

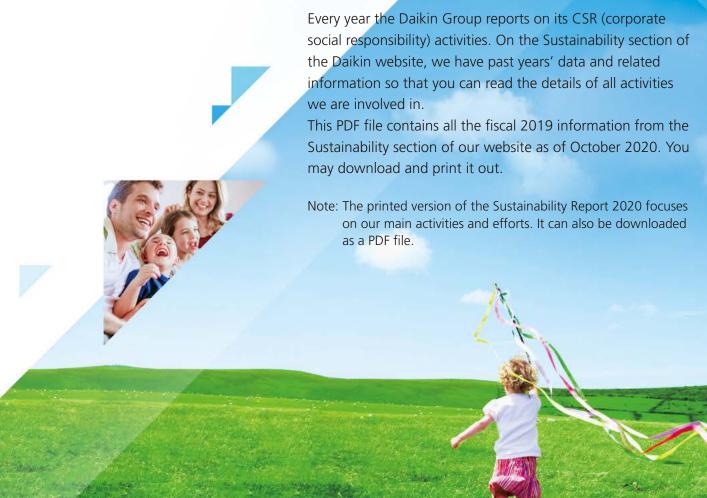
Sustainability Report

2020

— Web version — (As of October 2020)

For the Air We Live in





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# **Editorial Policy**

#### **EDITORIAL POLICY**

#### **Editorial Policy**

Sustainability Report 2020 (printed version) and Sustainability (website) cover the basic philosophy of the Daikin Group with regards to sustainable growth, achievements in fiscal 2019, and plans for the future.

The website shares comprehensive information to fulfill our accountability to all stakeholders. The differences between the printed and website versions are outlined below.

#### **Printed Version**

In this Sustainability Report, we focus particularly 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.

In addition, under Key Activities, we report on activities we are focusing on in each of our four key CSR themes using feature articles.

- > For more details, see the PDF version of the report. (https://www.daikin.com/csr/report/)
- > Key Activities (Page 487)

#### Website

This website comprises detailed data and case studies and is divided into Strategy and Sustainability, 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 515)

Editorial Policy - 5 -

#### **Reference Guidelines**

This report was created with reference to the GRI Sustainability Reporting Standards 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 568)

#### Disclosure of financial and non-financial information

Daikin discloses information according to the needs of stakeholders.

#### Reports on financial information: Disclosure of financial information and IR information

- ➤ Investor Relations website ☐ (https://www.daikin.com/investor/)
- ▶ Brief Report on the Settlement of Accounts ☐ (https://www.daikin.com/investor/library/results\_brief/)
- > Annual Report ☐ (https://www.daikin.com/investor/library/annual/)

### Reports on non-financial information: Disclosure of initiatives on sustainability covering the main themes of CSR and the environment

Sustainability website

- Sustainability Report (https://www.daikin.com/csr/report/)
- Corporate Governance Report (Page 335)

#### Note

In reporting on fiscal 2019 CSR activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual fiscal 2018 results and information reported for fiscal 2018. 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.

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#### **What This Report Covers**

#### **Term Covered**

This report covers fiscal 2018 (April 1, 2018 to March 31, 2019).

#### **Daikin Organizations Covered**

This report covers Daikin Industries, Ltd. and its consolidated subsidiaries.

- Financial: Covers Daikin Industries, Ltd. and its 291 consolidated subsidiaries (total 292 companies)
- Social: Covers Daikin Industries, Ltd. and its consolidated subsidiaries; however, the coverage may differ by each item. (Data coverage range is specified per item.)
- Environment: 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	
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.	

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#### 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.

Editorial Policy - 8 -

McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd. McQuay Air Conditioning & Refrigeration (Suzhou) Co., Ltd. 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.

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# Daikin CSR at a Glance

#### 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

Message from Masanori Togawa, Representative Director, President and CEO (Page 30)



#### Sustainability Report

Download the PDF file
(https://www.daikin.com/csr/report/)



#### > "Forests for the Air" Project

Daikin carries out forest conservation activities in the seven regions worldwide

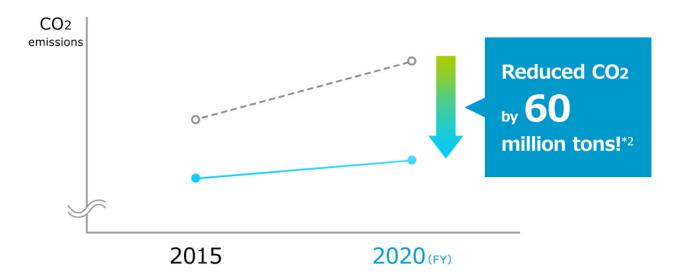
(https://www.daikin.com/csr/forests/)

> 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 CO<sub>2</sub> 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

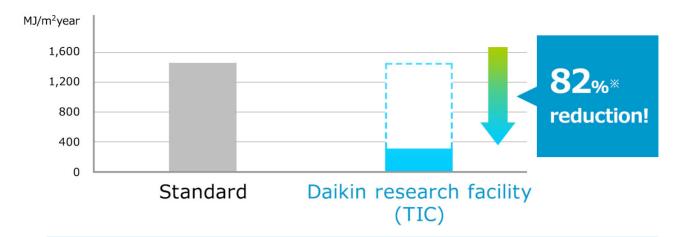
Aiming for a society that reduces environmental burdens while making people and air healthy and comfortable by promoting the spread of air conditioners that have a minor impact on global warming.

> Response to Climate Change

(Page 125)

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

\* 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

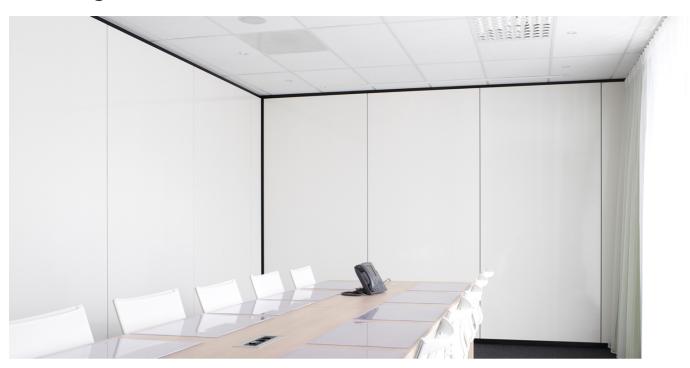
We aim for a society that maintains comfortable living and office spaces with less energy and are launching efficient energy management initiatives that work for individual air conditioners as well as entire buildings and cities.

> Providing Solutions

(Page 161)

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 239)

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 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.

#### 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 279)

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.



(Page 408)

Daikin CSR at a Glance - 17 -





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# 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



> CSR Philosophy (Page 33)

Strategic Management Plan

#### FUSION20

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

> Strategic Management Plan
Fusion 20 □

(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.

Management Strategy and Sustainability (Page 26)

Daikin 's Sustainabilit - 20 -



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.

#### **Outlook for Global Risk**



Source: World Economic Forum Global Risks Perception Survey 2019-2020

Daikin 's Sustainabilit - 21 -

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

#### Assessments of Daikin, Stakeholder Dialogue

#### **ESG** assessment

> Honors for Daikin (Page 522)

#### Dialogue with stakeholders

> Stakeholder Engagement (Page 394)



Daikin 's Sustainabilit - 22 -





#### 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 - 23 -



#### 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)









> Daikin's Goal for Value Creation (Page 230)

**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 - 24 -

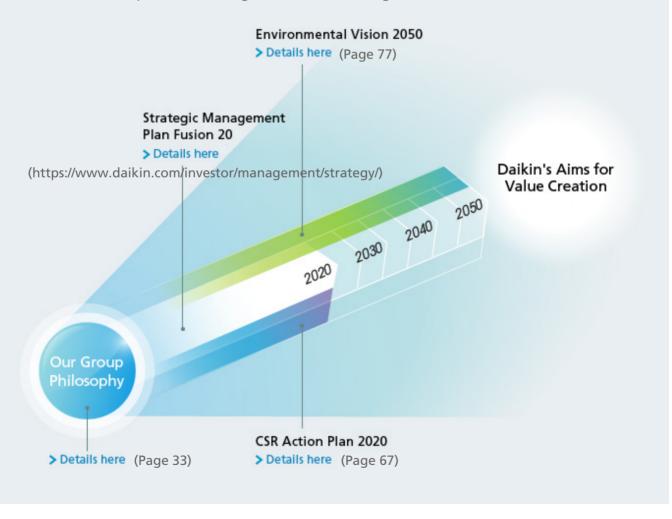






#### What is Daikin doing about these problems?

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. In addition, we have formulated CSR Action Plan 2020 that sets out targets for 2020 for each of Daikin's nine CSR themes. Under this plan, the entire Daikin Group is now working to achieve these targets.



Daikin 's Sustainabilit - 25 -





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# Management Strategy and Sustainability

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#### MANAGEMENT STRATEGY AND SUSTAINABILITY

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 2.9 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 33)

#### **External Factors**

#### Impact on Climate Change

• Growing Worldwide Energy Demand

Energy-induced CO<sub>2</sub> 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 2000 (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 33)

#### 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 348 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-CO<sub>2</sub> /year

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

#### MESSAGE FROM THE PRESIDENT



#### A Company That Provides Solutions with Air

The year 2020 has been marred by uncertainty about the future caused by the COVID-19 pandemic. At the end of January 2020, we set up the Emergency Response Headquarters, which reports directly to me, and promptly implemented a number of countermeasures. We are working to gather information and deploy measures regarding the constantly changing management and operational situations, while ensuring the health and safety of our employees.

We have been providing safe and healthy air environments under Environmental Vision 2050 established in 2018. With COVID-19, there is growing awareness about the importance of ventilation and air purification around the world. We will be the first to respond to these growing needs using solutions that fully harness our technologies, products, and services.

I am proud to say that Daikin has an uncanny ability to stand up in the face of crises. Now is the time that we exhibit this strength, as we move toward greater growth with an eye on the post-COVID-19 world, as a "company that provides solutions with air."

#### **Spreading Air Conditioners While Curbing Environmental Impacts**

Over the past several years, we have explored ways to grow the air conditioner business while striking a balance between positives and negatives from the spread of air conditioners.

Air conditioners have become a key part of infrastructure supporting society because they have ushered in changes in indoor environments in hot regions. They help to prevent heat stroke and improve people's health by improving air quality, and bring about economic development by improving labor efficiency.

Concurrently, the spread of air conditioners has increased the use of electricity and affected global warming.

Demand for air conditioning is expected to triple from current levels by 2050 driven by economic development in emerging countries and other factors. Daikin's social mission can be found in mitigating the impacts of global warming wherever possible while providing a comfortable air environment to people around the world. Under our Environmental Vision 2050 established in fiscal 2018, we are tackling challenges associated with the reduction of greenhouse gas emissions to net zero. Through the development and spread of products and services that contribute to energy conservation and the mitigation of global warming, we aim to reduce the world's greenhouse gas emissions while further developing our businesses.

#### Driving Innovation by Fostering Human Resources in AI and IoT

Using rapidly evolving AI and IoT technologies will prove beneficial in providing higher added value air conditioning to society. With this philosophy in mind, we launched Daikin Information and Communications Technology College, an inhouse learning program, in fiscal 2017 with the full cooperation of Osaka University. We are using this program to foster around 1,000 human resources by fiscal 2021 capable of using AI and IoT to resolve various challenges, connecting knowledge of advanced informatics with our proprietary technologies. Three years since its inception, the program has produced a number of innovations driven by AI and IoT used to resolve issues on the frontlines of production and sales. Looking ahead, we expect these new innovations will be used to resolve social issues.

# Aiming for Sustainability Together with the International Community

In May 2019, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition to financial information, we will now focus on disclosing environmental, social and governance (ESG) information, including climate change.

Also, since 2008, we have supported the UN Global Compact, which sets forth 10 principles covering the four areas of human rights, labor, environment, and anti-corruption.

We stand committed to helping achieve the Sustainable Development Goals (SDGs) through our business for the benefit of the international community. Toward this end, we will continue to fulfill the expectations of our various stakeholders including customers, shareholders, investors, suppliers, and local communities.

Masanori Togawa President and CEO Daikin Industries, Ltd.

#### **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**

#### 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/corporate/overview/philosophy/)

#### **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

Fundamental CSR	
We respond to societal demands for greater transparency and more open business practices.	<ul> <li>Corporate governance</li> <li>Respect for human rights</li> <li>Supply chain management</li> <li>Stakeholder engagement</li> <li>Communities</li> </ul>

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

"History of CSR Activities" (CSR Management) (Page 64)

Daikin's Group Conduct Guidelines define the fundamental corporate ethics and compliance that each and every officer and employee of all Group companies around the world must follow in conducting businesses globally.

Each Group company globally then establishes their specific codes of conduct in accordance with the laws and customs of each country and region. In this manner, we comprehensively promote best practices in corporate ethics and compliance.

#### 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.

#### 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.

#### Related information

➤ Group Conduct Guidelines (Specific Guidelines) 
☐ (Page 39)

Note: The specific guidelines apply to Daikin Industries, Ltd. and its Group companies in Japan only.

### 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.

#### Specific Guidelines

#### 1. Ensuring the safety of our products and services

- 1. We shall observe all applicable laws and safety standards in Japan and overseas related to the safety of our products and services.
- 2. We shall establish a quality management system and execute measures to maintain product safety and high quality assurance in all processes extending from product design to production, sales, and after sales service.
- 3. We 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.
- 4. We shall rapidly ascertain information related to the safety and quality of products and services in the marketplace and implement appropriate measures from the standpoint of the customer. At the same time, we will provide accurate feedback to personnel within our company in order to offer products and services with even greater safety and high quality.
- 5. We shall provide outstanding products, systems, and services that fully satisfy and meet the needs of customers

#### 2. Providing immediate and appropriate response to any problem relating to safety

- 1. We 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.
- 2. 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, announcing the problem through the appropriate media channels, and submitting a statutory report on the problem to the relevant authorities. All relevant people outside the company, including sales personnel, will be informed of the situation.

#### 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.

#### Specific Guidelines

#### 1. Observance of the Anti-Monopoly Act

- 1. To ensure free competition, we shall not enter into agreements with our competitors in any country to predetermine pricing, production and sales quantity, production and sales models, business partners, sales territory, date of product launch, or similar anti-competitive action.
- 2. In the case of tendered bids and quotations, we shall not enter into any agreements with our competitors to predetermine bid price or bid recipient.
- 3. We shall not set the resale prices of Daikin products sold by dealers, nor shall we set the listed price in promotional campaigns or in retail stores.
- 4. We shall not unfairly inhibit our dealers from selling other companies' products, nor shall we restrict their sales territories, sales routes, purchase routes, or take any similar action in violation of the Anti-Monopoly Act or other fair-trade laws.

#### 2. Observance of Act against Unjustifiable Premiums and Misleading Representations

- 1. When indicating quality, performance, place or origin, terms and conditions and other matters related to our products and services, we shall use accurate and appropriate expressions to ensure that our products and services are not misrepresented to our customers.
- 2. Any and all premiums (giveaways, discounts, etc.) given in connection with our sales transactions shall fully comply with the Act against Unjustifiable Premiums and Misleading Representations.

#### 3. Strict Observance of Procurement Rules and the Subcontract Act.

- 1. When selecting suppliers, we shall widely open our door to companies worldwide to provide fair and equal business opportunities. In addition, we shall grow together with our suppliers, maintaining friendly yet tense competitive relations so that we can develop our business together with our suppliers.
- 2. We shall promote the understanding and cooperation of our suppliers in our Group to strive together in legal compliance, respect for human rights, preservation of the environment, and contribution to the development of a sustainable society.
- 3. We shall strictly observe the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors) in regard to transactions with our suppliers as we follow sound business and work to protect our business partners.

#### 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.

#### Specific Guidelines

#### 1. Ensuring thorough Security Export Control

- 1. We shall observe the Security Export Control Regulations and U.S. overseas application of the U.S. Export Administration Regulations governing trade laws from a standpoint of support for non-proliferation of weapons of mass destruction, deterrence to the excessive buildup of conventional weapons, and absolute avoidance of any possible involvement in or assistance to terrorist activities.
- 2. We shall sufficiently verify the user and intended use of transactions involving exports by being attentive to the international situation and not engage in any trade that conflicts with our social responsibility as a global company.
- 3. We shall draft and observe regulations within the company (compliance program) relating to Security Export Control based on the Group trade control policy.

#### 2. Observing trade control laws and regulations

We shall observe all related laws and regulations not covered in the above-mentioned Security Trade Control that concern the importing or exporting of products, including the Foreign Exchange and Foreign Trade Control Law and the Customs Law.

# 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.

#### Specific Guidelines

#### 1. Acquiring, protecting, and utilizing intellectual property rights

- 1. Recognizing that intellectual property is an important company asset and a strength of the Daikin Group, we shall properly maintain, manage, and protect our intellectual property rights while utilizing them effectively.
- 2. Being conscious that our company products and technology are globally developed, we shall actively acquire intellectual property rights worldwide, such as patents that are results of advanced, creative research and development, and endeavor to protect our intellectual property rights through the entire global Group.
- 3. We shall assemble information concerning intellectual property rights generated from all Group companies, including overseas companies, as we strive to fully understand and utilize intellectual property rights management as a Group.
- 4. We shall appropriately execute our rights in regards to infringement by third parties.

#### 2. Respecting the intellectual property rights of other companies

- 1. When developing new products and technology, we shall confirm from a global standpoint that we are not infringing on the intellectual property rights of others.
- 2. In the legal licensing of intellectual property rights from other companies, we shall observe the scope of use specified in the contract when using those property rights.

#### 3. Prohibiting the copying of other companies' products

In the interests of fair competition, we shall not imitate the products of any other companies during the development, manufacture, or sale of our products.

# 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 we 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.

#### Specific Guidelines

#### 1. Properly managing and utilizing confidential information

- 1. We shall properly manage and utilize the confidential information of our company by defining and indicating confidential information, limiting access to it, and enacting security measures to prevent the leaks of confidential information outside the company.
- 2. Should the disclosure of confidential information of our company become necessary, we shall determine the disclosure method, the scope of the confidential information to be disclosed, and other matters after thorough consideration. Moreover, we shall conclude a confidentiality agreement so that confidential information is not disclosed to third parties.
- 3. Individuals with access to confidential information during their tenure with our company shall neither use nor disclose this information to third parties without the company's permission even after leaving the company.

#### 2. Fairly obtaining and properly using confidential information of other companies

- 1. When obtaining confidential information of other companies, we shall acquire this information by proper methods from a person with authority to disclose it.
- 2. Upon acquiring confidential information from another company, we shall confine our use to the scope specified in the confidentially agreement and shall properly manage the information as if we were handling the confidential information of our own company.

#### 3. Properly handling personal information

- 1. When acquiring personal information, we shall indicate the purpose for using the information to the individual person and restrict our use to this purpose. Additionally, when personal information is mutually shared among companies of the Group, we shall specify the scope of user access, items for use, and purpose of use to the individuals directly or through our homepage.
- 2. We shall do everything possible to prevent the leak of personal information that is entrusted to us from our customers, business partners, and employees.
- 3. We shall take the appropriate measures regarding requests by individuals for us to disclose, correct or delete their respective personal information in the data stored in our database.

#### 4. Managing information systems appropriately

- 1. We shall thoroughly implement IT security management according to IT security guidelines to protect and appropriately use the Daikin IT system (computer systems, network and as information property kept within the computer systems).
- 2. We shall always be on guard for cyber attacks such as computer viruses from outside. Furthermore, even if by chance we are attacked, we will act in accordance to the IT security in order to protect against actual damage from viruses.

#### 6. PROHIBITION OF INSIDER TRADING

To maintain the trust of shareholders and investors, we shall not use non-public information about the Daikin Group or other companies to buy or sell stocks or other securities (insider trading).

#### Specific Guidelines

#### 1. Prohibiting trading on inside information of our Group

When material information is gained regarding our Group (non-public information that may affect investment decisions), we shall take procedures according to "Internal company regulations for the prevention of insider trading" and shall neither disclose the information to any other person nor shall we buy or sell Daikin stocks until such data has been disclosed to the public.

#### 2. Prohibiting trading on inside information of other companies

Even in the event that material information regarding customers or other companies (listed companies, OTC-traded companies and the like) is obtained, we shall not disclose the information to any other person until such information has been disclosed to the public. Moreover, we shall neither buy nor sell shares of the company in question with the purpose of profiting from the inside information.

#### 3. Prohibiting leaks of material facts

When material facts of Daikin, Group companies, or other companies (listed companies) are known, we shall strictly manage that information to prevent leaks to third parties prior to public announcement that can be used for the purpose of insider trading. We shall not convey that information to parties outside those who need it to perform work.

#### 4. Prohibiting the short-term buying and selling of stock by Daikin company officers

In addition to the above, company directors, auditors, executive and associate officers must observe "Internal regulations for the prevention of insider trading" by not selling stock within six (6) months of purchase and not buying stock within six (6) months of selling stock.

Furthermore, in the case of buying or selling Daikin stock, officers must follow the Financial Instrument and Exchange Law and promptly report to the Financial Services Agency.

# 7. TIMELY AND APPROPRIATE DISCLOSURE OF CORPORATE INFORMATION

In order 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.

#### Specific Guidelines

1. Establishing a reliable, transparent, and "open company"

We shall actively provide information on our corporate activities to all persons and entities having vested interests in our Group such as stockholders, investors, customers, and vendors. Additionally, when receiving their opinions on our Group, we shall consider their opinions and reflect them in our corporate activities so that we can be a reliable, transparent, and "open company" society at large.

#### 2. Timely and appropriate disclosure of investor information

- 1. We shall disclose investor information (securities reports, etc.,) to our stockholders, investors, and others in accordance with the laws and regulations. In addition, we shall proactively, appropriately, and in a timely manner disclose valuable and reliable information on our management philosophy, management strategy, business plans, etc., so that our stockholders, investors, and others gain a full understanding of our enterprise management.
- 2. The Information Disclosure Committee shall determine the validity and appropriateness regarding disclosure of particularly important information with the aim of providing even greater accountability.

### 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.

#### Specific Guidelines

- 1. Observing environmental laws and regulations
  In the execution of our business activities, we shall observe environmental laws and regulations of and work to reduce the environmental load and prevent environmental pollution.
- 2. Employing activities for the protection of the environment in the workplace

  The Group shall be united in the promotion of environmental activities. All employees shall have the same awareness and engage in environmental activities in all aspects of our business operations including procurement, manufacturing, distribution, sales, and after-sales service in cooperation with our suppliers and other business partners.
- 3. Product development and technological innovation contributing to environmental preservation We shall promote product development and technological innovation excelling in environmental performance with a firm, quantitative understanding from the planning and design stages in product development of the impact our business has on the environment. Furthermore we shall work to accelerate widespread adoption on a global basis for these products and technologies with high environmental performance.
- 4. Environmental communication

We shall honestly and fairly disclose information relating to the environment such as our initiatives and results for preservation of the environment. Furthermore, we shall utilize the outside knowledge receive through such means as two-way dialogue with stakeholders in our initiatives.

5. Promoting of activities for environmental preservation by each employee in the workplace and at home

We shall contribute to local communities and society by increasing environmental knowledge and awareness through environmental education and volunteer activities, reduce environmental load with energy savings and resource conservation in the workplace and at home, and tackle initiatives for biodiversity conservation that protect nature and recycle.

#### 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.

#### Specific Guidelines

1. Observance of safety-related laws and regulations and internal company safety policies together with greater safety awareness and a higher level of safety

Safety-related laws and regulations and internal company safety rules are established in response to experience and past failures. It is therefore critical that we observe these policies in the interests of safety.

We shall constantly review internal company safety rules for optimal content and strictly observe these rules as well as all safety-related laws and regulations in order to make every effort to raise the level of safety.

Furthermore, it is necessary that each and every one of us maintain a high awareness for safety as a fundamental premise for ensuring safety. We shall work to increase safety awareness through safety education including hands-on, practical safety training and improve the level of safety.

#### 2. Execution of precautions based on the likelihood of danger

To ensure operation safety, it is extremely important to infer the sources of hazards prior to an accident or disaster occurring and prepare for them.

Together with practicing danger prediction activities, we shall examine danger factors in the workplace according to risk assessment and work to create a "zero danger" workplace by drafting countermeasures and practicing PDCA in their execution.

#### 3. Taking immediate action at the occurrence of an accident or disaster

- 1. In the event that an accident or disaster occurs, we shall rescue the victims and prevent the spread of the accident or disaster. If necessary, we shall immediately issue an evacuation order to the neighborhood and shall guide members of the community to safety.
- 2. Also, together with planning beforehand the steps to take for business continuation such as early restoration of facilities damaged by the accident or disaster, we shall constantly train and make every effort in preparation for all types of emergency situations to minimize their impact.

### 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).

\* Human rights are the minimum rights necessary for human beings to live in happiness and are those rights to which each living person is entitled and no one can infringe upon.

#### Specific Guidelines

#### 1. Respecting human rights

We shall respect the human rights of each and every employee without regard to nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. We shall cooperate with each other to ensure a pleasant working environment and good human relations in the workplace, and make every effort to create a fair and positive workplace. There shall be no harassment including sexual or power harassment as well as harassment relating to pregnancy, childbirth, or childcare leave. Furthermore, we shall respect the human rights of people outside the company including our business partners and various stakeholders.

#### 2. Respecting diversity

We shall draw together the strength we possess by respecting diversity in values and acting in harmony through mutually acceptance of our respective differences. We shall enhance the individuality and abilities of each and every person to become the strength of the team and aim to be a group that generates one innovation after another at all workplaces.

#### 3. Observance of laws and regulations relating to labor practices

We shall thoroughly comply with all labor laws and regulations (Labor Standards Law, the Industrial Safety and Health Law, the Labor Union Law, the Worker Dispatch Law, etc.,) and promote a relationship where "the company and the individuals who work there are drawn together by mutual preference" to create a foundation where each and every employee can work with enthusiasm.

#### 4. Ensuring workplace health and safety

We shall first ensure the health and safety of our workplaces so that all employees can work safely by creating a good work environment that prevents disasters through the daily inspection of workplaces for causes of disasters and the implementation of disaster prevention measures.

#### 5. Instilling pride in all Daikin employees

Before taking any action, we shall remain aware of our social responsibility as Daikin employees. We shall not commit any anti-social or illegal acts, and shall not allow any other persons to commit such acts. In addition, we shall observe our working regulations and internal company policies and shall not commit any dishonest or unfaithful acts. Moreover, we shall maintain internal order and public morals and shall work diligently and with sincerity.

#### 11. PROTECTION OF COMPANY ASSETS

We shall properly manage the tangible and intangible assets of our company to protect and effectively utilize these assets.

#### Specific Guidelines

#### 1. Using corporate assets only for business purposes

We shall properly manage the tangible and intangible assets of our company to protect and effectively utilize these assets.

#### 2. Protecting corporate assets

We shall enact protective measures for corporate assets (such as daily disaster-prevention activities) and always handle the assets with care to prevent their loss, damage, or theft. In addition, we shall make every effort for appropriate credit management to limit exposure and prevent the occurrence of uncollectible debts.

#### 3. Managing corporate assets properly

When managing our corporate assets (real estate, securities, etc.,), we shall avoid speculative trading.

#### 4. Concluding appropriate contracts

Before concluding an agreement, we shall thoroughly examine the contractual terms of the agreement to ensure that our rights are secured and that we avoid assuming unreasonable obligations. In addition, we shall fulfill the terms of the agreements we have concluded.

# 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.

#### Specific Guidelines

#### 1. Paying expenses properly

When paying expenses, we shall observe our internal company rules and adopt a system of multiple checks (checking by two or more people) so that we can avoid improper or unfair expense payments.

#### 2. Ensuring appropriate accounting

We shall observe appropriate accounting standards based on the generally accepted accounting principles to ensure the accuracy of our accounting and financial data. Likewise, we shall build and maintain an appropriate internal control system to ensure the accuracy of financial reporting.

#### 3. Observance of tax laws

- 1. We shall pay taxes in accordance with relevant tax laws.
- 2. For cross border transactions, including those transactions involving companies of the global Group, we shall carefully check the tax laws of the relevant country as well as those tax laws in Japan.

# 13. PRACTICING MODERATION IN ENTERTAINMENT, GIFT EXCHANGES, AND INVITATIONS

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.

#### Specific Guidelines

- 1. Maintaining sound and transparent relationships with government and municipal offices
  - 1. We shall not provide entertainment, the exchange of presents, or invitations to any public servants in government offices in accordance to such laws as the National Public Service Ethics
  - 2. In the expansion of global business, we shall not provide entertainment, the exchange of presents, or invitations to any public servants in overseas government offices that are prohibited by national or regional laws and regulations.
- 2. Observance of Political Funds Control Law and Public Offices Election Law
  Before making a political donation or contribution, whether it be to a candidate or a political party,
  we shall thoroughly study and uphold the Political Funds Control Law and Public Offices Election
  Law, and we shall follow the corresponding procedures specified by our company.
- 3. Practicing moderation in entertainment and gift exchanges with business partners
  In regard to entertainment, the exchange of gifts, and invitations for customers or business
  partners, we shall comply with the laws and regulations relating to each country and region and
  seek moderation appropriate to the standards of society in maintaining sound business practices.

# 14. MAINTAINING A FIRM ATTITUDE AGAINST ANTI-SOCIAL ACTIVITIES

We shall take a firm attitude against anti-social forces and organizations that threaten the safety and order of citizens.

#### Specific Guidelines

1. Prohibiting the giving of material benefits to any person regarding the exercise of shareholders'rights

We shall not give material benefits to any person regarding the exercise of shareholder's rights.

- 2. Prohibiting dealings with anti-social forces and organizations
  - 1. We shall have no dealings that serve as supporting or providing illegal profit to any anti-social forces or organizations.
  - 2. We shall not enlist the support of anti-social forces or organizations in pursuit of business activities.
- 3. Instituting zero tolerance of anti-social forces and organizations
  - 1. We shall not meet any unjustified or unreasonable demands of any criminal groups or organizations.
  - 2. If contacted by an anti-social force or organization, we shall handle the matter on an organizational basis, not an individual basis. Moreover, we shall regularly work to build a specific link between law enforcement officers and outside specialists such as lawyers, and in the case of an emergency we shall take appropriate measures through both civil and criminal legal channels in cooperation with outside specialists.

#### 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.

#### Specific Guidelines

#### 1. Role as good corporate citizen

We shall always maintain awareness of our role as a member of the Daikin Group, both inside and outside the company, and take action with humility and modesty in activities that are honorable and considerate of the local community. The sum total of this conduct by each and every one of us will gain the trust of society and lead Daikin to becoming a good corporate citizen.

#### 2. Promotion of social contribution activities

While fostering and promoting strong bonds with society centered on environmental conservation, education support, and cooperation with the local community, the Daikin Group freely participates and plays an active role in social contribution activities that benefit the community with the goal of realizing an affluent, sustainability developing society.

# 16. OBSERVING EACH CATEGORY OF INDUSTRY LAW AND REGULATION

We shall accurately interpret and observe all applicable laws and regulations of each country and region in which our businesses participate.

#### Specific Guidelines

The various divisions and departments within Daikin cover a wide range of industries and must comply with a variety of laws and regulations related to our business activities. These laws and regulations are sometimes revised and new laws and regulations may also be enacted.

Recognizing this, we shall therefore examine and comprehend these laws and regulations and take the actions specified, such as obtaining permission or approval, reporting to the authorities concerned, observing standards, undertaking periodic inspections, and preparing and storing records.

#### Management Strategy and Sustainability

#### **KEY CSR THEME FORMULATION PROCESS**

In understanding society's challenges, Daikin assesses the impact that its business activities have on society, and identifies key challenges (materiality) from two aspects—"stakeholder concerns and impacts," and "importance to Daikin." We have organized these challenges into our key CSR themes, which have been reflected into our strategic management plans. Each key theme has targets that we are working toward.

#### **Understanding Stakeholder Concerns and Impacts**

One important judgment criterion in analyzing materiality is stakeholder concerns and impacts. To fully understand this, Daikin follows international frameworks toward solving society's challenges (global risks), and it takes into account stakeholder assessments of Daikin and the wishes and opinions that stakeholders have expressed in dialogue with Daikin.

#### Society's challenges (Global risks)

- Extreme weather events and temperatures
- Natural disasters
- Failures of climate change mitigation and adaptation
- Water crises
- Loss of biodiversity
- Pandemics

Note: World Economic Forum Global Risks Perception Survey 2019-2020

#### Assessments of Daikin, stakeholder dialogue

ESG assessment Dialogue with stakeholders

- Briefings for shareholders and investors
- Air Conditioner Forums
- Dialogue with international organizations, NPOs, NGOs, etc.

#### International frameworks

- Paris Agreement to the UN Framework Convention on Climate Change
- Kigali Amendment\* to the Montreal Protocol
- Sustainable Development Goals (SDGs)
- UN Global Compact (UNGC)
- \* International agreement to phase down the global warming impact (CO<sub>2</sub> equivalent) of HFCs.

### Assessing the Impact of Our Business on Society throughout the Entire Value Chain



Business Activity Foundation

**Relationship with Society** 



#### Procurement

#### Business impact, what Daikin to 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



Development, Design

#### Business impact, what Daikin to 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.

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



#### Business impact, what Daikin to 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.

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



#### Business impact, what Daikin to 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
- Measures against atmospheric pollution
- Customer satisfaction
- Information security



After-sales Service, Recovery, Recycling

#### Business impact, what Daikin to do

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

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



#### **Business Activity Foundation**

#### Business impact, what Daikin to 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



#### Relationship with Society

#### Business impact, what Daikin to 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, NPOs, NGOs, key individuals, and local communities.

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

#### Identifying Materiality and Organizing It into 9 Key CSR Themes

We identified materiality from the two aspects of "stakeholder concerns and impacts" and "importance to Daikin," and together with the formulation of the Fusion 20 Strategic Management Plan we organized nine materiality issues as key themes in fiscal 2015: four themes of CSR for value provision, and five themes of fundamental CSR. Note that in fiscal 2018, when formulating plans for the final three years of Fusion 20, we revised some materiality issues based on the changing situation.

#### **Materiality Analysis**



#### Importance to Daikin

#### Daikin's 9 Key CSR Themes

CSR for value provision				
We provide healthy and comfortable air environments for people around the world while at the same time reducing environmental impact.	<ul> <li>Environment</li> <li>New Value     Creation</li> <li>Customer     Satisfaction</li> <li>Human Resources</li> </ul>			

Fundamental CSR				
	<ul> <li>Corporate</li> </ul>			
	Governance			
We respond to	Respect for			
society's requests	Human Rights			
through corporate	Supply Chain			
action based on	Management			
transparency and	<ul> <li>Stakeholder</li> </ul>			
sincerity.	Engagement			
	<ul> <li>Communities</li> </ul>			

### Formulating a CSR Action Plan and Reflecting This into the Fusion 20 Strategic Management Plan

The nine key CSR themes have been incorporated into the Fusion 20 Strategic Management Plan as important management items that are being put into action group-wide. In fiscal 2018, we established targets for 2020, which include quantitative indicators for the various CSR themes. These were reorganized as the CSR Action Plan 2020. In implementing this plan, we will contribute to solving society's challenges and respond to stakeholder demands.

#### **CSR MANAGEMENT**

#### **CSR Management Structure**

Daikin has set CSR for Value Provision and Fundamental CSR as its key CSR themes toward achieving sustainable development in its business and in society as it strives to solve society's challenges 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 reported to the Board of Directors.

At the fiscal 2019 meetings of the CSR Committee, members discussed specific measures required to achieve Environmental Vision 2050, which aims to reduce greenhouse gas emissions to net zero by 2050, as well as confirmed the progress and reviewed targets for 2030. In addition, the committee evaluated and identified risks and opportunities related to the environment including climate change following the TCFD recommendations, and discussed the direction of the company's environmental initiatives, such as refrigerant recovery and recycling based on this and efforts toward a circular economy.

#### Materiality (of Key Initiatives)

> For more information, refer to "Materiality (of Key Initiatives)" (Key CSR Theme Formulation Process).

(Page 62)

#### **CSR Targets and Achievements**

> For more information, refer to CSR Action Plan 2020. (Page 67)

#### **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 33)

#### 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 34)

#### 2008

Daikin Establishes Key Themes with Consideration for Business Plans and Impact on Stakeholders

In light of the unique characteristics and business plans of Daikin, a global manufacturer of air conditioners and fluorochemicals, we established key CSR themes in four areas: the environment, quality & customer satisfaction, human resources, and social contribution.

#### 2011 to 2015

#### Active CSR Based on the Fusion 15 Strategic Management Plan

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

#### 2016

#### 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. In addition, CSR Action Plan 2020 was formulated with goals of quantitative indicators for each theme for 2020.

- Management Strategy and Sustainability (Page 26)
- > CSR Action Plan 2020 (Page 67)

#### 2018

#### Formulation of Environmental Vision 2050

Daikin established Environmental Vision 2050 with the goal of reducing greenhouse gas emissions to net zero by 2050 in order to resolve intensifying environmental challenges from a long-term perspective. In addition to reflecting the measures in the final three years of Fusion 20 strategic management plan, we are also developing a medium- to long-term strategy targeting 2030.

#### Management Strategy and Sustainability

#### **CSR ACTION PLAN 2020**

Daikin has formulated CSR Action Plan 2020, which sets targets for 2020 regarding four themes of CSR for value provision and five themes of fundamental CSR that we are working toward across the entire Daikin Group. Here, we report on the 2019 targets and the fiscal 2018 achievements regarding these themes.

> Targets and Achievements 🔁 (1.4MB) (https://www.daikin.com/csr/company/CSR\_Action\_Plan\_2020.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.

>	Environment	(Page 68)	>	New Value Creation	(Page 71)
>	Customer Satisfaction	(Page 72)	>	Human Resources	(Page 73)

#### **Fundamental CSR**

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



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

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











#### Fiscal 2019 Achievements

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

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

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)

*97*%

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

#### 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 development and production for entire Daikin Group

70% reduction over fiscal 2005 (1.58 million tons-CO<sub>2</sub> reduction)

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



Fiscal 2019 Achievements

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

76 % reduction (1.28 million tons-CO<sub>2</sub> reduction)

We measured how much we reduced greenhouse gas emissions generated in the product manufacturing and other processes.

#### **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

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



Fiscal 2019 Achievements

Number of factories certified as Green Heart Factories

39 bases

7 in Japan 32 overseas

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

Contribution to CO<sub>2</sub> emission reductions through forest preservation

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

We measured contribution to  $CO_2$  emission reductions through forest preservation activities at 7 worldwide locations where we are working together with international NGOs and other groups.

#### **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 2019 Achievements

#### **R&D** expenditure

**68.0** billion yen

#### **Number of patent applications**

Japanese applications: 957

Overseas applications: 513

(FY2018) (Daikin Industries, Ltd. only)

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

### **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

- Ensure safety and quality
- Pursue customer satisfaction

2020 Target

Establish a high standard of quality

Establish a service network covering the globe

Grasp worldwide customer needs and pursue high customer satisfaction

### Fiscal 2019 Achievements

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

Japan (Compared to Fiscal 2015) 1.14

Spain (Compared to Fiscal 2016) 1.12

China (Compared to Fiscal 2018) 1.04

India (Compared to Fiscal 2016) *1.13* 

Indonesia (Compared to Fiscal 2017) 1.03

Singapore (Compared to Fiscal 2015) 1.00

Vietnam (Compared to Fiscal 2015) 1.11

Australia (Compared to Fiscal 2015) 1.00

We measured how much we improved after-sales service customer satisfaction compared to the base year.

### **HUMAN RESOURCES**

Respect individual personalities andvalues, and maximize the potential of each employee so that they can benefit Daikin and society as a whole

#### 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

 $m{1}_{\mathsf{in}}\,m{4}_{\mathsf{employees}}$ 

Increase percentage of overseas bases where local nationals are presidents

### Frequency rate

(shows frequency of occurrence of labor accidents)

0

### Fiscal 2019 Achievements

The ratio of excellent or advanced skilled engineers in manufacturing

 $1_{\text{in}} 3.2_{\text{employees}}$ 

(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.

Percentage of overseas bases where local nationals are president

47% (overseas bases)

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

### Frequency rate

1.26

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

### **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 2019 Achievements

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

4 outside directors, 1 female director,

1 foreign national directors (Daikin Industries,

Ltd. only)

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

### Self-assessment implementation rate

99%

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

### **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 2019 Achievements

### Self-assessment 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 2019 Achievements

### **CSR** procurement implementation rate

99%

We measured the percentage of suppliers that achieved Daikin's in-house standards.

### 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 2019 Achievements

Number of air conditioner forums held, number of outside participants

6 forums held in 5 worldwide regions;

125 participants from 31 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 2019 Achievements

### **Expenditure for social contribution activities**

**1.5** billion yen

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

### Management Strategy and Sustainability

# LONG-TERM OUTLOOK POLICY (ENVIRONMENTAL VISION 2050)

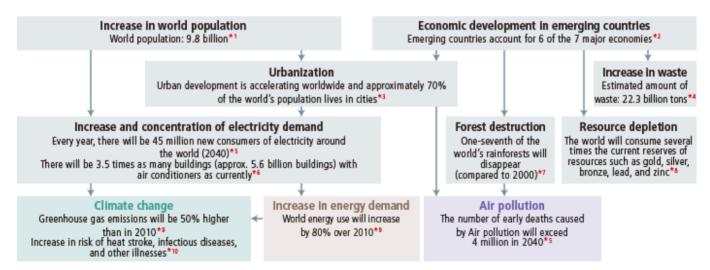
Adopted in 2015, the Paris Agreement contains a target for the latter half of this century of reducing greenhouse gas emissions to net zero and limiting global warming by less than 2°C compared to preindustrial levels. In the spirit of the Paris Agreement, Daikin has formulated Environmental Vision 2050, with a target of reducing greenhouse gas emissions to net zero by 2050. Besides reflecting this vision in the final three years of the Fusion 20 Strategic Management Plan, we are making a medium- to long-term strategy with targets for 2030.

### Formulation of Environmental Vision 2050

Looking long term, we have predicted how society will change by 2050 and have made a list of the risks and opportunities for Daikin's business. Based on this, we have set a direction we must take in using our resources to solve environmental problems.

### 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.



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)

### **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.

Environmental Problems and Business Risks and Opportunities	Climate change  Requests from society to reduce some of the vast amount of greenhouse gas emissions caused by using products  Stricter restrictions on existing refrigerants and gas-combustion heating	Increase in energy demand  Stricter energy restrictions and higher expectations for energy-efficient products  The electricity supply-demand balance will be disturbed, which will hinder the stable supply of electricity	Air pollution  • Greater range of needs regarding air quali
Daikin's Resources	Technology Informati	on People	Global Relationship with society
How Daikin Should Proceed	Creation of products and services with high environmental performance	Creation of environmental solutions	Creation of air value
Fusion 20 Themes	Promotion of energy efficiency through inwerter 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 lifecycle from material procurement to disposal and recycling	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	<ul> <li>Engineering of air environments that protect people's health from air pollutants such as PM2.5 and VOCs</li> <li>Pursuit of value added in air through, for example, office environments conducive to high productivity and home environments that improve the quality of sleep</li> </ul>

### **Environmental Vision 2050**

We will reduce the greenhouse gas emissions generated throughout the entire lifecycle of our products.

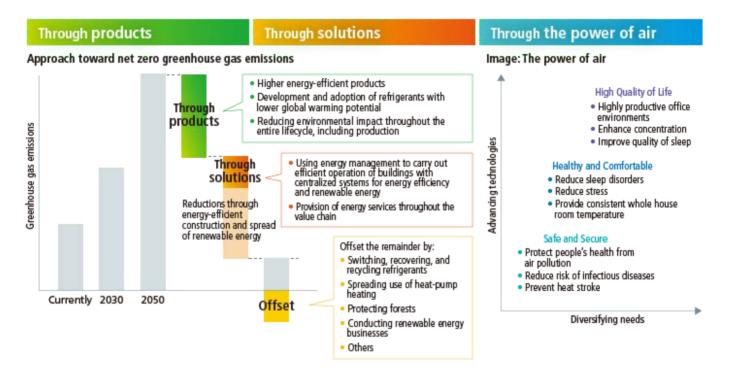
Furthermore, we are committed to creating solutions that link society and customers as we work with stakeholders to reduce greenhouse gas emissions to net zero.

Using IoT and AI, and open innovation attempts, 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.



### Making a Medium- to Long-Term Strategy toward Achieving Environmental Vision 2050

As a result of analyzing our future air conditioner business so that Daikin products can bring the world new added value for air, and so that our products and solutions can help achieve net zero greenhouse gas emissions, we will formulate targets for 2030, integrate them into the Fusion Strategic Management Plan, and implement measures as action plans.



### **Growth Strategy Based on Risks and Opportunities**

Future predictions about the sharp increase in demand for space cooling represent an important opportunity for us because air conditioning is our core business. At the same time, the increase in electricity consumption and greenhouse gas emissions attributed to air conditioning represents a major risk to the continuity of the air conditioning business in a society that demands de-carbonization because climate change is a worldwide issue.

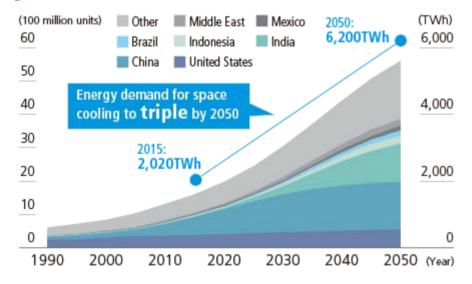
Therefore, in addition to mitigating environmental and climate change impacts by curtailing electricity consumption and preventing refrigerant leakage, we will develop and spread higher energy-efficient air conditioners and refrigerants with a lower global warming potential. We will also create new environmental solutions, such as the efficient utilization of energy tied to buildings. This will enable us to balance contributions to social issues including climate change with the further growth of our businesses.

### **IEA The Future of Cooling Forecast**

In May 2018, the International Energy Agency (IEA) released The Future of Cooling. The report looks at air conditioning and how the rise in its use is driving global energy demand.

According to The Future of Cooling, estimates are for air conditioning demand to rise rapidly and for energy demand for space cooling to triple by 2050.

### Worldwide Air Conditioner Stock (Number of Units) and Electricity Demand



Note: Graph figures compiled by Daikin based on IEA The Future of Cooling

### Management Strategy and Sustainability

# INFORMATION DISCLOSURE BASED ON THE TCFD FRAMEWORK

For Daikin, climate change represents one important issue affecting its business continuity. In May 2019, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD),\* which aims to mitigate the risk of instability in financial markets caused by climate change. We reflect the risks and opportunities posed by climate change in management strategy and risk management. At the same time, we will disclose progress appropriately and aim for further growth while contributing to a carbon-free society.

\* TCFD was established in 2015 by the Financial Stability Board. It recommends that companies disclose information about the financial impacts of climate change after evaluating related business risks and opportunities.

### Governance

### The organization's governance around climate-related risks and opportunities

The Daikin Group's mainstay product of air conditioners is characterized by the large amount of  $CO_2$  emissions caused by energy consumption during use. In addition, fluorocarbons used as refrigerants for air conditioners have an effect on climate change. Recognizing the major impact on climate change attributed to our business activities, we believe climate change is an issue that largely affects our medium- to long-term business risks and opportunities.

Based on this, climate change issues are considered an important task to address in order for Daikin to develop sustainably and fulfill its social responsibilities; thus, they are managed by the CSR Committee. The CSR Committee was established by the Board of Directors to spearhead the company's corporate governance. The executive officer in charge of CSR serves as the chairman of the committee, which deliberates on risks and opportunities, policy on initiatives, and targets related to climate change, as well as monitors results and progress of initiatives, in addition to making proposals to the President and CEO, followed by reporting to the Board of Directors.

### **Strategy**

### The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning

We have formulated strategies based on analysis of climate-related scenarios in The Future of Cooling published by the International Energy Agency in 2018.

Demand for air conditioning is expected to triple from current levels by 2050. As demand increases, there is a possibility that each country will tighten their energy regulations on air conditioners and regulations to address refrigerants with a high global warming potential. Excessively strict regulations could pose a risk for Daikin. On the other hand, appropriate regulations can serve as an opportunity to expand our business as they push for the spread of products and services with greater environmental performance, which are our strength.

The popularization of our products and services in emerging countries with particular growth in demand for air conditioning is considered an effective measure to reduce greenhouse gas emissions resulting from air conditioners and contribute to our business growth. For this reason, we have reflected this in business strategies.

We established Environmental Vision 2050 for the final three-year plan of Fusion 20 Strategic Management Plan. Specifically, by expanding environmentally conscious products and services, we aim to achieve net zero greenhouse gas emissions in the value chain by 2050. The targets and specific measures for 2030 aimed at realizing this goal will be laid out in the next strategic management plan.

### **Risk Management**

### Process for identifying, assessing and managing climate-related risks

Risks and opportunities related to climate change can originate from the transition toward a decarbonized society, including stricter regulations, technology advancement, and market shift, as well as from physical influences, such as acute abnormal weather and chronic temperature increases. We have categorized the various external environmental changes accompanying climate change as "transition risks" and "physical risks," assessed their financial impacts as large, medium, and small, and identified important risks and opportunities.

Moreover, climate-related risks are integrated into the company-wide management process as they are considered to exert large influence on our business strategies. The management status of company-wide risks is monitored by the Internal Control Committee chaired by the President and CEO and reported to the Board of Directors.

