	92

^{*} The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

CO₂ Emissions per Sales from Transportation (Air-conditioning) D (%)

Per unit of production (fise	cal 2001 is set at 10	67	7 65	65 63 62		
Energy Consumption	OJG					

	2013	2014	2015	2016	2017
Electricity (MWh)	633,454	662,269	725,625	841,472	883,980
Renewable Energy generated (MWh)	20,767	19,675	20,851	20,118	21,234
City Gas (million m ³)	8,277	8,181	8,549	9,922	9,652
LPG (tons)	2,726	2,630	2,770	3,786	5,249
Steam (GJ)	721,531	738,095	792,769	1,017,117	1,018,248
Petroleum (kl)	2,719	2,218	1,571	1,316	1,662

Search for CSR Contents - 446 -

		Standard value (average for fiscal 2013-2015)	2016	2017
Water Intake (Thousand m ³)	Japan	1,850	1,790	1,860
	Overseas	4,430	4,720	4740
	Total	6,280	6,510	6,600
	Japan	100	94	94
Unit with standard value set at 100 (%)	Overseas	100	97	91
	Total	100	96	92

^{*} The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Water Intake*1	OJG	Verified	*2	(Thousand m ³)	
		2015		2016	2017
Water Intake			12,440	10,940	11,690

^{*1} The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

^{*2} Data verified by a third party.

Waste Water*1	OJG	Verified	*2	(7	(Thousand m ³)		
		20	15	2016	20)17	
Waste Water			10,970	9,260		9,880	

^{*1} The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Search for CSR Contents - 447 -

^{*2} Data verified by a third party.

		Standard value (average for fiscal 2013-2015)	2016	2017
Emissions (tons)	Japan	479	510	520
	Overseas	1,125	1,428	1,489
	Total	1,603	1,938	2,010
Unit with standard value set at 100 (%)	Japan	100	91	89
	Overseas	100	103	98
	Total	100	98	95

^{*} The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Search for CSR Contents - 448 -

JG

(tons)

	201	7			
	A	Amount emitted		Amount tra	ansported
Substance name	Air	Public waterways	Soil	Waste	Sewage
Chlorodifluoromethane; HCFC-22	57.35	0.00	0.00	0.00	0.00
Dichloromethane; methylene dichloride	19.61	0.00	0.00	2.90	0.00
1-chloro-1,1-difluoroethane; HCFC-142b	11.00	0.00	0.00	0.00	0.00
Toluene	3.12	0.06	0.00	0.48	0.00
2-chloro-1,1,1,2-tetrafluoroethane; HCFC-124	1.60	0.00	0.00	0.00	0.00
Phenol	0.73	0.00	0.00	0.75	0.00
Chloroform	0.62	0.00	0.00	5.90	0.00
Xylene	0.61	0.00	0.00	0.04	0.00
Formaldehyde	0.38	0.62	0.00	0.27	0.00
Ethylbenzene	0.33	0.00	0.00	0.00	0.00
n-hexane	0.25	0.00	0.00	0.73	0.00
Hydrogen fluoride and its water-soluble salts	0.24	0.00	0.00	41.01	0.00
Poly(oxyethylene)alkyl ether(alkyl C=12-15)	0.04	0.01	0.00	49.00	0.63
1,3,5-trimethylbenzene	0.03	0.00	0.00	0.00	0.00
N,N-dimethylacetamide	0.03	0.00	0.00	0.01	0.00
poly(oxyethylene)octylphenyl ether	0.02	0.01	0.00	0.00	0.00
1,2,4-trimethylbenzene	0.02	0.00	0.00	0.00	0.00
N,N-dimethylformamide	0.01	0.00	0.00	7.30	0.00
dichloropentafluoropropane; HCFC-225	0.01	0.00	0.00	0.00	0.00
Methylnaphthalene	0.01	0.00	0.00	0.00	0.00
poly(oxyethylene)nonylphenyl ether	0.00	0.00	0.00	0.00	0.00
Acetonitrile	0.00	0.00	0.00	2.80	0.04
nickel	0.00	0.00	0.00	0.00	0.00
Boron compounds	0.00	0.44	0.00	0.58	0.00
ethylene glycol monoethyl ether	0.00	0.00	0.00	0.00	0.00
ferric chloride	0.00	0.00	0.00	10.33	0.00
Antimony and its compounds	0.00	0.00	0.00	0.85	0.00
Methylenebis(4,1-phenylene)diisocyanate	0.00	0.00	0.00	0.08	0.00
Tritolyl phosphate	0.00	0.00	0.00	0.04	0.00
Molybdenum and its compounds	0.00	0.00	0.00	0.03	0.00
nickel compounds	0.00	0.00	0.00	0.02	0.00
chromium and chromium(III) compounds	0.00	0.00	0.00	0.01	0.00
Allyl alcohol	0.00	0.00	0.00	0.00	0.00
manganese and its compounds	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
2-aminoethanol	0.00	0.00	0.00	0.00	0.01
tetrachloromethane	0.00	0.00	0.00	0.00	0.00
styrene	0.00	0.00	0.00	0.00	0.00