### Climate Related Risks and Opportunities and Potential Impacts

Category		Impact on Daikin's business	Probability ofoccurrence	Potential financial impacts
		Stricter regulations on refrigerants If regulations on refrigerants become too strict, there is a possibility that existing air conditioners no longer compliant with these regulations will become obsolete.	High	Large
Risks	Transition	Tight supply and demand for electricity There is a possibility that the spread of air conditioners in emerging countries will increase electricity usage and make it difficult to increase sales of air conditioners due to electricity shortages.	High	Large
	Physical	Damage to production bases  There is a possibility that flooding caused by typhoons could cause our plants to shut down or stop the supply of parts due to the shutdown of suppliers.	Medium	Medium
Opportunities		Stricter regulations on refrigerants Companies without technologies compliant with regulations on refrigerants will be weeded out, resulting in increased sales of air conditioners using refrigerants with lower global warming potential, which is our strength	High	Large
	ies Transition	Stricter regulations on energy efficiency Companies without technologies compliant with stricter regulations on energy efficiency will be weeded out, resulting in increased sales of air conditioners with high energy efficiency, which is our strength	High	Large
		Stricter regulations on the use of fossil fuels Regulations on the use of fossil fuels continue to become stricter, and since gas-combustion heaters will be subject to them, there will be an increase in sales on growing demand for heat- pump heaters, which is our strength	High	Large

### Identification, evaluation and management process of climate-related risks and opportunities

### Information gathering

We gather information on climate-related risks and opportunities from business bases in each region around the world.

### Identification of important risks and opportunities

Information gathered is evaluated, sorted, and analyzed from the two perspectives of degree of impact on business and likelihood of occurrence, and used to identify important climate-related risks and opportunities for our company.

### Determination of policy and measures

We formulate policy on initiatives and proposals on measures for risks and opportunities for deliberation by the CSR Committee, followed by proposal to the President and CEO and reporting to the Board of Directors.

### Integration into strategies and implementation

Policy on initiatives and measures is reflected in the medium-term management plan and implemented by each business division.

Management by the Internal Control System Climate-related risks are integrated in the company-wide risk management process. The Internal Control Committee chaired by the President and CEO monitors the management status of company-wide risks and reports to the Board of Directors.

### **Metrics and Targets**

### The metrics and targets used to assess and manage relevant climate-related risks and opportunities

We formulate an environmental action plan every five years in conjunction with Fusion Strategic Management Plan in conducting environmental activities, including climate-related actions.

Under our Environmental Action Plan 2020, which targets fiscal 2020, the following two climate-related metrics and targets were established for progress to be monitored.

- 1. Scope 3: Contribution to reducing greenhouse gas emissions\*
- 2. Scope 1 and 2: Greenhouse gas emissions resulting from manufacturing activities of the entire Group

The targets for 2030 based on Environmental Vision 2050 are being reviewed in accordance with the development of the next strategic management plan.

\* Difference in emissions between that calculated based on the total of environmentally-conscious products sold by Daikin and the emissions of non-inverter air conditioners, air conditioners using conventional refrigerants, and gascombustion heaters and hot water heaters as baseline.

#### **Related Information**

- > Environmental Action Plan (Page 104)
- ➤ Long-Term Outlook Policy (Environmental Vision 2050) (Page 77)

### 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.



### 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.





### 2020

### — Web version — (As of October 2020)

### **Environment**

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### CSR for Value Provision Environment



### **Policy**

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

### **Targets of CSR Action Plan 2020**

Air conditioners are vital to the lives of many people around the world, but they 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 during development and production by 70% compared to fiscal 2005, we will reduce greenhouse gas emissions by 60 million tons-CO<sub>2</sub> by promoting environment-conscious products using inverter technologies and low environmental impact refrigerants throughout the world.

### **Fiscal 2019 Achievements**

We measure our contribution to greenhouse gas emission reductions based on the percentage of sales volume of environmentally conscious products and reduction in greenhouse gas emissions during development and production.

Contribution to greenhouse gas emission reductions

Percentage of sales volume of environmentally conscious products (residential air conditioners)

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

97%

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

**76**%

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Long-Term Outlook Policy
(Environmental Vision 2050)

(Page 77)

) Basic Environmental Policy

(Page 93)

Overview of Environmental Impact

(Page 95)

We formulated Environmental Vision 2050 with the aim of reducing greenhouse gas emissions to net 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

(Page 97)

Response to Climate
Change

(Page 125)

> Effective Use of Resources

(Page 181)

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

(Page 196)

> Protecting Biodiversity

(Page 210)

History of Environmental

Activities

(Page 221)

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.

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### Endorsement as an Eco First Company

(Page 225)

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

- > Information Disclosure based on the TCFD Framework (Page 82)
- ➤ Key Activities Fiscal 2019: Environment—Launched New Refrigerant Service in Europe Contributing to a Circular Economy (Page 492)
- ➤ Key Activities Fiscal 2018: Environment—Promoting the Spread of Energy Efficient Technology through Dialogue and Collaboration with Governments and International Agencies (https://www.daikin.com/csr/feature2018/01.html)
- > Key Activities Fiscal 2017: Environment—Environmentally Conscious Products Come from Green Heart Factories

(https://www.daikin.com/csr/feature2017/01.html)

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### **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.

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### 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).



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### **Environment**

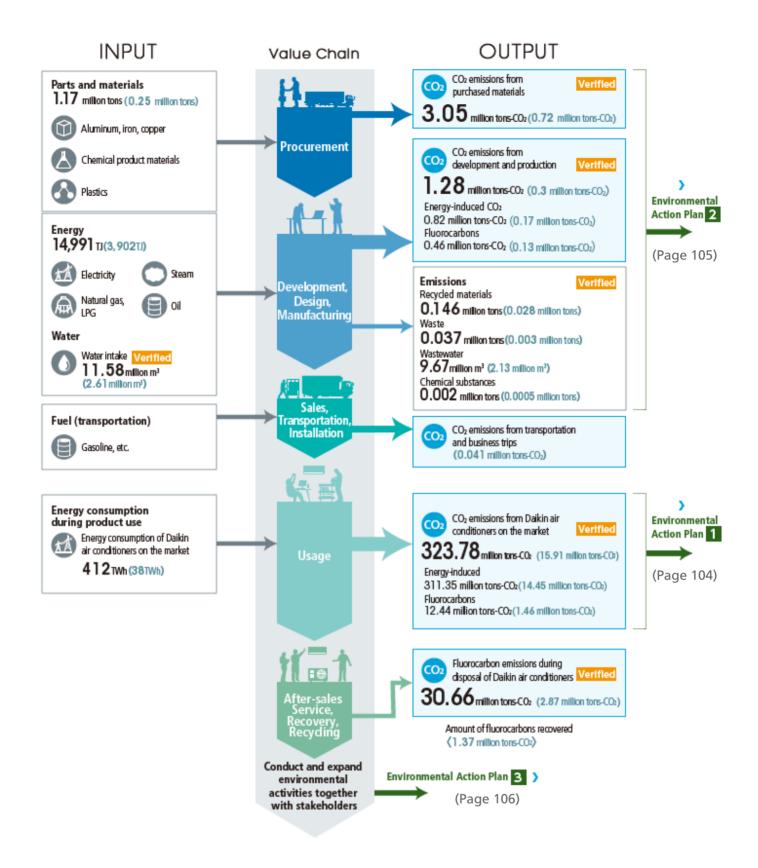
### **OVERVIEW OF ENVIRONMENTAL IMPACT**

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 2019. Figures in ( ) are for Daikin Industries, Ltd. only. Figures in < > are for the Daikin Group in Japan.

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### **Related information**

- > Environmental Action Plan 2020 (Page 104)
- > Method of Calculating Greenhouse Gas Emissions Data (Page 518)

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# Environmental Management

) Management Structure
(Page 99)

Environmental Risks and Opportunities

(Page 101)

> Environmental Action Plan

(Page 104)

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.

We identify key environmental issues we should focus on by listing environmental risks and opportunities including climate-related risks.

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

(Page 107)

Environmental Audits

(Page 109)

(Page 118)

Green Heart Factories and Offices

(Page 111)

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

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

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

Environmentally Conscious

Design

(Page 112)

) Green Procurement

Environmental Accounting

(Page 121)

We strive to develop products with low environmental impact.

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

We calculate investment in environmental measures and the effect of this investment.

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### **Related information**

- > Basic Environmental Policy (Page 93)
- > Daikin Domestic Group ISO 14001 Certificate and Appendices 

  (2.12MB) (https://www.daikin.com/csr/environment/management/touroku.pdf)

> Supply Chain Management (Page 375)

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### **Environmental Management**

### 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, in which we disseminate the products that contribute to alleviating and adapting to climate change and services that are our main strength.

In order to promote environmental management throughout the Group, management of environmental issues related to climate change, water, and waste in each of the five regions including Japan, Europe, the U.S., China, and Asia-Oceania is achieved through regional environmental meetings and product environmental meetings.

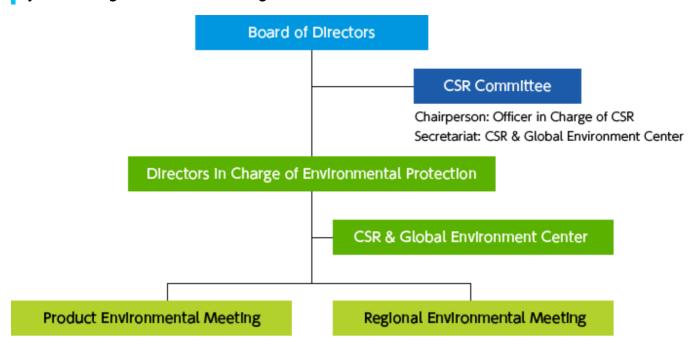
Regional environmental meetings are held at each region annual and attended by environmental managers from each base. Efforts aimed at environmental burden reduction and biodiversity preservation are implemented at production bases.

In addition, regional environmental meetings are held every year and attended by promotional managers of each region in developing products with reduced environmental impact, such as air conditioners. Policies and implementation of development and promotion of environmentally conscious products are discussed, such as products that utilize refrigerants with lower global warming potential and energy efficient inverter technology.

Details discussed in regional environmental meetings and product environmental meetings are then deliberated by the CSR Committee, and reported to the Board of Directors after being proposed to the CEO.

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### System Driving Environmental Management



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### **Environmental Management**

### **ENVIRONMENTAL RISKS AND OPPORTUNITIES**

In 2018, we deduced environment-related risks and opportunities pertinent to our company, including climate-related risks. The process involved taking in feedback and opinion from experts within and outside of the company, based on prediction of the society in year 2050.

The deducted environment-related risks and opportunities are evaluated, organized, and analyzed from the two viewpoints of degree of impact on business and likelihood of occurrence. Based on this, environmental issues that our group company must pay attention to for year 2030 have been drawn.

Among environment-related risks and opportunities, Daikin takes measures in accordance with TCFD recommendations and discloses information in dealing with climate change because it considers this to be the issue with the greatest impact on its management.

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### Environment-related risks and opportunities and potential impact

Category		Impact on Daikin's business	Probability of occurrence	Potential financial impact
Climate related	d			
Risks		Stricter regulations on refrigerants  If regulations on refrigerants become too strict, there is a possibility that existing air conditioners no longer compliant with these regulations will become obsolete	High	Large
	Transition	Tight supply and demand for electricity  There is a possibility that the spread of air conditioners in emerging countries will increase electricity usage and make it difficult to increase sales of air conditioners due to electricity shortages	High	Large
	Physical	Damage to production bases  There is a possibility that flooding caused by typhoons could cause our plants to shut down or stop the supply of parts due to the shutdown of suppliers	Medium	Medium
Opportunities		Stricter regulations on refrigerants Companies without technologies compliant with regulations on refrigerants will be weeded out, resulting in increased sales of air conditioners using refrigerants with lower global warming potential, which is our strength	High	Large
	Transition	Stricter regulations on energy efficiency Companies without technologies compliant with stricter regulations on energy efficiency will be weeded out, resulting in increased sales of air conditioners with high energy efficiency, which is our strength	High	Large
		Stricter regulations on the use of fossil fuels Regulations on the use of fossil fuels continue to become stricter, and since gas-combustion heating will be subject to them, there will be an increase in sales on growing demand for heat-pump heating, which is our strength	High	Large

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Category	Impact on Daikin's business	Probability of occurrence	Potential financial impact
Environment-re	elated other than climate-related		
	Enhanced regulation on the use of plastics  Demand (regulation) created for reducing amount of plastics used as environmental pollution, including ocean pollution, worsens		Medium
	Depletion of raw material resources Resources for raw material deplete, affecting business operation	High	Large
Risks	Depletion of water resources Water resources deplete, affecting business operation	Medium	Medium
	Environmental pollution from production bases Chemical substance management at production bases not functioning, and harmful substances released causing regional environmental pollution	Medium	Small
	Conservation of ecosystem  Response demanded as a member of the society to address the losing balance of the ecosystem	Medium	Small
Opportunities	Increased awareness toward air quality As air pollution becomes more serious, the needs for quality air increases	High	Large

### Identification, evaluation and management process of environment-related risks and opportunities

We gather information on environment-related risks and opportunities, including those related to the climate, from business bases of each region around the world. Information gathered is then evaluated, organized and analyzed for their degree of impact on business and likelihood of occurrence, and used for identifying climate-related risks and opportunities of important relevant to our Group. The program policy and measure to address these risks and opportunities are then developed and deliberated by the CSR Committee, followed by proposal to the President and CEO and report to the Board of Directors.

Program policy and measures are reflected in the mid-term management plan, and carried out at each business division.

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### **ENVIRONMENTAL ACTION PLAN**

### **Environmental Action Plan 2020**

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 large amount of CO<sub>2</sub> 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<sub>2</sub>. Calculations show that in fiscal 2019 we achieved the reductions of 68 million tons-CO<sub>2</sub>.

In efforts to reduce environmental impact in production activities, we set a target of reducing greenhouse gas emissions in fiscal 2020 to 1.58 million tons-CO<sub>2</sub> (70% reduction over fiscal 2005). In fiscal 2019, we succeeded in lowering these emissions to 1.28 million tons-CO<sub>2</sub>.

### Environmental Action Plan 2020

Action targets	Fiscal 2020 target	Fiscal 2019 target	Fiscal 2019 results	Self- assessment				
1 Provide Environmentally Conscious Products and Services Worldwide								
Contribute to reducing GHG emissions by spreading the use of the following products  • Energy-efficient air conditioners such	Contribution to greenhouse gas emission reductions*1 60 million tons- CO <sub>2</sub>	57 million tons- CO <sub>2</sub>	68 million tons- CO <sub>2</sub>	***				
<ul> <li>as inverter products</li> <li>Air conditioners using refrigerants with lower global warming potential</li> <li>Heat-pump heaters and hot water heaters</li> <li>Environmental solutions business</li> </ul>	Increase in selling environmentally products*2		Sales volume of environmentally conscious products as percentage of residential air conditioners 97%	***				

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Action targets		Fiscal 2020 target	Fiscal 2019 target	Fiscal 2019 results	Self- assessment
2 Minimize	Environmental Impact in Produ	iction Activities			
Greenhouse Gas	Emission Reductions	70% reduction over fiscal 2005 (reduction to 1.58 million tons-CO <sub>2</sub> )	74% reduction	76% reduction (reduction to 1.28 million tons-CO <sub>2</sub> )	***
	Reduction of Energy-Induced CO <sub>2</sub> Emissions	Unit reduction in energy- induced CO <sub>2</sub> emissions of 5% against standard value*3	4% reduction	16% reduction	***
Emissions		Unit reduction in emissions of 5% against standard value*3	4% reduction	13% reduction	***
Water		Unit reduction in water intake of 5% against standard value*3	4% reduction	16% reduction	***
Chemicals		Unit reduction in chemical emissions of 5% against standard value*3	4% reduction	14% reduction	***
Green Procurement		Increase in green procurement rate*4		80%	***

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Action targets		Fiscal 2020 target	Fiscal 2019 target	Fiscal 2019 results	Self- assessment
3 Expand the Green	n Heart Circle of Love fo	or the Earth			
Carry out and expand	Encourage employees to take part in environmental activities inside and outside work	Certify all production bases as Green Heart Factories*5		39 bases certified (7 in Japan, 32 overseas)	**
environmental activities in collaboration with stakeholders	Promote environmental and social contribution activities	Carry out forest protection activities with NGOs and other groups Educate the younger generation about the environment		Reduce emissions by 7 million tons- CO <sub>2</sub> Provide learning materials to 1,800 students	***

- \*1 Difference between emissions from all Daikin environmentally conscious products and emissions from non-inverter products, air conditioners using conventional refrigerants, and gas-combustion 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 The procurement value of suppliers that met the evaluation criteria as a percentage of the company's total procurement value.
- \*5 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

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### **ENVIRONMENTAL MANAGEMENT SYSTEM**

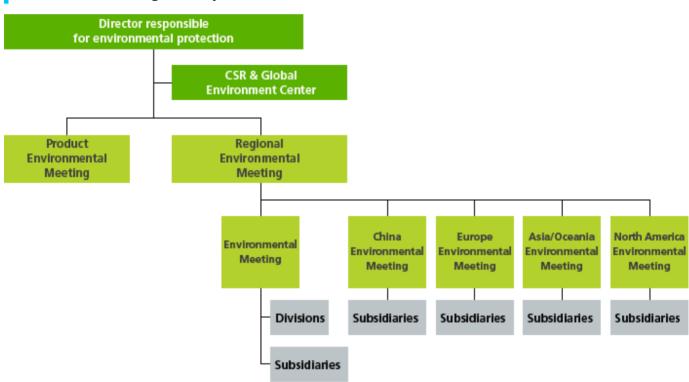
### **Basic Policy**

### **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 (FY2019)



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#### Related information

Daikin Bases Certified for ISO 14001 <sup>1</sup> (43KB/4P) (https://www.daikin.com/csr/environment/management/ems\_data.pdf)

# **Global Environmental Meetings**

#### Finalized Action Plan to Achieve Environmental Vision 2050

To ensure the continuous improvement of the entire Daikin Group's environmental management, environmental meetings are held once a year in four regions (Europe, the U.S., 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 May 2019, the 4th Global Environmental Meeting was held at Daikin Air-conditioning (Shanghai) Co., Ltd. and Daikin Air-conditioning (Suzhou) Co., Ltd. attended by 130 persons from 37 Daikin bases. In addition to sharing of ideas on how to address and accommodate climate change, the Environmental Vision 2050 formulated in fiscal 2018 was kicked off at the meeting. In aiming to achieve net zero greenhouse gas emissions by 2050 following principles of SBT\*, the target of reducing greenhouse gas emissions during development and production phases at production bases in 2030 by 30% compared to fiscal 2015 was agreed upon.

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

\* SBT stands for Science Based Targets.



Touring an upgraded plant at Daikin Air-conditioning (Shanghai) Co., Ltd.

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# **ENVIRONMENTAL AUDITS**

#### **Environmental Audits**

#### **Audit by Internal Auditors and Certification Bodies**

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

Three years have passed since the Daikin Group in Japan transitioned to ISO 14001:2015, and new initiatives have begun to take hold. As a result, the internal audit for fiscal 2019 focused on whether target setting and evaluations are being carried out appropriately. Two major nonconformities were revealed, but these have since been corrected after clarifying rules and visualization of the situation. Inspections conducted by certification bodies revealed no nonconformities.

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 (FY2019)

	Findings from internal environmental audits	Findings by certification bodies
Major nonconformance	2	0
Minor nonconformance	22	0
Improvement	126	7

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#### **Internal Auditor Training**

As of the end of fiscal 2019, 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 11 new auditors work as assistant auditors. Internal auditors also take annual training to improve their skills and ensure standards are being thoroughly met.

During training in fiscal 2019 group discussions were held on audit know-how. By having highly experienced and newly appointed auditors discuss know-how together, we are able to raise awareness and foster improvement.

Going forward, we will focus on enhancing the skills of young auditors with an eye toward the generation change taking place among auditors.

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# **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. Certification is conducted once every two years.

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 are being conducted organization-wide, including mechanisms for the participation of all employees, we established a four-stage certification ranking system consisting of platinum, gold, silver and bronze categories in order to evaluate the initiatives of each business site.

As of the end of fiscal 2019, 39 bases in Japan and overseas had been certified as gold (seven bases), silver (16 bases) and bronze (16 bases).

#### **Green Heart Offices**

#### "Green Heart Office" Initiative

Daikin began the "Green Heart Office" initiative in fiscal 2011 to promote environmental activities at non-production bases such as offices. In fiscal 2014 we created a three-stage ranking comprising gold, silver and bronze to evaluate the level of initiatives being undertaken by each base based on "reduce resource usage" and "awareness and contribution."

In fiscal 2019, six bases were Gold Class and three bases were Silver Class. We are working toward increasing the number of Gold Class bases through activities to improve the environmental consciousness of offices.

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# **ENVIRONMENTALLY CONSCIOUS DESIGN**

## **Environmentally Conscious Air Conditioners**

#### Commercialize Only Products that Meet 13 Assessment Criteria

Besides factors like performance and usability, Daikin 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

#### Related information

➤ Product Assessment Items (Page 114)

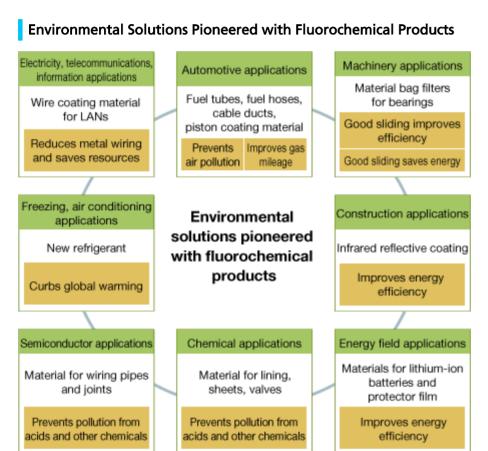
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# **Environmentally Conscious Fluorochemical Products**

#### 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.

The characteristics of fluorine are used for lithium-ion battery electrolytic solution and for electrode binding and packing because they contribute to higher lithium ion battery capacity.



#### Fluoride Materials Reduce Environmental Impact in Various Applications

With fluoride materials having superb heat and chemical resistance, we are conducting R&D into their use as material for fuel cells and for the oil and gas field. Fluoride materials are also contributing to reduced environmental impact through their use in lithium-ion batteries and in wind power systems. We will continue to expand their use in renewable energy, new energy, and energy-saving applications.

# **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	<ul> <li>Have weight and volume of packaging been reduced? Has packaging been simplified?</li> <li>Is used packaging material small and separable? Can it be easily collected and transported?</li> </ul>
03. Packaging	3-2	Make it possible to recycle more packaging	<ul> <li>Has the use of compound materials been reduced?</li> <li>Is it easy to separate each type of material in compound materials?</li> <li>Have common materials been used across products?</li> <li>Has packaging reuse been considered?</li> </ul>
	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?

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		Assessment item	Assessment standard
	5-1	Improve energy efficiency during use	Has the product been made more energy efficient during use?
05. Energy and resource	5-2	Reduce energy consumption in standby mode	Has the product been made more energy efficient in standby?
conservation in use	5-3	Include energy and resource saving functions	Are there energy and resource saving functions?
	5-4	Reduce amount of product consumables	Has the amount of consumables been reduced?
	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	<ul> <li>Does construction make it easy for users to remove and attach?</li> <li>Do parts need to be replaced less often than before?</li> <li>Has information provision improved regarding parts replacement on the main unit and the user manual?</li> </ul>
06. Product life extension	6-3	Possibility and greater ease of maintenance and repair	<ul> <li>Have parts requiring maintenance and repair been clearly indicated?</li> <li>Are parts common across products?</li> <li>Does construction allow for easy maintenance and repair?</li> </ul>
	6-4	Tell customers how to get longer use out of products	<ul> <li>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?</li> <li>Can Daikin provide repair companies with breakdown diagnosis and repair measures, as well as information related to safety and other matters?</li> </ul>

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		Assessment item	Assessment standard	
07. Ease of delivery/collecting/transporting	7-1	Improve handling and safety of products during delivery, collection, and transport	<ul> <li>Have items been loaded evenly and balanced, and can collection and transport take place safely?</li> <li>For heavy, bulky items, are handles and wheels properly positioned?</li> </ul>	
	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	<ul> <li>Does construction make it easy to disassemble products and remove parts by hand?</li> <li>Do products have a recycling logo that indicates greater ease of disassembly? Is information provided that makes disassembly easy?</li> </ul>	
	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	<ul> <li>Is shredding with a shredder easy?</li> <li>Can products and parts fit into a shredder?</li> <li>Has there been a check to ensure that there are no substances that may damage or dirty the equipment or the materials that will be reused?</li> </ul>	

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		Assessment item	Assessment standard	
	Use low global warming potential refrigerants		Do products use low global warming potential refrigerants, which contribute less to global warming?	
	11-2	Reduce PVC	Has the amount of PVC been reduced?	
11. Environmental conservation capabilities	11-3	Protect environment during recycling and disposal stages	<ul> <li>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.</li> <li>Are refrigerant recovery methods stated in the documentation?</li> <li>Can parts, including environmentally harmful substances, be removed using standard tools?</li> </ul>	
	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	<ul> <li>Do product catalogs and the website provide users with information on matters such as energy efficiency and resource efficiency functions?</li> <li>Is there documentation giving information on how to recycle and protect the environment, and information on safety during product disposal?</li> </ul>	
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 <sub>2</sub> emissions and global warming potential?	

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# **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 CO<sub>2</sub> emissions. It also includes criteria such as biodiversity and water resource protection.

#### Overview of Green Procurement Guidelines

#### 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. Adoption of chemSHERPA
  - 4. 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.
- Biodiversity
- Protecting water resources
- > Green Procurement Guidelines (Supply Chain Management) (Page 393)

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# **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 supplier procurement rate corresponds to suppliers inside and outside of Japan accounting for 80% of total procurement value. In fiscal 2019, the Group green procurement rate was 80%.

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. In fiscal 2019, briefings were held at 11 bases in China and the U.S.

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 by Region (%)\*

	FY2015	FY2016	FY2017	FY2018	FY2019
Japan	96	91	92	90	93
China	95	96	92	90	93
Thailand	95	95	97	97	97
Other countries in Asia and Oceania	65	58	84	80	74
Europe	93	93	95	95	97
North America	38	30	30	32	32
South America	-	97	94	100	100
All regions	65	74	76	80	80

<sup>\*</sup> Green procurement rate= Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured

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# **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<sup>\*1</sup> and the REACH Regulation<sup>\*2</sup> regarding chemicals contained in products. These are stated in our Green Procurement Guidelines, which we require our suppliers to abide by.

- \*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 198)
- > Green Procurement Guidelines (Supply Chain Management) (Page 393)

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# **ENVIRONMENTAL ACCOUNTING**

# **Environmental Accounting**

#### **FY2019 Environmental Accounting Figures**

Total environmental protection costs in FY2019 were ¥29.4 billion (investment in equipment: ¥5.2 billion; expenses: ¥24.2 billion), 117% 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 heaters and hot water heaters and water heaters, which result in CO<sub>2</sub> 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**

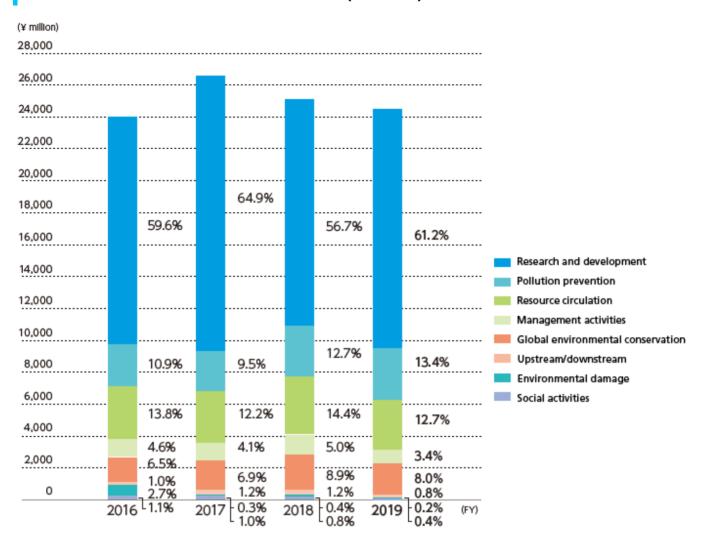
Please see the relevant page for details of each item.

#### **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.

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#### Breakdown of Environmental Conservation Costs (% of total)



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(¥ million)

					(¥ million)
	Cost of environmental conse	rvation			
		FY20	)18	FY20	)19
Category	Major activities	Amount of equipment invested	Expenses	Amount of equipment invested	Expenses
Cost in business area		2,366	6,673	2,995	7,024
1. Environmental impact reduction	Introduction, maintenance, and management of pollution prevention facilities/equipment, expenses for measurement/analysis of air pollution control, water pollution control, vibration, and noise.	764	2,422	1,509	2,434
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	1,492	748	1,300	1,051
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	109	3,504	186	3,539
Upstream/ downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	24	277	23	201
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	81	1,179	35	964
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	1,991	12,265	2,127	15,883
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	2	193	1	120
Environmental damage	Costs for purification of polluted groundwater and soil.	10	86	0	61
Total		4,474	20,673	5,181	24,253
Total of investmen	nt in facilities within the period		87,200		132,000
Total of investmer	nt in R&D activities within the period		65,200		68,000

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	Effects of environmental co	nservation		
	Effects		FY2018 figures	FY2019 figures
	1. Effects of the resources used for	Energy consumption	58,893 tons-CO <sub>2</sub>	18,218 tons-CO <sub>2</sub>
Effects corresponding	business activities	Reduction in water consumption	527,530m <sup>3</sup>	873,383m <sup>3</sup>
with costs within business area	Effects against environmental impacts     and waste resulting from business	Reduction in fluorocarbon emissions	79 tons	5 tons
	activities	Reduction in waste materials	-6,456 tons	6,065 tons
			390,000 units	410,000 units
Effects to upstream/ downstream costs	Effects associated with benefits and services that are calculated and based on business activities	Amount of fluorocarbons recovered	251 tons	275 tons
		Amount of packaging material recycled	85.0 tons	98.0 tons

(¥ million)

Economic benefits of environmental conservation efforts (monetary benefits)				
	Effects FY2018 FY201			
Profit	Profit from sale of recycled items, such as waste or used products, etc.	3,315	3,634	
Reduction in	Reduction in energy expenses resulting from energy conservation efforts	325	162	
expenses	Reduction in waste disposal expenses resulting from resource conservation or recycling resources	105	107	

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#### **Environment**

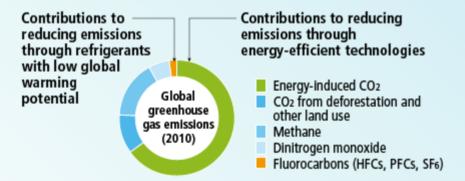
# **Response to Climate Change**



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 development, 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

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Developing and Promoting
Products and Services That
Reduce Environmental
Impact

(Page 128)

Increasing Air Conditioner
Efficiency

(Page 130)

Low Environmental Impact Refrigerants

(Page 138)

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

(Page 146)

Promoting the Use of HeatPump Type Space and Hot Water Heaters

(Page 149)

Energy-Efficiency through

Fluorochemical Products

and Oil Hydraulic Products

(Page 153)

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

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

Reducing Greenhouse
Gases during Development,
Production and
Transportation

(Page 156)

> Providing Solutions

(Page 161)

Recovery, Recycle, and
Destruction of
Fluorocarbons

(Page 170)

We strive to reduce emissions of greenhouse gases during the development, production and transportation stages.

We strive to make progress in energy management, demand response, and energy creation. We work to recover, recycle, and destroy refrigerants so as to reduce their environmental impact throughout the entire product life cycle.

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#### **Related information**

- > Environment (Page 89)
- > Environmentally Conscious Design (Page 112)
- Daikin's Policy on the Environmental Impact of the Refrigerant (https://www.daikin.com/csr/information/influence/)
- ➤ Daikin's position on the Kigali Agreement for HFC phase down (86KB) (https://www.daikin.com/csr/EN\_Kigali\_Agreement\_Daikin\_Stance\_FINAL.pdf)
- > Dialogue with Government and Industry Groups (Stakeholder Engagement) (Page 402)

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#### Response to Climate Change

# DEVELOPING AND PROMOTING PRODUCTS AND SERVICES THAT REDUCE ENVIRONMENTAL IMPACT

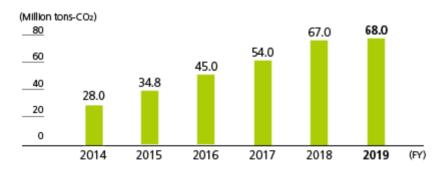
Daikin is working in numerous areas to reduce environmental impact, such as by improving the energy efficiency and environmental performance of products and by converting to refrigerants that are safer and that have a lower global warming potential.

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, we surpassed the goal by reducing greenhouse gas emissions by 67 million tons- $CO_2$  in fiscal 2018, and by 68 million tons- $CO_2$  in fiscal 2019.

#### 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 heating and hot water heaters
  - Value of fiscal 2014 is for emerging countries only
  - Reviewed by the third-party (under review)

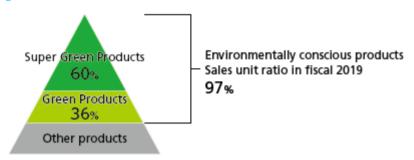
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# **Environmentally Conscious Product Sales Unit Ratio**

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

In fiscal 2019, environmentally conscious products accounted for 97% of residential air conditioner units sold.

#### Environmentally Conscious Products as Percentage of Units Sold (residential air conditioners)



(%)

		2016	2017	2018	2019
Environmentally Conscious Products		74	83	93	97
	Super Green Products	43	47	51	60
	Green Products	31	36	42	36
Other	Other products		17	7	3

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

#### Related information

- > Promoting the Use of Inverter Products (Page 146)
- Low Environmental Impact Refrigerants (Page 138)

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#### Response to Climate Change

# 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.

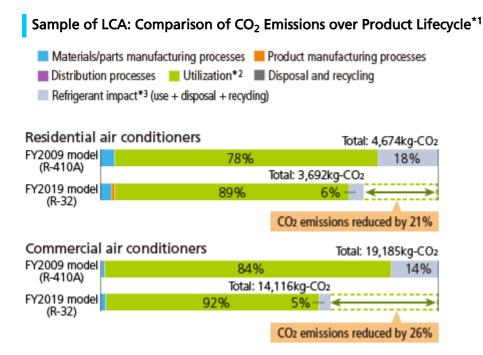
# Life Cycle Assessment

#### 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 R-32, a refrigerant with low global warming potential, to achieve greater energy efficiency. In fiscal 2019, we reduced CO<sub>2</sub> emissions from residential air conditioners by about 21% and from commercial air conditioners by about 26% compared to life cycle CO<sub>2</sub> emissions 10 years earlier.

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- \*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.

# **Improving Energy Efficiency of Air Conditioners**

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

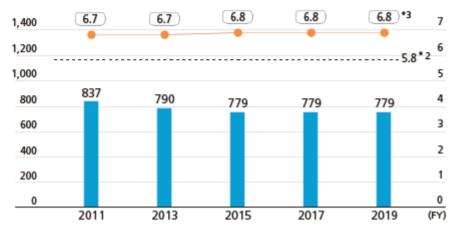
In the life cycle of an air conditioner, from design and manufacture to use and disposal, the majority of the CO<sub>2</sub> that is emitted occurs during product use. That is why when we revised our voluntary environmental standards, we tightened our criteria for energy efficiency in the product use 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.

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

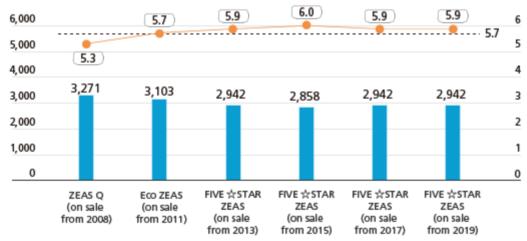
- Electricity consumption(kWh)
- Cooling and heating average (APF)
- --- Japanese Standards of the Law Concerning the Rational Use of Energy



- \*1 Calculated for Daikin 2.8-kW class air conditioners. Under JIS conditions.
- \*2 For products with prescribed measurements
- \*3 Measures were based on the JIS C 9612:2005 standard up to fiscal 2012; from fiscal 2013 they are based on JIS C 9612: 2013.

#### Electricity Consumption and Energy Consumption Efficiency (commercial air conditioners)\*

- Electricity consumption(kWh)
- Cooling and heating average (APF)
- --- Japanese Standards of the Law Concerning the Rational Use of Energy (APF2006)



\* Calculated for Daikin 14.0-kW class air conditioners. Under conditions of the Japan Refrigeration and Air Conditioning Industry Association, and the Japanese Industrial Standards (JIS).

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# **Developing Energy-Efficient Products**

#### Released New Product with Greater Energy Efficiency Performance in the SkyAir Series

In April 2020, we released an 8hp/10hp class EcoZEAS air conditioner with greater energy efficiency performance under the SkyAir series of air conditioners for shops and small offices.

The model uses R-32 refrigerant with low global warming potential and also reduces the amount of refrigerant it uses. In addition, it features a high efficiency swing inverter compressor that reduces energy consumption during operation, improving APF by 17% compared to existing models.

Additionally, the BS unit for VRV models for North America switches from a parallel type to a direct type. This helps to reduce CO<sub>2</sub> emissions across the entire life cycle of air conditioning system, rather than just the individual unit.

# Released Multi-Split Type Air Conditioner for Commercial Buildings with Industry-leading Energy Efficiency Performance

The new VRV6, a multi-split type air conditioner for commercial building released in July 2018, uses a complete micro channel heat exchanger to achieve industry-leading energy efficiency performance\*.

In August 2018, we released the GREEN Multi-Split which is the first air conditioner for commercial buildings in the industry to adopt R-32 refrigerant with a low global warming potential. The global warming potential (GWP) of R-32 is lower than the conventional R-410A, which offers excellent energy efficiency and reduced refrigerant quantity. This product's GWP multiplied by refrigerant quantity is around 79% lower than the average for equipment using R-410A from 2011 to 2013. This amount achieves the Kigali Amendment target for 2029.

# Retrofit System Maintenance Service Makes Existing VRV Multi-Split Type Air Conditioners for Commercial Buildings More Energy Efficient

Improving the energy efficiency of existing VRV multi-split type air conditioners for commercial buildings is an important part of reducing energy consumption. That's why we introduced Daikin's Retrofit System, a new maintenance service that boosts the energy efficiency of currently installed equipment. Using technology for replacing parts in the control panel, the air conditioner's brain, and the compressor, the machine's heart, the Retrofit System reduces power consumption by 15% a year. The Retrofit System also contributes to saving limited resources such as steel, copper, and resin, because the replacement parts used with the system weigh less than one-third those normally used in upgrading VRV multi-split type air conditioners for commercial buildings.

These benefits earned the Retrofit System the Minister's Prize, the Ministry of Economy, Trade and Industry in the product and business model category of the 2016 Energy Conservation Grand Prize.

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<sup>\*</sup> Daikin research as of July 2018.

#### **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).

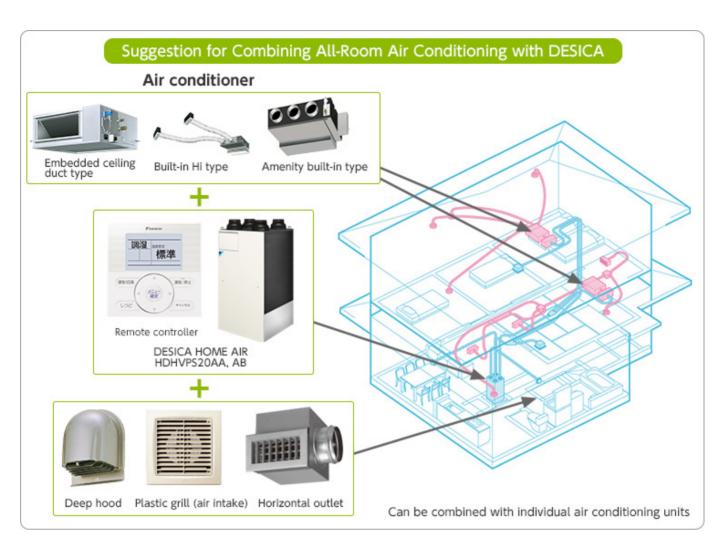
For this, In June 2011 Daikin received the Invention Award from the Minister of Economy, Trade and Industry at the National Commendation for Invention, sponsored by the Japan Institute of Invention and Innovation.

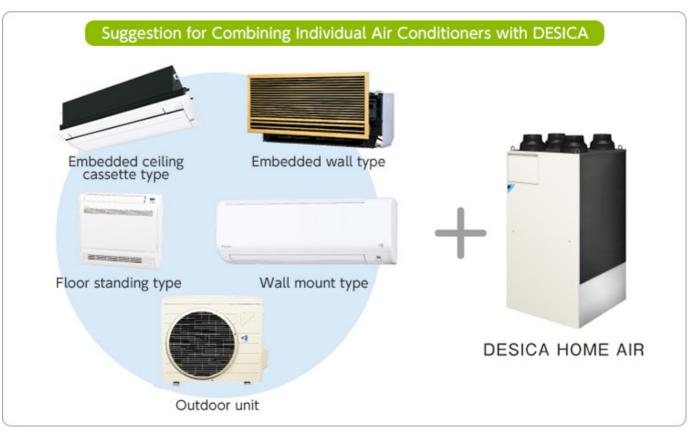
In autumn 2012, Daikin Industries, Ltd. released the DESICA HOME AIR for detached homes, which controls humidity and ventilation throughout the entire house. Just one unit offers round-the-clock, year-round comfort control for all rooms in homes with floor space of between 120 m2 and 200 m2. Like the 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.

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#### Related information

> DESICA HOME AIR (available in Japanese only) □

(https://www.daikinaircon.com/catalog/kanki/desica\_home/)

# Daikin World's First to Launch R-32 Refrigerant Model of HEXAGON Force Air-Cooled Heat-Pump Modular Chiller

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.

In fiscal 2018, Daikin became the world's first company to launch models using the R-32 refrigerant. This has reduced the environmental impact of the refrigerant.



**HEXAGON Force** 

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# Urusara XA Series and DX Series Energy Efficient Residential Air Conditioners Honored with Energy Conservation Grand Prize

The Urusara XA Series and DX Series of energy efficient residential air conditioners released in November 2019 were awarded the Chairman Prize of Energy Conservation Center, Japan, in the Products and Business Model Category of the fiscal 2019 Energy Conservation Grand Prize.

In the recently increasing number of energy efficient homes with large amounts of insulation, a reduced burden is placed on air conditioners because of these homes are less susceptible to the effects of outside air temperature, which makes the compressors operate at low speeds for longer hours. The air conditioners that were awarded on this occasion feature a proprietary compressor that is highly efficient even at low speed operation. They reduce primary energy consumption by as much as 13%. Energy efficient homes have faced the challenge of being too cold during the summer because of excessive air conditioning and the feeling of cold air being released during heating in the winter. These issues have been resolved with evolved dehumidification and air flow control functions.



Urusara X

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# 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.

Daikin is accelerating the practical use of next-generation refrigerants that have less of an impact on global warming than conventional refrigerants. In the selection of refrigerants, we focus not only on their direct effect on global warming but also on their effects throughout the life cycle, 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)



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#### 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.

#### Daikin's Refrigerant Direction



Note: Other refrigerants not listed above are also applied in products outside of Daikin's portfolio

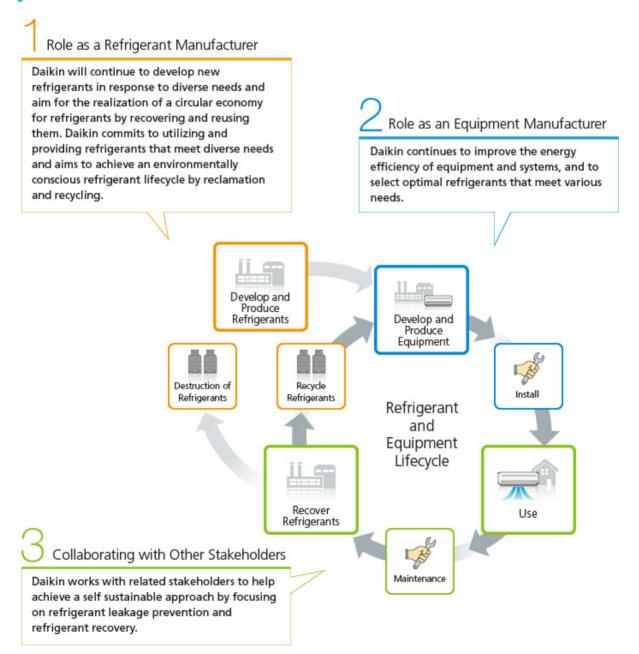
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## **Protecting the Ozone Layer**

#### 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.

#### Daikin's Action on Refrigerant and Goals



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#### Kigali Amendment

In October 2016, at the 28th Meeting of the Parties to the Montreal Protocol, members voted to phase down the CO<sub>2</sub> 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. There is also a regulation on the CO<sub>2</sub> equivalent total of production and consumption of HFCs. 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 came 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 reduced in terms of total GWP of CO<sub>2</sub> equivalent (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, developed countries are implementing reductions based on the common phase-down schedule starting in 2019. The Amendment divides developing countries into three groups, which plan to implement reductions individually.

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.

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

- 1. Daikin welcomes the Kigali Agreement for an HFC phase down in CO<sub>2</sub> 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 air conditioners, packaged air conditioners and heat pumps. 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 evaluating and identifying suitable refrigerants 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.

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#### Related information

➤ Key Activities of Fiscal 2015: Environment—Creating a New Market that Contributes to the Mitigation of Global Warming (2.0MB)

(https://www.daikin.com/csr/feature-past/feature2015-environment.pdf)

# 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 residential hot water heaters as well.

To encourage the adoption of R-32 globally, in September 2011 Daikin began offering companies in emerging countries 93 patents related to the manufacture and sales of air conditioners that use R-32 free of charge. In September 2015, these patents were offered to companies worldwide, including developed countries. In 2019, we pledged to offer free access to around 180 patents related to the manufacture and sales of air conditioners that use R-32, which have been applied for since 2011. This pledge is now helping reduce the impacts of global warming by making the broader use of R-32 possible.

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 and Brazil, 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.

As a result, Daikin has sold more than 25 million R-32 air conditioners in over 100 countries. It is estimated that, including the products of other companies, the worldwide R-32 air conditioner market exceeds 117 million units. (As of June 2020)

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Over 25 million air conditioners sold in more than 100 countries worldwide (Approx. 11 million in Japan and 14 million overseas)





# Patent Non-Assertion Pledge for Equipment Using Low Global Warming Potential Refrigerant R-32

Daikin has made 93 applied patents for R-32 air conditioners related to the manufacture and sale available to the world because it believes low global warming potential R-32 is the optimal refrigerant for today's residential and commercial air conditioners. In July 2019, we pledged to offer free access to around 180 patents in order to further promote the spread of R-32.

Furthermore, in December 2019 we participated in WIPO GREEN\* and registered these patents in WIPO GREEN's database in March 2020. By promoting the quick spread of R-32 through our participation in this mechanism that encourages technology sharing and mutual utilization by introducing sustainable technologies broadly to the world, we will help to mitigate environmental impact of refrigerants around the world.

\* One organization of the UN's World Intellectual Property Organization (WIPO) with the mission to speed up the adoption of solutions for environmental issues.

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#### System for Recovery, Recycling and Destruction of Refrigerants

As a responsible manufacturer of air conditioners and refrigerants, Daikin engages in activities to prevent the discharge of refrigerants into the atmosphere during the product lifecycle.

For example, in Europe, where people are advocating for a circular economy, there is growing demand for the recovery and recycling of refrigerants from used air conditioners, from the standpoint of the importance of resource recycling and stable supply of refrigerants. Daikin has established a system for recovering, recycling and reusing refrigerants from used air conditioners in the European market.

Daikin has established three routes: simple recycling that removes impurities such as oil and water based on the quality condition of the recovered refrigerant, full-scale reclaiming that breaks the refrigerant down by component and then readjusts components at a plant to reclaim the quality as good as that of virgin refrigerant, and destruction for refrigerant that cannot be recycled. In the process of establishing these routes, Daikin Europe N.V. has released simple recycling equipment under the Daikin brand. Daikin Refrigerants Europe GmbH owns a destruction plant in Germany and began operating a reclamation plant there, too. By utilizing this scheme, in fiscal 2019, Daikin Europe N.V. commenced sales of VRV L∞P by Daikin air conditioners that use reclaimed refrigerant.



Refrigerant reclamation facility in Germany



Enclosing reclaimed refrigerant at the Ostend Plant in Germany

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#### Development and Verification of New Technology Promoting the Spread of CO<sub>2</sub> Conveni-Pack

Daikin began selling Conveni-Pack in 2007. This system combines air conditioning and refrigerating functions into one system aimed at convenience stores and supermarkets. Conveni-Pack is a system that uses Daikin's proprietary inverter and refrigerant control technologies to recover waste heat from refrigeration display cabinets for use in heating. Compared to conventional methods using separate air conditioning and refrigerating functions, Conveni-Pack is able to reduce annual electricity consumption by around 50% under the climate conditions of Europe.

CO<sub>2</sub> Conveni-Pack uses CO<sub>2</sub> refrigerant with a global warming potential of 1 in place of the conventional R-410A refrigerant. In January 2020, Daikin began demonstration testing of CO<sub>2</sub> Conveni-Pack using a subsidy\* from the EU. The testing will cover a three-year plan and involve verifying the safety and efficiency of the system after steadily rolling it out at retail shops in Belgium, Germany and Spain.

\* Projects approved for the LIFE Programme implemented by the EU for the environment and climate action receive a subsidy to defray 55% of the their costs.