Search for CSR Contents - 449 -

		2015	2016	2017
	Amount of Waste	2,677	2,919	2,965
Japan	Amount of Recycle	25,306	26,344	28,196
	Out of the above amount, hazardous waste	19,949	20,606	21,128
	Amount of Waste	25,164	20,863	24,228
Overseas	Amount of Recycle	91,939	119,447	114,612
	Out of the above amount, hazardous waste	39,990	40,662	42,367
	Amount of Waste	27,841	23,782	27,193
Entire Group	Amount of Recycle	117,245	145,791	142,808
	Out of the above amount, hazardous waste	59,939	61,268	63,495

^{*1} The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

^{*2} By the fiscal 2017 values were vertified by the third party.

Emissions per Unit of Production*

		Standard value (average for fiscal 2013-2015)	2016	2017
Emissions (tons)	Japan	30,100	28,300	28,900
	Overseas	84,700	92,900	98,400
	Total	114,800	121,200	127,300
Unit with standard value set at 100 (%)	Japan	100	91	88
	Overseas	100	96	95
	Total	100	95	93

^{*} The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Amount of Packaging Used Per Product (wood, cardboard, Styrof)*	D		(%)	
	2013	2014	2015	2016	2017
Amount of Packaging Used Per Product with FY2010 set as 100%	97	96	95	93	92

^{*} Covers residential air conditioners for the Japanese market

Search for CSR Contents - 450 -

Environmental Management

Report from Audits

JC

(cases)

	20	13	20)14
	Problems found from internal environmental audits	Problems found by third-party certification institutes	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non- conformance	3	0	0	0
Minor non- conformance	37	0	24	0
Items improved	194	9	157	7
	20	15	20)16
	Problems found from internal environmental audits	Problems found by third-party certification institutes	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non- conformance	0	0	2	0
Minor non- conformance	17	0	13	0
Items improved	136	6	130	9
	20	17		
	Problems found from internal environmental audits	Problems found by third-party certification institutes		
Major non- conformance	3	0		
Minor non- conformance	28	0		
Items improved	149	13		

Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification

OJG

(%)

	2013	2014	2015	2016	2017
Japan	100	100	100	100	100
Overseas	84	91	93	96	96

Search for CSR Contents - 451 -

New Value Creation

Research and Development Expenses OJG

(billion yen)

	2013	2014	2015	2016	2017
Research and Development Expenses	40.2	42.9	46.1	53.9	62.1

Number of Patent Applications

D

(cases)

	2012	2013	2014	2015	2016
Japanese applications	898	1,136	948	787	780
Overaseas applications	378	344	344	329	352

Search for CSR Contents - 452 -

Customer Satisfaction

Improvement in Customer Satisfaction*

	2015	2016	2017
Japan	1.00	1.07	1.11
China	1.00	1.00	1.01
Singapore	1.00	1.03	1.03
Italy	1.00	1.01	1.00

^{*} Progress rate of after-sales services, regarding the base year 2015 as 1.00.

Customer Satisfaction with After-Sales Service*

D

	2013	2014	2015	2016	2017
Overall satisfaction	4.06	4.10	4.05	4.34	4.49

^{*} 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.