#### Related information

- > Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32 <sup>♠</sup> (236KB) (https://www.daikin.com/csr/pdf/press\_20190701.pdf)
- ➤ Key Activities of Fiscal 2015: Entonment—Creating a New Market that Contributes to the Mitigation of Global Warming (2.0MB)

  (https://www.daikin.com/csr/feature-past/feature2015-environment.pdf)
- > Key Activities of Fiscal 2019: Environment—Commencing Recovery, Recycling and Sales Services of Refrigerant that Contributes to Resource-Recycling (Page 492)
- Dialogue with Governments and Industry Groups (Page 402)

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#### Response to Climate Change

#### PROMOTING THE USE OF INVERTER PRODUCTS

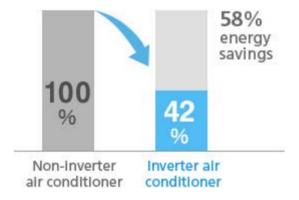
To reduce global warming worldwide, it is crucial to spread the use of highly energy efficient products, such as those using inverters, to all countries. Daikin is developing affordable air conditioners for Southeast Asian countries, where market penetration is still low. We are also working to support 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%

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, in addition to having 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/corporate/why\_daikin/benefits/inverter/)

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#### **Promoting the Use of Inverter Products**

#### Spreading the Use of Inverter Products Worldwide

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

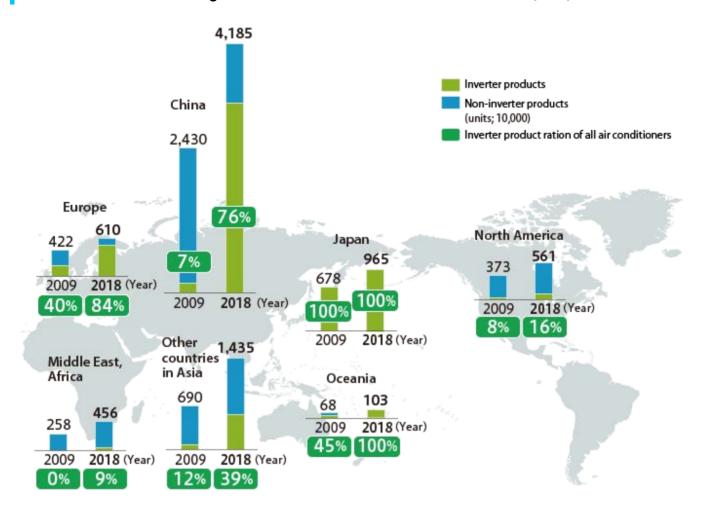
Because inverter products are more expensive than non-inverter products, they have been slow to achieve market penetration in Southeast Asia. However, in fiscal 2014, we developed an inverter air conditioner at an affordable price especially for the Asian air conditioner market. Such products are achieving 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 Coefficient of Performance (COP), 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 Annual Performance Factor (APF), 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 introduce indicators and standards as well as create energy labelling systems as part of support for creating evaluation standards.

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#### Inverter Products as Percentage of All Residential Air Conditioners Worldwide (2018)



Note: Residential air conditioners: Ductless air conditioners other than window and portable type products. Only in North America does the category include ducted 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 2018: Environment—Promoting the Spread of Energy Efficient Technology through Dialogue and Collaboration with Governments and International Agencies (https://www.daikin.com/csr/feature2018/01.html)
- ➤ Key Activities of Fiscal 2015: Environment—Creating a New Market that Contributes to the Mitigation of Global Warming (2.0MB)

  (https://www.daikin.com/csr/feature-past/feature2015-environment.pdf)
- Dialogue with Government and Industry Groups (Page 402)

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#### Response to Climate Change

# 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 CO<sub>2</sub>.

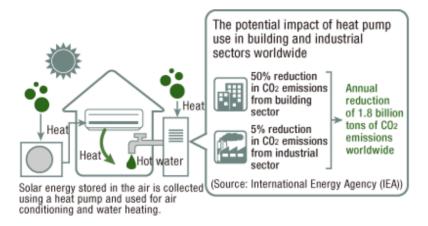
Daikin is engaged in the development and promotion of hot water heaters and space heaters using highly energy-efficient heat pump technology while striving o increase comfort and reduce CO<sub>2</sub> emissions.

#### **Heat-Pump Technology**

#### Less than 1/2 of the CO<sub>2</sub> Emissions Compared to Burning Fossil Fuels

In the heat-pump method used in air conditioners and other products, thermal energy stored in the air or water is extracted and transferred to perform cooling and heating. Compared to carrying out space and water heating using methods in which fossil fuels such as gas, oil, and coal are directly burned, heat-pump systems emit less than half of the CO<sub>2</sub>.

#### Heat-Pump: Mechanism and Effect



#### Related information

> Heat Pumps 🖵 (https://www.daikin.com/corporate/why\_daikin/benefits/heatpump/)

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

## Bringing More $CO_2$ -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 developing and selling heat-pump-type Daikin Altherma space and hot water heaters in Europe. We have since been expanding the product lineup and we captured the top market share in 2019.

In addition, we are developing hybrid products combining heat pumps and boilers for extremely cold regions in an effort to increase comfort and reduce CO<sub>2</sub> emissions.

In addition to these, in fiscal 2014 we began focusing on the development of highly energy-efficient gas-combustion 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 hybrid models, which automatically change between heat pump or gas combustion, whichever is more efficient, and switching models with a small environmental impact to energy-efficient gas-combustion type.

In April 2018, we became the first company in the world to release models using R-32, a refrigerant with low global warming impact. We are also developing a small-capacity hybrid 4 kW space heater and heat-pump hot water heaters and space heaters that utilize geothermal energy intended for use by major home builders, local municipalities, public power companies and other entities.

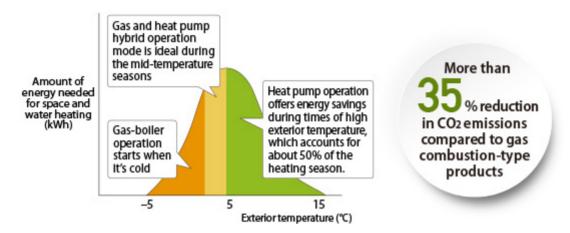
Also, we are rolling out a number of products based on the varied climate conditions and market needs of Europe. This includes development of a R-32 high temperature discharge type that can replace oil-fired boilers in existing building markets and a R-32 geothermal heat source type suited to cold regions.

Our Asahikawa Laboratory in Asahikawa, Hokkaido has led efforts to develop new heating and hotwater 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 CO<sub>2</sub> emissions.

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#### Daikin Altherma Hybrid Heat Pump

In Europe, we sell the Hybrid Altherma, 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 CO<sub>2</sub> 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 fiscal 2018, we released a residential hot water heater that can communicate with a home energy management system (HEMS), which allows users to save energy in the home. This hot water heater promotes the use of renewable energy and promotes the use of excess electricity that is generated from solar power in newly built zero-energy homes (ZEHs).

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.



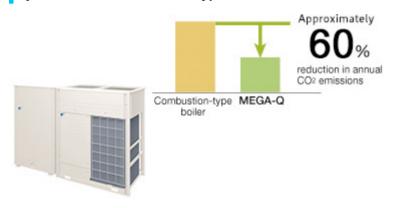
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## Promoting Highly Energy-efficient Products Including the MEGA-Q Large-Scale Heat-Pump Hot Water System in the Japanese Commercial Market

In Japan, we are marketing 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 gas-combustion hot water heaters, this new model releases about 60% fewer CO<sub>2</sub> emissions and reduces running cost by about 60%. Facilities like hospitals and golf courses require changing volumes of hot water daily, and Daikin meets this challenge with a hybrid hot water supply system that 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 $CO_2$ Emissions: MEGA-Q Large-Scale Commercial Heat-Pump Water Heating System versus Combustion-Type Boiler



#### **Related information**

- Xey Activities of Fiscal 2017: Customer Satisfaction—Create a Mechanism That Brings Peace of Mind by Promoting Adoption of Low-Environmental- Impact Heat-Pump Heating (https://www.daikin.com/csr/feature2017/03.html)
- ➤ Commercial heat-pump hot water heaters (available in Japanese only) 

  (https://ec.daikinaircon.com/ecatalog/DKCB028/)
- ▶ Danzen Heat heat-pump heaters (available in Japanese only) ☐ (https://ec.daikinaircon.com/ecatalog/DKCB032/)

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#### Response to Climate Change

# ENERGY-EFFICIENCY THROUGH FLUOROCHEMICAL PRODUCTS AND OIL HYDRAULIC PRODUCTS

#### **Fluorochemical Products**

#### Fluorine Characteristics Help Miniaturize the Size of Film Capacitors

We also conduct research and development into use of the high-dielectric properties of fluoropolymers that help miniaturize the film capacitors used in power conditioners and other such equipment.

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

Daikin develops and sells 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 being adopted mainly in European markets.

#### Related information

> NEOFLON ETFE EP-Series □

(https://www.daikinchemicals.com/solutions/products/fluoropolymers/neoflon-etfe.html)

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#### Oil Hydraulic Equipment

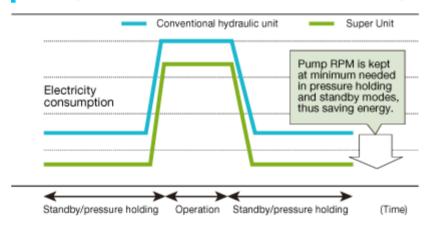
#### Energy-Efficient Hybrid Hydraulic Super Unit Energy Savings and Lower CO<sub>2</sub> Emissions in Factories

Daikin also continuously pursues greater energy efficiency for 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 CO<sub>2</sub> emissions. We introduced new models and expanded the lineup in 2014. 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.

In 2018, we released a new EcoRich series, developed without a transformer, with 400 V specifications. It can be connected directly to power sources in Europe and China and does not require the installation of a transformer.

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#### 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  $\pm 0.1^{\circ}$ C. In addition, with inverter control and the most advanced compressor, it offers 45% greater energy efficiency than conventional on/off controllers.

In fiscal 2018, we released some of the models in the oil cooling unit lineup in a water-cooling type. In general air-cooling-type Oil Cooling Units, waste heat from the unit creates heat inside a factory, but with cooling water, wastewater is discharged to outside the factory. In fiscal 2019, we expanded our lineup of water-cooling type products and added immersion-type products for cooling small- and medium-sized coolants to our lineup.



Immersion type products 9 Series Oil Cooling Unit

#### **Related information**

- > SUPER UNIT ☐ (https://www.daikinpmc.com/en/special/sut/)
- **ECORICH** □ (https://www.daikinpmc.com/en/special/ecorich/)
- > Oil Cooling Unit ☐ (https://www.daikinpmc.com/en/special/oilcon/)

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#### Response to Climate Change

# REDUCING GREENHOUSE GASES DURING DEVELOPMENT, PRODUCTION AND TRANSPORTATION

# Reducing Greenhouse Gas Emissions During Development and Production

#### **Target Reached: 76% Reduction Compared to Fiscal 2005**

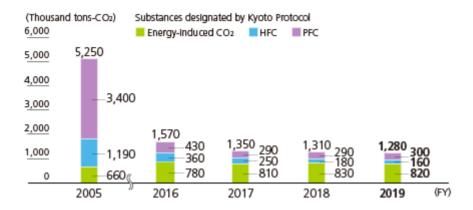
We have set a goal to reduce greenhouse gas emissions during the product development and production processes in fiscal 2020 by 70% compared to fiscal 2005, with the ultimate aim of reducing CO<sub>2</sub> emissions in fiscal 2025 by 75% in comparison to fiscal 2005.

Daikin emits two kinds of greenhouse gases during development and production processes:  $CO_2$  from energy use, and fluorocarbons. In addition to  $CO_2$ , we have established targets and worked to reduce emissions of fluorocarbons: HFCs and PFCs, which are regulated under the Kyoto Protocol. Starting in fiscal 2016, we revised the calculation method, which includes companies that joined the Daikin Group after 2010.

We have continued striving to control emissions in fiscal 2019. To control  $CO_2$  emissions, electricity used at Daikin Device Czech Republic s.r.o. has been completely switched over to green electricity, and a 1 MW scale solar power generating system has been newly added at Daikin Malaysia Sdn. Bhd. Moreover, while production volume in fiscal 2019 was almost flat compared to the previous year, energy-induced  $CO_2$  emissions was reduced by 1% compared to the year before. As a result of these efforts, greenhouse gas emissions in fiscal 2019 totaled 1.28 million tons- $CO_2$  (down 76% over fiscal 2005), attaining the target level for the fiscal 2025 goal.

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#### Greenhouse Gas Emissions (during development and production)



The results for the fiscal 2015 and prior for the old scope of calculations and the calculation method are here (78KB). (https://www.daikin.com/csr/nav/data/data\_before2015.pdf)

#### Related information

> Method of Calculating Greenhouse Gas Emissions Data (Page 518)

#### 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).

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#### Reducing Energy-Induced CO<sub>2</sub> in Development and Production

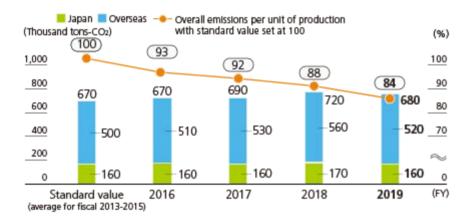
#### CO<sub>2</sub> Emissions per Production Unit Dropped by 16% Against Standard Value

The Daikin Group as a whole is taking a systematic approach to reduce energy-induced CO<sub>2</sub> by improving energy efficiency during development and production processes.

In fiscal 2019, CO<sub>2</sub> emissions per production unit dropped 16% against the standard value. In fiscal 2018, a system was introduced that will allow the entire Group to share emission improvement case studies at worldwide bases. Also, we have continued to visualize energy usage at each location, minimize use, and improve low pressured compressed air in fiscal 2019.

In addition, we also received certification for the ISO 50001 international standard for energy management at Daikin Europe N.V. and Daikin Industries Czech Republic s.r.o.

#### Total Energy-Induced CO<sub>2</sub> Emissions, CO<sub>2</sub> Emissions per Unit of Production



The results for the fiscal 2015 and prior for the old scope of calculations and the calculation method are here (78KB). (https://www.daikin.com/csr/nav/data/data\_before2015.pdf)



#### CO<sub>2</sub> 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.

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

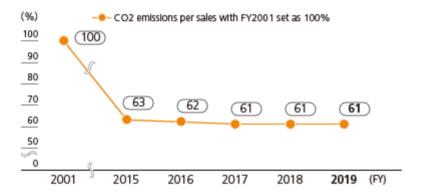
#### CO<sub>2</sub> Emissions per Sales Reduced by 2.4% Over Fiscal 2015

Daikin Industries, Ltd. set a goal of decreasing  $CO_2$  emissions (per sales) from transportation by 5% by fiscal 2020 compared to fiscal 2015 by switching from trucks to trains and ferries. We also increased the use of direct shipping from overseas production sites to places of consumption in Japan to ensure the shortest possible transportation route.

In fiscal 2019, as the shortage of drivers became increasingly serious, we continued the effort from last year to reorganize the flow of distribution to make the most efficient use possible of transport vehicles. The delivery of widespread school air conditioners was streamlined by using larger transportation vehicles running on trunk lines by setting up distribution bases near places of consumption.

The modal shift conversion rate in fiscal 2019 was 19%.

#### CO<sub>2</sub> Emissions per Sales from Transportation (Air Conditioning Divisions)



#### Reducing Other Environmental Impact during Transportation

- We solved the driver shortage by reducing the truck waiting times and loading times and thus the amount of work hours.
- At production bases in Japan, we are promoting the engine replacement of forklifts with electric models.
- We practice start-stop for all vehicles on the premises including vehicles of our transport partners.
- We are engaged in reducing CO<sub>2</sub> emissions through improved transportation efficiency and decreased packaging volume, and reducing electricity consumption through shorter working hours.
- We are working with overseas development bases on promoting material-saving packaging designs in reducing packaging volume.
- We revised the warehouse layout both in Japan and overseas to boost work efficiency
- We have introduced an IT system that visualizes the shipment status of imported items. Delivery
  drivers in Japan using smartphones to directly confirm their estimated arrival time reduced the
  number of steps in communication between multiple departments previously required for inquiries
  or contacts.

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#### **Using Renewable Energy**

#### Using More Solar, Wind, and Hydro Power

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

An example is in Europe, where governments using EU directives on renewable energy like solar, wind, and hydro powers, are aiming to have renewable energy account for 20% of the energy mix by 2020. Daikin Europe N.V. has since fiscal 2007 been using 100% hydro powered green electricity to power its factory and office. We have also purchased green energy at one base in the U.K. and one in the Czech Republic.

In fiscal 2015, we installed tracking solar panels at the Technology and Innovation Center (TIC), Daikin's R&D base, which helped the solar power system generate 330,000 kWh a year. This is equivalent to  $CO_2$  emission reductions of approximately 127 tons- $CO_2$ .

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. In fiscal 2019, a 0.9 MW solar power generating system was installed in Thailand, and a 1 MW unit was installed in Malaysia.



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

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#### **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 R&D base, the 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, and controlling LED lighting.

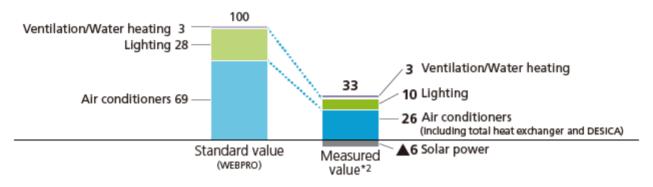
In addition, in October 2017 we registered as a ZEB planner in order to accelerate our ZEB planning business.

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We are leveraging 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. In particular, we are focusing on making proposals to local governments and commercial users who are interested in ZEB, as well as collaborate on projects with general contractors advanced in making ZEBs.

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

#### Energy Performance Assessment of the Fukuoka Building (Primary Energy Consumption\*1)



<sup>\*1</sup> ZEB assessments do not include electricity consumed via wall sockets.

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<sup>\*2</sup> Includes operation time correction (actual operation from June 2017 to May 2018).



#### Daikin Industries, Ltd. Esaka Building Achieves ZEB Ready Distinction

In March 2020, Daikin Industries, Ltd. Esaka Building achieved the ZEB Ready distinction. Similar to the Fukuoka Building which received an Energy Conservation Grand Prize in fiscal 2018, this building was selected for this distinction because of its high efficiency air conditioning and ventilation systems, selection of air conditioning volume based on analysis of data from existing air conditioner, and renovations that mainly including LED light controls. The building is not only energy efficient, but also conscious of the health of people working there. It received the A class rank under the CASBEE for Wellness Office, a domestic certification system that began in fiscal 2019.

We will now externally appeal this track record of certification under both ZEB and CASBEE, which are used frequently by renovated small- and medium-sized buildings in the market. We are also working with a university professor on the joint examination of ZEB trial buildings designed by Daikin Industries, Ltd. Daikin will utilize this know-how to contribute to the spread of ZEB inside and outside of Japan.



CASBEE for Wellness Office assessment and certification sheet



BELS certification plate



Daikin Industries, Ltd. Esaka Building

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## Task and Ambient Air Conditioning System Adopted by a Rinkai Factory Reduces Electricity Consumption by 74.9%

The Sakai Plant's Rinkai No. 1 Factory, which commenced operations in June 2018, is working to balance comfort and energy efficiency in order to resolve issues concerning air conditioning system for the factory's large space. The factory has been able to reduce electricity consumption during the first year after it began operating by 74.9% compared to the use of a factory-wide air conditioning system.

Conventionally, the air conditioning systems used for large spaces at plants were ambient (zone) air conditioning and task (spot at workers) air conditioning. However, these systems of air conditioning have advantages and disadvantages in terms of comfort and energy efficiency, making them the common trouble of people working at plants. Therefore, at Rinkai No. 1 Factory, we introduced a task and ambient system that incorporates the optimum air conditioning system for each line. This system also utilizes outdoor air treatment units. Analysis of data from air conditioning monitor system D-BIPS is used to speed up energy efficiency improvements and for the optimum controls. These initiatives earned the factory the Chairman Prize of Energy Conservation Center, Japan, at the fiscal 2019 Energy Conservation Grand Prize.

Using the knowledge gained from Rinkai No. 1 Factory, we will now roll out energy conservation improvements for large spaces at other plants and factories in the future.



# For Realizing Spread of ZEBs through Upgrading of Medium-sized Office Buildings, Daikin Recognized with Director-General Prize of Agency for Natural Resources and Energy, Fiscal 2018 Energy Conservation Grand Prize

With its Fukuoka Building, Daikin strove to realize the spread of ZEBs through the upgrading of medium-sized office buildings. For its success on this front, Daikin was recognized with the Director-General Prize of Agency for Natural Resources and Energy, fiscal 2018 Energy Conservation Grand Prize. The Daikin Fukuoka Building achieved an energy consumption reduction of 67% a year over the standard value.\* Thanks to this success, we were able to show a wide audience that it is possible to upgrade existing medium-sized buildings, which have high potential to offer energy efficiency, to ZEBs by incorporating a Daikin proprietary system that is highly versatile and easy to disseminate.

\* Standard value: The energy consumption value of a general building of the same size (a reference building).

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#### **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 Comprehensive Assessment System for Built Environment Efficiency (CASBEE), 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 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.

In fiscal 2019, McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd. received the Green Building and Energy Efficiency Product Certification from the China Association for Engineering Construction Standardization.

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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.



Green Building and Energy Efficiency Product Certification for McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.



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

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#### **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 550 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\*1, in which the electricity usage at multiple residences is aggregated, operation is automatically adjusted based on the demand situation, and excess electricity is generated.

In fiscal 2019, we participated as a member of a consortium formed by Manchester City in the decarbonization verification project for home heating administered by the U.K. Department for Business, Energy and Industrial Strategy. This project, which was adopted for funding, will involve connecting a Daikin Altherma heat-pump heater and hot water heater installed as part of a NEDO verification project to the latest cloud system to conduct coordinated controls by consortium members beginning in September 2020.

We are also participating in a verification project of automated demand response technology in Lisbon, Portugal that makes use of the control technology for multi-split type air conditioners for commercial buildings and the technology for cold energy/heat storage, as well as remote communication functions. The air conditioning automated demand response technology that we were working on since November 2016 together with the New Energy and Industrial Technology Development Organization (NEDO) was completed in July 2018 and trial operation has begun. VRV multi-split air conditioners equipped with these technologies and capable of controlling the upper limit of power consumption were installed in several buildings including the city hall. They achieve optimal control of the balance between renewable energy and the amount of electricity purchased by using data such as energy usage, weather, and communication with an aggregator.

In March 2019 in Brussels, Belgium, we held a workshop at which was discussed the European market environment, limiting conditions, and the potential for dissemination of virtual power plants (VPP\*2), which include demand response. Taking part were the Electric Power Research Institute (EPRI) from the U.S., Belgian research institute EnergyVille, and related participating groups.

- \*1 Automated demand response technology: Daikin's technology which automatically adjusts power consumption of airconditioning systems
- \*2 Virtual power plant (VPP): By carrying out remote control and integrated control of energy sources distributed in different locations (power generation facilities, power storage facilities, demand facilities, etc.), they all function as if they were a single power plant.

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#### **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 after the project was adopted in 2013 for demonstration testing under the Low Carbon Technology, Research, Development and Demonstration Program that is run by 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, there are limited locations where micro-hydroelectric power can be used because 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. Daikin has developed a compact and low cost micro-hydroelectric power generation system that packages a water wheel, generator, and controller.

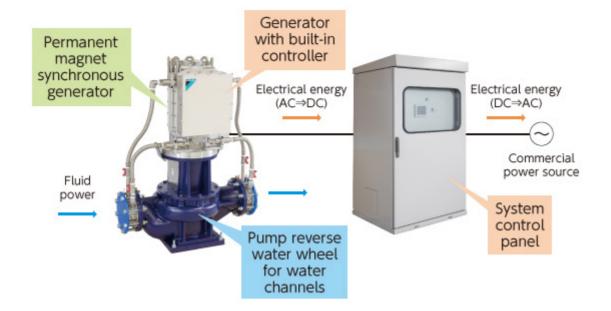
In fiscal 2014 and 2015, we conducted demonstration testing in Nanto City, Toyama Prefecture, and Soma City, Fukushima Prefecture, which resulted in us achieving practical product application. In May 2016, we began a joint effort with Kobe City to evaluate long-term performance and operational costs, which resulted in product commercialization.

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 we developed a 5.5-kW system 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 CO<sub>2</sub> emissions.

Daikin Industries, Ltd. established DK-Power, Ltd. in June 2017. Since then, the company has engaged in the power generation business using small-capacity micro-hydroelectric power generation systems. As of March 31, 2020, the company has installed these systems at 16 locations across Japan with total annual power generation of 1,972 MWh (approx. 2,000 MWh) in fiscal 2019, which is enough to power 660 homes\*.

The company aims to install these systems at a total of 30 locations nationwide for cumulative power generation of 7,487 MWh ( $CO_2$  emission reduction effect of 3,878 tons- $CO_2$ ) during the approximately five-year period from 2017 when the company was established to March 2021.

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

#### **Related information**

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

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# RECOVERY, RECYCLE AND DESTRUCTION OF FLUOROCARBONS

# Recovery, Recycle and Destruction of Fluorocarbons from Air Conditioners

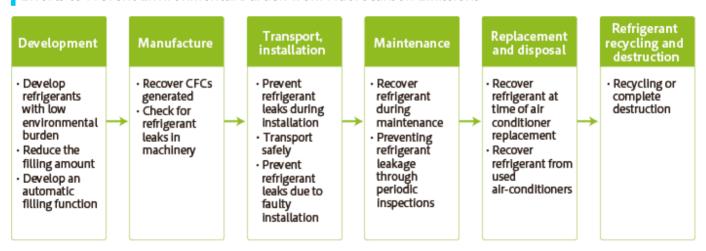
#### Reducing Impact throughout the Entire Life Cycle

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 CO<sub>2</sub>.

Daikin 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, recycle, and destroy refrigerants at the end of air conditioner life so that we can reduce environmental impact throughout the entire life cycle.

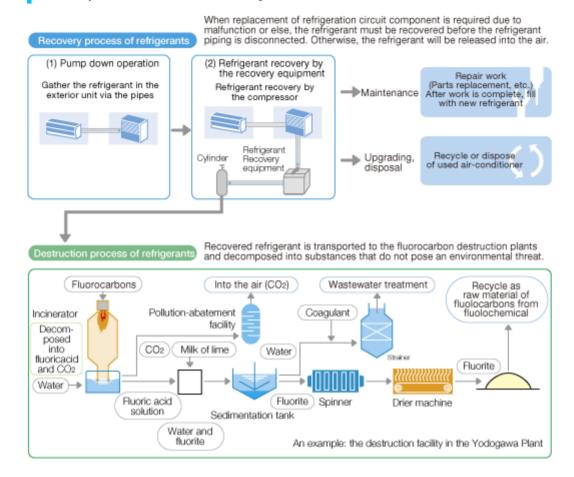
At all worldwide production bases, we recover and destroy refrigerants placed in air conditioners during testing and other processes. We ensure thorough recovery of refrigerants by striving to improve our technique in air conditioner installation thereby preventing refrigerant leakage during product use, as well as making sure to recover the refrigerant before conducting any service work at the time of air conditioner repair and replacement.

#### Efforts to Prevent Environmental Burden from Fluorocarbon Emissions



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#### **Recovery and Destruction of Refrigerants**



#### **Related information**

 Key Activities of Fiscal 2019: Environment—Launched New Refrigerant Service in Europe Contributing to a Circular Economy (Page 492)

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#### **Efforts during Production**

### Fluorocarbon Recovery Equipment Ensures Proper Destruction of Refrigerants (Air Conditioning Divisions)

The fluorocarbons emitted in the production processes of the chemicals divisions 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 reuse it as raw material for the production of fluorochemical products.

In Japan, in fiscal 2015 we expanded destruction facilities at the Yodogawa Plant, striving to further reduce the amount of emissions. We reduced emissions of HFC-23, a by-product of production processes with an extremely high global warming potential. In fiscal 2019, we made improvements to the HFC recovery system at the Kashima Plant and reduced emissions by 3,000 tons-CO<sub>2</sub> compared to the previous year.

Overseas, Daikin plants voluntarily recover gas and destroy it either in house or through a contracted destruction facility. Daikin has stepped up recovery of PFC-c318, and improved its gas recovery methods, thus dramatically reducing emissions.

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

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

During the air conditioner manufacturing process at our worldwide production bases we do everything possible to prevent refrigerants (HFCs, HCFCs) leakage during charging.

These measures include the following:

- We inspect all pipes for leakage before charging refrigerants.
- 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 charging to ensure there are no leaks.
- We are converting to low global warming potential refrigerants.
- We introduced charging machines that largely control emissions during charging.

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 2019, the refrigerant emissions ratio was 0.2% at Daikin in Japan and 0.3% overseas. In addition, by converting to low global warming potential refrigerants, we are reducing CO<sub>2</sub>-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.

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Also, we carry out leakage prevention for facilities such as chillers used in research and development.

- Upgraded steel pipe of aging direct expansion chillers
- · Automatic detection tray for identifying slow leaks at an early stage
- Use direct method to inspect connection points using a leak tester for air conditioners with large refrigerant charge amount at the time of simple inspections



Recovering refrigerant

#### 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.

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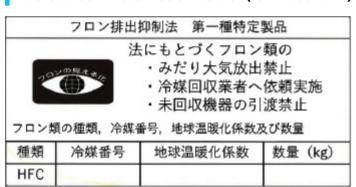
#### Visual Representations of Refrigerants in Refrigeration and Air Conditioning Equipment

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, Daikin 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)



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#### Efforts during Installation, Use and Repair

#### Daikin Begins Certification System for Refrigerant Pipe Installation Technicians

The development of technicians able to properly install refrigerant piping is essential for the prevention of faulty piping installation, one of the causes of refrigerant leakage during use. Since April 2011, Daikin Industries, Ltd. has been conducting a training course for refrigerant pipe technicians. We also became the first manufacturer to establish an in-house system for certifying that refrigerant piping installers have outstanding knowledge, techniques, skills, and ethics in this area. As of the end of fiscal 2019, a cumulative total of 1,250 people (including nine people who were recertified) at dealers and installers had been certified.



Refrigerant piping 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 managers 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 Check 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 fiscal 2018, Assisnet Service was launched, through which regular inspections are conducted by service engineers of Daikin Industries, Ltd. By attaching a low cost communicative LPWA device to outdoor unit, operational data on the air conditioner can be automatically collected to provide services such as email notification to managers in case of any operational abnormalities, as well as reminder of maintenance period for outdoor unit based on the cumulative operational hours of each compressor, thereby reducing the man-hours on air conditioning equipment management.

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Dfct is also used throughout Daikin Industries, Ltd. to thoroughly manage all equipment located inside the company. In fiscal 2018, all equipment was registered and managed through Dfct.

In fiscal 2019, we upgraded Dfct to be compliant with a legal revision that took effect in April 2020 and updated the operating manual to inform users and others.

Moreover, incidents of refrigerant leakage are shared across the company and inspections implemented in striving to prevent future leakage incidents.

#### 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 stations across Japan that carry out such repair work, and this equipment is used to recover refrigerant before any repair work begins. In fiscal 2019, Daikin Industries, Ltd. recovered 270 tons of refrigerants.

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



#### **Related information**

➤ Read about Daikin's free smartphone app "Daikin Fluorocarbon Check Tool (Dfct)" (Defacto), which can be used as an inspection tool for air conditioners (available in Japanese only) □ (https://dfct.daikinaircon.com/)

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#### **Efforts during Disposal**

#### Installing Refrigerant Recovery Equipment, Training Personnel in Refrigerant Recovery

At Daikin, 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 five times in fiscal 2018 with a total of 32 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.

#### **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.

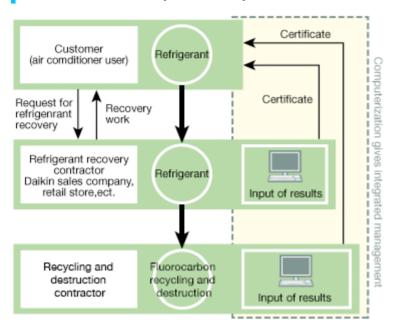
Companies responsible for charging, recovering, recycling and destroying refrigerants add up the total amounts they charged, recovered, recycled and destroyed, which they are required to report annually to prefectural governments in Japan. As this system also assists with generating these reports, it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

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#### **Fluorocarbon Recovery Network System**



#### 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 2019, 1,273 people, mostly from dealers and installers, took the course.

Workers who inspect or charge air conditioners with refrigerant are required by law to obtain certification based on the Act on Rational Use and Proper Management of Fluorocarbons. Daikin holds 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.

Workshops held in fiscal 2019, for people who have acquired certification as first and second grade refrigerant fluorocarbons handling technicians were attended by 339 people (first grade) and 907 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, a refrigerant with low global warming potential. Daikin provides the Singapore training base with information from training in Japan for use in these workshops.

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

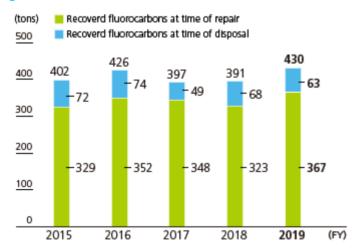
We take requests from dealers and other businesses for the proper recovery and destruction of refrigerants. The Daikin Contact Center receives calls all day, every day. Recovered refrigerants are taken to our Yodogawa Plant, Kashima Plant, or one of the contracted destruction facilities around Japan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

In fiscal 2019, the total amount of refrigerants destroyed in the recovery and destruction business by the Daikin Group in Japan was 430 tons.



Fluorocarbon destruction facilities (Yodogawa Plant)

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



Note: Amount destroyed at contracted destruction facilities around Japan including our Yodogawa Plant and Kashima Plant.

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#### Supporting the Recovery, Recycle and Destruction of Refrigerants in Emerging Countries

In emerging 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.

For two years since fiscal 2016, 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. Moreover, based on survey results obtained over a two-year period, we compiled policy recommendations that were proposed to the government of Sri Lanka.

Daikin aims to implement new demonstration testing in Sri Lanka from fiscal 2019 onward. In fiscal 2018, we conducted field surveys and task sorting for the successful model of a refrigerant recovery system in Australia.

#### Related information

Dialogue with Government and Industry Groups (Page 402)

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#### **Environment**

# **Effective Use of Resources**



# **Basic Policy**

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

(Page 183)

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

(Page 190)

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

Home Appliance Recycling
Results

(Page 191)

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

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#### Water Resource Reduction

(Page 193)

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 112)
- > Green Procurement (Page 118)

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# **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 end-of-life resources 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 is reinforcing its global repair system, product designs that are easily recyclable, product and packaging material resource conservation, as well as the recycling and reduction of waste emitted during production processes, in order to use resources more efficiently.

## 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.

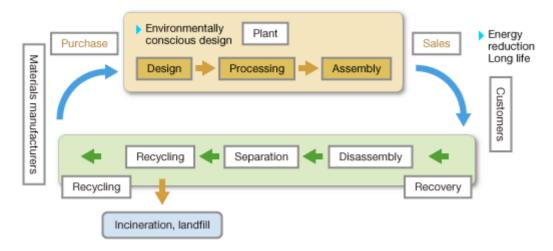
This initiative plays a key role in our product design and development. Based on product assessment, we design and develop products that are smaller and lighter, have fewer numbers of parts and screws, and that use materials and construction that make them easy to maintain, separate, and recycle.

#### 3R & Repair: Approach

Reduce	Make products smaller and lighter, Use recycled materials Use of existing product bodies and pipes		
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	
перап	After sales	Have a repair support system that contributes to long-lasting products	

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#### 3R & Repair: Effective Use of Resources



#### Related information

> Environmentally Conscious Design (Page 112)

# 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 2019, we increased the recycling rate by eliminating the painted surface of plastic parts for the Stylish Flow indoor unit of the SkyAir series of air conditioners for shops and small offices.

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# Reducing

#### Making 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.

#### Details of Main Initiatives

- Reduced the weight of EcoZEAS, a newly released model in April 2020 in the SkyAir series of air conditioners for small offices by 10 to 15% of the conventional model with the adoption of a new swing inverter compressor.
- Reduced the weight of the water storage unit and heat pump unit of commercial EcoCute by 7%
  each through weight reduction achieved with the utilization of unit components of residential
  EcoCute.
- Reduced the number of outdoor units by maximizing water and heat sources of VRV multi-split type air conditioners for commercial buildings.

# Reduced the Weight of Replacement Parts by Upgrading Only the Components and Functions of In-Use Air Conditioners

We offer the retrofit system, a maintenance service that improves air conditioner performance by replacing only the control panel, which serves as the brains of an air conditioner, and the compressor, or the heart of an air conditioner, with new components, for multi-split type air conditioners for commercial buildings in use. By replacing parts with new ones, not only is energy efficiency improved, but replacing only the parts that need it serves to reduce the weight of replacement parts by about one-third compared to replacing the entire air conditioner with a new one.

In fiscal 2019, we expanded the models of air conditioners eligible for the retrofit system. Going forward, we will continue to increase the number of eligible models and strive to conserve the use of resources in products and parts.

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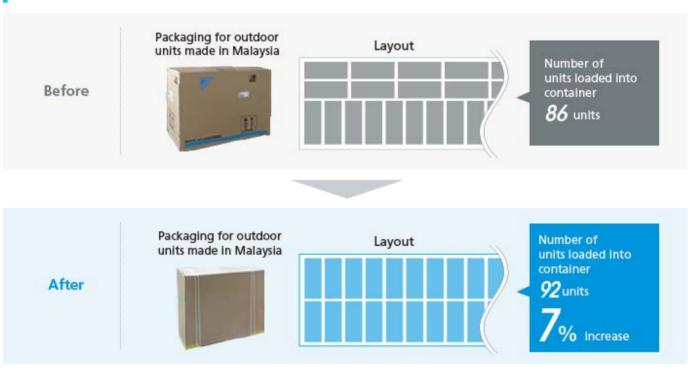
#### Product Packaging Usage Reduced by 3% Over Fiscal 2016

Daikin strives to reduce the usage of packaging for air conditioners from the perspectives of switching from cardboard to styrofoam, thinner designs, and reduction of components and cardboard area.

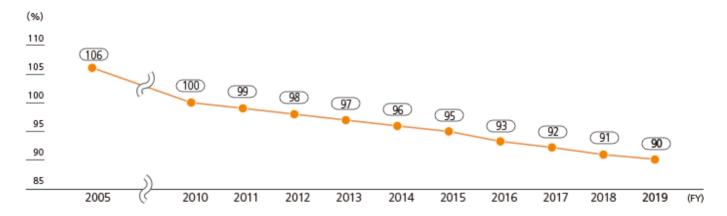
In fiscal 2019, Daikin Industries, Ltd. achieved its target for reducing packaging usage by 3% compared to fiscal 2016 by significantly reducing packaging usage by switching the transport position of Vente Air total heat exchangers to vertical.

In addition, overseas we increased the number of air conditioners that can be loaded into containers by eliminating corner parts of outdoor units made in Malaysia. This helps to reduce the usage of packaging and mitigates environmental impacts of transport.

#### Improving the Packaging of Malaysia-Made Outdoor Units



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



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#### Won Multiple Awards at the 2019 Japan Packaging Contest

#### Improved Packaging of Filters for Removing Electrical Noise

We revamped the packaging design of active filters available as an option to multi-split type air conditioners for commercial buildings, greatly reducing the amount of packaging used. We developed a simple design where the bottom of the product's circuit board is supported with cardboard placed underneath it, and the circuit board's frame is fixed in placing using an intermediate layer. This successfully protects the exposed electrical components on top of the circuit board from touching packaging. This packaging won the top prize in the industrial packaging category at the Japan Packaging Contest 2019 organized by the Japan Packaging Institute and the World Star Award at the 2020 WorldStar Packaging Awards organized by the World Packaging Organisation (WPO).



#### Use of All Cardboard Packaging for Air Conditioner Repair Parts

We have used wooden frames to enclose parts when exporting air conditioner repair parts to certain regions around the world where returnable packaging could not be used. We successfully developed a fully cardboard packaging solution that maintains the same strength as this wooden frame. By reducing the use of wood in packaging, we can now utilize wood resources more effectively. Furthermore, reducing the size and weight of packaging also improves transport efficiency and mitigates environmental impacts during transport. This solution received the Japan Star Award (Director-General, Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry Award) at the Japan Packaging Contest 2019 organized by the Japan Packaging Institute.



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# 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.

## 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.

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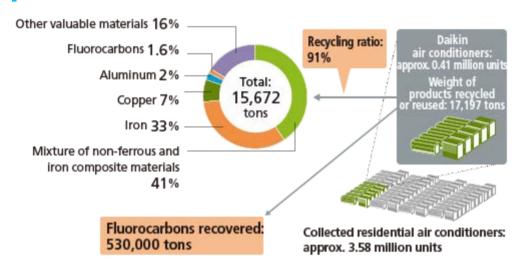
# **Recycling Residential Air Conditioners**

# 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 residential air conditioners as well as recover and then reuse or destroy refrigerants.

In fiscal 2019, we recovered about 410,000 products totaling 17,197 tons. The recycling ratio was 91% and the amount of fluorocarbons recovered was 530,000 tons-CO<sub>2</sub>.

#### Recycling of Residential Air Conditioners in FY2019 (Japan)



#### Related information

- ➤ Home Appliance Recycling Results (Progress in carrying out recycling, etc. of specified home appliances) (Page 191)
- > Recovery, Recycle and Destruction of Fluorocarbons (Page 170)

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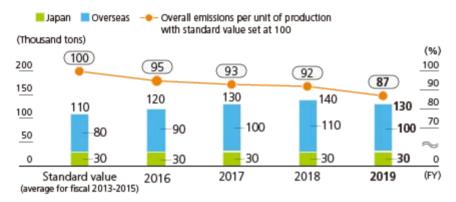
# WASTE REDUCTION IN PRODUCTION PROCESSES

# **Reducing Emissions in Production Processes**

Daikin is working to reduce waste emissions from production processes, including hazardous waste. At the same time, we are endeavoring to reuse or recycle waste emissions.

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 use raw materials more efficiently and shift to returnable packaging. In fiscal 2019, we achieved a 13% 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 fiscal 2015 and prior for the old scope of calculations and the calculation method are here (78KB). (https://www.daikin.com/csr/nav/data/data\_before2015.pdf)

#### **Related information**

> Search by ESG data (Page 529)

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# HOME APPLIANCE RECYCLING RESULTS

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

# Daikin's Progress in Recycling Home Appliances in Fiscal 2019

Total amount of home appliances recycled in one year (April 1, 2019 to March 31, 2020) 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)	417
Number of appliances recycled, etc. (Units: 1,000)	422
Amount recycled, etc. by weight (tons)	17,197
Amount recycled by weight (tons)	15,672
Recycling rate (%)	91

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 2019.

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

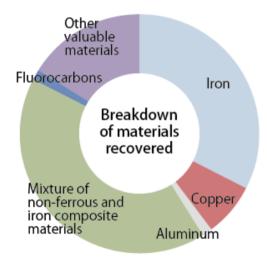
Note3: The number of appliances received at designated dropoff sites and number of appliances recycled, etc. do not include items for which the manufacturers that should process those items could not be determined due to problems such as incorrectly filled out manifests.

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### 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 (tons)	5,112	
Copper (tons)	1,122	
Aluminum (tons)	240	
Mixture of non-ferrous and iron composite materials (tons)		
Fluorocarbons (tons)	250	
Other valuable materials (tons)		
Total weight (tons)	15,672	



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)	274,812
Shipped weight of fluorocarbons used as refrigerants (kg)	271,310
Weight of recycled and reused fluorocarbons used as refrigerants (kg)	247,986
Weight of destroyed fluorocarbons used as refrigerants (kg)	22,326

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

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# WATER RESOURCE REDUCTION

# **Basic Policy**

As water shortages become an increasingly serious social problem, Daikin, which develops business globally, strives to protect water resources in line with "Goal 6: Clean water and sanitation" of the Sustainable Development Goals (SDGs). At each of our production bases around the world, we have introduced and operate an environmental management system (EMS) including for water usage, following ISO 14001 requirements. Using these environmental management systems, we are also enhancing our management of water usage.

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.

#### Related information

▶ List of Companies with ISO Certification (43KB)

(https://www.daikin.com/csr/environment/management/ems\_data.pdf)

#### 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. The results of the evaluation show that applicable bases were Daikin Device (Xian) Co., Ltd. and Daikin Air Conditioning India. At each base, we are now working to reduce water intake based on the target of reducing water intake per unit of production by 5% in fiscal 2020.

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.

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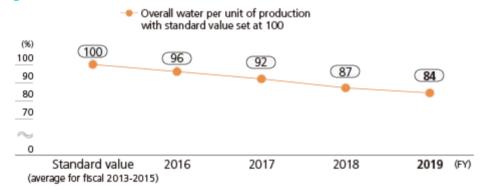
#### Water Intake Reduction

#### 16% Reduction in Water Intake Per Unit of Production

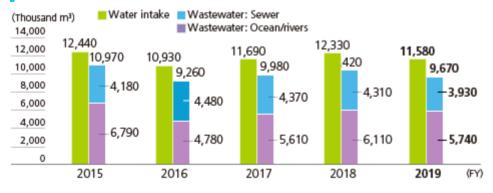
At Daikin, we strive to reduce water intake by ascertaining the volume of water intake at manufacturing bases and reusing wastewater to the full extent possible. We established the goal of reducing water consumption per unit of production by 5% in fiscal 2020 compared to a baseline comprising the average water intake between fiscal 2013–2015. In fiscal 2019, we significantly reduced water intake at the Kanaoka Factory of Sakai Plant, which upgraded its wastewater treatment systems, and reduced total water intake per unit of production by 16% compared to the benchmark for the entire Group.

In addition, for the water quality of wastewater, we have established unified worldwide voluntary standards that are stricter than what is required by law, and we implement these standards exactly as they are written.

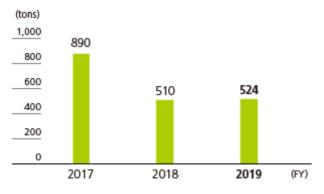
#### Water Intake per Unit of Production



#### Water Intake and Wastewater Trends



#### **COD** emissions



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# **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.

Daikin Airconditioning India Pvt. Ltd. periodically reports the situation of its groundwater use to the public corporation that developed the industrial park where it is situated.

#### Amount of Water Intake and Wastewater in Water-stressed Regions (India, China)

(Thousand m<sup>3</sup>)

		2016	2017	2018	2019
India	Water intake	59.0	60.0	59.0	58.0
muia	Wastewater	59.0	60.0	59.0	43.0
China	Water intake	23.0	26.0	26.0	25.0
China	Wastewater	18.0	21.0	21.0	20.0

#### **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 m<sup>3</sup> (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.

#### **Engagement with Stakeholders**

Daikin uses water at each of its production bases during the cleaning and painting processes for air conditioner parts. This water is released after being treated. We have established and comply with voluntary standards that are stricter than legally mandated ones. In this manner, we strive to preserve water resources in the surrounding communities where we operate.

At our plants in Japan, we hold discussions with local residents once every year where we share information about such initiatives concerning water.

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#### **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

(Page 198)

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

Compliance with J-Moss

(Page 200)

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

(Page 204)

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

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# > Preventing Pollution (Page 207)

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

#### **Related information**

- > Environmentally Conscious Design (Page 112)
- > Green Procurement (Page 118)

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#### 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 List Designated Control Substances to Prevent the Presence of These Chemicals in Our Products

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

- \*1 The RoHS Directive (Restriction of Hazardous Substances Directive) is a regulation in the EU prohibiting the use of certain hazardous substances in electrical and electronic equipment.
- \*2 The REACH Regulation on chemical substances went into effect in Europe in June 2007. REACH obligates companies manufacturing or importing at least 1 ton of chemical substances a year in the EU to register with EU authorities. REACH covers almost all chemicals on the market in the EU.

Please refer to our Green Procurement Guidelines for specific designated control substances.

#### Related information

> Green Procurement Guidelines (Supply Chain Management) (Page 393)

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# Reducing Transpiration of Chemical Air Pollutants through Using Fluorochemical Products

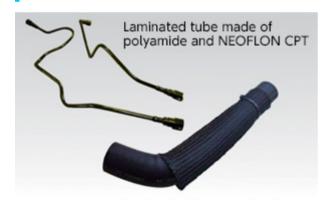
#### In the Automotive Industry, Fluoride Materials Contribute to Reduced Leakage of VOCs

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. Currently, neoflon CPT is used as hose around fuel tanks in the United States and now China. 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 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.daikinchemicals.com/solutions/products/fluoropolymers/neoflon-cpt.html)

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# **COMPLIANCE WITH J-MOSS**

# **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 residential 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 residential 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 diphenyl ether (PBDE)). There are seven types of products covered: (1) personal computers, (2) unit-type air conditioners, (3) television sets, (4) refrigerators, (5) washing machines, (6) microwaves, and (7) clothes dryers.

#### **Daikin Products**

The substances contained in Daikin residential air conditioners are shown on the table below. Note that the residential air conditioners shipped in Japan starting in 2007 bear the Japan's Green Mark eco-label.



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#### Substances Contained in Residential Air Conditioners

Product type: Residential air conditioner (indoor unit/outdoor unit)

Model: All models produced since July 2006\*

Class	Chemical substance code						
Class	Pb	Hg	Cd	Cr(VI)	PBB	PBDE	
Structural 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

Note1: A "O" symbol means that the substance contained does not exceed the allowable amount under the standard.

Note2: N/A means the substance is "not applicable" for labeling.

\* Models designated below.