Number of Inquiries to the Contact Center

JG

(thousands)

	2013	2014	2015	2016	2017
Repair inquiries	767	715	736	771	765
Technical advice	735	699	674	723	796
Parts inquiries	324	318	312	323	295
Others	42	44	48	39	18
Total	1,867	1,776	1,770	1,856	1,874

Number of Inquiries to the Contact Center

China

(thousands)

	2013	2014	2015	2016	2017
Repair inquiries	573	542	533	764	815
Technical advice	68	59	46	50	69
Parts inquiries	116	94	88	127	139
Total	757	695	667	941	1,024

Search for CSR Contents - 453 -

Human Resources

Employees

Employee Composition*

D

	2	.013	2014		2015		2016		2017	
	Men	Women								
Number of employees	6,810	1,084	6,839	1,151	6,844	1,189	6,896	1,232	7,002	1,286
Average range of services (years)	16.4	10.3	16.6	10.3	16.7	10.5	16.9	10.8	17.3	11.3
Average age	41.6	34.6	41.5	34.5	41.3	33.8	41.0	34.1	42.2	35.1
Number of managers	951	22	957	29	984	36	1,013	47	1,030	53
Number of board members	47	1	46	1	48	1	49	1	48	1
Number of foreign nationals	38	20	47	29	52	21	48	25	52	28

^{*} Includes employees on loan

Note: Figures as of fiscal year-end

Employee Make-up by Region*

OJG

	2013		20		20	15		
	Number of companies	Numb		Number of companies	Number of employees	Numb		Number of employees
Daikin Industries, Ltd. (Only)	1		6,733	1	6,845		1	6,870
Domestic Group (Excluding Daikin Industries, Ltd.)	28		4,707	28	4,729		28	4,848
China	33		16,857	32	19,044		33	18,791
Southeast Asia, Oceania	40		10,739	38	10,593		38	11,237
Europe, Middle East, Africa	57		6,605	58	6,774		59	7,175
North America, Latin America	51		10,599	54	11,194		55	11,884
Total	210	56,240		211	59,179	214		60,805
	2016				20	17		
	Number compani			umber of mployees				umber of nployees
Daikin Industries, Ltd. (Only)		1		6,891		1		7,036
Domestic Group (Excluding Daikin Industries, Ltd.)		27	4,843		28		4,976	
China		33		19,391	32			18,599
Southeast Asia, Oceania	39			12,208	49			14,250
Europe, Middle East, Africa	77		8,494		80			9,227
North America, Latin America		69		15,209	80			16,175
Total		246		67,036		270		70,263

^{*} Figures as of fiscal year-end

Search for CSR Contents - 454 -

Number of Employees Leaving, Employee Turnover

	2013	2014	2015	2016	2017
Men	236	247	254	245	246
Women	56	48	59	50	68
Total	292	295	313	295	314
Employee turnover	3.7%	3.7%	3.9%	3.6%	3.8%

Number of New Employees Hired; Women as Percentage of All New Employees Hired*

	2013	2014	2015	2016	2017
Men	170	179	174	187	181
Women	92	80	83	86	97
Total	262	259	257	273	278
Women as % of all employees	35.1%	30.9%	32.3%	31.5%	34.9%

^{*} Number of people joining the company on April 1

Development of Human Resources

Human Resources Development of Manufacturing	D
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	2015	2016	2017
The ratio of Excellent or Advanced Skilled Engineers*1 in Manufacturing (%)	28.0	28.0	29.5
Ratio* ²	1 in 3.6 employees	1 in 3.6 employees	1 in 3.4 employees

^{*1} High-skilled engineers with knowledge and leadership

Search for CSR Contents - 455 -

^{*2} One out of every-employees is Excellent or Advanced Skilled Engineer

Workplace Diversity

Percentage of Women in Management Positions

	2014	2015	2016	2017
Number of Female Managers	29	36	47	53
Females as Percentage of all managers	2.9%	3.6%	4.4%	4.9%

Number of Overseas Bases Where Local Nationals are Presidents and Executives

OG

	2013	2014	2015	2016	2017
Number of Bases Where Local Nationals are Presidents and Executives	37	40	42	46	46
Number of Overseas Bases Where Local Nationals are President	27	31	31	33	32
Number of Overseas Bases Where Local Nationals are Executives	59	63	63	71	67

Percentage of Overseas Bases Where Local Nationals are President and Executives

OG

(%)

	2013	2014	2015	2016	2017
Percentage of Overseas Bases Where Local Nationals are President	40.9	53.4	50.8	52.4	46.4
Percentage of Overseas Bases Where Local Nationals are Executives	43.4	45.7	46.7	50.0	47.9

Number of Re-employed Workers and Percentage of Re-employed after Retiring

D

	- 2	2013		2014		2015		2016		2017														
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women														
Number of retirees	136	4	105	6	123	7	97	3	100	2														
Number of re-employed workers	120	4	96	6	103	5	88	3	88	2														
Percentage re-employed after retiring		88.6%		91.9%	83.1%		83.1%		83.1%		83.1%		83.1%		83.1%		83.1%		83.1%			91.0%		88.2%

Number of People with Disabilities Employed and Employment Rate*1

JG

	2013	2014	2015	2016	2017
Number of people with disabilities employed	294	297	303	308	327
Employment rate of people with disabilities*2	2.07%	2.19%	2.15%	2.19%	2.28%

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

Note: Figures as of fiscal year-end

Search for CSR Contents - 456 -

^{*2} Employment rate of people with disabilities = number of people with disabilities employed / number of people employed

Occupational Safety and Health

	2014	2015	2016	2017
Daikin Group (Including Overseas)	1.94	1.90	1.50	1.33
Japan (Manufacturing Industry Average)	1.66	1.61	1.63	1.66
U.S. (Average for All Industries)*2	16.0	15.0	14.5	-

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

Frequency rate = Number of calamities by industrial injuries / Total actual working hours ×1,000,000

*2 Fiscal 2017 data for the U.S. was not released (as of end of June 2018)
Calculated based on data from U.S. Bureau of Labor Statistics (October 2017)

Frequency Rate

D

OJG

	2013	2014	2015	2016	2017
Daikin Industries	0.06	0.25	0.19	0.19	0.00
National average for all industries	1.58	1.66	1.61	1.63	1.66
National average for manufacturing industry	0.94	1.06	1.06	1.15	1.02

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

Frequency rate = Number of calamities by industrial injuries / Total actual working hours ×1,000,000

Severity Rate D

	2013	2014	2015	2016	2017
Daikin Industries	0.01	0.00	0.00	0.00	0.00
National average for all industries	0.10	0.09	0.07	0.10	0.09
National average for manufacturing industry	0.10	0.09	0.06	0.07	0.08

Note: This shows the severity of the calamity, expressed in man-days lost per 1,000 hours worked. Severity rate = Total number of working days lost / Total actual working hours \times 1,000

Search for CSR Contents - 457 -

Work-Life Balance

Number Taking	Childcare Leave
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D

		2013	2014	2015	2016	2017
Number taking childcare leave	Men	120	130	128	178	257
	Women	88	101	112	136	131
	Total	208	231	240	314	388

Number Taking Family Care Leave

D

		2013	2014	2015	2016	2017
Number taking femily care leave	Men	2	2	0	1	2
Number taking family care leave	Women	1	1	0	0	2
Total		3	3	0	1	4

Percentage of Employees Taking All Paid Leave

D

(%)

	2013	2014	2015	2016	2017
Percentage of Daikin Industries, Ltd. employees	94.4	94.8	94.8	96.7	93.5
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	57.6	58.7	54.7	55.4	59.9

Average Hours of Overtime per Employee

ט

(hours)

	2013	2014	2015	2016	2017
Hours	227.50	205.60	201.70	205.40	209.70

Periodic Health Checkup Results

D

(%)

	2013	2014	2015	2016	2017
Percentage of employees taking checkup	97	98	99	99	99
Percentage of employees requiring treatment	61	53	72	69	53

Labor-Management Relations

Ratio of Union Member

(%)

	2016	2017
Percentage of Employees in Union	87	86

Search for CSR Contents - 458 -

Communities

Expenditure for social contribution Activities

OJG

(million yen)

	2013	2014	2015	2016	2017
Total	1,175	1,220	1,286	1,548	1,623

Shareholders and Investors

Consolidated Sales by Business Segments (consolidated)

(%)

	2013	2014	2015	2016	2017
Air Conditioning/Refrigeration Equipment	89.3	89.3	89.5	89.8	89.6
Chemicals	7.9	7.8	7.9	7.7	8.0
Oil Hydraulics, Defense Systems, and Electronics	2.8	2.9	2.6	2.5	2.4

Consolidated Sales by Region (consolidated)

(%)