Indoor unit: Wall mount, embedded ceiling cassette (single flow, double flow), embedded wall, built-in amenity, floor standing

Outdoor unit: For the following: Pair type, System Pack, Multi-Split System, Wide Select Multi, Equipped with Hot Water Floor Heating function

#### Related information

➤ Overview of J-Moss (Page 202)

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#### **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-type air conditioners

(3) Television sets

(4) Refrigerators

(5) Washing machines

(6) Microwaves

(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 diphenyl ether	PBDE	0.1

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#### **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 website.

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 website.



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 Guideline is issued by the following three industry associations.

Japan Electronics and Information Technology Industries Association (JEITA)

Japan Electrical Manufacturers' Association (JEMA)

Japan Refrigeration and Air Conditioning Industry Association (JRAIA)

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#### Management and Reduction of Chemical Substances

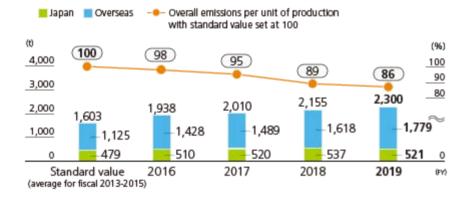
# MANAGEMENT AND REDUCTION OF CHEMICAL SUBSTANCES DURING PRODUCTION

# **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).

Our Chemicals Division is working to reduce emissions of the raw material methylene chloride and our Air Conditioning Manufacturing Division is striving to reduce emissions of volatile processing oil. In addition, Daikin Industries (Thailand) Ltd. switched to low VOC processing oils. As a result of these initiatives, in fiscal 2019 we achieved a 14% 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 fiscal 2015 and prior for the old scope of calculations and the calculation method are here (78KB). (https://www.daikin.com/csr/nav/data/data\_before2015.pdf)



## M Terminology

#### PRTR Law (Law concerning Pollutant Release and Transfer Register)

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.

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# Compilation of PRTR Substances (PRTR Substances of which at Least 1 ton was Handled)

			2019		
Substance name	A	Amount emitted	d	Amount transported	
Substance name	Air	Public waterways	Soil	Waste	Sewage
Chlorodifluoromethane; HCFC-22	53.64	0.00	0.00	0.00	0.00
Dichloromethane; methylene dichloride	16.86	0.00	0.00	4.60	0.00
1-chloro-1,1-difluoroethane; HCFC- 142b	9.60	0.00	0.00	0.00	0.00
Toluene	2.84	0.02	0.00	0.44	0.00
2-chloro-1,1,1,2-tetrafluoroethane; HCFC-124	1.40	0.00	0.00	0.00	0.00
Chloroform	0.79	0.00	0.00	8.50	0.00
Phenol	0.73	0.00	0.00	0.74	0.00
Ethylbenzene	0.48	0.00	0.00	0.00	0.00
Formaldehyde	0.38	0.62	0.00	0.27	0.00
Hydrogen fluoride and its water- soluble salts	0.22	0.00	0.00	99.01	0.00
n-hexane	0.20	0.00	0.00	0.56	0.00
Xylene	0.68	0.00	0.00	0.00	0.00
1,3,5-trimethylbenzene	0.04	0.00	0.00	0.00	0.00
Poly(oxyethylene)alkyl ether(alkyl C=12-15)	0.04	0.02	0.00	40.00	0.25
1,2,4-trimethylbenzene	0.03	0.00	0.00	0.00	0.00
N,N-dimethylacetamide	0.02	0.00	0.00	0.00	0.00
Methylenebis (4,1- phenylene) diisocyanate	0.01	0.00	0.00	0.03	0.00
N,N-dimethylformamide	0.00	0.00	0.00	3.10	0.00
Acetonitrile	0.00	0.00	0.00	3.70	0.05
Boron compounds	0.00	0.40	0.00	0.53	0.00
Antimony and its compounds	0.00	0.00	0.00	20.00	0.00
Molybdenum and its compounds	0.00	0.00	0.00	0.04	0.00
Tritolyl phosphate	0.00	0.00	0.00	0.04	0.00

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	2019					
Substance name	A	Amount emitte	Amount transported			
	Air	Public waterways	Soil	Waste	Sewage	
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	
ferric chloride	0.00	0.00	0.00	0.00	0.00	
tetrachloromethane	0.00	0.00	0.00	0.00	0.00	
styrene	0.00	0.00	0.00	0.00	0.00	
copper salts (water-soluble, except complex salts)	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	
Methylnaphthalene	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.

After stopping the manufacture of PFOA, we conduct sampling inspections of PFOA concentration in products checking whether any contaminants from the environment are present, and we have been replacing it with substitutes that have a lower negative impact on the environment. For these substitutes as well, we are minimizing their discharge into the environment by pooling our technologies as part of our ongoing efforts to lower environmental burden.

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# 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, spills, and earthquakes. The manual is the basis for regular emergency drills.

#### Training held at each plant (fiscal 2019)

	Main training		
Sakai Plant  Oil fence installation training assuming leakage (held once, about 20 pa			
Shiga Plant	Emergency materials storage check patrol and water quality accident and emergency training (held once, about 20 participants)		
Yodogawa Plant	Training for assumed chemical substance leakage and evacuation for scenario of heavy rain and flood (including confirming site status using drone) (held three times)		
Kashima Plant	Disaster prevention training including response training for scenario of fire, man- made disaster, and earthquake (held twice)		



Oil fence installation training (Sakai Plant)

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# **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 website.

#### 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. 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.

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# **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	
rialits	FY2019	FY2020 and on	
Sakai Plant	None	10 transformers	
Soka Station 6 ballasts		None	

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#### **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 global warming. That's why we strive to reduce greenhouse gas emissions in all of our business activities. We are also working to protect biodiversity through environmental contribution activities. Through our focus on protecting and nurturing forests, "nature's air conditioners," we are continuously striving to maintain balance in the world's ecosystems so that we can help bring back the abundance of the natural world.

> Protecting Biodiversity

(Page 211)

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/)

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# 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, NPOs, and NGOs 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.

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#### 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, NPOs, and NGOs 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.

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#### 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 CO<sub>2</sub> 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/)

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#### **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 gradually give way to taller trees. However, this coastal vegetation has been rapidly disappearing in the last decade or two.

When Daikin Industries, Ltd. 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, based on which 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 serves to raise employees' environmental awareness through courses such as seedling-planting during new employee training. We also provide opportunities for local residents to utilize Daikin Ales Aoya. Since July 2016, it has been lent to Tottori University for use 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.

These activities were recognized with Excellent Stage 3 certification, which is the second highest level on the 5-step evaluation of the SEGES social/environmental contribution greenery evaluation system run by the Organization for Landscape and Urban Green Infrastructure

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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



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

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## Species on the Red Data Book of Tottori Prefecture and the National Government

These species are effective at resisting invasive species and are important to protecting beach vegetation.









Beachwort

Siberian sea rosemary

Scutellaria strigillosa

Heteropappus hispidus

## 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 conservation 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.

Since fiscal 2016, we have utilized the Daikin Shiga Forest as a place for environmental education; for example, we take Daikin employee family members and local elementary school students on nature walks in the forest.

In fiscal 2019, we held environmental education programs for elementary schools as well as families in the community, and provided Japan rice fish native to the forest as a form of curriculum for elementary schools; thereby contributing to a virtuous cycle of community service.



Environmental education for elementary school students

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## Nature Forest at Yodogawa Plant

At the Yodogawa Plant, the TIC Forest developed in conjunction with the opening of the Technology and Innovation Center (TIC) in November 2015 is celebrating its fourth year in natural selection with very minimal artificial inference.

In order for employees working at Yodogawa Plant to feel closer to the TIC Forest that is gradually evolving into a natural forest, we are continuing the following efforts for "know it," "see it" and "experience it" in fiscal 2019:

As one initiative of "experience it," we began growing saplings of Japanese maple trees in fiscal 2017. In July 2019, these saplings were planted on the border with the neighboring community. We aim to create a line of Japanese maple trees over the course of a three-year plan. Also, we aim to develop and improve the environment, symbolized by thriving fireflies.



Employees planting a Japanese maple tree



TIC Forest home to fireflies

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## **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.

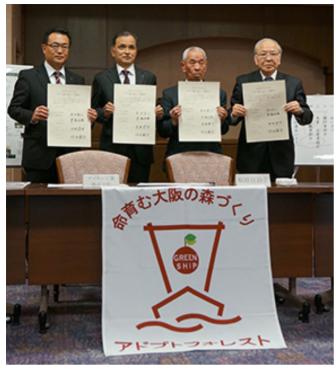
This agreement covers the Harashiroyama forest in Takatsuki City, which traditionally was used to harvest bamboo, and to obtain wood for firewood and making charcoal. In recent years though, there are not enough people to manage it and so it has fallen into disrepair due to problems that include overgrowth 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 2019, the volunteer event was held three times.

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 2025. In fiscal 2019, we removed bamboo trees on three occasions and began growing seedlings from acorns gathered from the forest.

A total of 130 employees and their families volunteered in the Harashiroyama and Izuhara forest projects.

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Izuhara Adopt a Forest signing ceremony

## 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 students and residents totaling about 500 people planted 3,500 trees. Over the past twelve years, a total of 19,322 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.

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## Related information

- > Protecting the Environment (Page 412)
- > Report by Business Site (https://www.daikin.com/csr/report/site\_data/)

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## **HISTORY OF ENVIRONMENTAL ACTIVITIES**

## **History of Environmental Activities**

	Daikin Group	Air Condtioning Divisions (Japan)	Chemicals Divisions (Japan)
1970s	<ul> <li>Environmental Pollution Control System established         Environmental Pollution Control Committee         established         Environmental Pollution Control Regulations         enacted     </li> <li>Environmental Month started</li> </ul>		
1980s	<ul> <li>Daikin Group Environmental Control Committee established</li> <li>Daikin Group Environmental Management Regulations enacted</li> <li>Began dealing with fluorocarbon problem</li> </ul>		
1991			Began HFC mass- production
1992	Director responsible for environmental protection and Global Environment Dept. established		
1993	<ul> <li>Actions Principles on Environmental Protection enacted</li> <li>Environmental Action Plan enacted</li> </ul>		
1994	Began building environmental management system		
1995	Environmental audits launched	<ul> <li>Released chiller using HFC refrigerant</li> <li>Started air conditioner forums</li> </ul>	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		

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	Daikin Group	Air Condtioning Divisions (Japan)	Chemicals Divisions (Japan)
1998	<ul> <li>First Environmental Report published</li> <li>Related information (https://www.daikin.com/csr/report/)</li> </ul>	<ul> <li>Released Super Inverter         <ul> <li>60 ultra-energy-efficient</li> <li>commercial air</li> <li>conditioner</li> </ul> </li> <li>Released HFC multipurpose air conditioner         for buildings, HFC         residential air         conditioners</li> </ul>	
1999	<ul> <li>Environmental accounting introduced,</li> <li>Environmental Meetings launched</li> <li>Related information (Page 121)</li> </ul>		<ul> <li>Established fluorocarbon destruction facilities</li> </ul>
2000	<ul> <li>Start of green procurement</li> <li>Related information (Page 118)</li> </ul>	Released Super Inverter     ZEAS ultra-energy- efficient HFC air conditioner	
2001	<ul> <li>Environmental Action Plan 2005 enacted</li> <li>Achieved zero waste emissions in Daikin Industries, Ltd. production bases in Japan (machinery divisions)</li> <li>Regional Environmental Meetings launched Environmental meetings started in each of four regions (Europe, North America, China, and Asia/Oceania)</li> <li>Related information (Page 108)</li> </ul>		
2002	<ul> <li>Basic Environmental Policy of the Daikin Group enacted</li> <li>Related information (Page 93)</li> </ul>	<ul> <li>Began fluorocarbon recovery and destruction business</li> <li>Completed Conversion to HFC refrigerant for all major products (in Japan)</li> <li>Related information</li> </ul>	
2003	<ul> <li>Aquired integrated ISO 14001 certification in Daikin Group in Japan</li> <li>Related information (Page 107)</li> </ul>	(Page 170)	
2004	Achieved zero waste emissions in all Daikin Industries, Ltd. production bases in Japan		

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	Daikin Group	Air Condtioning Divisions (Japan)	Chemicals Divisions (Japan)
2006	<ul> <li>Environmental Action Plan 2010 enacted</li> <li>CSR Report published</li> </ul>	<ul> <li>Released Daikin Altherma air-to-water heat-pump space and hot water heater in Europe</li> <li>Related information (Page</li> </ul>	149)
2007		Air conditioner forums in Europe and the U.S. Iaunched	
2008	<ul> <li>Formulated the latter half of the Fusion 10 strategic management plan, which stresses proactive contribution to solving environmental problems, as well as business expansion</li> </ul>	<ul> <li>Started for reforestation in Indonesia</li> <li>Related information (Page</li> <li>Released world's first VRV system (mult-split type air conditioner for building) using CO<sub>2</sub> refrigerant</li> <li>Air conditioner forums in Japan launched</li> </ul>	213)
2009		Air conditioner forums in China launched	
2010		Air conditioner forums in Asia/Oceania launched	
2011	<ul> <li>Formulated Environmental Action Plan 2015</li> <li>Related information (Page 93)</li> </ul>		
	<ul> <li>Started environmental protection activities in Shiretoko</li> <li>Related information (Page 213)</li> </ul>		
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	<ul> <li>Started "Forests for the Air" project</li> <li>Related information (https://www.daikin.com/csr/forests/)</li> </ul>	Released cooling-only variable speed (inverter) air conditioners for emerging countries	

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	Daikin Group	Air Condtioning Divisions (Japan)	Chemicals Divisions (Japan)
2015	<ul> <li>Daikin offers companies worldwide free access to its         93 patents on the manufacture and sale of R-32 air         conditioners</li> <li>Related information (Page 492)</li> <li>"Daikin's Policy and Comprehensive Actions on the         Environmental Impact of Refrigerants" published</li> <li>Related information (https://www.daikin.com/csr/information</li> </ul>	nation/influence/)	
2016	<ul> <li>Environmental Action Plan 2020, CSR Action Plan 2020 formulated</li> <li>Related information  (62KB) (https://www.daikin.com</li> <li>Sustainability Report published</li> </ul>	n/csr/company/CSR_Action_Plan_20	020.pdf)
2017			
2018	<ul> <li>Environmental Vision 2050 formulated</li> <li>Related information (Page 77)</li> <li>10th anniversary event for forest restoration in Indonesia held</li> <li>Related information  (500KB) (https://www.daikin.co</li> </ul>	m/csr/pdf/press_20181003.pdf)	
2019	Became a supporter of TCFD		

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#### **Environment**

## **ENDORSEMENT AS AN ECO FIRST COMPANY**

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

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

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

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## **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-CO<sub>2</sub>.
  - 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 R-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 (CO<sub>2</sub>, HFCs, PFCs) by 70% over fiscal 2005 (a reduction of 3.5 million tons-CO<sub>2</sub>).
  - 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 CO<sub>2</sub> emissions by 7 million tons-CO<sub>2</sub>.
  - 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 89)

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2020
- Web version (As of October 2020)

## **New Value Creation**

Daikin's Goal for Value Creation	230
Management Structure	
Collaborative Innovation Led by Industry-Government-Academia Partnerships	
Collaborative Innovation Led by Industry-Industry Partnerships	
Start-Up Arises from Collaborative Innovation	

# CSR for Value Provision New Value Creation



## **Policy**

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

## **Targets of CSR Action Plan 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 AI 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 2019 Achievements**

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

**R&D** Expenditure



Number of patent applications (FY2018; Daikin Industries, Ltd. only) Patent applications in Japan:

957

Patent applications overseas:

513

New Value Creation - 228 -

Daikin's Goal for Value
Creation

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) Management Structure

(Page 234)

Collaborative Innovation
Led by IndustryGovernment-Academia
Partnerships

(Page 239)

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.

We aim to create new value using co-creation with outside parties led by industry-government-academia tie-ups.

Collaborative Innovation

Led by Industry-Industry

Partnerships

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245)

Start-Up Arises from
Collaborative Innovation

(Page 249)

We aim to create new value using co-creation with outside parties led by industry-industry tie-ups.

Introducing initiatives from collaborative innovation to commercialization

#### **Related information**

- ➤ Key Activities of Fiscal 2019: New Value Creation—Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation (Page 497)
- > Stakeholder Engagement (Page 394)
- > Technology and Innovation Center (TIC) ☐ (https://www.daikin.com/about/corporate/tic/)

New Value Creation - 229 -

## 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: the Earth, 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. This is leading to 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.











#### Initiatives

- > Developing and Promoting Products and Services That Reduce Environmental Impact (Page 128)
- Low Environmental Impact Refrigerants (Page 138)

New Value Creation - 230 -

## **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.











#### **Initiatives**

> Providing Solutions (Page 161)

New Value Creation - 231 -

## **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. This gives rise to numerous problems that we must tackle in our living air environment, such as negative effects on our health.

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 to bring the world healthy, vibrant indoor environments that offer peace of mind, by giving added value to air, so that it helps people work more productively in offices and get quality sleep at home.









#### **Initiatives**

- > Collaborative Innovation Led by Industry-Government-Academia Partnerships (Page 239)
- Key Activities of Fiscal 2016: New Value Creation Creating Spaces That Meet the Needs of Society by Integrating Technologies of Air Conditioning and Filter with Engineering Prowess (https://www.daikin.com/csr/feature2016/02.html)

New Value Creation - 232 -

## 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 - 233 -

## 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 centers at 25 sites around the world at which we develop products in order to promptly and accurately respond to the needs of regional customers.

In November 2019, we established the Technology and Innovation Center CVC Office to promote collaborative creation with startup companies as a mean to accelerate open innovation integrating technologies and knowledge from both inside and outside the company. We will aim to quickly verify hypotheses to create new products, services and business models through collaborative creation with startup companies around the world practicing fast-paced management with advanced technologies, innovative ideas, and a spirit to challenge.

# Mother R&D Center Control Tower (TIC)

Control Tower (TIC)

Production Bases

Over Polocations

Daikin's Worldwide R&D Centers

**R&D** Centers

25 locations

Mother R&D Centers

of the 25 locations (as of March 31, 2019)

New Value Creation - 234 -

## **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 the University of Tokyo, Osaka University, and other universities.



Technology and Innovation Center (TIC)

## **Related information**

- > Technology and Innovation Center (TIC) ☐ (https://www.daikin.com/about/corporate/tic/)

(https://www.daikin.com/csr/feature-past/feature2015-newvaluecreation.pdf)

New Value Creation - 235 -

## **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.

In December 2017, we opened the Daikin Information and Communications Technology College 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, the creation of systems for things like smart factories, the passing on of expert production-line techniques to the next generation, and the fostering of human resources who can advance the utilization of AI.

#### **Related information**

➤ Key Activities of Fiscal 2019: Human Resources—Daikin's Unique Approach to Developing Al and IoT Human Resources for Driving Innovation (Page 509)

New Value Creation - 236 -

## **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 2019, in addition to paying compensation for patent applications, Daikin compensated employees for 519 successful uses of patents.

The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. In fiscal 2019, we awarded incentive bonuses to the creators of 98 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 2018, we applied for 957 patents in Japan and 513 patents overseas.

In fiscal 2019, 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 Al and IoT technologies. In the chemicals divisions, we increased the number of patent applications by clarifying and implementing strategies in each product and technology area.

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.

New Value Creation - 237 -



Awarding incentive bonuses to inventor group representatives

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



New Value Creation - 238 -

## **New Value Creation**

# COLLABORATIVE INNOVATION LED BY INDUSTRY-GOVERNMENT-ACADEMIA PARTNERSHIPS

Today, the rapid evolution in digitalization is greatly transforming the very structure of industry and society. This urgently requires that we shift to a business model with an eye toward a market focused on consumer sovereignty shifting from the consumption of goods to the consumption of experiences.

Daikin is now speeding up collaborative innovation using co-creation with outside parties led by industry-government-academia partnerships to move away from a full in-house development in preparation for the coming digital age.

New Value Creation - 239 -

## Collaboration with the University of Tokyo

With the aim of creating new business that contributes to solving social issues around the world, Daikin is focusing on tie-ups with universities in Japan and other countries. In fiscal 2018, we signed a "University Corporate Relations Agreement" with the University of Tokyo for a 10-year partnership with investment of approximately 10 billion yen.

This agreement comprises three shared creation projects: tie-ups with business ventures with the aim of early market application; shared creation future vision leading to SDGs and Society 5.0\*; and creation of futuristic technologies centered on advancing core technologies and creating new value. For example, for shared creation future vision, we will predict needs that will arise for making air more valuable in the future, and come up with the technologies and businesses needed to create this value, in the process allowing both the University of Tokyo and Daikin to clarify the tasks they need to take on.

The main feature of this agreement is the full-fledged exchange of human resources between the two parties. The University of Tokyo instructors and students, entrepreneurs, and Daikin employees can go freely between the organizations of the agreement parties with the aim of sharing knowledge, conducting joint research, and building career paths. Another aim is speed up the realization of successes from this shared creation by focusing on training human resources through internships at Daikin worldwide sales, production, and R&D bases.

\* IoT: Internet of Things. People and objects connect to share knowledge and information via AI. Japan aims to realize a future in which IoT and AI advance the economy and solve societies problems.



Discussion at the University of Tokyo

New Value Creation - 240 -

## **Collaboration with Osaka University**

In fiscal 2016, Daikin established the Daikin Collaboration Research Institute at Osaka University. This institute is developing new materials, new processes, and processing technologies related to the air conditioner business.

This collaboration comes up with themes on revolutionary technologies and major themes with farreaching implications, making use of Osaka University's state-of-the-art analysis equipment and technologies, such as the world-renowned Joining and Welding Research Institute, to tackle problems from a medium-to-long-term perspective and with a view to application across numerous fields.

With regards to information-based tie-ups, the Daikin Information Science Research Unit (Di-CHiLD) was established. Work at Di-CHiLD includes developing technologies for controlling sleep and study environments with the goal of expanding solutions for air and space; and developing engineering workload reduction technologies, such as air conditioner automatic selection technology and position sensing technology, which are aimed at expanding business from air conditioner sales to the design of air conditioning and spaces. Technologies have already been successfully developed through joint research themes and many are in the patent application process.

In fiscal 2019, we solicited new ideas for research themes on air and spaces and for the vision and social implementation that Osaka University would like to pursue in the future from students attending all schools of Osaka University. Until now, Daikin has collaborated with a wide range of departments at the university including not only chemistry, engineering and information and computer sciences, but also humanities, ethnology, pharmaceutical science and dentistry, to conduct feasibility studies.\* Meanwhile, we have established technology and moved into the demonstration phase for commercialization concerning six themes of research conducted to date.

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, and information.

\* A feasibility study involves investigating and verifying beforehand whether a new business, new product or service, or project is commercially feasible or not.

## **Collaboration with Doshisha University**

In March 2020, Doshisha University and Daikin concluded a comprehensive collaboration agreement with the goal of conducting practical R&D on the theme of environmental issues. To reduce greenhouse gas emissions through its businesses, Daikin will harness the practical academic research capabilities for use in real society of Doshisha University, which aims to use academic outcomes to benefit society, along with the university's proprietary environmental technologies and expertise in related fields. Both parties will work to put CO<sub>2</sub> capture, decomposition and reuse technologies into practical use and to further increase the efficiency of air conditioners. In addition, they will develop talent in collaborative innovation through joint research.

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## **Collaboration 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.

As a new initiative building up our previous interdisciplinary collaboration, we began creating scenarios for air and space-related solutions together with the Kokoro Research Center and Center for the Promotion of Interdisciplinary Education and Research as well as Kyoto University Original Co., Ltd., which was established in 2018 to promote open innovation. Moreover, we have begun specific evaluations of materials in the fields of air conditioning and fluorocarbons as an initiative that can be implemented in society at an early stage.

## Collaboration 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.

In fiscal 2019, we launched new activities to generate themes using public solicitation, with 12 themes submitted as joint research into environmentally conscious surface function materials. We also conducted feasibility studies\* on three of these themes.

\* A feasibility study involves investigating and verifying beforehand whether a new business, new product or service, or project is commercially feasible or not.

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## **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 Center for Innovation & Creativity of Kansai University in order to accelerate joint research with the university's science and technology departments in areas such as battery materials.

Using the equipment of the Center for Innovation & Creativity, Daikin is now working on applied analysis using equipment it does not have access to otherwise and examining alongside technicians from the center ways to establish new analysis technologies.

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

## 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.

In fiscal 2018, through participation in the University Industry Collaboration Committee (UICC), we built a strong network with Tsinghua University professors. We will utilize this network and our collaboration with the university as we carry out efforts to advance our R&D bases in China, including our base in Shenzhen.

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# Daikin Industries Ltd. and RIKEN Start Industry-Government 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 and healthy spaces, the program is working on research to extend healthy life expectancy.

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 matters such as how certain levels of temperature and humidity affect levels of fatigue. Data on the impacts on fatigue caused by air environment obtained in the winter of 2017 was presented in May 2018 at a meeting of the Japanese Society of Fatigue Science.

Looking ahead, Daikin will continue with collaboration aimed at extending healthy life expectancy.

In addition, in 2019, we concluded an agreement with RIKEN's subsidiary RIKEN Innovation Co., Ltd. with the aim of implementing the outcomes of R&D and creating innovation.

#### Related information

➤ Key Activities of Fiscal 2017: New Value Creation—Reducing Fatigue and Realizing Pleasant Air Environments through Open Innovation

(https://www.daikin.com/csr/feature2017/02.html)

New Value Creation - 244 -

# COLLABORATIVE INNOVATION LED BY INDUSTRY-INDUSTRY PARTNERSHIPS

With the framework of competition undergoing a major transformation following the advent of the AI and IoT era, monotsukuri (manufacturing) will require novel thinking and approaches along with innovation with an eye toward the future of the world in five and 10 years into the future. Daikin is tackling this challenge around the world using collaborative innovation led by industry-industry partnerships.

# Commercializing a New Business Model in the United Republic of Tanzania

In November 2019, Daikin began a demonstration test on a new busines model in the United Republic of Tanzania with WASSHA, which provides electricity services to non-electrified areas of Africa using IoT technology. The demonstration test involved examining commercial viability of a subscription-based service for Daikin's highly efficient air conditioners at small shops and homes in Tanzania utilizing WASSHA's business know-how, human resources and sales network in Tanzania. The three-month test ran between November 2019 and February 2020 and included planning of a subscription-based service for air conditioners and building a payment system using mobile money. Daikin and WASSHA hope to fully launch the business in fiscal 2020.

Meanwhile, Daikin is now working to roll out the air conditioner business in Africa, which is today expected to see steady population growth over the long term. We are expanding the business from India to East Africa by exporting higher efficiency air conditioners with an inverter developed and produced in India, which similar to Africa requires stable operation despite its unstable electricity supply. In September 2019, we opened an office in Nairobi, Republic of Kenya, and began work on market research locally as well as tapping into local sales networks.

#### Related information

Key Activities of Fiscal 2019: New Value Creation—Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation (Page 497)

New Value Creation - 245 -

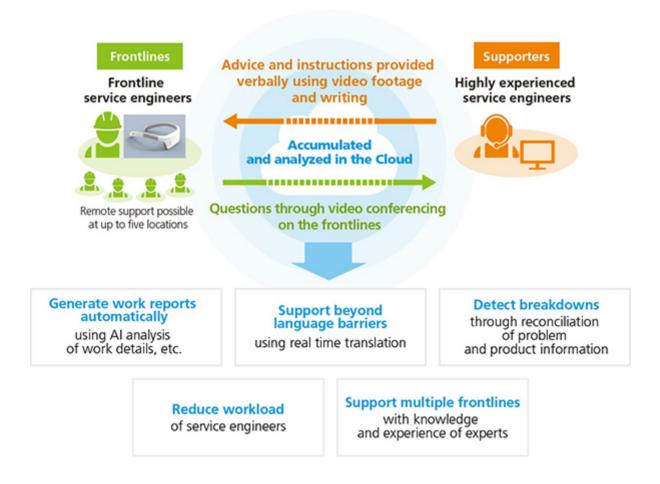
## Improving Work Efficiency and Quality with Connected Workers

In November 2019, Daikin and Fairy Devices Inc. jointly began working on an initiative to improve work efficiency and quality through the creation of connected workers\*1 in service areas such as maintenance and inspections of air conditioners. Fairy Devices will provide its voice recognition, edge AI, and data analysis technologies, while Daikin will contribute its frontline expertise globally, as the two work together to resolve issues faced by service operations.

Specifically, the THINKLET™ smart wearable device and technology stack\*2 developed by Fairy Devices and an online app for operational support developed by Daikin will be combined to develop a remote work support solution where experienced service engineers can support and train workers remotely. The two companies aim to use this solution to quickly foster talented service engineers while at the same time improving the technical skills and decision-making abilities of workers not only in Japan but around the world, and realizing high quality frontline operations that are highly efficient and sound.

- \*1 A collective term representing frontline workers able to receive various forms of support and required information even in remote locations by using a wearable device or sensors.
- \*2 An API or AI engine platform comprising a collection of various technologies that can function individually or in an integrated manner.

#### Overview of Remote Work Support Solutions



New Value Creation - 246 -

# 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.

As the first project under CRESNECT, in July 2019 Daikin and partner companies launched demonstration testing aimed at realizing the office of the future at point 0 marunouchi, a membership-based coworking space in the Marunouchi district of Tokyo. In this trial, members of point 0 marunouchi experience spatial content that is conducive to more efficient and healthy working and that is made possible by pooling state-of-the-art technologies, data, and know-how possessed by the CRESNECT partner companies. The aim is to test out how to build a healthy, comfortable office environment and contribute to the creation of new products and services.



Membership-based co-working space, point 0 marunouchi

#### Image of spatial content



Café offering specialty coffees



Innovative work-style solutions using IoT



Napping booth to boost workers' efficiency



Concentration booth where aural and visual distractions are shut out



Conference rooms suited to various purposes



Meditation/yoga room, and events, in support of user mindfulness



Free showers



Rich vegetation space



Event space holds up to 80 people



Community events promote the creation of futuristic working styles

New Value Creation - 247 -

## Daikin and Hitachi Promote 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.

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 system. The aim of this project is to achieve uniform quality, improve productivity and foster talent at Daikin's production bases inside and outside of Japan.

In fiscal 2018, a support system for training in brazing techniques was incorporated and began operation at three bases: the Sakai Plant, Shiga Plant, and Daikin Ales Aoya Global Training Center. Toward incorporation of this system at all worldwide bases, in addition to using it for actual skills training, we are improving the system for better ease of use by, for example, standardizing teaching processes using the system, improving display methods, and making it multi-lingual. Going forward, we plan to begin operating this system at overseas plants in Shanghai and Houston.

As a new effort utilizing image analysis, we have begun R&D into technology for automatically measuring actual working time and work details of production line workers using images taken with cameras installed on the lines. In fiscal 2020, we plan to begin verifying this technology on the frontline of our production operations.



Expert worker and trainee (photo courtesy of Hitachi, Ltd.)

New Value Creation - 248 -

# 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.

New Value Creation - 249 -

## 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.

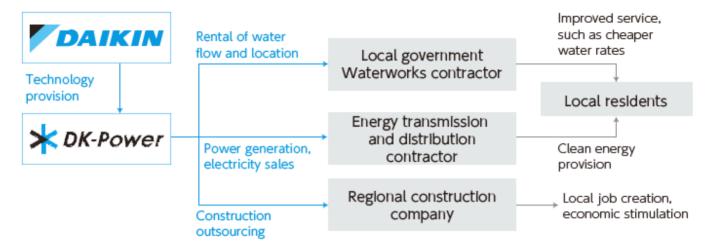
In 2013, Daikin's micro-hydroelectric power generation system was adopted under the Low Carbon Technology, Research, Development and Demonstration Program of Japan's Ministry of the Environment (MOE). It underwent demonstration testing over a three-year period in Nanto City, Toyama Prefecture, and Soma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

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.

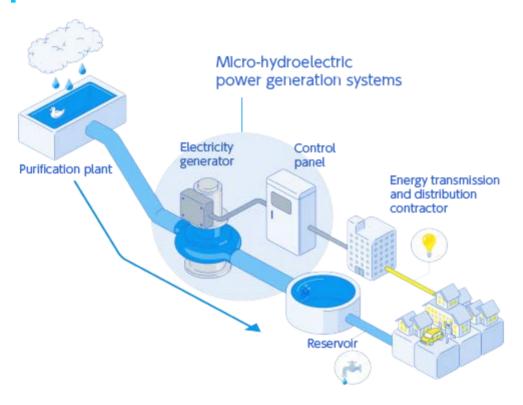
By using micro-hydroelectric power generation systems and the clean energy they provide, cities, towns, and neighborhoods in Japan and around the world get independently produced and sustainable electricity and thus contribute to a sustainable society.

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



## Micro-hydroelectric Power Generation System



#### Related information

> DK-Power, Ltd. (available in Japanese only) ☐ (http://www.dk-power.co.jp/)

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2020

- Web version 
(As of October 2020)

# **Customer Satisfaction**

Product Quality and Safety	 255	Protecting Customer Information	2	278
Customer Satisfaction	264			

# CSR for Value Provision Customer Satisfaction



## **Policy**

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

#### **Targets of CSR Action Plan 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 life cycle.

Customer Satisfaction - 253 -

#### **Fiscal 2019 Achievements**

We measured how much we improved after-sales service customer satisfaction compared to the base year.

Customer Satisfaction (when base year is 1.00)

Japan

(compared to fiscal 2015):

Spain

(compared to fiscal 2016):

China

(compared to fiscal 2018):

1.14

1.12

1.04

India

(compared to fiscal 2016):

Indonesia

(compared to fiscal 2017):

Singapore

(compared to fiscal 2015):

*1.13* 

1.03

1.00

**Vietnam** 

(compared to fiscal 2015):

Australia

(compared to fiscal 2015):

1.11

1.00

Product Quality and Safety

(Page 255)

Customer Satisfaction

(Page 264)

Protecting Customer

(Page 278)

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 2018: Customer Satisfaction—Global Product Development Structure to Quickly Address Various Regional Needs

(https://www.daikin.com/csr/feature2018/03.html)

Customer Satisfaction - 254 -

## 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."

Customer Satisfaction - 255 -

## **Product Quality Management Structure**

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

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

In all aspects of the quality management system, each division continuously carries out internal audits, assesses the operational system, and carries out the PDCA cycle's do, check, and act steps. Furthermore, every year each division sets key quality measures and targets based on the Group's new year policy and then plans and executes a fiscal year plan based on these measures and targets.

Similar to fiscal 2018, the air conditioning divisions set a goal of achieving a 95% customer trust rate for 10 years after purchase, as a policy for ensuring quality that customers can trust. To this end, they strove to provide customers with quality they can trust by, for example, ensuring quality from a customer-perspective based on assessment of actual usage environments, fundamental improvement in development quality from statistical methods, and improvement in quality of products and purchased goods. This will ensure greater reliability even as customer needs and usage situations become increasingly diverse.

In the chemicals divisions, we made efforts to rectify facility troubles and establish a mechanism to quickly detect signs of abnormality or irregularities, to fix emerging troubles with the goal of solving quality issues that may emerge or eliminate inventory held for quality concerns. These departments have also introduced QFD methodology for preventing quality troubles after commercialization along with systems and standards for operations to manage change better for rectifying troubles that emerge. For example, for a certain product, Daikin Fluorochemicals China Co. Ltd. was able to reduce quality related complaints by 75% compared to the previous year by implementing improvement measures for raw materials and fixing molding conditions. This also reduced the amount of compensation paid due to quality irregularities by 96% compared to the previous year. We will continue to make improvements to stabilize quality.

Customer Satisfaction - 256 -

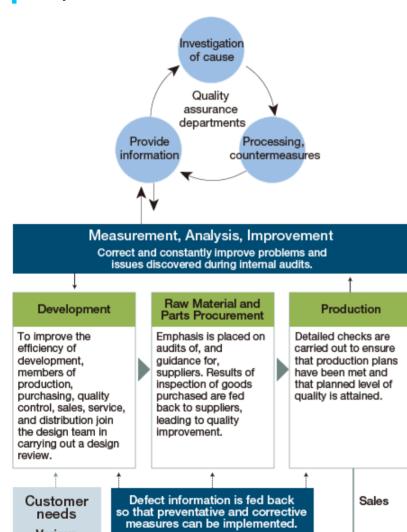
#### Quality Control System



#### Quality Assurance Process

Customer

needs Various regulations; Examples of past defects



Market information Quality information on customers' use of the product

- 257 -**Customer Satisfaction** 

Sales

## **Improving Quality**

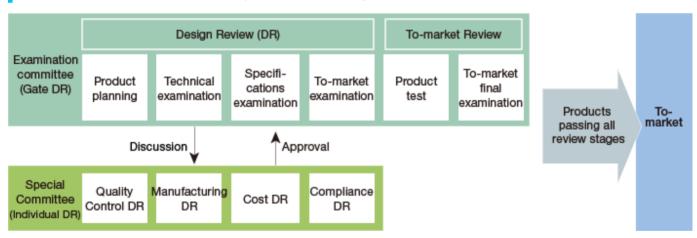
#### Only Those Products That Pass Our Strict Design Review for Product Safety Are Manufactured

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 divisions, 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. Because we were not able to get evaluations from customers and the industry with regards to criteria in the stage of business-viability establishment, since fiscal 2015 we have increased the number of inspections we do to strengthen design review functionality.

\* Design review: A system of coordinated activities covering design quality of products under development and the various processes involved in bringing these products to fruition. The products in question are objectively assessed and improvement suggestions are made, and only those products that pass each stage can move onto the next.

#### **Development Process Raises Quality (Air Conditioning Divisions)**



Customer Satisfaction - 258 -

## 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 of this meeting 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.



At a Global Product Structural Audit activity

Customer Satisfaction - 259 -

#### **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 misuse 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.

In fiscal 2018, we systematized the provision and management of product accident information in order to accelerate information provision and strengthen the follow-up system. Behind this effort is the increasing speed at which information proliferates on the Internet: we believe that we must respond ever more quickly to product accidents to minimize any negative effects these may have on our customers and society as a whole.

We strive to prevent major product accidents from occurring. When the cause of a minor product accident is discovered, we examine it to determine whether this could also lead to a major accident. The information we gather is reflected into the development of future products.

In fiscal 2019, there were no cases of product recall.

#### Related information

▶ Important Announcements (available in Japanese only) □ (https://www.daikin.co.jp/taisetsu/)

#### **Working Closely with Suppliers**

Refer to "Raising Product Quality and Ensuring Safety Together with Suppliers" (Working Closely with Suppliers) (Page 388)

Customer Satisfaction - 260 -

## **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 - 261 -

#### **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, and whether the customer can operate the product safety during an atypical usage situation.

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: Design methodology and mechanisms for control that ensure safety in case of failure in equipment, mechanisms or systems.

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#### **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.

In addition, in fiscal 2019, we launched a new video support page on our support website, which contains a video manual prepared in cooperation with sales and service departments as a method for fixing operating status which customers have had trouble self-diagnosing whether a product was operating normally or abnormally using the manual alone. Other initiatives include adding an FAQ and AI breakdown diagnosis as well as displaying current operating status in an easier to understand manner by improving the information presented on the remote control of X-type residential air conditioners.

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## **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 divisions 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.

Customer Satisfaction - 264 -

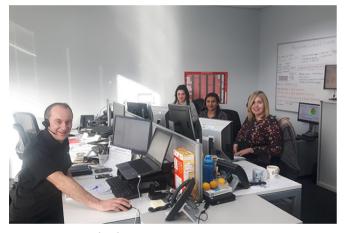
## **Increasing Satisfaction with Services**

#### **Building a Worldwide Customer Service System**

At Daikin, we aim to enhance the comfort and convenience of customers; thereby increasing their satisfaction by taking the initiative to make proposals and follow up in addition to continually enhancing the skills of our engineers and level of dedication to provide high quality products and services.

For customers in Japan, the Daikin Contact Center is open 24 hours a day, every day of the year for general inquiries from addressing repair requests to providing information and advice on our products from purchasing to technical consultations.

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." Through the establishment of Contact Centers and provision of technical information online, we are striving to increase customer satisfaction.







Customer Service Center (China)

#### **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 the base year.

Customer Satisfaction - 265 -

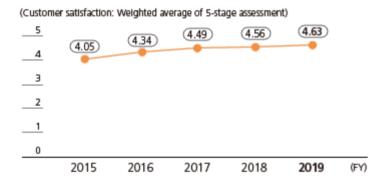
## Customer Satisfaction\*

	(Base year)	2015	2016	2017	2018	2019
Japan	(FY2015)	1.00	1.07	1.11	1.13	1.14
Spain	(FY2016)	-	1.00	1.21	1.15	1.12
China	(FY2018)	-	-	-	1.00	1.04
India	(FY2016)	-	1.00	1.06	1.09	1.13
Indonesia	(FY2017)	-	-	1.00	1.03	1.03
Singapore	(FY2015)	1.00	1.01	1.00	1.00	1.00
Vietnam	(FY2015)	1.00	1.02	1.04	1.09	1.11
Australia	(FY2015)	1.00	1.00	1.00	1.00	1.00

<sup>\*</sup> Satisfaction of after-sales services, regarding the base year as 1.00.

In Japan, we conduct *fureai* surveys to assess customer support within after-sales services. In fiscal 2019, services received an overall customer satisfaction score of 4.63 out of a total 5.0 points, the highest score to date. 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 - 266 -

#### 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 2,000 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 can carry out precise, appropriate work while ensuring their safety on the job, thus meeting customer demands in terms of technologies 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 the ASEAN/ Oceania region in 2017. Further, we have also introduced these programs in Europe.

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.

#### 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, the skills contests where participants competed on repair technology and customer support service quality were held in China, Asian countries and European countries. This provides an environment for employees to work together in friendly rivalry.

In fiscal 2019, competitions were held individually in Central Europe, the U.K., and Thailand, and following the ASEAN/Oceania region, the first regional tournament was held in Europe.

Furthermore, in fiscal 2020, we planned to invite engineers who won each regional qualifying round to compete in the second Service Olympics to compete and display the results of their daily work, but this event was postponed to fiscal 2021 due to the impacts of the COVID-19 pandemic.

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

Customer Satisfaction - 267 -

#### Case Study: Service University and Service Awards

For service engineers in Japan, in the four-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. In fiscal 2019, there were 38 participants in their first year, 46 in their second year, 30 in their third year, and 24 in their fourth year.

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.

#### **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 products, 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 is 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 is a total of 56 courses. In fiscal 2019, we revised the content of the lecture "Air Conditioner for Beginners" targeting first time dealers. In addition, we increased practical learning time and expanded learning materials to efficiently improve the skills of engineers, such as visualization materials and online training.

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.

Customer Satisfaction - 268 -

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. In this fiscal year, we collaborated with the Air Conditioning Sales Division in hosting the "Daikin's Updated Lecture on Fluorocarbon Handling" targeting dealers with certification for refrigerant destruction. We have enhanced our PR activities aimed at raising environmental awareness.







eco-booklet

Customer Satisfaction - 269 -

## **Understanding and Reflecting Customer Needs**

#### **Stepping Up Worldwide Marketing Research**

With Daikin 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 social 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 2017, we opened 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.

In addition, in Silicon Valley and Shenzhen, we utilized open innovation labs to collaborate with local venture firms and start-ups and pursued industrial-academia collaboration with universities in Japan, such as the University of Tokyo and Osaka University, in an effort to development new business and explore new technologies.

Furthermore, with the establishment of the Technology and Innovation Center CVC Office, we are now able to cooperate with start-ups around the world with speedier decision-making processes. By quickly examining novel thinking, we will aim to swiftly create new products, services and business models.

#### Related information

➤ Key Activities of Fiscal 2018: Customer Satisfaction—Global Product Development Structure to Quickly Address Various Regional Needs

(https://www.daikin.com/csr/feature2018/03.html)

Customer Satisfaction - 270 -

#### **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 products 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, Istanbul in Turkey, and throughout the world, we consult with customers while they are browsing actual products and energy management systems.

This fiscal year we used postings and events online and on social media to encourage more customers to visit through information sharing, with the goal of making proposals to more new customers.

Additionally, we held a Daikin Fan Meeting where developers and customers meet to exchange opinions.



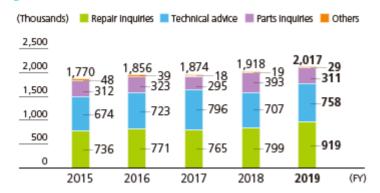
Daikin Solutions Plaza Fuha Osaka

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

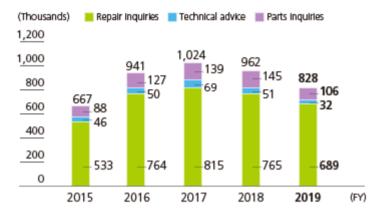
Requests, complaints, and other information obtained by the Contact Centers is recorded in a database. Information regarding the opinions and requests that sales representatives obtain from customers is shared among the Quality Division and relevant departments, who investigate causes and establish countermeasures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

Customer Satisfaction - 271 -

#### 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 we encourage customers who purchased products to join the Daikin membership site Club Daikin, which has around 150,000 members, through which we conduct questionnaires.

We utilize customer opinions in the development of new products.

Customer Satisfaction - 272 -

#### **Gathering Customer Feedback for Use in Products 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.

In fiscal 2018, we added the option of customizable coatings of the front panel with a selection of 600 colors available in order to coordinate with the diversified interior designs.

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.



risora, which balances design and functionality

#### Products Reflecting Customer Feedback: cocotas

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 getting out of a hot bath."

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.

Customer Satisfaction - 273 -

#### Products Reflecting Customer Feedback: Karaie

In fiscal 2018, we launched Karaie, which dehumidifies homes without manual draining, in response to customers who worry about the interior humidity while they are away from home for an extended time for the Japanese market.



Karaje which addresses dehumidification needs at home

## 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 business use, realizing intuitive remote control operation easy for anyone to understand in a wider range of settings.

Customer Satisfaction - 274 -

## **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) ☐ (https://www.daikinaircon.com/app/)

Customer Satisfaction - 275 -

#### **Chemicals Divisions Initiatives**

The chemicals divisions have identified "improvement of quality," "stable supply," "cost," and "response to needs (development of new products)" as the main points to increase customer satisfaction, and aim 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 divisions 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. This fiscal year, we held four Fluorine Classroom sessions covering plastics, rubber, and paint.

In addition, we hold "Chemicals Customer Appreciation Meeting" and "Dai Fluorine Gas Meeting," which are networking sessions between top management. This fiscal year 110 customers from 102 companies took part in the "Chemicals Customer Appreciation Meeting," and 30 customers from 29 dealers, along with 18 customers representing 2 distributors, participated in the "Dai Fluorine Gas Meeting." During both networking sessions, participants deepened interactions through the introduction of efforts for application development and functions of fluorine that lead to new application development.

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.

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#### Sharing Broad Knowledge about Product Features and Their Target Fields, Etc.

The sales representatives of the chemicals divisions 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 divisions hold 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 2019, sales departments also held training and educational sessions on such topics as the SDGs, AI, and compliance.

The chemicals divisions also make use of the "Fluorine Classroom" customer education program as an opportunity for personnel to educate themselves and deepen their knowledge.

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

#### Related information

➤ Fluorochemicals website (available in Japanese only) ☐ (https://www.daikinchemicals.com/jp.html)

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## 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.

#### Related information

- Information Security (Page 353)
- > PRIVACY POLICY (https://www.daikin.com/privacy/)
- > Response to Personal Data Regulations for EU Citizens (Page 373)

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2020
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# **Human Resources**

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## **CSR for Value Provision**

#### **Human Resources**



## **Policy**

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

#### **Targets of CSR Action Plan 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 2019 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 32 employees (Daikin Industries, Ltd. Only)

Percentage of overseas bases where Iocal nationals are presidents (s

Frequency rate (shows frequency of occurrence of labor accidents)

47% (Overseas bases)

1.26

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# ) Fostering Human Resources (Page 282)

) Workplace Diversity

Occupational Safety and Health

(Page 291)

(Page 304)

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 (Page 315)

Employee Evaluation and Treatment

(Page 320)

Labor Management Relations

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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 2019: Human Resources—Daikin's Unique Approach to Developing Al and IoT Human Resources for Driving Innovation (Page 509)
- ➤ Key Activities of Fiscal 2018: Human Resources—Developing Human Resources to Promote the Spread of Air Conditioners in the Rapidly Growing Market of Vietnam (https://www.daikin.com/csr/feature2018/04.html)
- ➤ Key Activities of Fiscal 2017: Human Resources—Human Resource Development in the U.S.— Growing with Local Communities

(https://www.daikin.com/csr/feature2017/04.html)

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## **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, age and gender, 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. Aimed at all managers including managerial candidates, this training program teaches participants things like Daikin's corporate culture and the group's unique management philosophy.

- \*1 Employees learn and acquire the general knowledge, technical knowledge, skills, and commitment required of their positions while performing their jobs.
- \*2 Employees study outside of their current workplaces in order to acquire the knowledge and skills needed for their jobs.

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### **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.

Accordingly, Daikin conducts various forms of training at the following facilities.

We will continue to boost human resources, such as by boosting global recruitment, increasing the number of inter-regional and international deployments, and creating competitive assessment and reward systems, and facilitate mutual communications between divisions and bases.

#### Main Training Facilities

Daikin Ales Aoya Global Training Center	Established in Tottori Prefecture in May 2008. In 2018, the facility was expanded for skills, technology, and service engineer training functions. In fiscal 2019, more than 16,750 employees used the facility.
Daikin Eau De Ciel Tateshina Seminar House	In June 2014, a training facility was added to the employee recreation facility of Daikin Industries, Ltd. in Nagano Prefecture in order to address the training needs for the entire Group for building the skills of our employees. It is used as a venue for overnight training camps and training.