	2013	2014	2015	2016	2017
Japan	28.9	26.0	24.6	25.4	23.7
China	18.1	18.5	17.1	16.1	16.7
Asia and Oceania	13.4	14.2	14.9	14.8	15.2
Europe, Middle East, and Africa	16.9	15.8	16.7	16.3	17.5
North America, Latin America	22.7	25.5	26.7	27.4	26.9

Net Sales

(billion yen)

	2013	2014	2015	2016	2017
Consolidated	1,787.7	1,915.0	2,043.7	2,044.0	2,290.6
Non-consolidated	503.7	477.6	500.4	505.6	527.8

Total Assets

(billion yen)

	2013	2014	2015	2016	2017
Consolidated	2,011.9	2,264.0	2,191.1	2,356.1	2,490.0
Non-consolidated	1,264.8	1,346.7	1,308.3	1,363.9	1,448.4

Search for CSR Contents - 459 -

Ordinary Profit (billion yen)

	2013	2014	2015	2016	2017
Consolidated	155.6	194.2	209.5	231.0	255.0
Non-consolidated	44.6	75.7	86.5	141.5	135.6

Fiscal Year End Stock Prices

(yen)

	2013	2014	2015	2016	2017
Fiscal year end stock prices	5,782	8,046	8,412	11,185	11,735

Operating income margin (consolidated)

(%)

	2013	2014	2015	2016	2017
Profit rate	8.7	10.0	10.7	11.3	11.1

Dividends (yen)

	2013	2014	2015	2016	2017
Dividends	50	100	120	130	140

Search for CSR Contents - 460 -

Breakdown of Shareholders

		2013	}			2014	
	Number of voters	Shares held	As Percentage of all shareholders	II	Number of voters	Shares held	As Percentage of all shareholders
Financial institutions	139	124,217,630	4.	2.4	146	128,490,830	43.8
Securities companies	84	10,276,183	:	3.5	79	7,541,543	2.6
Other corporations	558	33,388,138	1	1.4	516	33,322,051	11.4
Foreign corporation	586	104,370,042	3!	5.6	672	105,460,144	36.0
Individuals, other	33,431	20,861,980	-	7.1	28,443	18,299,405	6.2
Total	34,798	293,113,973	100.0 29,856 293,113,97		293,113,973	100.0	
		2015				2016	
	Number of voters	Shares held	As Percentage of all shareholders	II	Number of voters	Shares held	As Percentage of all shareholders
Financial institutions	152	140,252,048	4	7.9	152	136,770,197	46.7
Securities companies	73	8,047,833		2.7	68	5,602,113	1.9
Other corporations	513	30,800,241	10	0.5	490	29,974,441	10.2
Foreign corporation	689	97,020,517	33	3.1	828	106,279,164	36.3
Individuals, other	27,500	16,993,334	!	5.8	22,608	14,488,058	5.0
Total	28,927	293,113,973	100	0.0	24,146	293,113,973	100.0
				017	,		
	Number	of voters	Shares held		As Perc	entage of all sl	hareholders
Financial institutions		173	139,226,030				47.5
Securities companies		63	3,043,818				
Other corporations		514	29,224,321		1		
Foreign corporation		885	107,016,161				
Individuals, other		25,000	14,603,643				5.0
Total		26,635	293,113,973				100.0

Search for CSR Contents - 461 -

	2013	2014	2015	2016	2017
Dividends to shareholders equity	39.9	45.3	46.3	47.2	52.1

Voting Rights Exercised

	2013	2014	2015	2016	2017
Voting rights exercised (%)	82.07	83.24	85.68	86.75	89.53
Votes cast over the Internet	1,337,000	1,443,620	1,495,992	1,596,419	1,744,888
Shereholderes voting online	868	923	902	921	1,020

Business / Financial Data (Consolidated)