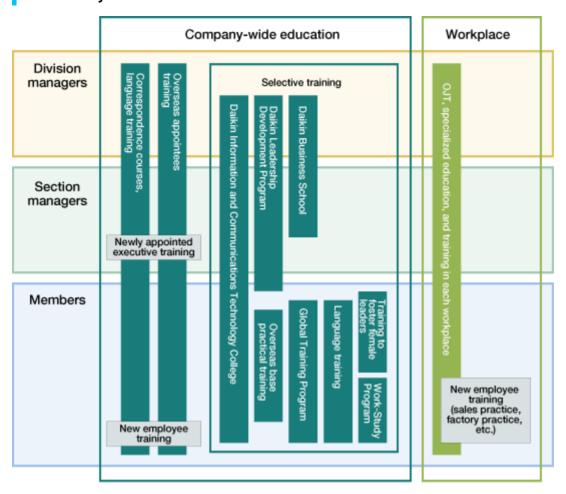




Daikin Eau De Ciel Tateshina Seminar House

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### Education System



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## Main Training Programs

New Employee Training	Every year, new employees spend five nights and six days at the Daikin Ales Aoya global training center in Tottori Prefecture, Japan. In 2019, we held the 47th session of this training camp over a four-week period for 537 employees consisting of new graduates and all career-track hires. Also taking part were more than 200 persons including Daikin executives and experienced employees, who acted as training leaders.  The goal of the session is to have new hires and training leaders learn about Daikin's People-Centered Management and how to become an ideal employee together through hands-on, participatory overnight training in which they hold discussions and practice concepts, while eating and sleeping in the same facility.
Overseas Base Practical Training	To foster internationally minded employees who can lead our global business in future, we send young employees 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 2019, 29 employees took part in this training. Since the program started in fiscal 1999, a total of 313 employees have participated.
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 2019, eight overseas employees (seven from Thailand and one from Vietnam) started their training in our development, production technology, quality control, and global strategy divisions. A cumulative total of 33 trainees have taken this training since fiscal 2015.
Work-Study Programs 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 2019, there were five Daikin employees studying at Toyota Technological Institute.
Daikin Leadership Development Program, Global Daikin Leadership Development Program	Daikin fosters the next generation of senior management candidates 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 2019, the cumulative number of participants reached 253 in the Daikin Leadership Development Program and 191 in the Global Daikin Leadership Development Program.



Global Daikin Leadership Development Program

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## **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 skills 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 2019, this rate was 1 in 3.2. 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 divisions have a system to designate Experts, who pass their advanced skills on to others. These Takumi and Experts teach their skills at Daikin bases worldwide, thus fostering future engineers and technical leaders.

In April 2010, we established a new trainer system to foster future Takumi and Experts and thus make up for a shortage of their numbers.

In fiscal 2017 in the chemicals divisions, 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.

As of the end of fiscal 2019, there were 34 Takumi and 115 Trainers (31 in Japan, 84 at overseas bases) in the air conditioning divisions. The chemicals divisions had eight Experts and 10 Trainers (six in Japan, four at overseas bases).

By 2020, Daikin plans to increase the number of Trainers to 129. 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.

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#### Skills Competitions and Skills Training Boost Level of Production Workers

Once every two years, the Global Skills Competition for Daikin's worldwide production bases is held with the aim of boosting 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 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 2019 training sessions, there were 10 employees from production bases in Japan and 11 from overseas. From the chemicals divisions, three employees from production bases in Japan and two overseas participated, learning about the basics of chemical engineering using simulators (distillation, material balance, and heat balance).

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.



**Skills Competition** 

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# Fostering Human Resources in the AI Field

#### **Daikin Information and Communications Technology College**

Daikin Information and Communications Technology College was established to foster human resources in the fields of artificial intelligence (AI) and Internet of Things (IoT)\* to meet the rapidly changing structures of industry and society.

The college invites professors from universities such as Osaka University and leading-edge research institutes to give a wide range of courses in everything from basics such as math to programming, machine learning, and applied AI.

We are accelerating the pace at which we foster managers and existing and new employees and have set a goal of completing training in AI and IoT for 700 employees by the end of fiscal 2020 and 1,000 by the end of fiscal 2021.

In fiscal 2019, 100 newly hired employees enrolled. Curriculum was refined based on the results of the training in fiscal 2018. In addition, we conducted AI training on the topic of "how can AI expand the possibilities for companies" for all executive officers in September 2019.

\* We aim to train innovators in AI and IoT who are capable of putting their specialized knowledge into action as well as inspiring others around them to do the same.

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# Activity details

Name	Objective	Details
Fostering AI and IoT Human Resources Among Newly Hired Employees	Fosters specialist human resources in AI and IoT solutions unique to Daikin who understand air conditioning technology, etc.	[First year] Al knowledge (using Al technologies from Osaka University), real data analysis using Al, IoT knowledge, business division knowledge and business model, etc. [Second year] Project-based learning (PBL using frontline data)
Al Technology Development	Fosters human resources who can externally outsource development using AI technologies and AI development	<ul> <li>AI knowledge (using AI technologies from Osaka University),</li> <li>Project-based learning (PBL using frontline data)</li> </ul>
System Development	Fosters human resources who can externally outsource systems development and development of systems needed for introducing AI to existing systems	<ul> <li>IoT knowledge (computer science and specialist learning and exercise on cloud and edge computing), basics of AI utilization (using AI technologies from Osaka University)</li> <li>On-the-job training</li> </ul>
Al Utilization for Managers	Fosters human resources who can plan and implement business or operational improvements utilizing AI and IoT	<ul><li>Al knowledge</li><li>Group work for managers</li></ul>
Al Utilization for All Employees	Raises awareness about improving Al literacy	E-learning (held in June)

#### **Related information**

> Key Activities of Fiscal 2019: Human Resources—Daikin's Unique Approach to Developing AI and IoT Human Resources for Driving Innovation (Page 509)

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## **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 have learned to take the initiative in using what they have learned immediately on the job.

As of fiscal 2019, a cumulative total of 173 employees at the Sakai Plant and 128 employees at the Shiga Plant had taken this training.

In fiscal 2018 in the chemicals divisions, new trainers were certified and training was held in skills (malfunctions, abnormalities) and fundamental tasks. Furthermore, we will increase the number of trainers and continue to provide skills training to operators.

### Fostering Students in Science and Technology

# Supporting Development and Employment of Science and Technology Students in Emerging Countries

Daikin is focused on development and employment assistance for science and technology students particularly in emerging countries in order to foster engineers critical to the spread of air conditioning around the world.

#### **Related information**

> Efforts Overseas (Supporting Education) (Page 425)

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# WORKPLACE DIVERSITY

## **Basic Policy**

Daikin 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 disability. This goes for both periodically hired employees and career hires.

Daikin is fundamentally committed to local employment. The Daikin Group's employee make-up is becoming increasingly diverse, with a greater number of non-Japanese and women in our ranks.

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

	2018		2019	
	Men	Women	Men	Women
Number of employees	7,180	1,368	7,352	1,440
Average range of services (years)	17.9	11.9	16.9	11.0
Average age	42.6	35.2	42.4	35.2
Number of managers	1,063	59	1,100	63
Number of board members	47	1	48	1
Number of foreign nationals	54	30	62	31

<sup>\*</sup> Includes employees on loan.

Note: Figures as of fiscal year-end.

# Employee Make-up by Region\*

	20	18	20	19	
	Number of companies	Number of employees	Number of companies	Number of employees	
Daikin Industries, Ltd. (Only)	1	7,254	1	7,499	
Domestic Group (Excluding Daikin Industries, Ltd.)	30	5,243	29	5,380	
U.S.	55	16,686	58	17,497	
China	33	19,194	36	18,996	
Europe	80	9,034	78	9,407	
Asia,Oceania	50	15,686	51	16,456	
Others (Latin America, Middle East, Africa, e.t.c)	43	3,387	61	5,134	
Total	292	76,484	314	80,369	

<sup>\*</sup> Figures as of fiscal year-end.

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#### Number of Employees by Gender and Employment Rate of Women\*

	2018	2019
Man	55,415	58,229
Woman	21,069	22,140
Total	76,484	80,369
Women as % of all employees	28%	28%

<sup>\*</sup> Figures as of fiscal year-end.

# **Promoting Understanding of LGBT**

Daikin aims to create workplaces conducive to working for all employees, regardless of things like nationality and gender.

Daikin Industries, Ltd. held training for approximately 500 officers, managers, and leaders on LGBT\* matters and workplace considerations, giving participants knowledge they could immediately use on the job and better understand LGBT. We also clarified definitions of human resource rules on marriage and gender to recognize things like common-law marriage (including same sex partners) and gender identity (what gender a person identifies himself or herself as).

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<sup>\*</sup> LGBT: An acronym for lesbian (L), gay (G), bisexual (B), and transgender (T).

### Maximizing the Talents of Women

#### Accelerating Efforts to Maximize the Talents of Women

Since 2011, Daikin Industries, Ltd. has accelerated efforts to maximize the talents of women as one of its key social measures.

As of the end of fiscal 2019, there were 63 female managers. We are also holding awareness training for managers and employees, and expanding measures to support a balance between work and childcare. As a result, the number of employees who return from childcare leave within one year is increasing with each passing year. This percentage has risen from around 30% in 2011 (9 people; 32%), when we launched initiatives to maximize the talents of women to about 50% as of March 2019 (31 people; 49.2%). Again, in fiscal 2019, we strove to foster new female managers through leader training for women who are candidates to be managers and leaders.

We continue to promote other efforts to maximize the talents of women through various training, seminars and networking sessions.

#### Seminars for Maximizing the Talent of Women

#### 1. Joint initiatives with other companies

We work in concert with other companies facing similar challenges to promote initiatives to maximize the talent of women. We provide introductions to role models and networking opportunities for the small number of female engineering and technical employees through exchanges with employees of other companies.

#### Female engineer networking forum

We hold this forum with the purpose of providing an impetus for improvement and innovation at the company by sharing the joy of work and broadening horizons through new learning and new awareness gained from visits to other companies' business sites and discussions with their engineers. We held joint events including discussions with NTN Corporation, Okamura Corporation, Sumitomo Rubber Industries, Ltd., and Takenaka Corporation. A total of 28 people participated, including five female engineers from Daikin.

 Daikin Industries, Ltd. and Murata Manufacturing Co., Ltd. female engineer networking session

This networking session was held to provide a hint to our female engineers about advancing their careers through networking with other female engineers working for Murata Manufacturing Co., Ltd., a similar manufacturer of machinery, and lectures by role models of both companies. A total of 21 people participated, including 11 female employees from Daikin.

• Diversity discussions with other manufacturing companies

As part of the Sakai Plant's women's empowerment project, female engineers visited Aishin AW Co., Ltd. where they toured the plant and took part in a discussion on diversity. Through the sharing of case studies on improvements made by female employees on the production floor, tours of manufacturing processes where pregnant employees can work, and discussions, participants were made aware of possible improvements in diversity they can make in their own workplace or jobs. Seven female employees from Daikin participated.

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- 2. Initiatives by each department and business site

  Each department and business site conducts initiatives with the help of the Human Resources

  Division based on the individual challenges they face.
  - Female sales meetings for the Group sponsored by the Air Conditioning Sales Division We held a discussion with female researchers and joint workshop for supervisors and employees aimed at promoting the more active role of women in the workplace, both with the objective of helping female sales reps increase their skills in terms of network building and sharing of experiences and know-how with one another within the Group and accelerating growth and involvement by ensuring supervisors and employees share the same awareness and move in the same direction. A total of 40 female sales reps participated, including female employees from Group companies.
  - Sakai Plant Work-life balance support programs briefing and employee networking session sponsored by the women's empowerment project
     As part of the Sakai Plant's women's empowerment project, this briefing and employee networking session was held to frankly talk about balancing work and childcare, daily issues, and know-how for approaching work with senior employees and participants from various departments and to connect this information with new awareness. A total of 26 employees participated.
  - Shiga Plant Seminar for male employees sponsored by the diversity promotion project
    As part of the Shiga Plant's diversity promotion project, we held a seminar for male
    employees. After listening to the actual experiences of male employees who took long-term
    childcare leave, participants discussed the themes of job coordination for taking childcare
    leave, work style reforms, issues faced with childrearing, and daily chores.

For efforts such as these to support female employees looking to forge a career, in March 2020, we were granted "Nadeshiko Brand" designation by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) as a company that is exceptional in promoting women's success in the workplace. This was the seventh time, and the sixth consecutive year.

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# Women's Empowerment Project through Industry-Academia Collaboration between Osaka University and Daikin Industries, Ltd.

Daikin Industries, Ltd. launched two educational programs with Osaka University in October 2019. The Female Engineering Leadership Program teaches young female employees of Daikin about exhibiting their own unique leadership alongside science-related female graduate students. In addition, the Childcare Leave Career Support Program provides employees of Daikin access to classes taught at Osaka University during their childcare leave. These represent some of the first educational programs conducted between a company and university. They are helping to advance the careers of women and increase their skills.

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## **Hiring Women**

#### **Increasing Percentage of Female Employees**

As of the end of March 2020, women accounted for 16.4% (1,440) of all employees of Daikin Industries, Ltd.

Starting in fiscal 2013, we began our proactive policy of hiring more women for technical and skills positions. As a result, the percentage women hired accounted for more than 30% of all new employees hired for the sixth 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. We have hired 100 women a year through our recruitment with the target of having women account for 17% of all employees as is the average for the entire manufacturing industry.

From 2018, we held internships for women studying sciences and roundtable discussions with employees to provide opportunities for women to think about their careers together.

#### Number of Hires and Ratio of Women (Daikin Industries, Ltd. only)



<sup>\*</sup> Employees joining company on April 1

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### **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 2019, local nationals accounted for 47.1% of the presidents and 48.6% of the directors at overseas Daikin bases.

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

#### **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 the end of March 2020, there were 93 foreign nationals working at Daikin Industries, Ltd., an indication of Daikin efforts to include a diverse range of nationalities in its ranks.

Daikin Industries, Ltd. is hiring more and more foreign nationals as its business becomes increasingly globalized, and one way we are accelerating this diversity is by focusing on giving foreign nationals a more active role at Daikin. The number of these employees is on the rise at the head office. In October 2018, we published a Japan Living Guide containing information to facilitate the start of their life and work in Japan for new hires from overseas and for intern trainees from abroad. In November 2018, we published a handbook for workplaces with foreign national employees to facilitate communication and provide hints about how to develop their careers. Also, we provide Japanese lessons for foreign national employees.



#### **Seminars and Workshops**

#### **Workshops for Foreign National Employees**

We held a workshop for foreign national employees for them to discuss their own personalities and strengths with the goal of providing a workplace environment where individuals embrace diverse values and can contribute their personalities and strengths, regardless of nationality, race, ethnicity, religion or language.

# Cross-Cultural Communication Seminar for Foreign National Employees Held Jointly with Other Companies

In November 2019, we held a cross-cultural communication seminar for foreign national employees jointly with Kawasaki Heavy Industries, Ltd., Kobe Steel, Ltd., and Sumitomo Electric Industries, Ltd. During the seminar, the six dimensions of Hofstede model was used to understand the differences between Japanese culture and participant's own culture and learn about methods of utilizing one's own personality and strengths in their daily work.

In addition, the new learning and awareness gained from discussions and interactions with the foreign national employees of other companies helped to expand horizons and deepen participants' awareness of their own work.

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## **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's development, we have faith in people's unlimited abilities, regardless if they have a disability or not, 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.

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.

For the Daikin Group in Japan, we have established a target to achieve an employment rate of persons with disabilities of 2.5%, which exceeds the legally stipulated ratio of 2.2%.

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

In April 2020, Daikin Industries, Ltd. hired three new employees with disabilities.

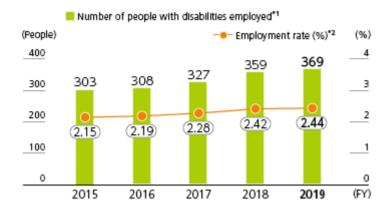
As of the end of fiscal 2019, 2.44% of workers in the Daikin Group are disabled, a percentage above the legal requirement.



Daikin Sunrise Settsu Co., Ltd. (DSS)

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# 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 Disability employment rate = number of people with disabilities employed / number of full-time employees

Note: Figures as of end of fiscal year

#### **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 55 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 Education Television 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.

These are just a few examples of how disabled employees at Daikin are taking the initiative to make their mark in society. Daikin Industries (Thailand) Ltd. has 25 disabled employees, and Daikin Compressor Industries, Ltd. has 17 disabled employees.

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# **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 aged up to 65 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 2019, there were 486 retirees working under this system at Daikin. Twenty-four of these re-employed veterans have been assigned to overseas posts, where they are imparting 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 attendance rate and personnel evaluation determined using standards set by labor and management.

The contribution of these experienced workers is becoming more important with Japan's declining birthrate and aging population. We plan to place these workers in positions that are best for them by considering their requests and expertise and by having them consult with their superiors.

# Number of Re-employed Workers and Rate of Re-employment (Daikin Industries, Ltd. only)



#### History of Daikin's Re-employment System

1979	Retirement age extended from 55 to 60.	
1991	Introduction of re-employment system for employees up to 63.	
2001	Age raised from 63 to 65.	
2004	Senior Skill Specialist contract employee system introduced.	
2005	Experience worker revitalization project started.	
2006	System introduced at Daikin Group companies in Japan.	

# **Diversity Education for Employees**

In fiscal 2019, Daikin Industries, Ltd. carried out a range of educational activities to cultivate a workplace culture and change people's thinking with the aim of further tapping into the talents of a diversity of employees.

As with the previous year, management training was held for managers to get participants to think and take action toward making maximum use of the capabilities and unique characteristics of all employees and building an organization that spurs innovation and gets results for Daikin. A total of 31 managers took this training.

In December 2019, for young employees in their second year with Daikin, we held self-growth step-up training, the aim of which is encourage employees to think for themselves about their long-term career, and acquire the know-how and skills to accelerate their growth. This training was a chance for 311 participants to hear lectures and hold discussions with colleagues and take a good look at themselves and their goals. In addition, in June 2019 we held self-growth step-up training for fourth year employees, with a total of 238 participants.

We also held training for Japanese employees slated to work at overseas bases. 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. In fiscal 2019, 88 employees took this training.

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# **OCCUPATIONAL SAFETY AND HEALTH**

# **Basic Policy**

Daikin Group Conduct Guidelines state that we are constantly aware of and taking action on the safe operation of our workplaces. 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.

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## 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 bases. An officer in charge of safety is appointed to drive these efforts and comprehensively promote the safe operation of production facilities throughout the Group.

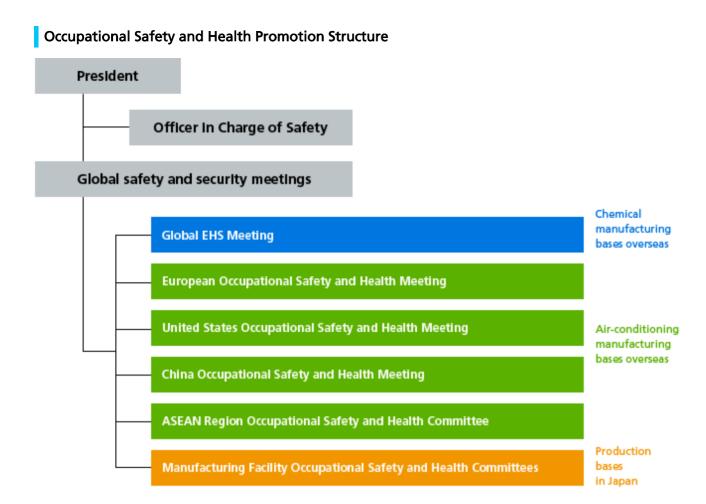
To improve the level of safety throughout the entire Group, global safety and security meetings led by the officer in charge of safety are held twice a year. These meetings report on the occurrence of accidents in Japan and overseas (number and type of accidents, etc.), details of safety and security meetings held in each region, status of support provided to overseas bases with a high frequency of accidents, and the status of countermeasures against common issues globally. Discussions are also held on ways of further improving the level of safety.

Major safety issues or concerns are reported promptly to the officer in charge of safety when discovered, who then orders the department responsible for safety of the applicable base to rectify the situation and implement countermeasures. In turn, solutions are rolled out to the entire Group.

In Japan, Occupational Safety and Health Committees are established at each plant jointly involving labor and management to devise annual safety policies, formulate occupational safety and health plans and implement the PDCA cycle. The committees, which meet monthly, are comprised of the health and safety officer (head of each plant), safety manager, health manager, industrial physician, and representatives from the company and labor union, in accordance with laws and regulations.

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.

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#### **Fostering Safe Workplaces**

To prevent the occurrence of occupational injuries, Daikin carries out safety countermeasures after each base conducts risk assessments and identifies facilities that pose a high risk of injury. When an injury occurs at a base either inside or outside of Japan, matters concerning the monthly occurrence, causes, and countermeasures are reported to the officer in charge of safety via the department responsible for safety at Daikin Industries, Ltd., pursuant to the Group's injury reporting guidelines. In turn, this information is reported to and shared with the global safety and security meeting two times per year. For example, regarding accidents involving forklifts and onsite vehicles, which had seen a rising number of accidents globally, details of these accidents and countermeasures were shared by each base at the global safety and security meeting, and now we are striving to prevent future accidents by installing safety equipment on forklifts at each base and increasing workers' safety awareness through training. In addition, we are making efforts to prevent occupational injuries irrespective of legal requirements in each country by making helmets mandatory at overseas bases and taking other measures.

To foster greater safety awareness, every year in July (in conjunction with Nationwide Safety Week in Japan) the President of Daikin Industries, Ltd., shares a message with the entire Group about the key initiatives for that particular fiscal year. Also, every year, senior management, the officer in charge of safety and the department responsible for safety visit bases in Japan and abroad to provide guidance for ensuring safety. We are also working to improve awareness of safety by having the department responsible for safety collet information on the occurrence of accidents in the Group monthly which is then shared with safety managers at each base.

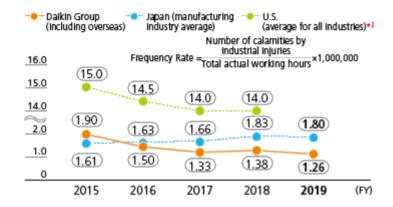
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## **Targets and Achievements**

#### 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 2019 was 1.26.

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

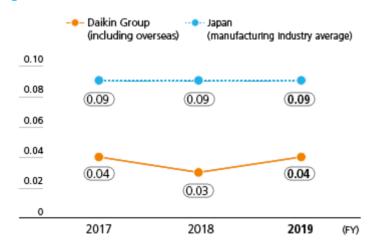


\*1 This shows the frequency of work-related accidents, expressed in number of casualties for every 1,000,000 working hours.

Frequency rate = Number of fatalities/injuries caused by work-related accidents / Total actual working hours  $\times$  1,000,000

\*2 Calculated based on information from U.S. Bureau of Labor Statistics (November 2019). No data was released for the U.S. in fiscal 2019. (As of the end of May 2020)

#### Severity Rate\* (Including Group companies in Japan and overseas)



\* 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

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#### Occupational Illness Frequency Rate\*1 (OIFR) (Daikin Industries, Ltd. only\*2)

	2016	2017	2018	2019
Occupational Illness Frequency Rate	0	0	0	0

<sup>\*1</sup> Occupational Illness Frequency Rate = (Number of Occupational Illnesses/Total Working Hours) x 1,000,000.

# Occupational Safety and Health Management System

#### 59 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 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. In addition, every year, we conduct internal and external audits, along with education and safety patrols with the aim of achieving "zero accident" workplaces.

As of the end of fiscal 2019, 37 air conditioning manufacturing bases and seven chemical manufacturing bases had acquired certification related to OHSAS 18001 and other occupational safety and health management systems.

#### Number of Bases with Occupational Safety and Health Management System Certifications

	2019		
	Air Conditioning	Chemicals	Total
Japan	2	1	3
China	22	3	25
Asia and Oceania	11	0	11
Europe	14	4	18
North America, Latin America	1	1	2
Total	50	9	59

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<sup>\*2</sup> Daikin Industries, Ltd.'s Sakai Plant, Yodogawa Plant, Shiga Plant, and Kashima Plant

## **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 mock 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. We continue to hold training based on effective programs that combine with theoretical learning in the classroom.

As an operator of chemical plants, Daikin continues to provide basic work training essential to plant operations, having introduced pump circulation units and flange closure simulators, in order to increase the technical skills of operators. In addition, we have introduced a process training simulator for even more specialized learning where participants master the principles of process chemistry while fostering understanding of control operations and processes so that they can respond properly in case of changes in process. In this manner, our training covers the prevention of disasters and accidents.

#### Interactive training to heighten safety awareness

	Details of initiatives at divisions	
The air conditioning divisions  • Raise awareness toward safety by holding hands-on safety training that fost awareness through experience		
The chemicals divisions	<ul> <li>Hold hands-on simulation-based training where an emergency shutdown is reenacted virtually based on the expertise of professionals coupled with data from plant abnormalities in order to train employees on how to respond.</li> </ul>	

At our overseas bases, we seek to increase technical skill levels through participation in training in Japan. We also aim for zero workplace accidents at overseas bases through efforts such as safety education and safety patrols.

#### Related information

"Business Partners Contribute to Plant Safety" (Working Closely with Suppliers) (Page 391)

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### Stakeholder Engagement

#### **Dialogue with Communities for Safer Plants**

We have established venues for regular dialogue with local community members for safety plants in order to provide added peace of mind to the people living around our plants.

#### Related information

> "Building Trust with Communities" (Harmony with Communities—Strengthening Bonds) (Page 427)

### **Employee Health Management**

#### Supporting Employee Health through Checkups and Counseling

Daikin Industries, Ltd. strives to maintain employees' health by providing all employees with semi-annual health checkups, as well as semi-annual special checkups for those engaged in specialized work, as required by health and safety laws. In fiscal 2019, 94% 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. At such secondary checkups, employees are given personalized health guidance and advice on improving their habits that matches their individual lifestyles. Employees who require detailed examinations and treatment are sent monthly follow-up emails as part of our efforts to decrease the number of people not getting the care they need.

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. At interviews with industrial physicians, employees are given not just health advice but also consultation regarding family life and other personal matters.

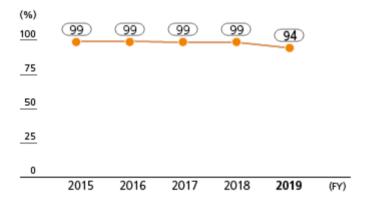
From July 2019, we increased the number of days per week that industrial physicians visit the company from one to four times to develop an environment where employees have easy access to health consultations.

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### Employees' health management

	Details of initiatives at plants	
Sakai Plant	<ul> <li>Holds sporting events with the goal of promoting employee health and getting employees communicating</li> </ul>	
<ul> <li>Promotes health initiatives, including the establishment of health commendation system</li> <li>Hosts Genki Festa as a venue for promoting employee health and communications between workplaces</li> </ul>		
Yodogawa Plant	<ul> <li>Conducts health seminars for all employees</li> <li>Hosts seminars led by industrial physicians</li> <li>Provides venues to establish good exercise habits</li> <li>Holds Health Festival for employees and their families</li> <li>Hosts stretching classes and yoga classes</li> </ul>	

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



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



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### **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 in Japan. 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.

#### Mental health care

	Details of initiatives at plants	
Sakai Plant	<ul> <li>Provides individual counseling to newly hired employees</li> <li>Provides counseling to employees in their 20s and 30s</li> <li>Conducts self-care education by a mental health professional for employees in their late 30s and early 40s</li> <li>Holds groupwork based on case studies for employees in leadership positions</li> </ul>	
Shiga Plant	<ul> <li>Holds self-care training for employees in their third and fifth years</li> <li>Provides line care education for employees in leadership positions</li> <li>Holds line care education for managers</li> <li>Holds self-care training for all employees</li> </ul>	
Yodogawa Plant	<ul> <li>Publishes mental care handbooks that introduce method for relieving stress and self-checking one's health</li> <li>Holds line care education for managers</li> </ul>	

### **Shortening Working Hours**

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

Daikin strives to comply with labor related laws and regulations in the countries and regions where it operates and to eliminate prolonged working hours of employees, under the Group Conduct Guidelines that state, "Respect for Human Rights and Diversity and Observance of Labor Laws."

#### Respect for Human Rights and Diversity and Observance of Labor Laws

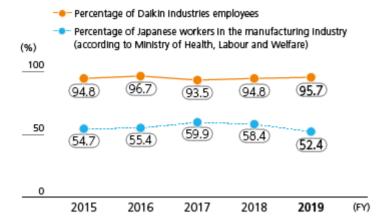
We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall 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).

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

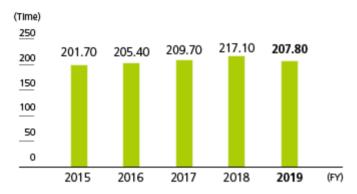
In this way, we are making a concerted effort to improve both work rule compliance and work efficiency. Yearly plans are made for each employee's duties and working hours, and to ensure that work and personnel management are in line with the plans, checklists are filled out to manage daily work.

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

#### Percentage of Employees Taking All Paid Leave (Daikin Industries, Ltd. only)



#### 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

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# **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 both men and women, with children continue both work and home duties with peace of mind. We have been certified as a company complying with the Act on Advancement of Measures to Support Raising Next-Generation Children. We have put efforts into strengthening systems for both childcare leave and childcare support and encouraging male employees to take more childcare leave.

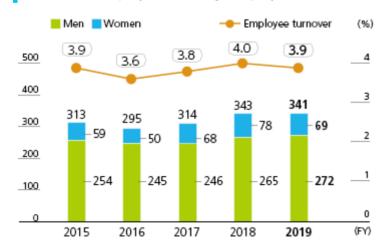
# Helping Employees Match Work Schedule with Lifestyle

#### Employing Flexible Work Systems such as Flex Time and Discretionary Work System

To allow this diverse range of employees to work under flexible conditions and working hours, we use the flex time system. We also have a discretionary work system that can be taken advantage of by not just the R&D department but also by employees in other company departments conducting duties such as planning, proposals, and surveys related to company operations.

Thanks to these efforts to give employees flexible working conditions and working hours, Daikin had an employee turnover of just 3.9% (including mandatory retirement age employees) in fiscal 2019: this is far below the average of 14.9% for all industries in Japan (according to a 2017 survey by Japan's Ministry of Health, Labour and Welfare).

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



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# **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.

Since 2012, we have been holding seminars on returning to work from childcare leave for employees and their bosses. These seminars provide a place where participants can share thoughts and know-how that will help them work in a way that contributes to the workplace while also maintaining a work-life balance, and where they can think about how to build a long-term career. For double-income households, couples need each other's cooperation if they are to properly balance work and childcare. Therefore, since August 2018, the husbands or wives of the person returning to work have also been taking part in these seminars on returning to work from childcare leave.

In fiscal 2013, we began offering the full support of outside specialists to employees searching for daycare facilities for their children. Besides providing information on daycare facilities 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 daycare facility. This service is used by employees taking childcare leave.

In municipalities all over Japan, more and more parents are having trouble finding daycare facilities for their children. Moreover, a lack of knowledge and information on finding daycare means increasing numbers of families cannot get their children into facilities at the desired time. In June 2017, we began giving daycare and childcare leave support seminars to provide information on finding daycare and how to make the most of life while on childcare leave. The seminars are for employees planning to take childcare leave (for at least two months, including maternity leave).

Furthermore, from March 2020, we introduced a system to match people who cannot return to work because they do not have daycare with company-owned daycares\* with an opening, in an effort to further facilitate the return to work from childcare leave.

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 make an early return to the company due to pressing work. It has taken firm root among employees and is being used more and more each year.

We will continue to help employees achieve an ideal balance of work and childcare while also using their talents to the fullest.

\* Company-owned daycare refers to a daycare facility built and operated with subsidies from the national government in order to provide flexible daycare services based on the work styles of a company's employees or to be set up and used jointly among companies in the community.

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#### 95.82% of 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.

In December 2016, we launched a policy to recommend that all male employees with a recently born child take at least five days of childcare leave.

As part of our initiatives to encourage male participation in childrearing, during the seminar held in June 2019 for employees returning to work after childcare leave, the scope of attendance was expanded from employees returning to work and their supervisors to include partners of employees returning to work in case of marriages between employees. (Breakdown of participants: 56 employees returning to work, 49 supervisors, and 20 partners).

Also, the Handbook on Balancing Work and Childcare published in August 2019 included a section for male employees. This handbook is given out to all male employees whose spouse gave birth.

#### Measures:

- 1. Sending of documents for a system in support of childcare leave and the balancing of work and childcare.
- 2. Dialogue between male employees and their bosses and clarification of planned dates of childcare leave.
- 3. HR division confirms leave dates and whether employees are taking childcare leave.

As a result of these efforts, 95.82% of male employees took childcare leave in fiscal 2019. We will continue to encourage men to take part in childcare as well as create an environment where both men and women balance their jobs and family duties.

#### Number of Employees Taking Childcare Leave\* (Daikin Industries, Ltd. only)



<sup>\*</sup> Number of employees taking childcare leave each fiscal year

Daikin Industries, Ltd. achieved the targets of its first action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children. For this, the company was certified by the Osaka Labour Bureau (Ministry of Health, Labour, and Welfare).

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Symbol Showing Certification as a Company Supporting Employees Childcare Efforts

# Support Systems for the Balance of Work and Family

1992	Introduction of childcare leave system and shortened working hours for parents	
2005	First action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children (Next-Generation Act)	
2007	Creation of second action plan under the Next-Generation Act 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	Creation of third action plan under the Next-Generation Act (implementation period: April 2012–March 2014) Revision of childcare cafeteria plan Commencement of seminars for employees returning to work after childcare leave	
2013	Introduction of daycare facilities assistance service	
2014	Creation of fourth action plan under the Next-Generation Act (April 2014–March 2019) Revision of childcare cafeteria plan Introduction of 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  Commencement of initiatives for encouraging male employees to take childcare leave	
2017	Commencement of seminars on daycare and childcare leave support	
2019	Creation of fifth action plan under the Next-Generation Act (April 2019–March 2024) Commencement of program to support career advancement during childcare leave Introduction of matching service for company-owned daycares	

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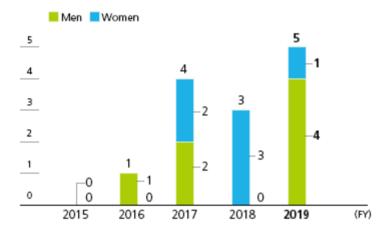
# Support for Family Care and other Employee Benefit Systems

#### **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	Seniors' leaves system	The employee gets three days of paid leave between the month the employee turns 55 and retirement age.
leave	leave Participation in Japan	Employees may be allowed to take time off work for this.

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# **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, Daikin Industries, Ltd. 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.

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#### 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.

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# 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, 87% of those at Daikin Industries, Ltd. are union members. 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 2019, there were 15 such meetings held at the head office. Participants discussed topics including how to improve workplace structure and motivation, make work more rewarding, and tackle management issues.

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.

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# **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.

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# 2020 - Web version (As of October 2020)

# Corporate Governance

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### **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

### Why is it important?

The importance of corporate governance as a check function for management is increasing amid the growing social responsibilities of companies driven by changes in business values and globalization. To strengthen corporate governance, companies must not only avoid risk and prevent scandals, but also support improved profitability and medium- to long-term value along with sustainable growth, which will also protect the interests of stakeholders.

### **DAIKIN'S APPROACH**

Daikin recognizes that the role fulfilled by corporate governance will help to increase corporate value by promoting a balance between forward-looking/speedier decision making and operational execution and tireless upgrading of transparency and soundness in response to the Group's management tasks and surrounding environment. As a result, we increased the number of outside directors by one to four in June 2020, making the ratio of outside directors over one-third. In this manner, we are working to further upgrade management and strengthen the board's supervision functions.

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Through an integrated management system for fast decision-making and execution, we improve our operational speed and ensure sound, transparent management.



Names and biographies of the Daikin Industries, Ltd.'s Management.



We quickly and accurately get the big picture regarding risk, and we strive to reduce it by conducting cross-organizational risk management.



We confirm the status of compliance with the Group Conduct of Guidelines and ensure thorough legal compliance.

Free Competition and Fair Business Dealings (Page 347)

The Daikin group strives for fair business practices through measures for complying with laws.

> Prohibiting Bribes
(Page 350)

We do our utmost to ensure that business entertainment and giftgiving related to business are conducted within the laws and customs of each country and region.



We have stipulated our Information Security Basic Policy and built an information management security system, and these are the basis for efforts to appropriately manage and use confidential information.

Property Rights
(Page 358)

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.

> Tax Compliance
(Page 362)

We take steps to ensure thorough tax compliance pursuant to the Group Conduct Guidelines.

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# **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.

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# **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 2020, we have 11 directors (including one woman and one non-Japanese nationals). These directors oversee prompt and strategic decision making and sound supervision and guidance throughout the entire Group.

Daikin Industries, Ltd. appoints four 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 about 11 years 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.

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### **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 2020, 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. The opinions of the Audit and Supervisory Board are respected on matters related to personnel transfers, work evaluations, and other matters pertaining to the Office of Audit and Supervisory Board Member staff members.

The Audit & Supervisory Board stipulates Code of Audit and Supervisory Board Member Auditing Standards, in which it is written that members should strive to constantly educate themselves to improve the quality of audits.

One way they educate themselves is through participation in working groups and training events sponsored by the Japan Audit & Supervisory Board Members Association. The Audit & Supervisory Board communicates closely with accounting auditors. It also receives advice when necessary from outside experts such as certified public accountants and lawyers.

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### **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.

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. During the evaluation of board effectiveness in fiscal 2019, opinions were shared that will help to improve the administrative aspects of board meetings as well as further strengthen decision making and supervision functions. Going forward, we will continue with our efforts to further improve board effectiveness, including not only administrative improvements, but also deliberation of strategy and management tasks in a cross-functional manner, and improved reporting of status of business execution.

In fiscal 2019, the Board of Directors Meeting was convened 15 times, with external directors attending on average 98% of the meetings and external Audit & Supervisory Board members attending on average 87% of the meetings.

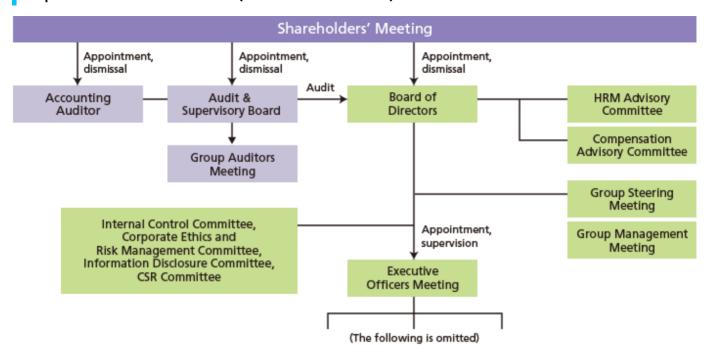
The highest deliberation organ for the Group's management system is the Group Steering Meeting, which strives to constantly speed up the pace at which the Daikin Group decides on future direction and solves issues related to important management policy and strategies. The Group Steering Meeting was convened nine times in fiscal 2019.

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.

The Board of Directors oversees the Internal Control Committee, the Corporate Ethics and Risk Management Committee, the Information Disclosure Committee, and the CSR Committee.

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### Corporate Governance Structure (as of end of June 2020)



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# 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 July 2020, the HRM Advisory Committee and the Compensation Advisory Committee consist of five members—four external directors, one internal director, and one Human Resources executive officer—and is chaired by one of the three 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 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 (executive compensation databases of Willis Towers Watson).

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# Corporate Officer Remuneration (Fiscal 2019)

Category	Total compensation (Million yen)	Total of differe	Persons		
		fixed compensation	Stock options	Performance- linked comepensation	paid
Director (Excluding external directors)	1,136	484	154	496	9
Audit & Supervisory Board member (Excluding external Audit & Supervisory Board members)	70	70	-	-	3
External corporate officers	78	78	-	-	5

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# Corporate Officers with Compensation Over 100 Million Yen (Fiscal 2018)

Name  Category  (Million yen)				Total consolidated compensation by types (millions of yen)			
	Company	fixed compensation	Stock options	Performance- linked comepensation			
Noriyuki Inoue	421	Director	Daikin Industries, Ltd.	189	38	193	
Masanori Togawa	284	Director	Daikin Industries, Ltd.	123	38	123	
Ken Tayano	167	Director	Daikin Industries, Ltd.	85	19	51	
		President	Daikin (China) Investment Co., Ltd. (Consolidated subsidiary)	11	-	-	
Masatsugu Minaka	Director  139  Director	Director	Daikin Industries, Ltd.	5	19	34	
		Daikin Europe N.V. (Consolidated subsidiary)	73	-	6		
Jiro Tomita	156	Director	Daikin Industries, Ltd.	59	19	77	
Kanwal Jeet Jawa	108	Director	Daikin Industries, Ltd.	12	10	-	
		Director	Daikin Airconditioning India Pvt. Ltd.	54	-	31	

# Accounting Auditor Compensation (Fiscal 2019)

Auditing expenses	246 million yen

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# **Group-Wide Governance**

To ensure governance throughout the entire Group, including companies acquired by Daikin, the Group Management Meeting is held regularly with the aim 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 July 1, 2020) ☐ (340KB) (https://www.daikin.com/csr/management/pdf/Corporate\_Governance\_Report\_2020.pdf)
- ➤ Management (About Daikin) ☐ (https://www.daikin.com/corporate/overview/summary/directors/)
- ➤ Disclosure Policy (Investor Relations) □ (https://www.daikin.com/investor/management/disclosure/)

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# **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 biannually to ensure that they are being properly managed within the Group's risk management and overall internal control structure.

### Related information

> Environmental Risks and Opportunities (Page 101)

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### **Business-Related and Other Risks**

The following are possible risks affecting the Daikin Group's financial situation, business performance, and other areas.

For details about each risk, see > pages 57-59 of Annual Report 2020 .

(https://www.daikin.com/investor/library/annual/)

### Business-Related and Other Risks

- 1. Risks related to market environment
  - 1. Risks related to changes in market environment
  - 2. Risks related to fluctuations in foreign exchange rates and financing environment
  - 3. Risks related to fluctuations in the market value of securities
- 2. Risks related to business activities
  - 1. Risks related to technologies, products or services
  - 2. Risks related to acquisitions or partnerships with other companies
  - 3. Quality and accountability for products and services
  - 4. Risks related to procurement
  - 5. Legal regulations
  - 6. Information security
- 3. Risks related to the environment, such as climate change
- 4. Others
  - 1. Impairment of long-lived assets
  - 2. Natural disasters

#### Related information

- Annual Report 2020 (Principal Risks Associated with the Daikin Group's Operations on pages 57–59)
   □ (https://www.daikin.com/investor/library/annual/)
- > Product Quality and Safety (Page 255)
- > Philosophy on Suppliers (Page 378)
- > Compliance (Page 341)
- Information Security (Page 353)
- > Response to Climate Change (Page 125)
- Management and Reduction of Chemical Substances (Page 196)
- Risk Management (Revamping Natural Disaster Risk Measures and Stepping Up Safety Measures) (Page 340)

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# **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 biannually by the Corporate Ethics and Risk Management Committee in order to formulate measures to deal with risk.

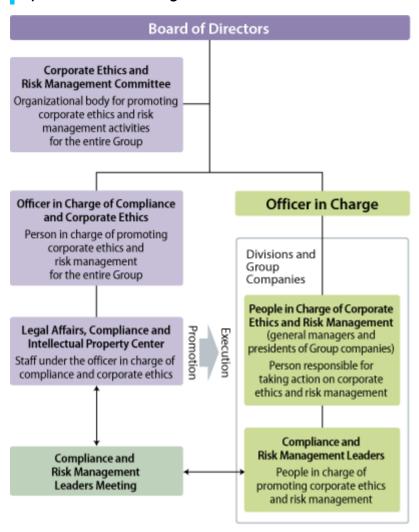
### Major Operational Risks in Fiscal 2019

- Natural disasters
- Product liability and quality
- Intellectual property
- · Control of information leaks
- Overseas crisis management

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.

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### Operational Risk Management



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# **Preparing for Other Major Risks**

### Revamping Natural Disaster Risk Measures and Stepping Up Safety Measures

With natural disasters such as typhoons and torrential rains occurring with increasing frequency, Daikin Industries, Ltd. is taking measures against natural disasters as a whole, not just earthquakes. To this end, we have made disaster response a key company-wide theme and we are building stronger, more comprehensive disaster measures that include both hard and soft aspects.

In preparation for earthquake risk, we have made and are implementing proposals in areas including reinforcement of earthquake resistance at our plants and flooding measures at our chemical plants, as well as evacuation drills to prepare for flooding. Despite numerous instances of earthquakes, typhoons, and torrential rains in recent years, the measures that we had in place allowed us to avoid any fatal damage.

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.

Furthermore, taking into account the impacts of the aforementioned natural disasters, we are creating measures in divisions such as those related to materials procurement and distribution.

Group companies are also 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 information security leaders in each division lead efforts to minimize the risk of information leaks.

### Related information

Information Security (Page 353)

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# **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 36)

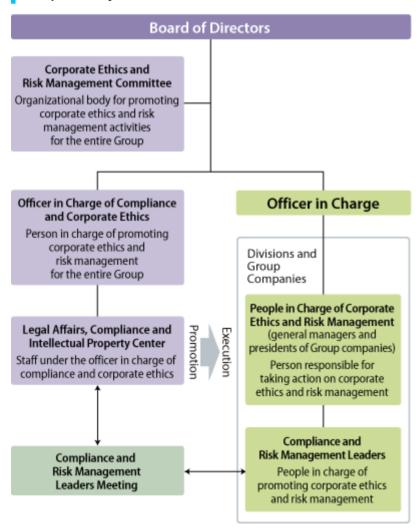
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### **Management System**

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.

### Compliance System



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# **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 in thorough compliance and 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.

### 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.

We held the compliance committee meeting for the Asia and Oceania region at Daikin Airconditioning (Singapore) Pte. Ltd. in July 2019 and the legal and compliance committee meeting for the Europe region at Daikin Chemical Europe GmbH in November 2019. In January 2020, we took part in a compliance information exchange meeting for China.



Participants share their compliance efforts at a meeting in China



Asian and Oceanian region compliance committee meeting

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# 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. The guidelines are available not only in Japanese, but they have also been translated into English and Chinese to make them known to all employees of the Group. To help directors and employees 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.



Handbook for Corporate Ethics

### **Related information**

"Ensuring Legal Compliance in the Entire Supply Chain" (Working Closely with Suppliers) (Page 386)

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### **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, compliance and risk management leaders (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.

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.

Since 2014, Daikin's in-house magazine has been running an ongoing series on compliance to keep employees constantly aware of its importance.

Since fiscal 2019, we have held in-house training for employees being assigned to overseas bases to provide them with information about the importance of compliance, antimonopoly laws, and Daikin's Compliance Guidelines for Preventing Bribery as a form of predeparture orientation.

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# Major Legal Violations in Daikin in Fiscal 2019

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 2019 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 helpline, 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. Department heads and managers also receive education on harassment in newly appointed manager training, etc. so that they can appropriately deal with the information provided during counseling with their staff.

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.

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### **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.

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### **Specific Guidelines**

- 1. Observance of the Anti-Monopoly Act
  - 1. To ensure free competition, we shall not enter into agreements with our competitors in any country to predetermine pricing, production and sales quantity, production and sales models, business partners, sales territory, date of product launch, or similar anticompetitive action.
  - 2. In the case of tendered bids and quotations, we shall not enter into any agreements with our competitors to predetermine bid price or bid recipient.
  - 3. We shall not set the resale prices of Daikin products sold by dealers, nor shall we set the listed price in promotional campaigns or in retail stores.
  - 4. We shall not unfairly inhibit our dealers from selling other companies' products, nor shall we restrict their sales territories, sales routes, purchase routes, or take any similar action in violation of the Anti-Monopoly Act or other fair-trade laws.
- 2. Observance of Act against Unjustifiable Premiums and Misleading Representations
  - 1. When indicating quality, performance, place of origin, terms and conditions and other matters related to our products and services, we shall use accurate and appropriate expressions to ensure that our products and services are not misrepresented to our customers.
  - 2. Any and all premiums (giveaways, discounts, etc.) given in connection with our sales transactions shall fully comply with the Act against Unjustifiable Premiums and Misleading Representations.
- 3. Strict Observance of Procurement Rules and the Subcontract Act
  - 1. When selecting suppliers, we shall widely open our door to companies worldwide to provide fair and equal business opportunities. In addition, we shall grow together with our suppliers, maintaining friendly yet tense competitive relations so that we can develop our business together with our suppliers.
  - 2. We shall promote the understanding and cooperation of our suppliers in our Group to strive together in legal compliance, respect for human rights, preservation of the environment, and contribution to the development of a sustainable society.
  - 3. We shall strictly observe the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors) in regard to transactions with our suppliers as we follow sound business and work to protect our business partners.

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Daikin Industries, Ltd. strives to always comply with Japan's Antimonopoly Act, Act against Unjustifiable Premiums and Misleading Representations, and Subcontract Act. 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 345)
- "Compliance Effort" (Compliance) (Page 343)
- > Philosophy on Suppliers (Page 378)

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# **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.

### **Specific Guidelines**

- 1. Maintaining sound and transparent relationships with government and municipal offices
  - 1. We shall not provide entertainment, the exchange of presents, or invitations to any public servants in government offices in accordance to such laws as the National Public Service Ethics Act.
  - 2. In the expansion of global business, we shall not provide entertainment, the exchange of presents, or invitations to any public servants in overseas government offices that are prohibited by national or regional laws and regulations.
- 2. Practicing moderation in entertainment and gift exchanges with business partners In regard to entertainment, the exchange of gifts, and invitations for customers or business partners, we shall comply with the laws and regulations relating to each country and region and seek moderation appropriate to the standards of society in maintaining sound business practices.

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# 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 exchanges, and invitations for government officials. These guidelines are being strictly implemented throughout the Daikin Group.

Daikin's Compliance Guidelines for Preventing Bribery of Public Officials, Etc. stipulate policies in areas such as entertainment, gift exchanges, and invitations for public officials, and outsourcing to third parties. The goal is to have standards and approval processes regarding dining and other interactions with public officials and others. The guidelines are also for preventing the dispersion of profit indirectly to public officials and others via third parties such as by hiring dealers, agents, or consultants. To this end, third party business partners are selected through a strict screening and are required to sign a contract covering anticorruption.

When there are questions regarding interpretation and application of laws and with regards to these guidelines, we have a consultation hotline in the legal department, which we constantly encourage concerned parties to make use of.

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.

### **Educational Activities**

Daikin holds training for managers and employees so that each and every one is knowledgeable and aware of compliance with laws and company regulations. The training is conducted to ensure 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 exchanges with business partners. Since guidelines were introduced in fiscal 2014, we have striven to ensure they are familiar to all employees by holding briefings for each division and group company around the world and providing e-learning for all employees of Daikin Industries, Ltd.

For employees of divisions and group companies in frequent contact with public officials, members of our legal department visit and lead periodic educational sessions.

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# **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 groups, and these are reported to the Board of Directors and the Internal Control Committee. 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.

In fiscal 2019, bribery prevention was defined as a priority audit item by the Group Auditors Meeting. In turn, all Group companies were audited to check for compliance with this item. In particular, we conduct more detailed audits on overseas Group companies located in countries with a high risk of corruption pertaining to compliance with rules demanded of the guidelines on the use of third parties such as consultants and dealers. In addition, following a resolution by the Internal Control Committee on bribery prevention audits, the results of audits were reported to the Board of Directors.

### Related information

"Compliance Efforts" (Compliance) (Page 343)

# **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. In fiscal 2019, there were no incidents involving bribe-related violations or sanctions.

### **Related information**

"Help-Line" (Compliance) (Page 346)

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# 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. Our Information Security Basic Policy was formulated to clarify our basic philosophy and action on information security. Daikin stipulates that information leaks from internal information systems, Daikin products and services, and plant equipment systems constitute a major company-wide risk. Therefore, information managers in each division lead efforts in making Basic Regulations of Information Security and Common Security Guidelines based on our Information Security Basic Policy. We also strictly manage confidential information we are holding that is the property of other companies.

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 fiscal 2019, there were no incidents involving the inappropriate management of information or information leakages.

### 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.

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### 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.

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# **Information Security Management System**

Daikin's Information Security Committee, chaired by the officer in charge of information security, was established to strengthen the group-wide security management system. This committee is a cross-organizational information security deliberation body, and it revises and discusses group-wide information security strategy, policy measures, and common rules (regulations and guidelines). It operates under the Corporate Ethics and Risk Management Committee, to which it reports important information security matters, as well as notifications that must be sent to all employees and strictly followed. Matters decided on by the Corporate Ethics and Risk Management Committee are reported to the Internal Control Committee, chaired by the President, as well as to the Board of Directors. At overseas group companies, the results of information security inspections are used to prioritize bases most susceptible to major risk. At such bases, information security leaders are appointed and in-house rules are formulated in order to strengthen the security management system.

Furthermore, the officer in charge of information security also chairs the Corporate Ethics and Risk Management Committee.

### Information Security Management System

### Deliberation Functions Information Security Committee Chairperson (Officer in Charge of Information Security) Secretariat (IT Development Department) Members (Planning Managers of each Division) **Execution Functions** Promotion Functions IT Development Department Divisions and Group Companies IT Development Department Division General Manager General Managers Measures Study Team Information Group Company Presidents Security Leader Information

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Security Leader

### **Thorough Information Security**

Daikin Industries, Ltd. has put into place a system for reporting and addressing information security incidents to prevent them from occurring and to minimize damages should one occur. Employees who discover an incident or situation that could lead to a security threat are required to report to the information security leader of their department and then follow his/her instructions. Information security leaders in turn report to the IT Development Department, which serves as the secretariat of the Information Security Committee, following the incident response standards. The IT Development Department spearheads efforts to investigate the cause and prevent the recurrence of these incidents.

# **Information Security Education**

Daikin Industries, Ltd. strives to raise information security awareness among all members through training for officers, managers, and employees. General employees took courses on in-house rules in which they conducted self-assessments to confirm how well they are complying with the Group Conduct Guidelines. There were also articles in Daikin's in-house magazine aimed at raising security awareness. In addition to training and other educational sessions, once a year we send employees training emails that give them practice in dealing with malicious targeted email attacks.

In fiscal 2019, we held a training session for information security leaders led by an outside instructor about the steps they can take in their own departments to respond to a cyberattack.

# **Information Security Inspections and Results**

Daikin Industries, Ltd. holds self-checks every year to determine the state of compliance with the Group Conduct Guidelines. These checks include Daikin's proprietary self-assessment system and information security matters.

We hire outside experts to diagnose the vulnerability of our servers and web applications inside and outside of Japan considered to have a high degree of information security risk. Based on the results, we implement countermeasures such as upgrading the version of servers or revising web applications. We are also strengthening measures in other ways. We inspect how well our information leak measures are being implemented in line with the Ministry of Economy, Trade and Industry's Management Guidelines for Trade Secrets as well as conduct training and reviews of our incident response procedures. Our IT division, legal division, and internal auditing division collaborate to conduct legal and internal audits to confirm and improve the state of compliance at all divisions.

As a result of audits and inspections, problems that have come to light and their countermeasures are reported to the Information Security Committee. As for major issues and matters that all employees must be notified of and strictly follow, these are reported to the Corporate Ethics and Risk Management Committee, the Internal Control Committee, and the Board of Directors.

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# **Self Assessment System**

> Refer to Compliance. (Page 341)

# **Measures Against Information Leak Risk**

> Refer to Risk Management. (Page 336)

### **Personal Information**

> Refer to Protecting Customer Information. (Page 278)

# Response to Personal Data Regulations for EU Citizens

Refer to "Response to Personal Data Regulations for EU Citizens (Dealing with Human Rights Risks)" (Respect for Human Rights). (Page 373)

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# 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.

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### **Specific Guidelines**

- 1. Acquiring, protecting, and utilizing intellectual property rights
  - 1. Recognizing that intellectual property is an important company asset and a strength of the Daikin Group, we shall properly maintain, manage, and protect our intellectual property rights while utilizing them effectively.
  - 2. Being conscious that our company products and technology are globally developed, we shall actively acquire intellectual property rights worldwide, such as patents that are results of advanced, creative research and development, and endeavor to protect our intellectual property rights through the entire global Group.
  - 3. We shall assemble information concerning intellectual property rights generated from all Group companies, including overseas companies, as we strive to fully understand and utilize intellectual property rights management as a Group.
  - 4. We shall appropriately execute our rights in regards to infringement by third parties.
- 2. Respecting the intellectual property rights of other companies
  - 1. When developing new products and technology, we shall confirm from a global standpoint that we are not infringing on the intellectual property rights of others.
  - 2. In the legal licensing of intellectual property rights from other companies, we shall observe the scope of use specified in the contract when using those property rights and refrain from actions such as the unauthorized copying of software.
- 3. Prohibiting the copying of other companies' products
  In the interests of fair competition, we shall not imitate the products of any other companies
  during the development, manufacture, or sale of our products.

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.

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### **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.

We will continue these initiatives in fiscal 2020 as we seek to increase the level of intellectual property governance for the entire Group. Since fiscal 2020 is the final year of the five-year plan, we will also look back on previous activities and discuss the vision for the next five years.

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### **Encouraging Employees to Create Intellectual Property**

> Refer to "Spurring the Creation of Intellectual Property" (Management Structure) (Page 237)

### **Scientific Technology Transfer**

### Worldwide Free Access to Patents for Equipment Using Next-Generation Refrigerant

To encourage the adoption of R-32 globally, in September 2011 Daikin began offering companies in emerging countries 93 patents related to the manufacture and sales of air conditioners that use R-32 free of charge. In September 2015, these patents were offered to companies worldwide, including developed countries.

In July 2019, we announced our non-assertion pledge describing the grant of free access to our pledged patents, all of which have been filed in 2011 and later, for the manufacture and sale of air conditioners using R-32 single-component refrigerant. Free access to the pledged patents without our prior permission or without a contract in writing enabled other companies to make use of these patents quicker and easier, which represents a step forward in promoting the use of R-32.

#### **Related information**

- > Low Environmental Impact Refrigerants (Page 138)
- ➤ Press release: Daikin Offers Worldwide Free Access to Patents for Equipment Using Next-Generation Refrigerant (131KB)

(https://www.daikin.com/csr/pdf/press\_20150910.pdf)

(https://www.daikin.com/csr/pdf/press\_20190701.pdf)

➤ Key Activities of Fiscal 2015: Environment—Creating a New Market that Contributes to the Mitigation of Global Warming (2.0MB)

(https://www.daikin.com/csr/feature-past/feature2015-environment.pdf)

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### TAX COMPLIANCE

### **Basic Policy and Implementation System**

Daikin is working to improve tax transparency pursuant to Proper Handling of Accounting Procedures set forth in the Daikin's Group Conduct Guidelines. Based on these guidelines, we clarify our basic approach toward tax compliance and ensure thorough tax compliance. Tax related risks are overseen by the officer in charge of accounting and finance and reported to the board of directors. In case of uncertainty over the application or interpretation of tax laws, we respond appropriately after seeking out the advice of external professionals.

### Group Conduct Guidelines

### 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.

### **Specific Guidelines**

- 1. Paying expenses properly
- 2. Ensuring appropriate accounting

We shall observe appropriate accounting standards based on the generally accepted accounting principles in order to ensure the accuracy of our accounting and financial data. Likewise, we shall build and maintain an appropriate internal control system to ensure the accuracy of financial reporting.

- 3. Observance of tax laws
  - 1. We shall pay taxes in accordance with relevant tax laws.
  - 2. For cross border transactions, including those transactions involving companies of the global Group, we shall carefully check the tax laws of the relevant country as well as those tax laws in Japan.

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### **Basic Policy on Tax Compliance**

#### 1. Approach to Risk Management and Governance Arrangements in relation to Taxation

At Daikin, we consider the payment of tax to be a critical element of our corporate social responsibilities (CSR).

We believe that our tax payments play an important role in the development of the countries and regions in which we operate, which in turn results in the sustainable development and corporate value enhancement of the Daikin Group.

Recognizing that tax related risk is an important element among the many business risks facing the Daikin Group, we address tax related risks in accordance with our Group's risk management principles.

### 2. Tax Compliance

We are committed to full compliance with the applicable laws and regulations in each of the jurisdictions in which the Daikin Group operates.

We also respect not only the letter but the spirit of the law.

### 3. Prohibition of Tax Avoidance and Attitude toward Tax Planning

Daikin does not undertake tax planning that lacks commercial substance, or which involves artificial or aggressive transactions or structures undertaken solely for tax reasons.

All intercompany transactions within the Group are conducted on an arm's length basis as described in the OECD Transfer Pricing Guidelines, and consistent with local laws and regulations.

#### 4. Level of Tax Risk Accepted

External advice may be sought if issues are significantly uncertain or complex.

To mitigate risks, including the risk of double taxation, we routinely consider effective measures to increase certainty in our positions, such as Advance Pricing Arrangements ("APA") and Mutual Agreement Procedures ("MAP") for transfer pricing.

### 5. Approach to Dealing with Tax Authorities - Trust and Transparency

We strive to act in good faith and maintain an open, constructive and cooperative relationship with tax authorities. Through the approach described above, we aim to achieve a robust and predictable tax position.

We demonstrate our commitment to transparency by disclosing information required under applicable laws and regulations, when requested by taxation authorities.

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### **Tax Payment History**

We disclose the amount of the Group's corporate income tax liability, including the differences from the statutory effective tax rate in our Securities Report and Annual Report.

### **Related information**

- > Securities Report (available in Japanese only) (https://www.daikin.co.jp/investor/library/securities/)
- > Annual Report (https://www.daikin.com/investor/library/annual/)

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## 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

### Why is it important?

Since the United Nations Guiding Principles on Business and Human Rights were adopted in 2011, there is growing awareness among the international community in the impacts that business has on human rights.

A number of human rights issues have emerged, too, including child labor or forced labor at suppliers, health impacts on customers caused by defective products or services, and leakages of the personal information of customers and employees. These demand initiatives encompassing the entire value chain that protect and respect human rights.

#### **DAIKIN'S APPROACH**

Daikin respects fundamental human rights across its entire value chain based on an understanding of all international norms concerning human rights along with the laws and regulations of each country and region.

We participate in the UN Global Compact, which supports and implements universal principles concerning human rights and labor, and at the same time, the Group Conduct Guidelines set forth provisions that respect human rights as well as diversity in individual values and labor values and ban child labor and forced labor.

Respect for Human Rights - 366 -

### > Respect for Human Rights

(Page 368)

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 87)
- > "Group Conduct Guidelines" (CSR Philosophy) (Page 36)

### **Respect for Human Rights**

### **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 Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Guiding Principles on 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).

#### **Specific Guidelines**

#### 1. Respecting human rights

We shall respect the human rights of each and every employee without regard to nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. We shall cooperate with each other to ensure a pleasant working environment and good human relations in the workplace, and make every effort to create a fair and positive workplace. There shall be no harassment including sexual or power harassment as well as harassment relating to pregnancy, childbirth, or childcare leave. Furthermore, we shall respect the human rights of people outside the company including our business partners and various stakeholders.

### 2. Respecting diversity

We shall draw together the strength we possess by respecting diversity in values and acting in harmony through mutually acceptance of our respective differences. We shall enhance the individuality and abilities of each and every person to become the strength of the team and aim to be a group that generates one innovation after another at all workplaces.

- 3. Observance of laws and regulations relating to labor practices
  We shall thoroughly comply with all labor laws and regulations (Labor Standards Law, the Industrial Safety and Health Law, the Labor Union Law, the Worker Dispatch Law, etc.,) and promote a relationship where "the company and the individuals who work there are drawn together by mutual preference" to create a foundation where each and every employee can work with enthusiasm.
- 4. Ensuring workplace health and safety We shall first ensure the health and safety of our workplaces so that all employees can work safely by creating a good work environment that prevents disasters through the daily inspection of workplaces for causes of disasters and the implementation of disaster prevention measures.
- 5. Instilling pride in all Daikin employees

  Before taking any action, we shall remain aware of our social responsibility as Daikin
  employees. We shall not commit any anti-social or illegal acts, and shall not allow any other
  persons to commit such acts. In addition, we shall observe our working regulations and
  internal company policies and shall not commit any dishonest or unfaithful acts. Moreover,
  we shall maintain internal order and public morals and shall work diligently and with
  sincerity.

#### Related information

Participation in the Global Compact (Page 87)

### **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 create 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, which are performed annually to check the status of compliance with the Group Conduct Guidelines. 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, and we implement necessary countermeasures.

In addition, the results of deliberations by the Corporate Ethics and Risk Management Committee are reported to the Internal Control Committee chaired by the president twice a year. In turn, the results of these reports are then reported to the Board of Directors.

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, or regional compliance committee meetings, thus ensuring this information is shared throughout the Daikin Group in an effort to mitigate the risks.



Asia and Oceania region compliance committee meeting

### Human Rights Risks in the Daikin Group Value Chain and Relation to Major Stakeholders

Types of human rights risks	Details of risks	Related stakeholders
Occupational safety and health	Eroding safety or health due to work accidents or poor working environment	Employees Suppliers
	Noise, vibration, fires, etc. at bases	Employees Suppliers Community members
	Child labor, forced labor	Employees Suppliers
Products and services	Harm to customers' life and health because of faulty products or services	Customers
	Wrongful use or abuse—unforeseen by the company—of products or technologies	Customers
Discrimination	<ul> <li>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.)</li> </ul>	Customers Employees Suppliers Community members
Communities	Air and water pollution, misuse of natural resources	Employees Suppliers Community members
	Procurement of conflict minerals associated with inhumane acts	Community members
Societies and government	Procurement of conflict minerals mined under inhumane conditions	Suppliers
	Leakage of personal information	Customers Suppliers Employees
	Violation of human rights-related laws	Customers Suppliers Community members Employees

### **Related information**

> Philosophy on Suppliers (Page 378)

### **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 inside and outside of Japan are urged to abide by these guidelines.

Beginning in fiscal 2018 in the air conditioning divisions, we conducted CSR questionnaires, which include items regarding respect for human rights, on 143 major suppliers in Japan. From fiscal 2019, we conducted these same questionnaires on 511 suppliers outside of Japan as well. In this manner, we are working to increase the level of CSR awareness at our suppliers.

In our chemicals divisions, 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 2019, we worked to elevate our own initiatives by hosting presentations by experts and learning from other companies' practices about the global supply chain and human rights.

#### Related information

"CSR Procurement" (Philosophy on Suppliers) (Page 381)

### **Response to Personal Data Regulations**

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. We have also set up a hotline for inquiries from residents of the EU. Every employee in the Daikin Group is familiarized with these rules.

In fiscal 2019, taking into account stricter regulations and development of stricter legislation in other countries, we worked on developing infrastructure and in-house rules at local subsidiaries in China, Southeast Asia, and Latin America, in addition to Europe and North America, where there has always been a need to address strict rules.



Briefing at a group company

### Response to the U.K.'s Modern Slavery Act

Our Group companies in the U.K. have released the following statement based on the Modern Slavery Act 2015, which was instituted by the U.K.

### Statement

- ▶ Daikin Airconditioning U.K., Ltd. □ (https://www.daikin.co.uk/en\_gb/about.html)
- ▶ J&E Hall International ☐ (https://www.jehall.com/terms-and-conditions)
- > AAF Ltd. □ (https://www.aafintl.com/en-gb/power-and-industrial/about-us/modern-slavery-statement)

### **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 2019, we conducted training for officers led by an outside expert on the theme of "The Perspectives Required of Companies Amid the Trend for Formulating an Action Plan under the UN Guiding Principles on Business and Human Rights."

Also, we published Diversity News monthly to deepen understanding of human rights knowledge among all employees. In fiscal 2019, Diversity News took up the topics of "diversity management at Daikin," "unconscious bias," "initiatives to promote the increased role of foreign national employees" and "anger management."

#### Related information

> Workplace Diversity (Page 291)

### Whistle-blower System

At Daikin Industries, Ltd., employees can contact the internal or external Help-Line for Corporate Ethics to get advice and give opinions on all matters of corporate ethics including human rights, sexual harassment, and power harassment.

### **Related information**

"Help-line" (Compliance) (Page 346)





2020
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(As of October 2020)

# Supply Chain Management

Philosophy on Suppliers	378	Green Procurement Guidelines	3	393
Working Closely with Suppliers	386			

### **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

### Why is it important?

Today, supply chains stretch around the world, which has given rise to such problems as environmental destruction, labor issues including occupational health and safety, and human rights issues such as child labor and forced labor mainly in emerging countries. There is also a growing tendency to attempt to solve social issues by boycotting or taking other measures against companies with such problems in their supply chains. Companies need to step up CSR initiatives not only for their own company but encompassing their entire supply chain.

#### **DAIKIN'S APPROACH**

Daikin established its Purchasing Policy in 1992 and strives to engage in fair transactions with its business partners. We recognize the scope of our social responsibilities encompass not only our Group, but also the entire supply chain. As such, we established the Supply Chain CSR Promotion Guidelines and we are promoting CSR initiatives in the supply chain that cover the environment, quality, occupational safety and human rights.

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> Philosophy on Suppliers

(Page 378)

We make efforts to engage in fair transactions with suppliers and promote CSR initiatives throughout the supply chain.

Working Closely with Suppliers

(Page 386)

We make efforts to collaborate with suppliers to enhance product quality while supporting technological capability improvements and safety countermeasures.

Green Procurement
Guidelines

(Page 393)

Based on our Green Procurement Guidelines, we cooperate with suppliers in conducting green purchasing.

#### **Related information**

> Green Procurement (Page 118)

Supply Chain Management - 377 -

### 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 useful products to society.
- Observe laws, and maintain confidentiality
   Observe laws on business dealings and respect the spirit of these laws.

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### Responsible procurement

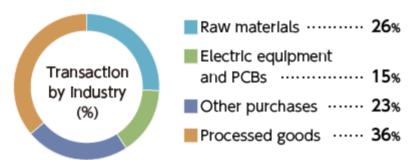
Daikin is working with suppliers worldwide in ensuring responsible procurement in order to fulfill its social responsibility across the entire supply chain. We consider our suppliers for raw materials and parts as important partners, with whom we are promoting relationships of trust through open, equal, and fair trade. At the same time, Daikin promotes CSR procurement with consideration for the environment, quality, occupational safety, and human rights within its supply chain including our suppliers in order to earn society's trust as a global company.

### Transactions by region (%)



<sup>\*</sup>As of April 2019

### Transaction by industry (%)



\*As of April 2019

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### **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 transaction results.

In our air conditioning divisions, information on product specifications, quality and target 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 divisions as well, we do business with any supplier meeting our criteria for specifications, quality, price, and delivery time.

### **Evaluation of Supplier**

### **Conducting Regular Evaluations of Suppliers**

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 five criteria of administration, quality, price, delivery, and environmental measures. Suppliers are re-assessed every year at our business sites globally based on our Assessment System for Continuation of Business. Investigations into compliance with the Daikin's CSR Promotion Guidelines are also carried out to determine whether or not to continue business dealings.

Companies that do not meet our assessment standards or companies that pose a high risk are required to make improvement plans that we assist them in implementing.

In the chemicals divisions, 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. We also strive to ascertain the status of suppliers' CSR initiatives. In fiscal 2019, such assessments resulted in Daikin bringing on nine new suppliers. After starting business relationships, we strive to fairly assess suppliers from multiple perspectives, having numerous Daikin representatives negotiate with them and making regular visits to their companies.

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### **CSR Procurement**

### **Rolling Out Supply Chain CSR Promotion Guidelines**

Daikin formulated CSR Action Plan 2020, which is a medium-term plan taking up key CSR themes, as an initiative for the sustainable development of business together with suppliers that runs alongside 'look for good partners' pursuant to our Purchasing Policy. This plan 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, occupational safety, and human rights, and abstaining from dealing with companies in war-torn regions. Training based on these guidelines is held internally and at suppliers. The air conditioning divisions have conducted CSR questionnaires among the top 80% suppliers by procurement cost in Japan and overseas for monitoring compliance with these guidelines and provide the results of questionnaires to suppliers as feedback. In addition, we evaluate suppliers by ranking their CSR initiatives according to our own standards and then recommend improvements or provide guidance to suppliers, in order to improve the quality of their CSR initiatives. These rankings are A, for suppliers with excellent CSR initiatives, B, for suppliers currently implementing CSR initiatives, C, for suppliers with certain challenges in terms of CSR initiative themes, and D, for suppliers who do not implement CSR initiatives and face many challenges. We have designated the percentage of suppliers between A and C ranks who have satisfied our company standards as the "CSR procurement implementation rate." In fiscal 2019, the CSR procurement implementation rate is 99%.

Moreover, we are also striving to permeate understanding of CSR procurement within the company. Training on CSR procurement was conducted in Japan among all domestic procurement buyers in fiscal 2018. For overseas locations, CSR procurement seminars were held for CSR procurement managers in 14 locations including in the US, Canada, Mexico, and China as of fiscal 2019.

As part of ongoing assessments of our suppliers conducted every April in our chemicals divisions, 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.

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Seminar held in China

### Promotion structure

### **CSR Committee**

Environmental Management Council (Green Procurement Subcommittee)

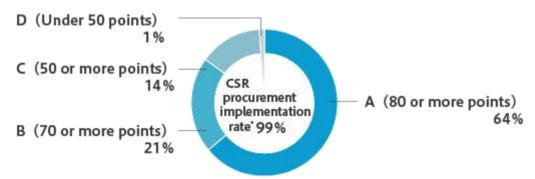
Formulate policies on CSR procurement, etc.

Officer in charge, division head

Procurement and purchasing manager at each division

Buyer in charge of each division's domestic and overseas Group company

### Results of CSR Questionnaires for Fiscal 2019



<sup>\*</sup> Percentage of suppliers that satisfy Daikin's standards.

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### 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.

#### 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).

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### 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.

### **Green Procurement Ensures Thorough Chemicals Management**

> Refer to Green Procurement (Environmental Management) (Page 118)

### **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 strives to identify materials from the Democratic Republic of the Congo and its surrounding countries and recommends suppliers to procure minerals from smelters with conflict-free certification. In addition, 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 system or tool designed by RMI\*. This strengthens our system for surveying the procurement sources of conflict minerals.

### **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.

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<sup>\*</sup> RMI: Responsible Minerals Initiative

### **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 regularly evaluate suppliers to identify risk and 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.

Moreover, suppliers acknowledged to have excellent practices according to the Daikin standards that further meet the following criteria at a certain level are designated as "Important Supplier," with whom we promote business on a global scale.

**Definition of Important Supplier** 

- 1. Supplier with a business location targeting one of Daikin's global locations
- 2. Capability to manage the sales price demanded by Daikin
- 3. Capability to conclude a contract or agreement demanded by Daikin

In fiscal 2019, 23 companies around the world have been designated as Important Suppliers to Daikin. Through our Global Supplier Conference, we work to adjust order volume, streamline costs, and ensure stable procurement in dealings with these 23 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 87)

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### **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.

We also provide information on compliance with environment-related laws on a special website for suppliers.

In the chemicals divisions, 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.

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### **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, we regularly revise our Green Procurement Guidelines.

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. Since fiscal 2018, we introduced chemSHERPA, a chemical control system recommended by Japan's Ministry of Economy, Trade and Industry, and asked our suppliers to comply as needed. As a result, we will now aim to manage information on chemicals in a more speedy and reliable manner.

Since fiscal 2016, as a new part of our CSR procurement efforts, we survey suppliers on their use of conflict minerals (the four minerals of tin, tantalum, tungsten and gold, which are mined in the Democratic Republic of the Congo and surrounding countries and are used by rebel groups to purchase weapons).

#### Related information

- > Green Procurement (Page 118)
- > Green Procurement Guidelines (Page 393)

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# Raising Product Quality and Ensuring Safety Together with Suppliers

### Suppliers Take Part in Quality Improvement Conferences, Receive Quality Guidance

Daikin conducts regular quality audits at the production sites of suppliers through its business sites in Japan and overseas. We also hold information sessions and training sessions to provide opportunities for suppliers to learn about methods of improving quality, and CSR procumbent, among other matters.



Quality improvement announcement meeting

### Helping Suppliers Improve Quality and Implement CSR/Green Procurement

Daikin provides support in many aspects including quality improvement for suppliers, as well as CSR issues and green procurement.

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### Support provided to suppliers

Supplier meetings	Explanation is given on Daikin Industries, Ltd.'s policy and situation, and information is provided on its CSR and environmental initiatives to suppliers of the air conditioning divisions. (Four times/year, 125 companies took part in fiscal 2019)
Quality meetings	Quality training is implemented for suppliers in aiming to permeate understanding of Daikin's quality guidelines. (Every year, 120 companies took part in fiscal 2019).
Quality improvement announcement meetings, quality improvement proposal meetings	Suppliers with quality problems must report on improvement measures, targeting suppliers of the air conditioning divisions. (Quality improvement announcement meetings were held on five occasions for 20 companies in fiscal 2017, five occasions for 17 companies in fiscal 2018 and four occasions for 30 companies in fiscal 2019. Meanwhile, quality improvement proposal meetings were held on 168 occasions for 35 companies in fiscal 2019.)
Quality audits	Auditing institution conducts regular external audit based on ISO 9001, and internal audit are conducted jointly in the Air Conditioning Manufacturing Division and at suppliers of the air conditioning divisions. Moreover, our representatives conduct visits to suppliers for checks on management items concerning the procurement and quality of newly adopted parts and the production process to streamline production on a regular basis. (Conducted at 117 companies in fiscal 2017, 95 companies in fiscal 2018, and 99 companies in fiscal 2019)  Suppliers of the chemicals divisions who provided defective products underwent audits based on ISO 9001. (Conducted at eight companies in fiscal 2019.)
Quality process audit	We also conduct periodic audits on quality process on suppliers of the air conditioning divisions based on Daikin's quality guidelines.
Quality forum	Introduction of Daikin Industries, Ltd.'s quality policy, defect rate and quality cost of purchased goods, quality abnormalities among companies, and activities aimed at improving quality, targeting suppliers of the chemicals divisions. (Once a year)
Commendation system	Suppliers that make significant contributions to the areas of development, production, quality, price, delivery, environment and global business are presented with a CEO Award, COO Award or Special Commendation once a year in order to recognize the daily contributions of suppliers.
Supplier visits	Managers and certified excellent engineers "Takumi" of Daikin Industries, Ltd. visit suppliers of the air conditioning divisions to provide instructions.
Technical exchange meetings	Daikin representatives visit suppliers to conduct site visits and exchange information to propose new technology and innovative techniques. (19 companies took part in fiscal 2019).
Technical meetings	Information sessions on Daikin technology are held to provide a platform for making technical proposals between Daikin and its suppliers (58 companies took part in fiscal 2019).

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### Supporting quality improvement for a supplier in Malaysia

Daikin Malaysia Sales & Service Sdn. Bhd (DMSS) regularly visits suppliers in order to support their quality improvement. Training on analytical methods for causes of quality issues is provided to assist suppliers in improving their quality through conducting proper survey and analysis as well as implementing measures. Technicians representing Daikin also visit from Japan to aid in improving the quality and skills of not only the suppliers but also technicians at DMSS.



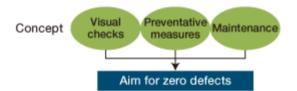
Training for suppliers

### 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 for "sort, sweep and standardize"), preventative measures (look for potential defects in production processes), and prevention of reoccurring problems (through regular maintenance).

In fiscal 2019, one ZD announcement meeting was held and 25 individual announcement meetings for 17 companies were held.

### ZD Activities with Suppliers



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### **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.

### Assisting Suppliers to Ensure Safety

Plant safety liaison meetings	Awareness on safety is raised and information sharing carried out in order to safeguard staff of outsourcing partners. (Meetings are held bi-monthly) In addition, safety patrols are held along with meetings for management of worker dispatching companies.
Driving safety seminars	Drivers of supplier delivery vehicles that frequent our factories are taught about traffic rules on- and off-site (Once a year, approximately 380 participated in fiscal 2019).
Training for partner companies	Training is held on safety and work quality management, information on hazardous chemicals provided using Safety Data Sheets (SDS), and pocket-sized safety booklets are handed out to workers of partner companies performing periodic maintenance of chemical facilities. Safety seminars are also held for operators and drivers. (approximately 380 participated in fiscal 2019).

### **Related information**

Occupational Safety and Health (Page 304)

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### **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, managers including the general manager and the senior manager of the Global Procurement Division 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 cooperative 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 cooperative 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 2019, we again focused on activities of subcommittees in the air conditioner cooperative, which are divided into the three categories of safety, delivery improvement, and rental assets. These activities benefit both suppliers and Daikin, including through business collaboration.

In the chemicals divisions, 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 divisions

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### **GREEN PROCUREMENT GUIDELINES**

### **Green Procurement Guidelines**

### **Helping Suppliers be Legally Compliant**

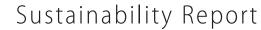
Daikin established the Green Procurement Guidelines, and it has been promoting environmental management throughout the entire supply chain in order to provide more environmentally responsible products. In June 2020, we published a revised eleventh edition of the Green Procurement Guidelines.

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.

### Overview of the Green Procurement Guidelines (PDF file)

- ➤ Guidelines PDF Data (409KB)(Jun. 2020 revised) (https://www.daikin.com/csr/supplier/guidelines.pdf)
- ➤ Green Procurement Inspection List PDF Data (195KB)(Jun. 2020 revised) (https://www.daikin.com/csr/supplier/inspection.pdf)

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2020
-Web version (As of October 2020)

## Stakeholder Engagement

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# 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

### Why is it important?

The business activities of companies directly and indirectly affect stakeholders, the environment and society in general. For a company to achieve sustainable growth, it must not engage in business on a standalone basis; rather it must understand the concerns and expectations of stakeholders through dialogue and make important decisions so as to establish a positive cycle for mutual relationships. This process, known as stakeholder engagement, is a central initiative for a company to fulfill its social responsibilities.

#### **DAIKIN'S APPROACH**

Daikin understands that dialogue and cooperation with stakeholders are essential to its sustainable growth. We value opportunities for dialogue with customers, shareholders, investors, business partners, employees and local communities, and reflect our findings in corporate management. In addition, to balance our own growth with the sustainability of society, we actively hold dialogue and cooperate with national and local governments, international organizations and experts for the spread of air conditioning technology and improved environmental performance of our products and services.

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#### > Stakeholder Engagement

(Page 397)

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

(Page 399)

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

(Page 402)

To alleviate and solve society's problems, the Daikin Group actively pursues dialogue with concerned parties, offering proposals and calling for action.

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#### 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)

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# Stakeholder Engagement Efforts

Stakeholders	Main dialogue methods and opportunities	Main dialogue representatives at Daikir	
> Customer (Page 252)	<ul> <li>Daily sales activities</li> <li>Contact Center</li> <li>Showrooms</li> <li>Dialogue during repair visits</li> <li>"Thank You" sales events and product explanations at distributors</li> </ul>	Sales divisions Service Division	
> Shareholders and investors (Page 402)	<ul> <li>Shareholders' Meeting</li> <li>Briefings for investors</li> <li>Annual Report, business reports</li> <li>Information for investors on Website</li> </ul>	General Affairs Department Corporate Communication Division	
> Procurement business partners (Page 375)	<ul> <li>Daily procurement activities</li> <li>Supplier briefings</li> <li>Supplier Quality Conferences</li> <li>Quality improvement announcement meetings</li> <li>Quality audits</li> </ul>	Procurement Division	
> Employees (Page 279)	<ul> <li>Interviews based on employee self-assessments</li> <li>Labor-management council meetings, labor union council meetings</li> <li>Group Management Meeting</li> <li>Global managers' meetings</li> </ul>	Human Resources Division Corporate Planning Department	
> Communities (Page 408)	<ul> <li>Informing local community of emergency disaster drills</li> <li>Factory tours</li> <li>Involvement with local groups and events</li> <li>Providing environmental education</li> </ul>	Group companies Daikin bases CSR Division	
NPOs, NGOs (Page 402)	Dialogue with NPOs and NGOs	CSR Division	
<ul> <li>Dialogue with government representatives in each country</li> <li>Dialogue with UN representatives</li> <li>Participation in industry activities</li> <li>Research in joint industry—academia initiatives</li> <li>Air Conditioner Forums</li> </ul>		Group companies Daikin bases PR divisions CSR Division Research Department	

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#### Stakeholder Engagement

# DIALOGUE WITH SHAREHOLDERS AND INVESTORS

## **Basic Policy**

Based on Our Group Philosophy's policy of "With Our Relationship with Society in Mind, Take Action and Earn Society's Trust," Daikin Industries, Ltd. believes in its responsibility to shareholders and investors to abide by laws, conduct corporate activities with the utmost in ethics, and earnestly disclose information to ensure transparency of management.

For company-related information such as decisions and occurrences, in line with the rules of the Tokyo Stock Exchange, we disclose timely information on the stock exchange's TDnet online system, and promptly on the Daikin website. Even for information that we are not legally obligated to promptly disclose, we do everything possible to release information that we believe will help the investment decisions of shareholders and investors.

#### Related information

➤ Disclosure Policy (https://www.daikin.com/investor/management/disclosure/)

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## 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 speak with investors over 400 times a year through business briefings, plant tours, sustainability briefings, and face-to-face meetings.

For individual investors, we also hold company briefings several times a year.

Furthermore, in order to ensure fair disclosure of information to everyone, regardless of whether they are institutional or private investors in Japan or other countries, we strive to disclose IR information in English and actively disseminate information on our corporate website.

More than 70 analysts and institutional investors took part in the sustainability briefings held in fiscal 2019. The briefings included explanations and discussions about how Daikin is contributing to the SDGs through its businesses.

We will continue to stress dialogue with all shareholders and 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

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# **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. We also promptly post the information on the Daikin website and on the website of the Tokyo Stock Exchange at least a week before we send it.

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 89.20% in fiscal 2018. The number of votes cast over the Internet also increased to 1,897,714 in fiscal 2018 (1,826 shareholders).

#### Voting Rights Exercised

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Voting rights exercised	85.7	86.8	89.5	87.41	89.20
Votes cast over the Internet	1,495,992	1,596,419	1,744,888	1,754,167	1,897,714
Shareholders voting online	902	921	1,020	1,290	1,826

#### Breakdown of Shareholders (March 31, 2020)



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#### Stakeholder Engagement

# 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, Daikin has been holding Air Conditioner Forums (Konwakai) in Japan to exchange opinions with experts on the future of air conditioning.

Since fiscal 2007 these Konwakai have spread worldwide: to Europe, China, the U.S., Asia/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 2019, we held Air Conditioner Forums (Konwakai) six times in the five global regions, with 125 participants from 31 countries.

The Konwakai for Europe was held in conjunction with the Konwakai for Japan at Daikin Ales Aoya Global Training Center in Tottori. The former director of the EU Commission was invited as a special guest to the event where Environmental Vision 2050 was introduced and active discussion was held on how to implement initiatives for decarbonization from a long term perspective.

The fiscal 2019 forum for Latin America was held in Brazil, the largest South American market, for the first time. The meeting involved discussion on the theme of air conditioning solutions for realizing a sustainable society with 24 experts representing governments of Brazil and Japan and international organizations.



Konwakai for Latin America

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# Fiscal 2019 Air Conditioner Forums (Konwakai)

Region	Main discussion topics	Meeting		Invited guests (university professors, experts, etc.)	
		Date	Location	No. of countries	People
Asia/ Oceania	Green buildings, energy management, IEQ, Daikin's policy on the environmental impact of refrigerants	April 2019	Singapore	8	25
Latin America	Issues of increasing energy demand, addressing the solution of environmental issues and realizing a carbon neutral society	January 2020	San Paolo (Brazil)	6	24
Japan	Solar radiation and buildings, urban environment, our Environmental Vision 2050, architectural trend in Japan and Europe	May, October 2019	Tokyo, Tottori (Ales Aoya)	1	28
North America	Energy and electricity efficient buildings, initiatives for decarbonization, achieving and accelerating switch to low GWP refrigerants	August 2019	California	3	25
Europe	Europe F-gas Regulation and refrigerant, European environmental policies, our Environmental Vision 2050, architectural trend in Japan and Europe, TIC tour	October 2019	Tottori (Ales Aoya)	13	23

Stakeholder Engagement - 403 -

#### Active Information Exchange with International Organizations and NPOs and NGOs

We take every possible opportunity to exchange opinions with a range of international organizations and NPOs and NGOs on topics such as the environment and energy.

In fiscal 2019, we invited council members of Asian descent from the U.S.-Japan Council to the TIC in Japan where we showcased our advanced technological initiatives and held discussions on environmental technology for air-conditioners, including low global warming potential R-32 and inverters.

We are looking to increase the frequency of such information exchanges as we study the direction that Daikin's environmental actions should take.



Panel discussion with Mr. John Dulac of the IEA

#### **Participation in Initiatives**

Daikin actively participates in a number of initiatives. We hold discussions and exchange information on our approach to CSR and initiatives as well as strive to enhance activities and improve initiatives while working closely with other companies.

Stakeholder Engagement - 404 -

#### Initiatives and Groups We Participate In

#### **UN Global Compact**

We have participated in the UN Global Compact for sustainable growth since 2008. The Global Compact requires participating companies from around the world to support and implement the 10 principles covering the four areas of human rights, labor, environment and anti-corruption.



#### Participation in the Global Compact (Page 87)

#### Task Force on Climate-related Financial Disclosures (TCFD)

In May 2019, we stated our endorsement of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB) in order to promote the disclosure of business risks and opportunities attributed to climate change.



#### Information Disclosure based on the TCFD Framework (Page 82)

#### Japan Climate Initiative (JCI)

The Japan Climate Initiative (JCI) is a network for increasing information dissemination and discussions among companies, local governments, and NGOs actively engaged in climate change countermeasures.

We have participated in JCI since September 2020.



#### Keidanren's Challenge Zero

Challenge Zero is an initiative run by Keidanren (Japan Business Federation) in collaboration with the Japanese government to disseminate and promote innovations domestically and internationally by companies and groups for realizing a decarbonized society.

We have participated in Challenge Zero since September 2020.



#### **Eco-First Program**

The Eco-First Program was established by the Ministry of the Environment in 2008 to promote industry-leading companies to take action toward environmental conservation. Companies pledge to the Minister of the Environment to implement their own environmental conservation initiatives. We were certified as an Eco-First Company by the Minister of the Environment in November 2008.



> Endorsement as an Eco First Company (Page 225)

Stakeholder Engagement - 405 -

## 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, Daikin 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.

In April 2019, we invited a delegation of 18 members including U.S. senators from California to visit our company where we introduced our initiatives. During the same month, we visited the U.S. and showcased our environmental technology during an individual interview with the California Air Resources Board and exchanged ideas on decarbonization.

Moreover, we gave a lecture on our initiative on recovering and reclaiming refrigerants at the Global Dialogue with the Private Sector on Technology Solutions for Holistic Waste Management held by the United Nations Environment Programme (UNEP) in May 2019.

In June, we displayed the actual model of R-32 and inverter at the exhibit adjacent to the G20 Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth.

Additionally, in November, we gave a speech on R-32 and inverter at the Manaus Environment Fair in response to the request by the Brazilian government.

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

Stakeholder Engagement - 406 -

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

In both fiscal 2016 and 2017, Daikin 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 2019, as a Collaboration Program with the Private Sector for Disseminating Japanese Technology under the Japan International Cooperation Agency (JICA), we continued to embark on the project started in fiscal 2018 to spread the use of environmentally conscious, high-efficient air conditioners using the R-32 refrigerant in Mexico, as well as implemented promotional assistance on switching to low GWP refrigerants and highly efficient air-conditioners.

The same project was launched in Brazil since January 2019, while activities are conducted to promote inverter air conditioners through collaboration with international agencies. In October, we invited government officials from Brazil to share our information on technology at TIC and exchanged ideas with the Ministry of Economy, Trade and Industry and the Energy Conservation Center, Japan.

In Saudi Arabia, demonstration testing was conducted as part of the JCM Feasibility Study by the Ministry of Economy, Trade and Industry since June 2019, and assistance was provided on implementing necessary international standards for the appropriate evaluation of inverter products.

Stakeholder Engagement - 407 -





# 2020 -Web version -

(As of October 2020)

# **Communities**

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# 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

### Why is it important?

The Daikin Group has 313 consolidated subsidiaries and maintains business operations in more than 150 countries around the world. The expansion of our global business footprint is quickly accelerating with growing demand for air conditioners particularly in emerging countries. To facilitate the operations of our bases, we believe it is vital to develop relationships of growth and contribute to community development as a member of the community, while considering the cultural and historical backgrounds of each location.

#### **DAIKIN'S APPROACH**

As a member of the local community, we maintain a basic policy to establish strong relationships with communities whiles respecting each country and region's culture and history, under the assumption of fulfilling social responsibilities, such as job creation and collaboration with local companies. Our employees take the lead in activities that benefit communities through contributions to protecting the environment, supporting education and harmony with communities, and they contribute to solutions to social issues found in the Sustainable Development Goals (SDGs).

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Daikin's Philosophy of Social Contribution

(Page 411)

Supporting Education

(Page 412)

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.

The Daikin Group provides people around the world with a clean air environment, and we contribute to solving environmental problems on a global scale.

> Protecting the Environment

The Daikin Group contributes to society through state-of-the-art technologies, and we support the education of future generations in order to contribute to the advancement of technology and the creation of a sustainable society.

**Harmony with Communities** -Strengthening Bonds

(Page 427)

We provide the regions where we do business with the support

they need in order to help them

progress proactively.

**Harmony with Communities** —Contributing to

Promotion of Art and Culture

(Page 448)

To achieve harmony with communities, we contribute to

Harmony with Communities > —Contributing to **Promotion of Sports** 

(Page 452)

(Page 417)

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

(Page 456)

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/)

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# 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

	2015	2016	2017	2018	2019
Total (millions of yen)	1,286	1,548	1,623	1,415	1,477

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# 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 CO<sub>2</sub> 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/)

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#### 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 donations and send volunteers for a period lasting until the end of March 2024. By supporting Shiretoko 100 Square-Meter Movement, providing environmental education, and helping ensure that the human and brown bear populations live in harmony, we are striving to preserve the forests of Shiretoko for future generations.

In September 2019, 11 employees took part as volunteers and in February 2020, eight participated. To date, a total of 196 employees have taken part as volunteers.

Volunteers in September 2019 helped to clean up the area where the trees would be planted this autumn, maintained fields of saplings that will eventually grow into trees to be planted in several years' time, and planted 276 Sakhalin fir saplings relocated from the forest at the sapling field. Volunteers in February 2020 wore snowshoes to enter deep into the forest where they performed thinning work on Sakhalin spruce.

Daikin intends to continue dispatching employee volunteers in the future. We hope to not only contribute to the revitalization of forest in Shiretoko, but also foster human resources who can take ownership of global environmental issues and take action by sharing the importance and significance of conserving the natural environment with many people.



Daikin volunteers (September 2019)



Daikin volunteers (February 2020)

#### Wild animals in Shiretoko



Brown bears



Yezo deer



Steller's sea eagle



Pink salmon

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#### 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 on Java Island in Indonesia 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.

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.

In fiscal 2018, we received a letter of appreciation for our environmental and social contribution activities over the past decade from the government of Indonesia. The letter recognizes our contributions to the revitalization of forest that serves as a water source for Indonesia's capital of Jakarta as well as our contributions to solving social issues faced by local communities, such as poverty and education.

Through forest conservation activities like this, Daikin is contributing to the achievement of SDGs by helping solve social problems such as poverty.

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The seedlings planted have grown into trees ©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

©Conservation International, Photo by Anton Ario



Letter of appreciation received from Indonesia's Ministry of Environment and Forestry



A decade of change at Gunung Gede Pangrango National Park

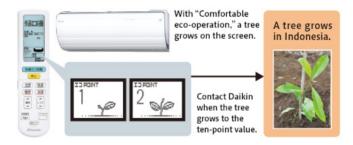
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# The Reforestation Project in Indonesia Is a Joint Effort between Daikin and Customers Who Use Our Products

The reforestation project allows Daikin customers to contribute to reforestation while they enjoy operating their air conditioners in an 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 contributes to tree-planting activities and his or her name is listed as one of the supporters at a site of a reforestation project. In fiscal 2019, 278 customers were registered as project supporters.





The board shows the names of Daikin customers who support reforestation

#### Related information

> Reforestation in Indonesia (https://www.daikin.com/csr/environment/reforestation/)

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 218)
- > "Efforts at Bases" (Protecting Biodiversity) (Page 214)

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# SUPPORTING EDUCATION

## **Basic Policy**

Daikin, through its local companies, supports education for youth. By conducting grass-roots activities such as donating financial aid and offering technical courses, 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. This fiscal year, approximately 1,800 students from 29 schools took part in the program, and 18 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.

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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) □ (https://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. This fiscal year, approximately 1,300 students at 16 elementary schools took part.



Classroom science experiment using an air conditioner

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#### **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 and engineers. 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 and students tour Daikin facilities. This fiscal year, we held a lab class on the mechanisms of air purifiers at Osaka Prefecture University, with 22 students taking part.



Fostering the next generation of scientists and engineers

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#### **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 Plant Manufacturing Department, and Engineering Department 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.

This fiscal year, 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. This fiscal year 38 children participated.



Daikin employees (from the Kashima Plant) lead an elementary school class

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#### **Factory Tours for Elementary and Junior High School Students**

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

The Yodogawa Plant held factory tours for 139 children from two elementary schools in Settsu City. The program included a tour of the plant premises aboard a microbus, interactive learning about the mechanism and chemical make-up of Daikin's air conditioner technologies, tour of the production line of hydraulic units completed for the first time in half a century, and more interactive learning about the peace of mind of safety shoes at the safety learning center.

At the Shiga Plant, tours were conducted for 118 students from an elementary and junior high school in Kusatsu City. In addition to observing the residential air conditioner manufacturing process, the students observed local flora and fauna in the Shiga Forest located inside the plant and learned about the environment by experiencing the temperature differences between forest and grassland.

At Sakai Plant's Kanaoka Factory, we hosted factory tours for 455 students from four elementary schools in Kita-ku, Sakai City. The students learned about air conditioners and the importance of biodiversity conservation during classes that provided an outline of the Sakai Plant along with the cooling mechanism of air conditioners and the plant's environmental initiatives. In addition, the students viewed the assembly of the outdoor unit of multi-split air conditioners for commercial buildings in order of the processes on the production line and saw up close brazing practice led by a Takumi at the skills training center. The program provided an excellent opportunity to convey the interesting nature of manufacturing.

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A factory tour at the Yodogawa Plant



A factory tour at the Sakai Plant



Experience our technology at TIC "Knowledge Forest"



Experience our technology at TIC "Knowledge Forest"

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#### Hands-On Events Foster Interest in Technology

Events such as science experiments for 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. As part of the environmental education, they also heard a weather forecaster give a lecture on preparing for disasters caused by global warming.