	2013	2014	2015	2016	2017
	Years ended March 31, 2014	Years ended March 31, 2015	Years ended March 31, 2016	Years ended March31, 2017	Years ended March31, 2018
Net Sales (billion yen)	1,787.7	1,915.0	2,043.7	2,044.0	2,290.6
Operating Income (billion yen)	156.5	190.6	217.9	230.8	253.7
Ordinary Income (billion yen)	155.6	194.2	209.5	231.0	255.0
Net Income (billion yen)	92.8	119.7	137.0	153.9	189.1
Earnings Per Share (yen)	318.33	410.19	469.23	526.81	646.53
Overseas Business Ratio (%)	71	74	75	75	76
Free Cash Flow (billion yen)	86.9	60.2	78.3	52.3	51.2
Return on Assets (%)	4.9	5.6	6.3	6.8	7.8
Return on Equity (%)	13.1	13.1	13.4	14.5	15.7
Shareholders' Equity Ratio (%)	39.9	45.3	46.3	47.2	52.1
Plant-and- Equipment Investment (billion yen)	59.4	78.4	112.7	90.3	96.6
Reseach & Development Costs (billion yen)	40.2	52.8	46.1	53.9	62.1
Liability with Interest Ratio (%)	34.5	29.3	27.8	25.9	22.3

Search for CSR Contents - 462 -

Governance

Number of Executives and Breakdown* D

			2017	2018
Internal		Men	8 (non-Japanese 1)	7 (non-Japanese 2)
	IIIterriai	Women	0	0
Executives	Evtornal	Men	2	2
External	Women	1	1	
	Total		11	10

^{*} Current as of June 2018

Number of Auditors and Breakdown*

			2017	2018
Auditors	Internal	Men	2	2
		Women	0	0
	External	Men	2	2
		Women	0	0
	Total		4	4

^{*} Current as of June 2018

Number of Board of Directors' Meetings and Average Attendance

	2017
Number of meetings	16
Average attendance of Board of Directors' meetings and Audit & Supervisory Board meetings (%)	84

Average Appointment Term for Directors

	2017
Average appointment term	7 years and 2 months

Search for CSR Contents - 463 -

Make-up of Human Resources Advisory Committee and Compensation Advisory Committee*

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			2016	2017
	Internal	Men	1	1
	directors	Women	0	0
Human Resources Advisory Commitee and Compensation Advisory	External	Men	2	2
Committee	directors	Women	1	1
	Executive	Men	1	1
	officers	Women	0	0

^{*} Current as of June 2017

The vesting for variable CEO Compensation

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Period During Which CEO's Change in Compensation is Based On

Maximum 1 year

Median or mean annual compeasation of all employees CEO and tis ratio

D

	2016	2017
CEO's annual compensation (million yen)	250	250
Median employees compensation (million yen)	7.2	7.4
CEO-to-employee pay ratio (CEO : Employee)	35:1	35:1

Executive Compensation*

		2014	2015	2016	2017
	Number	13	12	15	11
Directors	Amount of compensation (million yen)	1,185	1,284	1,262	1,298
Audit & Supervisory Board Member	Number	4	5	5	4
	Amount of compensation (million yen)	90	94	94	93
	Number	17	17	20	15
Total	Amount of compensation (million yen)	1,275	1,378	1,356	1,391

* About compensation amounts

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. For fiscal 2016, the compensation amount for the term of office of one auditor and four director who retired is included.

Search for CSR Contents - 464 -

Name	Total compensation (million yen)	Category	Company	Total of different types of compensation (million yen)			
				Base compensation	Stock options	Bonus	
Noriyuki Inoue	410	Director	Daikin Industries, Ltd.	263	29	116	
Masanori Togawa	273	Director	Daikin Industries, Ltd.	166	29	76	
Ken Tayano	170	Director	Daikin Industries, Ltd.	99	14	45	
		President	Daikin (CHINA) Investment Co., Ltd. (Consolidated subsidiary)	11	-	-	
Masatsugu Minaka	132	Director	Daikin Industries, Ltd.	8	14	36	
		Director	Daikin Europe N.V. (Consolidated subsidiary)	72	-	-	
Jiro Tomita	147	Director	Daikin Industries, Ltd.	92	14	40	
Takashi Matsuzaki	109	Director	Daikin Industries, Ltd.	66	11	32	

Accounting Auditor Compensation

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	2017
Auditing expenses	243 million yen

Starting Salary*

D

(yen)

	2014	2015	2016	2017	2018
University grad	220,000	225,000	225,000	225,000	225,000
Masters	239,800	244,800	244,800	244,800	244,800
PhD	263,800	268,800	268,800	268,800	268,800

^{*} Figures are those during April of each year.

Major Legal Violations

OJG

(cases)

	2016	2017
Number of Major Legal Violations	0	0

Search for CSR Contents - 465 -