This fiscal year, fuha:OSAKA hosted a cumulative total of 849 people at events for disassembling air conditioners. The number of participants increased 164% over the previous year after we increased the number of sessions held. At fuha:TOKYO, 834 people took part in the events for parents and children during summer vacation. In addition, a total of 78 people participated in an environmental education event with a weather presenter as a guest.



Hands-on event at fuha:TOKYO

#### Related information

→ fuha, Daikin's hands-on showrooms (available in Japanese only)

(https://www.daikin.co.jp/fuha/)

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#### **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.

In addition, each global base, TIC and the Global Operations Division worked together to provide global internships for around 50 students as part of the comprehensive partnership agreement with the University of Tokyo. Interns from the round-the-world business proposal visited the United States, Europe, Asia and China to present business proposals.



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#### **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.

For example, at Daikin America, Inc., we support a joint education and internship program with the University of Alabama, Auburn University, and the University of Alabama in Huntsville. In fiscal 2019, 14 students majoring in engineering gained practical experience through this program. In addition, we played a central role throughout our ongoing participation in the joint work program at Calhoun Community College called Excellence in Process Industrial Controls (EPIC) program. At Daikin America, Inc., currently a number of EPIC participants work on the production floor, and in fiscal 2019, two of the first graduates of the EPIC program were hired as permanent employees.



Factory tour for high school students (Daikin America, Inc.)



Tour for university students to learn about quality control (Daikin Air-Conditioning (Shanghai) Co., Ltd.)

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Factory tour for university students (Daikin Malaysia Sdn. Bhd.)



Partnership with regional universities (Daikin America, Inc.)



Hosting of student interns majoring in applied construction and energy engineering (McQuay China [Wuhan])



Fostering talent in manufacturing through a partnership between the Ministry of Economy, Trade and Industry and India's Ministry of Skill Development and Entrepreneurship (Daikin Airconditioning India Pvt. Ltd.)

#### **Related information**

- > "List of Support for Education" (List of Daikin's Social Contribution Activities) (Page 463)
- > Report by Business Site (https://www.daikin.com/csr/report/site\_data/)

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#### Communities

# HARMONY WITH COMMUNITIES— STRENGTHENING BONDS

# **Basic Policy**

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.

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# Correspondence between Company Sites and Local Community Members

Site	Type of Correspondence
Sakai Plant	<ul> <li>Group meeting with local community association (once yearly)</li> <li>Community interactions via municipal government, police, fire departments, and labor standards office</li> </ul>
Shiga Plant	<ul> <li>Visits to companies in industrial park (once yearly)</li> <li>Information exchanges with major local companies (twice yearly)</li> <li>Visits to neighboring community association boards (about twice a year)</li> <li>Interactions with relevant public offices and affiliated organizations (attendance at general meetings and board meetings of the municipal office, police, fire departments, and other related departments) (when necessary; about four times a year)</li> </ul>
Yodogawa Plant	<ul> <li>Local community association board factory tour and group meeting (once yearly)</li> <li>Exchange with local community association (four times a year)</li> <li>Group meetings to discuss association activities and various topics with municipal government, police, fire departments, and labor standards office, etc.</li> <li>Providing human resources and other assistance for various local community activities</li> </ul>
Kashima Plant	<ul> <li>Administrative board factory tour</li> <li>Attendance at cordial gatherings meetings</li> <li>Attendance at regional meetings of the Japan Responsible Care Council</li> </ul>
Soka Station	<ul> <li>Meetings and talks with municipal government and nearby neighborhood associations</li> <li>Participation in fire department, police, and industry associations</li> </ul>

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#### 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.

In fiscal 2019, the Sakai Plant hosted a class on the Kanaoka Factory's disaster preparedness initiatives as part of disaster preparedness education for local elementary school students.

#### 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 our factories as evacuation site in the event of a disaster, we 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 435)

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# **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.



Daikin Bon dance festival

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#### 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 events and has been reported in media around the world as a successful example of interactions between companies and the community. In fiscal 2018, the Bon dance festival welcomed approximately 22,000 visitors.

In fiscal 2019, regrettably the event was canceled due to inclement weather. The Yodogawa Plant had planned a number of new draws, including mobilizing 400 employees to increase the number of bonodori circles to six in order to create a more exciting atmosphere, expanding the event area for children along the street to the venue, and displaying a block of drift ice from Shiretoko of around 20 tons. The executive committee remains committed to spearheading efforts to make the event just as exciting for all who attend next fiscal year and beyond.

At the Sakai Plant, we were able to create an exciting atmosphere together with the local community, including performances of yosakoi soran dance by young employees and elementary school students in the community and refreshment booths run by the local community association. In fiscal 2019, the event was cancelled before it ended due to torrential rainfall, but we were also widely praised by participants from the community for helping to facilitate the evacuation of people. Because of the cancellation, the total number of attendees was around 7,500.

At the Shiga Plant, a summer festival is held every August for employees, their families, partner companies, and people from the local community to gather and meet. The festival features food stalls serving reasonably priced, delicious dishes, events and performances planned by employees, and the plant's famous fireworks display for the grand finale. In fiscal 2019, a total of 8,000 people attended the festival.

The summer festival at the Kashima Plant, which attracted 485 participants, the largest ever, featured performances of the Japanese harp by local residents and even had a portable shrine carried by children.

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The Bon dance at Daikin America, Inc. welcomed 20,000 locals

In addition, Daikin production bases in China, the U.S., and other countries also hold Bon dance festivals.

#### **Conducting Neighborhood Cleanup and Beautification 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 have been held for 16 years since fiscal 2003, with participation this fiscal year amounting to 1,200 employee volunteers (cumulative total). Daikin employees also took part in a cleanup of the Ajifu canal bordering on the Yodogawa Plant. In response to concerns voiced by the local community, such as fears of damage from recent years' torrential rains and the lack of cleanup participants due to the aging of the local population, we have mobilized more than 120 employees every year since 2009 for cooperation. This fiscal year we received a letter of appreciation on the 10th anniversary of these cleanup activities.

Once a month at the Sakai Plant, employees take turns joining a Sakai City beautification program to pick up litter and create a pleasing local environment. At the Kanaoka Factory, 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, a cumulative total of 1,500 employees took part in three cleanups of the surrounding area during the year aimed at totally eliminating litter.

At the Kashima Plant, a cumulative total of 516 employees have taken part in the monthly cleanups around the perimeter of the plant. Also, after Typhoon No. 15 passed by, 40 employees worked to remove tree branches and leaves from along sidewalks and roadside ditches to prevent roadway flooding.

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 355 employees took part in cleanups between January and December 2019.

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Yodogawa Plant employees cleaning up a waterway



Letter of appreciation for waterway cleanup



Tokyo Office employees conduct a cleanup

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# **Interactions with Local Communities (Overseas)**

#### Contributing to Communities around the World

Daikin meets local needs by interacting with and contributing to each of the communities it is located in.

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

Employees at Daikin's worldwide bases take part in cleanups of surrounding areas and scenic spots.

#### Daikin Chemical France S.A.S.



We provided donations to the volunteer firefighter training program for youth between the ages of 11 to 18 run by the fire department of Pierre Benite City. We are also deepening interactions with local firefighters, including participating in the fire department's open house held in May 2019.

#### Daikin Compressor Industries Ltd.



A total of 21 employees visited the local worker rehabilitation center to take part in activities such as recreation and dinner party.

#### **Related information**

- "List of Activities for Local Citizens" (List of Daikin's Social Contribution Activities) (Page 477)
- > Report by Business Site (https://www.daikin.com/csr/report/site\_data/)

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# 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.  During a disaster, the head and deputy head of the in-house firefighting division along with the general affairs, security, facility, and rescue teams will establish a headquarters team, and the in-house firefighting units of the district will carry out initial fire suppression activities using fire extinguishers and fire hydrants. The rescue team will carry out search and rescue activities in case of any missing persons.
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 2020.
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 workplace a firefighting unit was formed.  During the comprehensive disaster prevention drill in September critiques were given by firefighting employees.

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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	<ul> <li>Each division formed its own in-house firefighting unit.</li> <li>At site disaster drills (April and November each year), the unit conducts evacuation and firefighting drills with the fire department.</li> </ul>
Tsukuba Training Center	Formation of in-house firefighting unit	Members in all divisions of Tsukuba site formed their own in-house firefighting units. Once a year they hold evacuation and firefighting drills 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 a comprehensive drill sponsored by the JR Shinagawa East Building, and they conduct evacuation and firefighting drills.

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# Communication with Neighboring Companies and Residents

Site	Activity	Overview, results
Sakai Plant	Cooperation with neighboring companies	The Rinkai Factory is a member of an association of 39 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	<ul> <li>Daikin helps the local government to rescue disaster victims.</li> <li>The plant is provided for use as an emergency shelter for nearby residents (for example, the field is opened up to the public).</li> <li>Certified as AED cooperating business and emergency cooperating business</li> </ul>
	Support of firefighting activities in case of disaster	The Shiga Plant will dispatch industrial physicians and its in-house firefighting unit, and offer the plant as an evacuation shelter.
Kashima Plant	Communication with neighboring companies	To administrate local matters, Daikin joins with local companies to be the contact point for local government and citizens.
Soka Station	Agreement signed for regional disaster cooperation	In 2000, Soka Station, Soka City, and five neighboring communities signed an agreement to cooperate in preparing for natural disasters.  These three groups have agreed to work together regularly on plans to implement after major earthquakes occur.  An expert panel of the Central Disaster Management Council of the Cabinet Office recognized the Soka Station as an outstanding example of a corporation acting as a bridge between local citizens
	Regional joint disaster drill	and local government in supporting disaster relief.  Under the disaster agreement, disaster prevention drills are held with neighboring town associations. In June 2019, we conducted a joint drill with the town association of Matsue-kitamachi in Soka City.
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, disaster 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 disaster prevention drills of the building's restaurants (March). This helped confirm the disaster prevention system of the building.

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# 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/West Sakai Police Crime Prevention Committee and the North/West Sakai Traffic Safety Association.  Participation in the North/West Fire Department Disaster Prevention Association.
Sakai Plant	Children's protection shelter	The Sakai Plant is registered as a place children can take sanctuary from threats.
	Disaster prevention drill	Took part in comprehensive disaster prevention drill sponsored by an association of companies in the Sakai and Senboku waterfront areas for disaster prevention.
Yodogawa Plant	Joint disaster prevention drill held (with participation of local fire and police departments)	Control damage, confirm people's safety (evacuation), hold earthquake drill, hold disaster prevention drill (3 times a year)  Held competition for how to put on a breathing apparatus and operate a fire hydrant (once a year).
	Participation in local safety activities	Participated in disaster prevention drill held by Osaka Prefecture and Settsu City (once a year).  Took part in disaster prevention drill of Ajifu Elementary School district in Settsu City.  Took part in year-end nighttime patrols.  Took part in nationwide awareness activities for fire prevention (in spring and autumn).  Took part in nationwide traffic safety campaign.
	Held safety seminars	Held driving safety seminars for suppliers (stressed on-site road safety twice a year).  Invited police officer to give employees driving safety seminar (once a year).
	Children's protection shelter	The Yodogawa Plant is registered as a place children can take sanctuary from threats.

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Site	Activity	Overview, results
	Disaster prevention drill	Disaster prevention drill was held once a year for the plant grounds and employee dormitory; fire extinguisher usage competition held (July); plant disaster prevention drill held (June, November); evacuation drill for earthquakes held.
	Participation in the Fire Prevention Association	The Shiga Plant took part in a disaster prevention training rally in unison with the fire department.
Shiga Plant	In-house firefighting unit takes part in a training rally	
		The Konan district in-house firefighting division took part in a disaster training rally.  Daikin employees received a number of honors at the convention.
Kashima Plant	Disaster prevention drill	Held disasterdprevention drill (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 prevention drill was held with the fire department as part of cooperation among companies in the industrial park (once a year).
		As part of cooperation among companies, once-a-year training was held with firefighters, labor board personnel, and police officers as instructors. The goal was to raise safety and disaster awareness.  Participation in disaster training events with the fire department, labor board, and police department.
	Safe driving course held	Police officers were invited to be instructors at a traffic safety training conference (once a year) to help drivers improve their road manners.
Soka Station	Contest to prevent accidents and abide by rules of the road	The Soka Station took part in a rules-of-the-road contest held annually by the police department.
	Hosted safety and environmental class	Held event to raise safety awareness of employees and partner companies prior to the summer season.
Tokyo Office	Participation in meeting of Tokyo Metropolitan Police Department to prevent organized crime.	The Tokyo Office took part in scheduled meetings and training sessions.
	Participation in local disaster training	Joined in disaster training sponsored by the fire and disaster prevention association of the JR Shinagawa East Building.

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# Use Equipment during Disasters, and Secure Supplies for Emergencies

Site	Activity	Overview, results
	Secure supplies for emergencies	Secured emergency stockpiles of water, food, and disaster prevention equipment.
Sakai Plant	Lend equipment to disaster relief	Daikin is registered as a corporate supporter of firefighting activities. (In times of emergency, Daikin dispatches personnel and 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	<ul> <li>The plant makes effective use of site equipment (fire engines, firefighting equipment; sends employees as well).</li> <li>Sufficient supplies have been set aside for all local residents in case of a major earthquake.</li> <li>Emergency materials and equipment are placed in all major buildings.</li> </ul>
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 three days (food, water, portable toilets, blankets, etc.). Expanded emergency materials to be prepared for logistics accidents.

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Site	Activity	Overview, results
Soka Station	<ul> <li>Secure supplies for emergencies</li> <li>Hosted general life- saving class</li> </ul>	<ul> <li>Stored water, food, emergency equipment, etc.</li> <li>Invited local fire department to hold classes regularly. Installed AED in security office.</li> </ul>
Tsukuba Training Center	Secure supplies for employees who cannot return home during a disaster	Stored three days worth of food, drink, and emergency supplies (flashlights, blankets, gas burners, portable toilets, etc.) for employees and training participants.
Head Office	Secure supplies for emergencies	Purchased and stored emergency supplies for the Head Office and Esaka Building. During fire drills, confirmed how to use these supplies (particularly rescue-related supplies).
	Place AEDs at Head Office, Esaka, Fukuoka, Nagoya, and Hiroshima	Health and Safety Committee and Human Resources oversee the placement of AEDs in all bases under Head Office jurisdiction.
Tokyo Office	Secure emergency supplies, ensure presence of registered AED personnel	<ul> <li>Emergency supplies are stocked (helmets, gloves, towels, stretchers, etc.); these are inspected regularly.</li> <li>According to a new Tokyo by-law regarding measures for people in Tokyo who cannot return home in a disaster (enacted in April 2013), extra purchases were made of emergency supplies (emergency food and drinking water), and enough was stored to last 3 days for 500 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).</li> <li>The local fire department was invited to give a workshop on life-saving techniques (once a year).</li> <li>AEDs were installed in June 2014.</li> </ul>

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# Earthquake Measures

Site	Activity	Overview, results
Sakai Plant	Measures against tsunami, tidal surge and liquefaction Seismic reinforcement and evacuation drills	<ul> <li>Established code of conduct for response to tsunami, tidal surge and liquefaction</li> <li>Secured stockpile of supplies.</li> <li>All buildings on-site have been inspected for earthquake resistance. Reinforcement work is proceeding as planned.</li> <li>Conducted repeat drills four times in preparation for earthquake and tsunami (measures for initial response, evacuation and search and rescue, response to evacuation life after isolation, and latenight disaster drills).</li> </ul>

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Site	Activity	Overview, results
		Basic earthquake measures policy: Save people above all, ensure safety
		■ Measures for an earthquake with a seismic intensity of 6: Reinforcement work completed on main buildings under current earthquake-resistance standard (fiscal 2009).
		■ Measures for 2-meter flooding: Measures for loss of infrastructure such as power supply.
		Complete emergency measures before flooding occurs (within 2 hours), ensure the chemical plant is safe, and evacuate employees to a high, safe place.
		<ol> <li>Use secured emergency power, close up dangerous chemicals to render them harmless, and safely shut down plant (turn off, cool down, close).</li> </ol>
		Disaster prevention drills (3 times a year)
Yodogawa Seismic reinforc Plant Infrastructure Ic	Revise earthquake scale assumptions and conduct Seismic reinforcement Infrastructure loss measures Evacuation and emergency measures	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 disaster occurring late at night.             - Drills for emergency stoppage of equipment and machinery
		Measures to prevent equipment and machinery from falling over
		<ul> <li>Formulate unified standards (guidelines) (implement at all bases).</li> <li>Execute measures in each division (completed in fiscal 2014).</li> </ul>
		Create hazard map (sources of danger and evacuation routes)
		<ul> <li>Revise evacuation routes, evacuation shelters, sources of danger.</li> <li>Revise all evacuation routes and evacuation shelters for the site.</li> </ul>
		Emergency measures manual
		Secure communication protocol
		<ul> <li>Installed satellite phones (for communication among work sites).</li> <li>Use walkie-talkies (one for each division, one for division headquarters).</li> </ul>

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Site	Activity	Overview, results
Shiga Plant	Seismic reinforcement and evacuation drills	<ul> <li>Earthquake reinforcement completed (cafeteria, No. 1 Factory, No. 2 Factory, product warehouse, parts warehouse, jig and tool plant).</li> <li>Measures against hanging objects that fall (No. 2 Factory).</li> <li>Evacuation drills were also held (Disaster drills once, fire drills twice).</li> <li>Installed walky-talkies for use in disasters (21 in plant, one at company housing building).</li> <li>Installed satellite phones (for communication among work sites).</li> <li>Installed drone.</li> </ul>
Kashima Plant	Tsunami measures	Established two new tsunami evacuation shelters in a high location to use in case of a large tsunami warning.  Held evacuation drill based on scenario of earthquake so that response can be completed when there are more people than usual inside the plant such as during regular maintenance, etc.
Soka Station	<ul> <li>Revision of disaster drills at bases</li> <li>Revision of product storage rules</li> <li>Measures to prevent falling over of furniture and fixtures</li> </ul>	<ul> <li>Changed assumptions (site of fire, evacuation route, failure of inhouse broadcast system, use of fire hydrants and engine pumps, etc.) of each drill biannually (spring: earthquake drill; autumn: fire prevention and evacuation drill) and held evacuation drill.</li> <li>Revised product storage rules based on past earthquake experience.</li> <li>Took measures to prevent falling over of furniture and fixtures and other equipment in offices.</li> </ul>
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).

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Site	Activity	Overview, results
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.
Tokyo Office	Earthquake reinforcement, evacuation drills, measures for employees who cannot return home	<ul> <li>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.</li> <li>In 2017, measures to prevent movement of individual side shelving were implemented, and the fixing of all caster-equipped products in offices was completed.</li> <li>Side shelving movement prevention device (Carpet-like floor surface fixed using powerful hook and loop prevention association of the JR Shinagawa East Building (September).</li> <li>Held drills in using satellite telephones (September).</li> <li>In case of a disaster occurring at night or on a holiday, appointed emergency staff to be dispatched to confirm the extent of damage at the JR Shinagawa East Building prior to setting up a disaster task force.</li> <li>Established guidelines outlining initial response in case of earthquake. The guidelines state that, as a rule, employees should wait inside the JR Shinagawa East Building if an earthquake occurs during working hours. Written rules were made regarding what Daikin managers should do to confirm safety of employees in a disaster.</li> </ul>

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# Typhoon Measures

Site	Activity	Overview, results
Kashima Plant	Meeting on typhoon measures	A meeting was held to examine measures to take in case a typhoon strikes or passes nearby. Various preventive measures were implemented after determining safe operation and preparatory stoppages of plant facilities.

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# 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 a response drill once a year.
Yodogawa	Safety confirmation system	A system was established that can confirm the safety of employees approximately 20 minutes after a disaster occurs.
Plant	Jarety Committation system	Emergency materials and equipment for searching and restoration are placed in all major buildings.
Shiga Plant	Safety confirmation system	Established a system for confirming the safety of employees after a disaster occurs.
Jiliya Flailt	Safety confirmation system	Drills held in replying to this system (once every quarter); drills held since December 2013.
Kashima Plant	Safety confirmation system	Established a system for confirming the safety of employees after a disaster occurs.
		A Drill 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).
		Drills held in replying to this system (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 employees of the Tokyo Office and with emergency staff 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).

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#### 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 by the National Museum of Art, Osaka (NMAO), including exhibitions, academic research, lectures, 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 by the National Museum of Art, Osaka (NMAO), including exhibitions, research and lectures.

In April 2013, the foundation became a public interest incorporated foundation. Daikin will continue to aggressively carry out foundation-sponsored activities with the aim of energizing the culture and arts of Osaka, the birthplace of Daikin Industries, Ltd.

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The National Museum of Art, Osaka



The National Museum of Art, Osaka

#### **Related information**

> NMAO 🗀 (https://www.nmao.go.jp/en/)

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#### 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. In 2014, it became an authorized NPO corporation and from July 2018 it has been active as a public interest foundation corporation. The year 2020 marked the 50th anniversary of the orchestra. 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 Kyoto, Hyogo, Nara, and Daikin's home base of Osaka.



Kansai Philharmonic Orchestra

#### Related information

➤ Kansai Philharmonic Orchestra website (available in Japanese only) ☐ (https://kansaiphil.jp/)

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#### **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 473)
- > Report by Business Site (https://www.daikin.com/csr/report/site\_data/)

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#### Communities

# 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 over 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 continuously addressing the challenges of the future and work closely with local communities through interactions between business leaders in Okinawa and the rest of Japan.

This fiscal year we decided to cancel the tournament after careful consideration given to fully cooperating with the government's request to voluntarily cancel or reduce the scale of large sporting and cultural events due to the COVID-19 pandemic based on the government's commitment to stop the spread of the virus as a national issue.

#### Related information

➤ Daikin Orchid (available in Japanese only) □ (https://www.daikin.co.jp/orchid/)

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#### 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 or reside in Okinawa, with a total of 4,500 players participating so far. From this competition, 18 players such as Ai Miyazato, and Mamiko Higa, as well as Shinobu Moromizato and Hina Arakaki (both pro golfers affiliated with Daikin Industries, Ltd.) have become professional golfers.

#### **Bridging Okinawa and the Mainland**

The pro and amateur tournaments and the pre-tournament festival enable representatives of Okinawan 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 in 1990. The association, whose members include business owners from Okinawa and the mainland, organizes a variety of vibrant activities that include forums and presentations on how to further promote and develop Okinawa.

In addition to attracting the Okinawa Summit to be held locally in 2000, discussions at the Okinawa Konwakai gave rise to a commerce conference held in Okinawa in 2014. By making Naha Airport a hub of international distribution, it is anticipated to 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 a cumulative total of 560 volunteers took part in making the event a success.

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#### 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 March 2020, Orchid Bounty donated ¥8.8 million to a total of 12 organizations and individuals, bringing the contributions since 1995 to ¥158.9 million and total recipients of 235.



The Orchid Bounty donation ceremony

#### **Local Junior High School Students Invited to Watch Tournament**

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

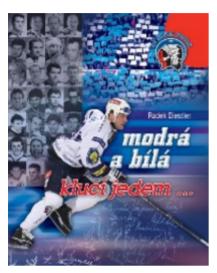
Not only do the students get to see the women's pro golfers battle it out on the course, they also get a comprehensive look behind the scenes of the tournament as they observe the work of groups like the greens-keepers, mass media, and tournament organizers.

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#### **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 Pilsen Half Marathon, and in fiscal 2019 donated air conditioners to the professional football club FC Viktoria Plzeň.



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 475)
- > Report by Business Site (https://www.daikin.com/csr/report/site\_data/)

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# LIST OF DAIKIN'S SOCIAL CONTRIBUTION ACTIVITIES

# **List of Support for Environmental Protection**

Base	Recipient of support, details of support
Daikin Industries, Ltd.	"Forests for the Air" project Forest protection in Indonesia  (C) Conservation International / Photo by Anton Ario
(Japan)	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.	Tree planting around the factory
Daikin Industries Czech Republic s.r.o.	Supported the Oak Promenade Restoration project hosted by an environmental conservation organization  Donated to the Pilsen Zoo

Communities - 456 -

#### Recipient of support, details of support

Participated in Earth Hour (turned off unneeded lights for one specified hour) hosted by the World Wide Fund for Nature (WWF)

Hosted a contest for children to make Christmas ornaments using recycled materials



Hosted an event to reduce commuting by personal car among employees





Daikin Device Czech Republic s.r.o.

Purchased nests for small insects and installed them on factory premises as an initiative to preserve biodiversity





Participated in garbage clean up event



Communities - 457 -

Base	Recipient of support, details of support
	Held environmental problems seminar
Daikin Turkey A.S.	Called for participation in WWF Earth Hour (energy saving)
	Picked up garbage around the factory
	Distributed reusable bags to employees to reduce the use of plastic bags
Daikin Airconditioning	Recovered used paper for recycling, which contributed to earnings
France S.A.S.	Recycled commercial products and parts, and donated the proceeds
Daikin Airconditioning Germany GmbH	Proactively participated in and donated to research project aimed to decarbonize
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
Daikin Fluorochemicals (China) Co., Ltd.	Held community cleanup activities on Yushan Mountain in Changshu

Communities - 458 -

Base	Recipient of support, details of support
McQuay Air-Conditioning & Refrigeration (Wuhan) Co. Ltd.	Conducted event aimed at improving environmental awareness targeting employees
Shenzhen McQuay Air Conditioning Co., Ltd.	Conducted event aimed at improving environmental awareness targeting employees
	Clean up activity on Julong Mountain
	Implemented the day of bring no car to work
McQuay China (Suzhou)	Implemented garbage sorting and charity event

Communities - 459 -

Base	Recipient of support, details of support
Daikin Malaysia Sdn. Bhd.	Participating in tree-planting and cleanup activities at Forest Research Institute Malaysia (FRIM)
	Planted 3,500 trees in a national park
	Held beach cleanup activities in collaboration with government agencies
Daikin Industries (Thailand) Ltd.	
	Coral replanting activity in the ocean
	Held mangrove rejuvenation activities
Daikin Compressor Industries, Ltd.	Conducted tree plating and fry releasing with local businesses and schools
PT. Daikin Airconditioning Indonesia	Replanting pine trees destroyed by fire

Communities - 460 -

Base	Recipient of support, details of support
	Participated in the Adopt-A-Country Mile (AACM) program (trash removal to maintain cleanliness on community roadways)
Goodman Global Group, Inc.	Held community cleanup activities
	Hosted recycling event for electronics waste

Voluntary recovery of chemical substances and support to recycling

Daikin America, Inc.



Communities - 461 -

Base	Recipient of support, details of support
	Participated in street cleanup program activities and environmental management system related volunteering
	Volunteered in tornado watch
Daikin Applied Americas Inc.	Implemented composting program that recycles organic waste from the factory cafeteria
Daikin Air Conditioning (Vietnam) Joint Stock Company	Collected and cleaned up garbage and promoted the importance of environmental conservation together with other companies in the same industrial park

Communities - 462 -

# **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
	Support for the Sakai Rugby School The Kanaoka Factory lends its field three times a month to the Sakai Rugby School Contributed to developing rugby players in kindergarten, elementary and junior high schools In fiscal 2017, 192 students took part In fiscal 2018, 183 students took part In fiscal 2019, 213 students took part
Daikin Industries, Ltd. (Sakai Plant)	Factory tours to educate local elementary school students about working society In fiscal 2017, 218 students from three elementary schools took part In fiscal 2018, 266 students from three elementary schools took part In fiscal 2019, 455 students from four elementary schools took part

Communities - 463 -

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Yodogawa Plant)	Kendo Training Hall for Children Classes were held three times a week (Monday, Tuesday, Wednesday), with 12 students each time
	Two kendo tournaments hosted a year, once in January (kagami biraki) and once in July (Daikin Cup) A total of 260 participants took part, including tiny kendo swordsmen, guardians and instructors Rice cake making (mochi tsuki) and barbeque were planned following the tournament to enhance the interaction between participants
	Factory tours to educate local elementary school students about working society In fiscal 2019, 139 students from two schools took tours
	Experience work days for local junior high school students In fiscal 2019, three second-year junior high students from Daiyon Junior High School in Settsu City took part
	Opening up recreation facilities  Tennis court, grounds and gymnasium (Yushinkan Kendo Hall) are opened to local residents  Spring and fall tennis classes hosted by Settsu City were held 20 times with 400 players from the community participated in a year
Daikin Industries, Ltd. (Shiga Plant)	Provided factory tours and environmental learning opportunity to elementary students in the city Provided killifish from Shiga Forest to 5th grade students as science learning material and conducted killifish releasing event In fiscal 2019, one elementary school and 118 participants from one group in Kusatsu City took part
	Daikin field opened to the public  Daikin opened up its field to the public to use for baseball, ground golf, softball, and other activities

Communities - 464 -

Base	Recipient of support, details of support
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 Conducted for 38 participants from two classes in 2019
Daikin Europe N.V.	Contributed products for practical training to technical schools  Gave presentation on the impact of global warming and initiatives to prevent
	environmental destruction to local school students as environmental education
Daikin Airconditioning Belgium N.V.	Contributed products for practical training to technical schools.
	Donated to local junior high schools and universities
Daikin Industries Czech Republic s.r.o.	Donation of residential multi-sprit type air conditioners to mechanical engineering high school
	Participated in open house day for elementary schools where students move on to junior high schools with specialized courses in technology
	Conducted factory tours for junior high school and university students
	Hosted internship for high school students and training program for university students
	Joint research between University of West Bohemia (ZCU) and the research center

Communities - 465 -

Base	Recipient of support, details of support
	Attended the Corporate Day event and presented our business activities to students studying mechanical engineering and business
	Invited students on factory tour in collaboration with Mechanical Engineering  Department Energy Research Center of Brno University of Technology
	FOAREN  FOAREN

Daikin Device Czech Republic s.r.o.

Collaborated with the new student event at Masaryk University





Participated in summer school project for students of Nottingham Trent University, U.K.





Communities - 466 -

Base	Recipient of support, details of support
Daikin Applied Europe S.p.A.	Sponsored recycling project hosted by the local community and schools for students and their families  **THE PROPERTY OF THE P
	Accepted students for apprenticeship program
	Supported university students' research and work experience through graduation program
	Attended the local Career Annual Fair at a local school
	Implemented a consultant program to further promote awareness of products
	Established a work experience program for students
Daikin Airconditioning France S.A.S.	Accepted internship students
Daikin AC Spain, S.A.	Supported schools and other organizations
Daikin Turkey A.S.	Continued hosting the Clean Air Ambassador Program which aims to promote environmental conservation among children  Continued hosting seminars related to F-gas regulations and R-32 targeting the Ministry of Environment and Urban Planning, 12 universities, educators, combi boiler engineers, and others

Communities - 467 -

Base	Recipient of support, details of support
Rotex Heating Systems GmbH	Accepted children of employees for internship
Daikin McQuay Middle East FZE	Donated six air conditions to schools
McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.	Received visitors and trainees from the welding department of Hunan Industrial Technicians College
	Received visitors and trainees from schools of architectural environment and energy and power engineering of Huazhong University of Science and Technology
Shenzhen McQuay Air Conditioning Co., Ltd	Hosted company tour for children of employees
Daikin Air-Conditioning	Signed affiliation agreement with Information Engineering School
(Shanghai) Co., Ltd.	Two affiliated schools received national recognition as experimental school for modern apprenticeship program
Daikin Air-conditioning (Suzhou) Co., Ltd.	Donated backpacks and stationery supplies to elementary schools

Communities - 468 -

Base	Recipient of support, details of support
Daikin Device (Suzhou) Co., Ltd.	Collaborated with local schools as an initiative to secure human resources and foster technicians
Daikin Fluorochemicals (China) Co., Ltd.	Conducted lecture in for chemistry majors at Binjiang Vocational Technical School
Daikin Fluoro Coatings (Shanghai) Co., Ltd.	Held factory tours and made monetary donation to elementary schools
Daikin (CHINA) Investment Co., Ltd.	Donated to the University Students Air Conditioning Knowledge Contest
Daikin Malaysia Sdn. Bhd.	Hosted visit by Japanese students  PAIKIN MALAYSIA SDN. BHD.

Communities - 469 -

### Recipient of support, details of support

Reinforced school building and donated education equipment to a school in an agricultural area in support of the school in collaboration with six Daikin Group companies in Thailand



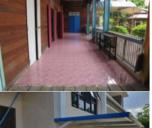




Provided infrastructure support to three schools on their posts, flooring, tooth brushing area, and roofs

**Daikin Industries** (Thailand) Ltd.













Donated air conditioners to a vocational school, and hosted a workshop on air conditioner installation for lecturers and students



Held factory tours for students



Daikin Compressor Industries, Ltd.

Participated in a student event and assembled bookshelves for the library







- 470 -Communities

Base	Recipient of support, details of support
Daikin Airconditioning India Pvt. Ltd.	Donated computers to schools
	Established nine technical education centers  DAIKIN DAIKI
	Established the Japan-India Institute for Manufacturing (JIM) with the aim of developing human resources in Japanese manufacturing processes
	Established a library and athletic field at a public women's college
Daikin Australia Pty., Ltd.	Hosted interns

Communities - 471 -

Base	Recipient of support, details of support
Daikin America, Inc.	Provided assistance to internship program in cooperation with universities
	Held homestay program in Japan for American high school students
	Supported the tour of chemistry major students at the Water Supply Environmental Training Center
Goodman Global Group, nc.	Held homestay program in Japan for American high school students
	Hosted an environmentally themed art contest for children
	Hosted safety camp
Daikin Applied Americas Inc.	Supported NGOs
	Participated in Worlds of Work program
	Cooperated with educational institutions in terms of technical school students' labor participation
Daikin Air Conditioning	Implemented factory tour for elementary school students

Communities - 472 -

(Vietnam) Joint Stock

Company

## List of Support for Promotion of Arts and Culture

Base	Recipient of support, details of support
	National Museum of Art, Osaka
	Mitsubishi Ichigokan Museum, Tokyo
	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
Daikin Industries, Ltd. (Japan)	Kamigata Entertainment Culture Society
	National Association of High School Guitar and Mandolin Music
	National Museum of Art, Osaka Membership
	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 (Withdrew as of December 2019)
	Fan Club of Mozart-Kammerorchester Japan
	Art Stream 2019
	Dojima Yakushido

Communities - 473 -

Base	Recipient of support, details of support
	Kaitokudo
	Ryozen Museum of History
	Osaka Wasso Cultural Exchange Association
	Amicale au Japon pour la Maison de la culture du Japon à Paris
	Japanese Red Cross Society, Osaka Chapter
Daikin Industries, Ltd.	Living & Design 2019
(Japan)	SHIKI THEATRE COMPANY
	27th EU-Japan Fest
	Expo 2020 Dubai
	Major Restoration Project of Deva Gate of National Treasure Kimpusen-ji Temple
	Japanese Institute of Anatolian Archaeology, Turkey
	Daisho-ji Temple Cultural and Protection Association
Daikin Industries Czech	Sponsored international music festival Young Prague
Republic s.r.o.	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
Daikin (China) Investment Co., Ltd.	Hosted Daikin Concert at Shanghai Symphony Hall

Communities - 474 -

## **List of Support for Promotion of Sports**

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Japan)	Daikin Orchid Ladies Golf Tournament
	Osaka Council, Scout Association of Japan
	Booster club of Kyoto University football team
	Supported the Pilsen Half Marathon
Daikin Industries Czech Republic s.r.o.	Collaborated with the Pilsen ice hockey team
	Donated an air conditioner to soccer team FC Viktoria Plzeň
Daikin Device Czech Republic, s.r.o.	Collaborated with hockey club KOMETA BRNO  DAIKIN  DAIKIN  DAIKIN  COMETA BRNO  COM
	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	Sponsored the BMV Open tennis tournament
Germany GmbH	Sponsored the BTV Bayern tennis association
Daikin Fluorochemicals (China) Co., Ltd.	Donated to international men's basketball game

Communities - 475 -

Base	Recipient of support, details of support
Daikin Australia Pty. Ltd.	Supported Port City Charity Golf Day
Daikin America, Inc.	Made donations to support construction of facilities for softball  Made donations to support construction of facilities for softball

Communities - 476 -

## **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 Factory, employees took part in monthly clean up activity of the children's playground and surrounding area of the factory in aims to enhance interaction with the community.  Employees of the Rinkai Factory continued their efforts with cleaning up areas surrounding the factory and picking up litter on the median dividing the main street.
	Anti-noise measures Employees patrolled the plant at morning and 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. Soundproofing walls were put in to prevent sound leaking from equipment near the parameters (such as the cooling tower).
	Aesthetic measures  To improve the view from the adjacent high-rise apartment building, the factory rooftop had its roof painted.
	Holds annual Bon dance festival
Daikin Industries, Ltd. (Yodogawa Plant)	Continued implementation of community cleanup activities 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).  Sponsored "Tulip Art in Settsu" for urban aesthetic development. Participated in Settsu Green Curtain Contest and Settsu Environmental Festival as part of the environmental activities. Sponsored the Settsu Festival and Settsu Fureai Marathon.

Communities - 477 -

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 (three times a year).
	Participated in Lake Biwa clean up (once a year)
Daikin Industries, Ltd. (Kashima Plant)	Holds a summer festival.  Cleanup around the plant.  Weeding activity held (once a year), cleanup days of plant held (once a month).  Collected scattered leaves on roads and walkways after Typhoon No. 15 (Faxai) passed and cleaned up drainage ditch to prevent road flooding from backed up drainage.
	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 summer festival and cleanups of areas surrounding the site (twice a year) Holds blood donation drive
	Supported employees' health through the Better Health @ Work Award
Daikin Applied Europe S.p.A.	Participated in charity event Gung-Ho for autistic children
	Participated in March for Men campaign for prostate cancer

Communities - 478 -

Base	Recipient of support, details of support
Daikin Europe N.V.	Supported organizations helping persons with mental disabilities within Oostende
	Donated to emergency medical assistance organizations
	Donated to the King Baudouin Foundation, a public utility foundation
	Participated in War on Cancer Marathon for cancer fundation
Daikin Industries Czech Republic s.r.o.	Held Family Day
	Donated four air purifiers to four orphanages
	Sponsored the Wishing Tree Project established for children of orphanages
Daikin Device Czech Republic, s.r.o.	Jointly donated neonatal treatment equipment to St. Anne's University Hospital Brno with another company  MADACE  KRIZOVATER  MINIMAL TATABLER  MINIMAL TATA
	Donated to Hospic sv. Alžběty for building reconstruction  ** HOSPIC sv.Alžběty  ** PAIKIN
	Conducted woodwork workshop for employees with mental disabilities  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted woodwork workshop for employees with mental disabilities**  **Policy Conducted workshop for employees with mental disabilities**  **Policy Condu

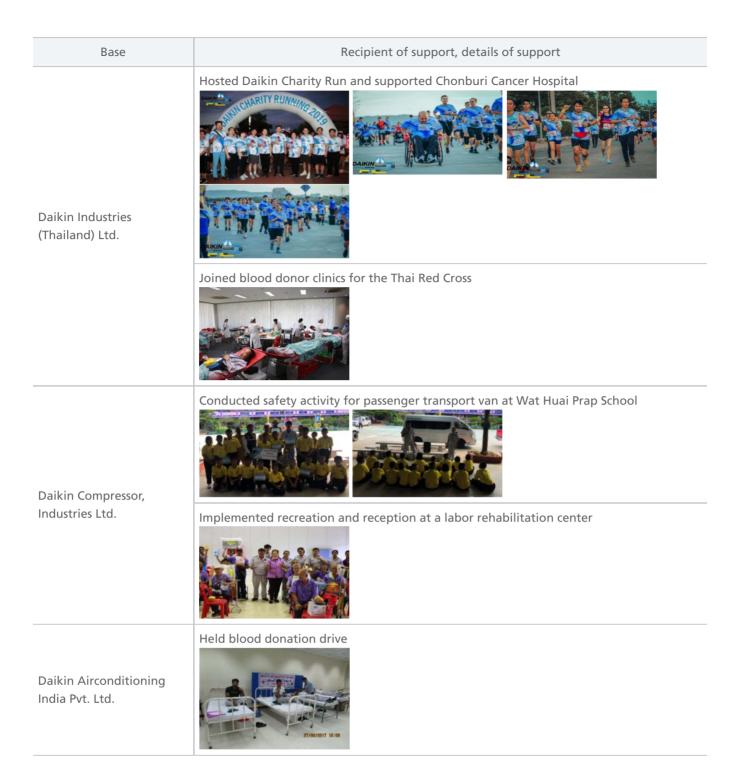
Communities - 479 -

Base	Recipient of support, details of support
Daikin Chemical France S.A.S.	Hosted an open house day for employees and their families to tour the factory
	Donated to the volunteer firefighter training program targeting children
Rotex Heating Systems GmbH	Established a foundation for SLK children's hospital
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
	Invited 12 children from "Protect the Children Association" to Family Day
Daikin Turkey A.S.	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
	Held traffic volunteer activity during rush hour
Daikin Device (Suzhou) Co., Ltd.	Cleanup activities
	Blood donation drive

Communities - 480 -

Base	Recipient of support, details of support
Daikin Fluorochemicals (China) Co., Ltd.	Donated to local fire station
	Donated daily necessities and other items to a seniors home
	Condolence visit to local fire department
Daikin Fluoro Coatings (Shanghai) Co., Ltd.	Cleaned up area around the factory
	Gave to charity for needy families
McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.	Raised funds from each factory and donated 300,00 RMB to Wuhan Benevolent General Association in prevention of COVID-19
Daikin Malaysia Sdn. Bhd.	Visited and donated to an orphanage
	Visited and donated to a center for people with mental disabilities

Communities - 481 -



Communities - 482 -

Base	Recipient of support, details of support
Daikin Australia Pty. Ltd.	Held a toy drive 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 South Brisbane Men's Shed
	Donated to hospitals, cancer associations and community events
Daikin America, Inc.	Hosted a charity golf tournament and supported a charity organization
	Donation made to local community as part of the commemorative events of the 25th
	anniversary of Daikin America's founding

Communities - 483 -

Base	Recipient of support, details of support
	Hosted a charity marathon and donated all proceeds from registration to a cancer patient support organization
Daikin Applied Americas	Cooperated with local chamber of business to aid in local employment matching
Inc.	Cooperated with an NGO involved in improving education and health
	Donated to various organizations in the city from proceeds of unwanted items from the employees
Goodman Global Group, Inc.	Donated air conditioners to the city of Waller for the new city hall
	Established scholarships for science majors
	Implemented company tour event for children of employees
Daikin PT	Sponsored dolphin watching tour

Communities - 484 -

Base	Recipient of support, details of support
Daikin Chemical Netherlands B.V.	Collected bottle caps in support of dogs training centers and patients with various illnesses
	Collected stamps in support of the Cystic Fibrosis Foundation of the Netherlands
	Assembled an organization to help home alone children pass time by building cabins, having campfires, and playing games
Daikin Air Conditioning (Vietnam) Joint Stock Company	Donated generators and air conditioners to garbage processing plant
	Presented gifts for underprivileged families, wounded veterans and war victims

Communities - 485 -

## **List of Support for Disaster Victims**

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Japan)	Donated contribution fund for Typhoon No. 19 (Hagibis)
Daikin Europe N.V.	Contributed to fund for victims of Houston hurricane
Daikin Airconditioning Belgium N.V.	Donated proceeds from local soccer team charity tournament to fund for victims of Houston hurricane
Daikin Airconditioning Italy S.p.A.	Contributed to fund for victims of Houston hurricane
Daikin McQuay Middle East FZE	Contributed to fund for victims of Houston hurricane
Daikin (China) Investment Co., Ltd.	Donated one million RMB for measures against COVID-19

Communities - 486 -





2020
- Web version (As of October 2020)

## **Key Activities**

List of Fiscal 2019 Key Activities	488
Environment:	
Launched New Refrigerant Service in Europe Contributing to a Circular Economy	492
New Value Creation:	
Delivering Healthy and Comfortable Air Environments and Spaces to Africa	
with Collaborative Innovation	497
Customer Satisfaction:	
Developing Fluorochemicals for a Digital World using Co-Creation with Customers	503
Human Resources:	
Daikin's Unique Approach to Developing AI and IoT Human Resources for Driving Innovation	509

## **KEY ACTIVITIES**

## **Environment**

## Launched New Refrigerant Service in Europe Contributing to a Circular Economy (Page 492)

> Why is it important? (Page 493)

Proper and Continued Use of Refrigerant is Essential to the Stable Supply of Air Conditioners

- > DAIKIN'S APPROACH (Page 494)
  - Proposing the Circular Use of Refrigerants in Europe that Contributes to a Circular Economy
- **DAIKIN'S PERFORMANCE** (Page 495)
  - · Helping Address Customer and Societal Challenges Using an Industry-first Mechanism
- > NEXT CHALLENGE (Page 496)
  - Establishing an Economically Viable System and Quickly Promoting the Circular Use of Refrigerants



Key Activities - 488 -

## **New Value Creation**

## Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation (Page 497)

## > Why is it important? (Page 498)

Many People Still Cannot Afford Air Conditioning

#### **DAIKIN'S APPROACH** (Page 499)

• Conducted Demonstration in Tanzania Jointly with Local Start-up

### **DAIKIN'S PERFORMANCE** (Page 500)

• First-ever Fixed Rate Subscription Service for Air Conditioning in Emerging Country

#### > NEXT CHALLENGE (Page 501)

• Bringing a Healthy and Comfortable Air Environment to People Around the World with Full-fledged Launch in Fiscal 2020



Key Activities - 489 -

### **Customer Satisfaction**

## Developing Fluorochemicals for a Digital World using Co-Creation with Customers (Page 503)

## > Why is it important? (Page 504)

Growing Expectations for Materials Innovation to Power the Evolution of ICT

#### **DAIKIN'S APPROACH** (Page 505)

• Increasing Collaboration with Customers with an Eye Toward Value Creation for Society

### > DAIKIN'S PERFORMANCE (Page 506)

• Helping Improve Quality and Provide Solutions for Customers and End Users

### > NEXT CHALLENGE (Page 508)

• Expanding Solutions using Fluorochemical Technologies that Contribute to the Development of Society



Key Activities - 490 -

### **Human Resources**

## Daikin's Unique Approach to Developing AI and IoT Human Resources for Driving Innovation (Page 509)

## > Why is it important? (Page 510)

Al and IoT are Vital to the Creation of High Value Added Products and Services

#### **DAIKIN'S APPROACH** (Page 511)

• Established DICT as Part of Industry-Academia Collaboration

#### **DAIKIN'S PERFORMANCE** (Page 512)

• Fostering the Ability to Utilize AI and IoT to Resolve Frontline Challenges

### **NEXT CHALLENGE** (Page 513)

• Creating Innovation by Linking Our Technologies, Products and Services with AI and IoT



Key Activities - 491 -



# Launched New Refrigerant Service in Europe Contributing to a Circular Economy

Key Activities - 492 -

## Why is it important?

## Proper and Continued Use of Refrigerant is Essential to the Stable Supply of Air Conditioners

The EU is taking regulatory action (F-gas Regulation)\*1 to control the total consumption of HFC refrigerants in order to reduce global warming due to fluorocarbons.

However, with global demand for air conditioners using refrigerants increasing, tight supplydemand has caused the price of refrigerants to soar. To continue a stable supply of air conditioners essential to a healthy and comfortable lifestyle, it is important to switch to refrigerants with lower environmental impact as well as recycle and reuse existing refrigerants.

### European F-gas Regulation Cap and Number of Air Conditioners Sold\*2



- \*1 The EU F-gas Regulation aims to reduce the total consumption of HFCs (global warming impact conversion of production volume + import volume export volume) in stages.
- \*2 Compiled by Daikin based on the market demand data by the Japan Refrigeration and Air Conditioning Industry Association.

Key Activities - 493 -

### **DAIKIN'S APPROACH**

## Proposing the Circular Use of Refrigerants in Europe that Contributes to a Circular Economy

In anticipation of tighter regulation on total consumption volume, Daikin launched the service in Europe for the circular use of refrigerants. Based on the philosophy of a circular economy, we aim to shift from linear use of products that are manufactured, consumed, and disposed to a model of continuous recovery and reuse of resources.

Currently, when air conditioners are disposed of, refrigerants inside them are destroyed following recovery. However, refrigerants can be reused repeatedly by removing impurities. Such circular use reduces the amount of new refrigerants being brought to market.

Daikin has established a refrigerant reclamation facility in Germany, harnessing its expertise in air conditioning and chemicals. At the same time, we are working with A-GAS, a UK-based company that recovers and reclaims refrigerants. Following this established route, in June 2019, Daikin launched sales of the multi-split type air conditioner VRV L∞P by Daikin for commercial buildings, which utilizes reclaimed refrigerants.

Key Activities - 494 -

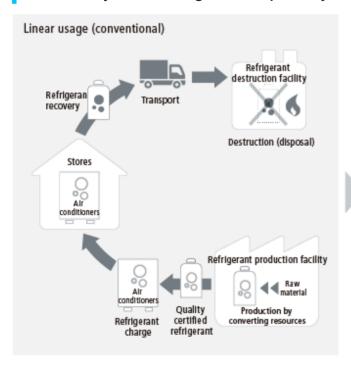
## Helping Address Customer and Societal Challenges Using an Industryfirst Mechanism

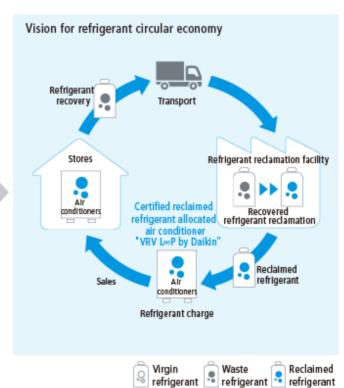
We sold 14,000 units of VRV L∞P by Daikin in the first 10 months since its release. As a result, the amount of new refrigerants being used in multi-split type air conditioners for commercial buildings that Daikin sells in Europe has been reduced by about 40%.

To further promote the circular use of refrigerants, Daikin offers a combined service where refrigerant recovery from used air conditioners is offered together with VRV L∞P by Daikin sales to major customers as they replace their air conditioners. To reassure customers with concerns over future refrigerant shortages, we offer to temporarily store recovered refrigerants and guarantee their required refrigerants will be in stock at the time of maintenance. This service offers a solution that ensures recovered refrigerants are reclaimed and put back into circular use as resources. This service has already seen sales increase in the Netherlands after gaining popularity among environmentally conscious customers.

In the Netherlands, the service was adopted by Action, which operates retail store chains in Europe. Used refrigerants are gradually being recovered from stores undergoing renovation, while VRV L∞P by Daikin units are installed in new stores. To date, recovery has been completed at 12 stores operated by the company, with 30 more scheduled. Going forward, Daikin will be expanding the service area to other European countries.

### Circular Ecosystem of Refrigerants Proposed by Daikin





Key Activities - 495 -

## Establishing an Economically Viable System and Quickly Promoting the Circular Use of Refrigerants

Although refrigerant recovery assuming final destruction and disposal is mandatory in Japan and Europe, the rate of recovery has yet to grow markedly.

To boost the recovery rate, it is crucial that society shares the notion of the critical need for recovering and reusing refrigerants for the future. Additionally, collaboration and partnerships with the government and industry are essential in order to establish economically viable systems in each region. Daikin is working with their partners to make a circular ecosystem of refrigerants a reality and promote the practice outward from Europe to the rest of the world.

## Voice

### Establishing a Circular Economy for Refrigerants within Our Store Network

Michiel Coolen Head of Construction Europe at Action

We are further mitigating our company's impact on the environment by recycling and reusing refrigerants instead of disposing of them and increasing waste.

Key Activities - 496 -



Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation

Key Activities - 497 -

## Why is it important?

## Many People Still Cannot Afford Air Conditioning

Air conditioners are essential for maintaining health and improving productivity. In Africa, however, air conditioners have yet to spread even in electrified regions because of the cost of installation and recurring electricity charges. For this reason, a new business model is needed to spread energy efficient air conditioners tailored to the market characteristics of Africa, so that more people can reap the benefits of a healthy and comfortable air environment.

#### Situation in Tanzania—Location of Demonstration

United Republic	Population
of Tanzania	Poverty rate49 <sub>%*2</sub>
	Electrification rate
	Usage rate of mobile money among mobile phone users

<sup>\*1</sup> Source: Basic data from Japan's Ministry of Foreign Affairs

Key Activities - 498 -

<sup>\*2</sup> Source: Poverty Rate based on International Poverty Line (rate of people living on less than 1.9 US dollars per day) by the World Bank

<sup>\*3</sup> Source: BOP Market Survey Report by the Japan External Trade Organization (JETRO)

<sup>\*4</sup> Source: Global Attitudes & Trends by Pew Research Center

#### **DAIKIN'S APPROACH**

## Conducted Demonstration in Tanzania Jointly with Local Start-up

Daikin is promoting collaborative innovation through partnerships with companies, research institutes, and universities, mainly spearheaded by the Technology and Innovation Center (TIC), our R&D hub. In November 2019, we committed to investing 11 billion yen in start-up companies over the five-year period up to 2024, and established the TIC CVC Office to promote co-creation with these companies. We are now speeding up new business creation together with start-ups from around the world slated for success with advanced technologies or innovative ideas.

As the first project, we invested 300 million yen in WASSHA Inc. and conducted a demonstration on a novel approach to the air conditioning business in Tanzania. WASSHA is a growing company that provides electricity services to non-electrified areas of Africa. Taking advantage of the country's high penetration rate of mobile phones, the company uses a subscription-based business model and "pay-asyou-go" system to rent out LED lanterns and rechargeable solar panels to users who pay upfront with mobile money.

Key Activities - 499 -

#### DAIKIN'S PERFORMANCE

## First-ever Fixed Rate Subscription Service for Air Conditioning in Emerging Country

Daikin focused on WASSHA's business model of providing pay-as-you-go services to people in need. In Tanzania, the mainstream type of air conditioner offers a relatively inexpensive installation cost but is not very energy efficient. As a result, the high cost of electricity has become an obstacle to the spread and use of air conditioners.

In response, Daikin identified a novel business model of renting energy efficient air conditioners to small stores and homes at a fixed rate. Such a subscription-based business model for air conditioning is the first of its kind in an emerging country. As a result, users have access to Daikin's highly energy efficient air conditioners without having to purchase the entire unit outright and they can reduce electricity charges.

The demonstration was conducted for three months starting in November 2019 in Dar es-Salaam, the economic center of the country. During the demonstration, air conditioners were installed at cooperating stores and homes to closely examine demand and review the viability of the business model. The results of the demonstration showed that electricity charges can be cut in half by using Daikin's energy efficient air conditioners. The effects were highly praised by not only participants dissatisfied with the high cost of electricity, but also participants who otherwise could not afford to purchase an air conditioner. Stores were billed continuously and the air conditioner utilization rate was upward of 90%. People who heard about the demonstration came to participating stores to see for themselves or contacted the WASSHA office directly, signing a contract on the spot. This illustrates strong latent demand for air conditioning exists locally. Business inquiries about this service ultimately more than tripled the expected volume, which confirmed the business viability.

Key Activities - 500 -

## Co-creation Between WASSHA and Daikin

### WASSHA

- Remote operations using mobile money
- Business acumen in Tanzania

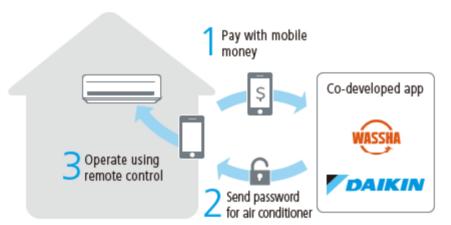
## Daikin

- Energy efficient air conditioners
- Installation and after-sales services



Subscription service for energy efficient air conditioners providing healthy and comfortable air environments and spaces

## Illustration of Air Conditioner Subscription



Key Activities - 501 -

## Bringing a Healthy and Comfortable Air Environment to People Around the World with Full-fledged Launch in Fiscal 2020

Going forward, we will build a payment system using mobile money jointly with WASSHA, and plan to fully launch the business in fiscal 2020. Regarding ancillary services such as installation and repairs, which pose challenges, we will conduct technical training locally, which will create jobs and improve quality.

Through this new business model of delivering air conditioners with low start-up and running costs to low income people, Daikin will continue to give people around the world access to a healthy and comfortable air environment.

## Voice

## **Increasing the Customer Base of Air Conditioners**

In many African countries air conditioning has yet to spread to homes and small stores. We believe this business will provide great value to society by providing the new option of a pay-as-you-go service for people who were otherwise unable to afford an air conditioner in the past. Our goal is to bring a comfortable air environment to everyone around the world, regardless of income level.



Satoshi Akita CEO, WASSHA Inc.

Key Activities - 502 -



# Developing Fluorochemicals for a Digital World using Co-Creation with Customers

Key Activities - 503 -

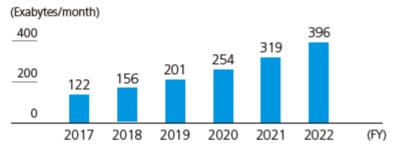
### Why is it important?

# Growing Expectations for Materials Innovation to Power the Evolution of ICT

The rapid spread of ICT networks is changing the world. The launch of the fifth generation of mobile communication networks (5G) will require more communications infrastructure and equipment used in data centers along with technology for sending vast amounts of data quickly and compactly. In terms of semiconductors, for example, efforts are underway for miniaturization and higher integration, while for LAN cables, efforts are focused on improving performance and security.

Fluorine materials have been proven to increase the performance of ICT equipment. For this reason, there are growing expectations surrounding these materials.

#### **Global ICT Traffic and Future Forecast**



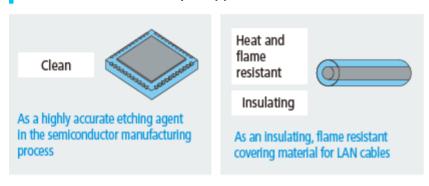
Source: Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2017–2022

Key Activities - 504 -

# Increasing Collaboration with Customers with an Eye Toward Value Creation for Society

Daikin is both a manufacturer of air conditioners and fluorine materials. Since becoming the first in Japan to commence research on fluorocarbon gas in 1933, we have established an integrated R&D system spanning from molecular design to processing. Today, we manufacture more than 1,800 types of fluorine materials, including polymers, rubbers, and gases, which support many industries. Fluorine is highly resilient against heat and chemicals, while offering excellent electrical conductivity and insulating properties. Daikin is now working alongside customers on value creation that will contribute to the evolution of ICT by harnessing these key characteristics.

#### Characteristics and Example Applications of Fluorine Materials



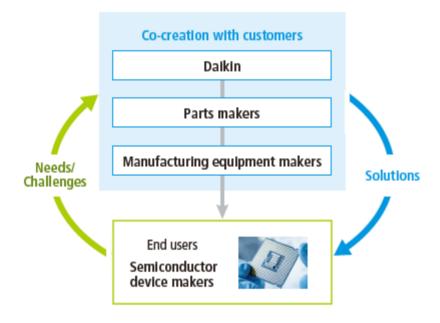
Key Activities - 505 -

# Helping Improve Quality and Provide Solutions for Customers and End Users

In the semiconductor field, parts makers are the direct customers of Daikin as a materials maker. In turn, our customers are suppliers to manufacturing equipment makers and semiconductor device makers as the end user. In recent years, Daikin is focusing on proposal activities as a development partner, in addition to satisfying the costs and workability requirements of customers. We visit end users together with customers to better grasp technical challenges and then work together to find solutions.

For example, the density of semiconductors has increased more than 10 times over the past decade. Daikin's etching agents have also contributed to the miniaturization of semiconductors which was responsible for some technological innovation. To develop etching agents that enable circuit miniaturization because of their high performance and ease of handling, for many years we have continued our efforts to find optimum new materials and propose original compounds.

#### Co-creation with Customers in the Semiconductor Field

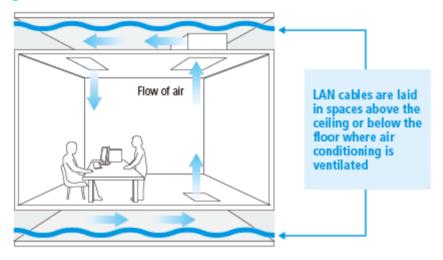


Key Activities - 506 -

In the field of LAN cables for buildings, we supply highly flame resistant fluorine covering material to the North America market. Office buildings in North America require the use of LAN cables that do not cause the spread of fire. This is because structurally speaking internal wiring is susceptible to spreading a fire inside a building because the area where it is laid has a high degree of air permeability. Daikin not only proposes materials to cable maker customers, but also participates in the creation of standards for the cable industry. We are also contributing to technical development for the entire industry, by examining the risk of fire and weaker communication speeds associated with increased ICT traffic and electrical current.

In this manner, Daikin continues to propose new solutions through technological development that benefits customers and society.

#### Example of LAN Cable Usage in North America



Key Activities - 507 -

# Expanding Solutions using Fluorochemical Technologies that Contribute to the Development of Society

Fluorochemical technologies are at the heart of solutions for various cutting edge fields, not only ICT, but also automobiles and new energy. Daikin is committed to being the first to identify customer needs around the world using collaboration among sales, marketing and development. Our goal is research and development that satisfies these needs.

Going forward, we will utilize our open innovation lab with locations around the world to speed industry-academia partnerships and co-creation with other companies. In turn, we will continue to work on innovative themes for the future, such as developing new products through combinations with other materials.

## Voice

# We Will Continue with Useful Product Development for Customers

We have long-standing experience in the cable market, and thanks to our strong connections with customers, we can, along with our partners, identify needs in a multifaceted manner. Looking ahead, we will continue to create products that benefit customers and society from a customer-first perspective, through product development jointly with customers after identifying the latest trends in a constantly changing world.



Dan Kennefick Daikin America, Inc.

Key Activities - 508 -



# Daikin's Unique Approach to Developing Al and IoT Human Resources for Driving Innovation

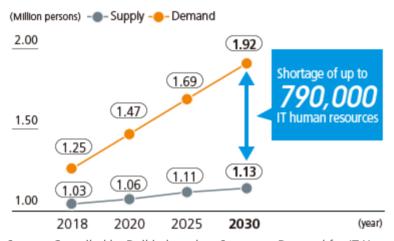
Key Activities - 509 -

### Why is it important?

# Al and IoT are Vital to the Creation of High Value Added Products and Services

With the arrival of the Fourth Industrial Revolution, the shortage of human resources capable of using artificial intelligence (AI) and the Internet of Things (IoT) has become a social issue. To achieve sustainable growth, Daikin must develop the human resources that can create higher value added products and services by linking AI and IoT to our own businesses and technologies.

#### Estimated Shortage of IT Human Resources in Japan



Source: Compiled by Daikin based on Survey on Demand for IT Human Resources (Upper Growth Scenario) (April 2019) by Japan's Ministry of Economy, Trade and Industry.

Key Activities - 510 -

### Established DICT as Part of Industry-Academia Collaboration

In December 2017, with the full cooperation of Osaka University, with which we have a comprehensive collaboration agreement mainly in informatics, Daikin established Daikin Information and Communications Technology College (DICT) to foster human resources who can utilize and implement AI and IoT. DICT provides employees selected from a wide range of departments with unique training curriculum developed in-house.

During training, participants take part in lectures on basic knowledge of AI and how to use this technology, led by instructors from Osaka University. DICT also incorporates project based learning (PBL) based on actual challenges facing each department to foster experts who can utilize AI and IoT in business development and technological development.

#### Classes at Daikin Information and Communications Technology College

#### For current employees

#### Al Utilization (For Managers)

Fosters human resources who can plan and implement business or operational improvements utilizing AI and IoT

#### **AI Technology Development**

Fosters human resources who can develop AI technology

#### **Systems Development**

Fosters human resources who can engage in development needed to introduce AI into company systems

#### For new employees

#### Fostering AI and IoT Human Resources

Fosters human resources in AI and IoT solutions unique to Daikin who understand air conditioning technology, etc.

For all employees

#### Al Utilization

Raises awareness about improving AI literacy

Key Activities - 511 -

### Fostering the Ability to Utilize AI and IoT to Resolve Frontline Challenges

Since fiscal 2018, we have held classes to foster AI and IoT human resources among new employees. Every year, 100 newly hired employees undergo intensive training at DICT for a period of two years. During the first year, participants acquire specialist knowledge in AI and IoT and learn about our core technologies, including air conditioning technology. In year two, one to two participants undergo practical training on one of more than 80 themes submitted by development, manufacturing, and sales departments. Through this PBL, participants master the ability to utilize the AI and IoT knowledge and technologies they learned in their first year on the frontlines by identifying requests or issues from persons in charge representing a variety of departments and then proposing improvements. After the end of the program, participants are expected to not only employ their new knowledge and skills on the frontlines of our operations, but also play a key role bridging the company with outside entities and connecting departments together by promoting the utilization of AI and IoT company-wide.

In addition, it is vital to promote greater understanding of AI and IoT within the company to empower these human resources. For this reason, we are making efforts to increase literacy internally through lectures for managers and e-learning for all employees.

#### Example of PBL 1: Improving Production Efficiency at Plants

Challenge	Production efficiency under a high-mix production system, which creates only the right number of products when needed, is determined by the accuracy of the production plan. However, there are gaps in accuracy because the production plan is formulated based on the experience of each person in charge and past results of production.
Aim	Develop an analysis tool that will support the formulation of the optimum production plan and that is easy to use by persons in charge. By increasing the accuracy of planning, increase production efficiency as well as rein in manufacturing costs and energy usage.

#### Example of PBL 2: Forecasting Sales for Residential Air Conditioners

Challenge	The shipment plan for a product is based on the sales forecast computed by a person in charge referencing past tendencies. However, actual sales of residential air conditioners are influenced by weather and temperature, making it difficult to create an accurate sales forecast.
Aim	Analyze big data covering past sales results and weather forecasts. Use the findings to determine a highly accurate sales forecast and the optimum shipment plan, which will ensure inventory is in stock and products are delivered to customers in the necessary amount at the right time.

Key Activities - 512 -

# Creating Innovation by Linking Our Technologies, Products and Services with AI and IoT

Daikin intends to train around 1,000 employees, including both current and new employees, to become human resources that can utilize AI and IoT by fiscal 2021.

In addition to fostering AI and IoT human resources to promote smarter production processes, prediction of product faults, and streamlining of operations, we will combine Daikin's core technology, products and services to create new innovation and contribute to solutions to energy and environmental issues as well as the further development of industry and technology.

## Voice

# Providing Advanced Solutions with Systematic Al Knowledge

Al and IoT technologies are keys to further upgrading the potential of manufacturing and industry. It is critical that we take a deep dive into learning and utilizing these technologies.

Above all else, learning must be fun. It must be a joy. By having them enjoy their two years at DICT, it is my hope that new Daikin employees acquire systematic AI knowledge and grow into "specialist human resources in advanced IT" that contribute to solving various issues not only at Daikin but for society as a whole.



Yasushi Yagi President, Daikin Information and Communications Technology College (Professor, The Institute of Scientific and Industrial Research, Osaka University)

Key Activities - 513 -





2020

-Web version 
(As of October 2020)

# **Sustainability Report**

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Honors for Daikin	522

#### **Sustainability Report**

### THIRD-PARTY VERIFICATION

To ensure reliability of the content of this report, Daikin contracts with a third-party to verify its 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 FY2019**

- 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 46 production subsidiaries overseas.
- Category 1 (purchased goods and services), 11 (use of sold products), and 12 (final product disposal) emissions of Scope 3 GHG emissions calculated in line with the GHG Protocol's "Corporate Value Chain (Scope3) Accounting and Reporting Standard."

### **Scope of Review**

#### Contribution to CO<sub>2</sub> Emission Reduction through the Use of Products

- Contribution to CO<sub>2</sub> emission reduction through the use of inverter air conditioners sold in emerging countries in fiscal 2019.
- Contribution to CO<sub>2</sub> emission reductions through the use of air conditioners sold in Japan, Europe, North America and China in fiscal 2019.
- Contribution to greenhouse gas emission reductions through fiscal 2019 worldwide sales of air conditioners that use R-32 low global warming potential refrigerant.

> Calculation Method (Page 518)

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#### INDEPENDENT ASSURANCE STATEMENT

To: Daikin Industries, Ltd.



Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by Daikin Industries, Ltd. (Daikin) to provide limited assurance and to conduct an external review over sustainability information selected by Daikin. This Assurance Statement applies to the related information included within the scope of work described below.

#### Selected information

The scope of our assurance work was limited to assurance over the following information included within Daikin Group Sustainability Report 2020 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2019 through March 31, 2020 (the 'Selected Information'):

- The following data through business operations of four production bases of Daikin, eight production subsidiaries within Japan and 46 production subsidiaries overseas
  - CO2 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
  - (\*1) Pollutant Release and Transfer Register system
- 3) The following data through business operations of four production bases of Daikin
  - CO2 emissions from non-energy use
  - CH4, N2O, SF6 and NF3 emissions
- Categories 1, 11 and 12 of Scope 3 GHG emissions accounted in line with the GHG Protocol's 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard'

The scope of our review work was limited to review about the following information included within Daikin Group Sustainability Report 2020 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2019 through March 31, 2020 (the 'Selected Information'):

- The amount of contribution to CO<sub>2</sub> emission reduction through the use of inverter air conditioners sold for emerging countries in FY2019
- The amount of contribution to CO<sub>2</sub> emission reduction through the use of air conditioners sold for advanced countries and China in FY2019
- The amount of contribution to GHG emission reduction through the change to low global warming potential refrigerant (R32, R1234ze) charged into air conditioners sold in FY2019

#### Reporting criteria

The Selected Information included within the Report needs to be read and understood together with the reporting criteria stated in the Report.

The Selected Information reported internally to Daikin Group only for the purpose of internal management needs to be read and understood together with the internal reporting criteria defined by Daikin.

#### **Limitations and Exclusions**

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Any other information within the Report, which is not listed as the 'Selected Information'.

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist

#### Responsibilities

This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Daikin

Bureau Veritas was not involved in the drafting of the Report or of the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria by conducting our assurance work;
- assess the reliability and accuracy of the Selected Information by conducting our review work;
- form an independent conclusion based on the procedures performed and evidence obtained; and
- report our conclusions to the Directors of Daikin.

#### Assessment Standard

We performed our assurance work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board and ISO14064-3 (2006): Greenhouse gases - Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions. We performed our review work by using Bureau Veritas' standard procedures for external review of sustainability information.



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#### Summary of work performed

As part of our independent verification, our work included:

- Conducting interviews with relevant personnel of Daikin;
- 2. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries:
- Reviewing documentary evidence provided by Daikin;
- 4. Reviewing Daikin systems for quantitative data aggregation and analysis;
- 5. Verification of sample of data back to source by carrying out seven physical site visits, selected on a risk based bases at the following locations:
  - Daikin Head Office
  - Daikin Sakai Plant
  - Daikin Air-conditioning (Shanghai) Co., Ltd
  - Daikin Fluorochemicals (China) Co., Ltd.
  - Daikin Malaysia Sdn. Bhd.
  - Daikin Refrigeration Malaysia Sdn.
  - Daikin Airconditioning India Pvt. Ltd.
- Reperforming a selection of aggregation calculations of the Selected Information;
- Comparing the Selected Information to the prior year amounts taking into consideration changes in business activities, acquisitions and disposals.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

#### Verified greenhouse gas emissions

We performed our verification work on greenhouse gas emissions data in accordance with the requirements of ISO14064-3(2006). Verified data in greenhouse gas assertion made by Daikin are as follows.

	Greenhouse gas emissions  [t-CO <sub>2</sub> e]  883 532  CO from energy use HECo and RECo:					
Scope 1	683,532	·CO₂ from energy use, HFCs and PFCs:				
		GHG emissions through business operations of four production				
Scope 2 718,542 (location-based)		<ul> <li>bases of Daikin, eight production subsidiaries within Japan and 40 overseas production subsidiaries</li> </ul>				
Scope 2 (market-based)	604,109	<ul> <li>CO<sub>2</sub> from non-energy use, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub> and NF<sub>3</sub>:</li> <li>GHG emissions through business operations of four production bases of Daikin</li> </ul>				
Scope 3 (Category 1, 11 and 12)	357,490,648	Categories 1, 11 and 12 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.				

The breakdown of Scope 3 emissions are as follows:

Category 1: 3,049,180 t-CO2e | Category 11: 323,781,913 t-CO2e | Category 12: 30,659,555 t-CO2e

#### Conclusion

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria:
- It is our opinion that Daikin has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our work.

#### Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA), across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behavior and high ethical standards in their day-to-day business activities.

Bureau Veritas Japan Co., Ltd. Yokohama, Japan September 25, 2020



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#### **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 CO<sub>2</sub>) Scope 1

- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 46 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. For sites where data procurement is difficult, calculation is based on
  estimates of past data, for example.
- Heat generation per unit, CO<sub>2</sub> emissions coefficient: Based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment); for natural gas in Japan, the coefficient used is based on the Act on the Promotion of Global Warming Countermeasures.

#### (2) Emissions of HFCs and PFCs in production processes at sites Scope 1

- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 46 manufacturing subsidiaries overseas.
- For estimates of emissions of HFCs and PFCs, 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 potentials of HFCs and PFCs are from the IPCC Fourth Assessment Report.

# (3) Non-energy-induced CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub> NF<sub>3</sub> emissions in production processes at sites

- The scope of calculation is the four manufacturing bases of Daikin Industries.
- Calculations are based on emissions coefficients stipulated in the Act on the Promotion of Global Warming Countermeasures.
- Global warming potentials are from the IPCC Fourth Assessment Report.

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#### (4) Use of electricity and heat at sites (Energy-induced CO<sub>2</sub>)

Scope 2

- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 46 manufacturing subsidiaries overseas.
- CO<sub>2</sub> emissions coefficients are as follows.

Purchased electricity: In Japan: 0.384kg-CO<sub>2</sub>/kWh

Based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment)

Overseas: Coefficients provided by electricity distribution companies

Based on Report on Survey of Estimates of CO<sub>2</sub> Unit Emissions in

Power Generation Fields in Countries of the World (Japan Electrical Manufacturers' Association), and on CO<sub>2</sub> Emissions from fuel combustion 2015 edition (IEA)

Purchased heat: 0.068kg-CO<sub>2</sub>/MJ

Based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment)
For Kashima Plant, 0.05 kg-CO<sub>2</sub>/MJ (surveyed value by site)

#### (5) Purchased products and services (Energy-induced CO<sub>2</sub>)

Scope 3

- Scope of calculation covers components and materials purchased for air conditioners, water heaters, oil hydraulic products, filters, and fluorochemical products produced in Japan, China, Thailand, Malaysia, India, Belgium, the Czech Republic, the Netherlands, France, Italy, Germany, Turkey, and the U.S.
- For each, purchased amount is multiplied by CO<sub>2</sub> emission coefficient.
- CO<sub>2</sub> emission coefficient is based on CFP Program Basic Database Ver. 1.01 (data in Japan), by the
  Japan Environmental Management Association for Industry, and the Inventory Database for
  Environment Analysis, by the National Institute of Advanced Industrial Science and Technology, and
  the Japan Environmental Management Association for Industry
- For chemicals, approximately 80% of the highest volume ones were selected, and a 100% value estimate calculation was done.

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#### (6) CO<sub>2</sub> emissions in use of products sold in Japan (Energy-induced CO<sub>2</sub>)

- Scope 3
- Scope of calculation covers CO<sub>2</sub> emissions from the use of residential air purifiers, central air conditioners, residential water heaters, residential air conditioners, factory air conditioners, and air conditioners for buildings, stores, and offices sold in Japan, ASEAN, China, Hong Kong, Taiwan, Australia, the EU, the U.S., and India.
- Calculation method: Annual electricity consumption × product lifecycle × electricity CO<sub>2</sub> emission coefficient × products sold.
- Annual electricity consumption and others are as follows.
  - Annual electricity consumption: Catalog values for residential air conditioners, assumed conditions of actual use for other products.

Product lifecycle: 10 years for residential air conditioners, water heaters, and air purifiers, 13 years for other products.

Electricity CO<sub>2</sub> emission coefficient:

In Japan: 0.348 kg-CO<sub>2</sub>/kWh;

based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment).

Overseas: Based on Report on Survey of Estimates of CO<sub>2</sub> Unit Emissions in Power Generation Fields in Countries of the World (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.

#### (7) Refrigerant leakage in use of products sold

Scope

- 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, the U.S., and India.
- Calculation method: Annual leakage rate × product lifecycle × global warming potential of refrigerant × products sold.
- 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 potentials of refrigerants are from 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.

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#### (8) Disposal of products sold

- Scope of calculation is same as part (7).
- For calculation method, refrigerant leakage is calculated by refrigerant charge amount × refrigerant global warming potential × leakage rate at time of disposal. The emissions accompanying things like the transport and disassembly of waste products is calculated by multiplying the emissions per item by the number of items sold.
- Leakage rate at time of disposal is set at 80% for industrialized countries and 100% for emerging countries.

Global warming potentials of refrigerants are from the IPCC Fourth Assessment Report.

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# HONORS FOR DAIKIN

#### Awards for 2019

Overall CSR

#### Daikin Industries, Ltd.

■Chosen for inclusion in the MSCI ESG Leaders Indexes



■Chosen for inclusion in the MSCI Japan Empowering Women Index (WIN)

# 2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

The inclusion of Daikin Industries, LTD. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Daikin Industries, LTD. by MSCI or any of its affiliates. the MSCI indexes are the exclusive property of MSCI. MSCI and the MCSI index names and logos are trademarks or service marks of MSCI or its affiliates.

➤ MSCI ESG Research website ☐ (https://www.msci.com/esg-integration) ■Chosen for inclusion in the MSCI Japan ESG Select Leaders Index

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

■Chosen for inclusion in the FTSE Blossom Japan Index



FTSE Blossom Japan

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Daikin Industries has been independently assessed according to the FTSE Blossom Japan Index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index Series. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

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■Chosen for inclusion in the SOMPO (Sompo Japan Nipponkoa Asset Management Co., Ltd.) Sustainability Index.



■Awarded 4.5-star rating in the Nikkei SDGs
Management Survey conducted by Nikkei Inc.

■Won the Best IR Award from the Japan Investor Relations Association



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#### **Environmental Honors**

#### Daikin Industries, Ltd.

#### **■**Won FY2019 Energy Conservation Grand Prize

- "Sustainable energy efficiency practices at multi-store amusement facility maintaining comfort" won the Director General Prize of Agency for Natural Resources and Energy
- "Residential air conditioner for energy efficient homes" and "energy efficiency initiatives for new factories using new air conditioning model and big data" each won the Chairman Prize of Energy Conservation Center, Japan, for their respective category

■Received the ranking of A- in a survey on water resource management conducted by CDP



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

■Recognized by the Jiangsu Provincial

Department of Ecology and Environment as a

Green Development Corporate Pacesetter for
its contributions to green development in

Jiangsu Province

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#### Honors for Creating New Value

#### Daikin Industries, Ltd.

■Outdoor air conditioner, Outer Tower, won the Nikkei Superior Products and Services Award 2019 that recognizes particularly excellent new products and services



■Won Derwent Top 100 Global Innovator, by Clarivate Analytics, for intellectual property activities; marking the seventh time over six consecutive years we have won this award



#### Honors for Customer Satisfaction

#### Daikin Industries, Ltd.

■Portable air conditioner, Carrime, won the iF Design Award 2020



■Four products won the FY2019 Good Design Award: Ururu Sarara Air Purifier, a streamer humidity conditioning air purifier; Stylish Flow, an Sky Air series air conditioner for stores and offices; Outer Tower, an outdoor air conditioner; and an in-vehicle air purifier for the Taiwan market



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#### Daikin Industries, Ltd.

■Granted Nadeshiko Brand designation for the seventh time over six consecutive years, by the Ministry of Economy, Trade and Industry



■Awarded the highest level of certification (L-boshi certification) based on Japan's Act to Advance Women's Success in their Working Life.



■Awarded the highest rating, 5 stars, in the 3rd NIKKEI Smart Work survey conducted by Nikkei Inc., which assesses companies based on the adoption of diverse, flexible work practices



#### McQuay China (Suzhou) Co., Ltd.

■Certified for 5A Rank as Labor Security Credit Company from the Suzhou Industrial Park Labor and Social Security Bureau



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### Newspaper and Magazine Rankings

- ■CSR Rankings 11th (Toyo Keizai Inc.)
- ■Japan's Best Brands 2020 28th (Interbrand)

- ■Eco-brand Survey 2019

  Making efforts to reduce energy consumption

  5th

  (Nikkei Business Publications, Inc.)
- ■Company Rankings 12th

  (The Nikkan Kogyo Shimbun, Ltd.)

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2020

-Web version 
(As of October 2020)

# Search for CSR Contents

Search by ESG Data	529
Search by Guidelines	568

### **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	Includin	ng group in Japan	JG
Overseas group companies only		OG		
Including group compa	anies in Japan	and overseas	OJG	
Data verified by a third	d party. V	erified		

#### **Environment**

#### **Low-Impact Products**

Environmentally Conscious Products\* as Percentage of Sales Volume (Residential Air Conditioners)

OJG

(%)

	2016	2017	2018	2019
Environmentally Conscious Products	74	83	93	97
Super Green Products	43	47	51	60
Green Products	31	36	42	36
Other products	26	17	7	3

<sup>\*</sup> 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

Related Page: Developing and Promoting Products and Services that Reduce Environmental Impact (Page 128)

Search for CSR Contents - 529 -

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

(Thousand tons-CO<sub>2</sub>)

	2016	2017	2018	2019
Contribution to Greenhouse Gas Emission Reductions from Daikin Air Conditioners on the Market	45,000	54,000	67,000	68,000

- Difference between emissions from all Daikin environmentally conscious products sold and emissions from noninverter products, air conditioners using conventional refrigerants, and gas-combustion space heaters and hot water heaters.
  - Reviewed by the third-party.

Related Page: > Promoting the Use of Inverter Products (Page 146)

- > Promoting the Use of Heat-Pump Type Space and Hot Water Heaters (Page 149)
- > Developing and Promoting Products and Services That Reduce Environmental Impact

(Page 128)

Region* OJG
(%)

	2015	2016	2017	2018	2019
Japan	96	91	92	90	93
China	95	96	92	90	93
Thailand	95	95	97	97	97
Other countries in Asia and Oceania	65	58	84	80	74
Europe	93	93	95	95	97
North America	38	30	30	32	32
South America	-	97	94	100	100
All regions	65	74	76	80	80

<sup>\*</sup> Green procurement rate= Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured.

Related Page: > Green Procurement (Page 118)

Search for CSR Contents - 530 -

		2019
	Iron	68
	Copper	14
	Aluminium	13
Japan	Other metals	2
	Plastics	17
	Chemicals (PRTR-designated)	141
	Glass	0.4
	Iron	511
	Copper	80
Oversee	Aluminium	72
Overseas	Other metals	11
	Plastics	88
	Chemicals (PRTR-designated)	150

# Recycling of Residential Air Conditioners

J

		2015	2016	2017	2018	2019
sidential air co	nditioners collected by Daikin (units: thousand)	250	280	320	390	410
Weight of pro	ducts recycled or reused (tons)	10,369	11,165	13,000	15,990	17,19
Amount recyc	led (tons)	9,419	10,116	11,768	14,634	15,67
Recycling ratio	0 (%)	90	90	90	91	9
	Iron	36	36	41	34	3:
	Copper	8	8	8	7	
(Breakdown)	Aluminium	5	4	5	2	
(%)	Mixture of non-ferrous and iron composite materials	35	36	43	40	4
	CFCs	0.1	0.5	1.0	1.5	1.
	Other valuable materials	16	16	18	16	1
Fluorocarbons	recoverd (CO <sub>2</sub> -equivalent)(Thousand tons-CO <sub>2</sub> )	260	280	400	490	530

Related Page: > Home Appliance Recycling Results (Page 191)

> Effective Use of Resources in Products (Page 183)

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Amount of	<b>Fluorocarbons</b>	Recovered
-----------	----------------------	-----------

JG

(Thousand tons-CO<sub>2</sub>)

	2015	2016	2017	2018	2019
Electric appliances recycling	260	280	400	490	530
Fluorocarbon Recovery and Destrution	680	840	770	760	830

Related Page: > Home Appliance Recycling Results (Page 191)

> Recovery, Recycle and Destruction of Fluorocarbons (Page 170)

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#### **Low-Impact Production**

Greenhouse Gas Emissions (Development and Production)
---

OJG

Verified

(Thousand tons-CO<sub>2</sub>)

		2015	2016	2017	2018	2019
Energy-	induced CO <sub>2</sub>	830	780	810	830	820
	(Scope1)	220	220	220	220	220
	(Scope2)	610	560	590	620	600
HFC (Sc	ope1)	470	360	250	180	160
PFC (Sco	ope1)	480	430	290	290	300
Total		1,780	1,570	1,350	1,310	1,280

<sup>\*</sup> The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Related Page: > Reducing Greenhouse Gases during Development, Production and Transportation

(Page 156)

OJG

		Standard value (average for fiscal 2013-2015)	2016	2017	2018	2019
	Japan	160	160	160	170	160
Emissions (Thousand tons-CO <sub>2</sub> )	Overseas	500	510	530	560	520
	Total	670	670	690	720	680
	Japan	100	97	95	94	93
Unit with standard value set at 100 (%)	Overseas	100	92	91	87	81
(/-/	Total	100	93	92	88	84

<sup>\*</sup> The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Note: This is an aggregate value using the revised method for the Environmental Action Plan 2020 and differs from the third-party verification.

Related Page: > Reducing Greenhouse Gases during Development, Production and Transportation

(Page 156)

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### $CO_2$ Emissions per Sales from Transportation (Air-conditioning)

D

	2015	2016	2017	2018	2019
Per unit of production (fiscal 2001 is set at 100)	63	62	61	61	61

#### Related Page: > Reducing Greenhouse Gases during Development, Production and Transportation

(Page 156)

(%)

<b>Energy Consumption</b>	OJG
---------------------------	-----

	2015	2016	2017	2018	2019
Electricity (GJ)	7,802,238	8,271,671	8,681,423	9,108,896	9,116,537
Renewable Energy generated (GJ)	209	198	209	276	434
City Gas (GJ)	3,968,523	4,464,912	4,343,569	4,345,872	4,407,257
LPG (GJ)	527,623	190,076	263,520	181,340	197,277
Steam (GJ)	792,967	1,017,117	1,384,817	1,371,033	1,221,504
Petroleum (GJ)	61,469	239,119	64,968	72,628	48,538
Total (GJ)	13,152,820	14,182,895	14,738,297	15,079,769	14,991,148

#### Related Page: > Overview of Environmental Impact (Page 95)

#### Water Intake / per Unit of Production\* OJG

		Standard value (average for fiscal 2013-2015)	2016	2017	2018	2019
	Japan	1,850	1,790	1,860	1,890	1,760
Water Intake (Thousand m <sup>3</sup> )	Overseas	4,430	4,720	4,740	4,760	4,470
	Total	6,280	6,510	6,600	6,650	6,230
	Japan	100	94	94	93	88
Unit with standard value set at 100 (%)	Overseas	100	97	91	85	83
	Total	100	96	92	87	84

<sup>\*</sup> The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Note: This is an aggregate value using the revised method for the Environmental Action Plan 2020 and differs from the third-party verification.

Related Page: > Water Resource Reduction (Page 193)

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(Thousand m<sup>3</sup>)

		2015	2016	2017	2018	2019
Wa	ter Intake	12,440	10,930	11,690	12,330	11,580
Wa	ter discharge	10,970	9,260	9,980	10,420	9,670
	Sewerage	4,180	4,480	4,370	4,310	3,930
	Released into ocean/river	6,790	4,780	5,610	6,110	5,740

<sup>\*</sup> The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Related Page: > Water Resource Reduction (Page 193)

#### Water Intake and Discharge Amounts in Water-stressed Regions (India and China)

(Thousand m<sup>3</sup>)

		2016	2017	2018	2019
India	Water intake	59	60	59	58
india	Water discharge	59	60	59	58
China	Water intake	23	26	26	25
Cillia	Water discharge	18	21	21	25

Related Page: > Water Resource Reduction (Page 193)

|--|

(tons)

	2017	2018	2019
Emissions	890	510	524

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#### Chemical Emissions (total of PRTR Substances and VOCs) / per Unit of Production\*

OJG

Air Pollutant Emissions

		Standard value (average for fiscal 2013-2015)	2016	2017	2018	2019
Emissions (tons)	Japan	479	510	520	537	521
	Overseas	1,125	1,428	1,489	1,618	1,779
	Total	1,603	1,938	2,010	2,155	2,300
Unit with standard value set at 100 (%)	Japan	100	91	89	91	90
	Overseas	100	103	98	88	85
	Total	100	98	95	89	86

<sup>\*</sup> The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Note: This is an aggregate value using the revised method for the Environmental Action Plan 2020 and differs from the third-party verification.

Related Page: Management and Reduction of Chemical Substances During Production (Page 204)

All Foliatain	Limbsions				(tons)
	2015	2016	2017	2018	2019
NO <sub>x</sub>	122	113	139	146	205
SO <sub>x</sub>	18	14	20	8	8
Dust	-	-	-	56	70

Related Page: > Overview of Environmental Impact (Page 95)

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<sup>&</sup>gt; Click here 

for the past five years of data on the previous scope of calculations and the calculation method.

(https://www.daikin.com/csr/nav/data/data\_before2015.pdf)

JG

(tons)

		2019					
Substance name	Д	mount emitted	1	Amount transported			
	Air	Public waterways	Soil	Waste	Sewage		
Chlorodifluoromethane; HCFC-22	53.64	0.00	0.00	0.00	0.00		
Dichloromethane; methylene dichloride	16.86	0.00	0.00	4.60	0.00		
1-chloro-1,1-difluoroethane; HCFC-142b	9.60	0.00	0.00	0.00	0.00		
Toluene	2.84	0.02	0.00	0.44	0.00		
2-chloro-1,1,1,2-tetrafluoroethane; HCFC- 124	1.40	0.00	0.00	0.00	0.00		
Chloroform	0.79	0.00	0.00	8.50	0.00		
Phenol	0.73	0.00	0.00	0.74	0.00		
Xylene	0.68	0.00	0.00	0.00	0.00		
Ethylbenzene	0.48	0.00	0.00	0.00	0.00		
Formaldehyde	0.38	0.62	0.00	0.27	0.00		
Hydrogen fluoride and its water-soluble salts	0.22	0.00	0.00	99.01	0.00		
n-hexane	0.20	0.00	0.00	0.56	0.00		
1,3,5-trimethylbenzene	0.04	0.00	0.00	0.00	0.00		
Poly(oxyethylene)alkyl ether(alkyl C=12-15)	0.04	0.02	0.00	40.00	0.25		
1,2,4-trimethylbenzene	0.03	0.00	0.00	0.00	0.00		
N,N-dimethylacetamide	0.02	0.00	0.00	0.00	0.00		
Methylenebis(4,1-phenylene)diisocyanate	0.01	0.00	0.00	0.03	0.00		
N,N-dimethylformamide	0.00	0.00	0.00	3.10	0.00		
Acetonitrile	0.00	0.00	0.00	3.70	0.05		
Boron compounds	0.00	0.40	0.00	0.53	0.00		
Antimony and its compounds	0.00	0.00	0.00	20.00	0.00		
Molybdenum and its compounds	0.00	0.00	0.00	0.04	0.00		
Tritolyl phosphate	0.00	0.00	0.00	0.04	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		
ferric chloride	0.00	0.00	0.00	0.00	0.00		
tetrachloromethane	0.00	0.00	0.00	0.00	0.00		
styrene	0.00	0.00	0.00	0.00	0.00		
copper salts (water-soluble, except complex salts)	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		
Methylnaphthalene	0.00	0.00	0.00	0.00	0.00		

Related Page: Management and Reduction of Chemical Substances During Production (Page 204)

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		2016	2017 <sup>*3</sup>	2018	2019
	Amount of Waste	2,919	2,965	3,401	3,274
Japan	Amount of Recycle	26,344	28,196	28,345	27,523
	Out of the above amount, hazardous waste	20,606	21,128	21,273	20,994
	Amount of Waste	20,863	24,228	32,897	27,463
Overseas	Amount of Recycle	119,447	114,612	111,693	118,383
	Out of the above amount, hazardous waste	40,662	42,367	43,985	44,062
Entire Group	Amount of Waste	23,782	27,193	36,298	37,198
	Amount of Recycle	145,791	142,808	140,038	145,906
	Out of the above amount, hazardous waste	61,268	63,495	65,258	65,258

<sup>\*1</sup> The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Related Page: Effective Use of Resources in Products (Page 183)

> Waste Reduction in Production Processes (Page 190)

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<sup>&</sup>gt; Click here 
 for the past five years of data on the previous scope of calculations and the calculation method. (https://www.daikin.com/csr/nav/data/data\_before2015.pdf)

<sup>\*2</sup> By the fiscal 2017 values were vertified by the third party.

<sup>\*3</sup> We changed the definition of waste from fiscal 2017.

		Standard value (average for fiscal 2013- 2015)	2016	2017	2018	2019
Emissions (tons)	Japan	30,100	28,300	28,900	30,400	28,400
	Overseas	84,700	92,900	98,400	109,300	103,200
	Total	114,800	121,200	127,300	139,700	131,600
Unit with standard value set at 100 (%)	Japan	100	91	88	86	84
	Overseas	100	96	95	93	88
	Total	100	95	93	92	87

<sup>\*</sup> The scope of calculations and the calculation method were revised in formulating the Environmental Action Plan 2020.

Note: This is an aggregate value using the revised method for the Environmental Action Plan 2020 and differs from the third-party verification.

Related Page: > Waste Reduction in Production Processes (Page 190)

Amount of Packaging Used per Product (Wood, Cardboard, Styrofoam, etc.)*				(%)	
					(70)
	2015	2016	2017	2018	2019
Amount of Packaging Used Per Product with FY2010 set as 100%	95	93	92	91	90

<sup>\*</sup> Covers residential air conditioners for the Japanese market.

Related Page: > Effective Use of Resources in Products (Page 183)

Search for CSR Contents - 539 -

<sup>&</sup>gt; Click here 
 for the past five years of data on the previous scope of calculations and the calculation method. (https://www.daikin.com/csr/nav/data/data\_before2015.pdf)

#### **Environmental Management**

#### Report from Audits

JG

(cases)

	20	15	20	16	2017			
	Problems found from internal environmental audits	Problems found by third- party certification institutes	Problems found from internal environmental audits	Problems found by third- party certification institutes	Problems found from internal environmental audits	Problems found by third-party certification institutes		
Major non- conformance	0	0	2	0	3	0		
Minor non- conformance	17	0	13	0	28	0		
Items improved	136	6	130	9	149	13		

	20	018	2019			
			Problems found from internal environmental audits	Problems found by third-party certification institutes		
Major non- conformance	1	0	2	0		
Minor non- conformance	28	0	22	0		
Items improved	160	9	126	7		

Related Page: > Environmental Management System (Page 107)

#### Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification

OJG

(%)

	2015	2016	2017	2018	2019
Japan	100	100	100	100	100
Overseas	93	96	96	95	94

Related Page: > Environmental Audits (Page 109)

Search for CSR Contents - 540 -

	2019
Gold	7
Silver	16
Bronze	16
Total	39

<sup>\*</sup> A Group standard for evaluating and certifying individual production sites for their environmental activities such as energy conservation, reduction of waste generated, and biodiversity conservation.

Evaluation every two years.

Related Page: > Green Heart Factories and Offices (Page 111)

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# **New Value Creation**

### Research and Development Expenses OJG

(billion yen)

	2015	2016	2017	2018	2019
Research and Development Expenses	46.1	53.9	62.1	65.2	68.0

### Number of Patent Applications D

(cases)

	2014	2015	2016	2017	2018
Japanese applications	948	787	780	904	957
Overaseas applications	344	329	352	434	513

Related Page: Management Structure (Page 99)

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### **Customer Satisfaction**

#### Improvement in Customer Satisfaction\*

	(Base year)	2015	2016	2017	2018	2019
Japan	(FY2015)	1.00	1.07	1.11	1.13	1.14
Spain	(FY2016)	-	1.00	1.21	1.15	1.12
China	(FY2018)	-	-	-	1.00	1.04
India	(FY2016)	-	1.00	1.06	1.09	1.13
Indonesia	(FY2017)	-	-	1.00	1.03	1.03
Singapore	(FY2015)	1.00	1.01	1.00	1.00	1.00
Vietnam	(FY2015)	1.00	1.02	1.04	1.09	1.11
Australia	(FY2015)	1.00	1.00	1.00	1.00	1.00

<sup>\*</sup> Satisfaction of after-sales services, regarding the base year as 1.00.

Related Page: > Customer Satisfaction (Page 264)

Customer Satisfaction with After-sales Service\* D

	2015	2016	2017	2018	2019
Overall satisfaction	4.05	4.34	4.49	4.56	4.63

<sup>\*</sup> 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.

Related Page: > Customer Satisfaction (Page 264)

Search for CSR Contents - 543 -

JG

(thousands)

	2015	2016	2017	2018	2019
Repair inquiries	736	771	765	799	919
Technical advice	674	723	796	707	758
Parts inquiries	312	323	295	393	311
Others	48	39	18	19	29
Total	1,770	1,856	1,874	1,918	2,017

Related Page: > Customer Satisfaction (Page 264)

## Number of Inquiries to the Contact Center China

(thousands)

	2015	2016	2017	2018	2019
Repair inquiries	533	764	815	765	689
Technical advice	46	50	69	51	32
Parts inquiries	88	127	139	145	106
Total	667	941	1,024	962	828

Related Page: > Customer Satisfaction (Page 264)

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### **Human Resources**

### **Employees**

Employee Composition\*

	2015		2016		2017		2018		2019	
	Men	Women								
Number of employees	6,844	1,189	6,896	1,232	7,002	1,286	7,180	1,368	7,352	1,440
Average range of services (years)	16.7	10.5	16.9	10.8	17.3	11.3	17.9	11.9	16.9	11.0
Average age	41.3	33.8	41.0	34.1	42.2	35.1	42.6	35.2	42.4	35.2
Number of managers	984	36	1,013	47	1,030	53	1,063	59	1,100	63
Number of board members	48	1	49	1	48	1	47	1	48	1
Number of foreign nationals	52	21	48	25	52	28	54	30	62	31

<sup>\*</sup> Includes employees on loan.

Note: Figures as of fiscal year-end.

Related Page: > Workplace Diversity (Page 291)

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	20	15	20	16	2017		
	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees	
Daikin Industries, Ltd. (Only)	1	6,870	1	6,891	1	7,036	
Domestic Group (Excluding Daikin Industries, Ltd.)	28	4,848	27	4,843	28	4,976	
U.S.	36	10,696	49	14,065	51	14,798	
China	33	18,791	33	19,391	32	18,599	
Europe	48	5,852	65	6,991	68	7,580	
Asia, Oceania	38	11,237	39	12,208	49	14,250	
Others (Latin America, Middle East, Africa, e.t.c)	30	2,511	32	2,647	41	3,024	
Total	214	60,805	246	67,036	270	70,263	

	20	18	20	19
	Number of companies	Number of employees	Number of companies	Number of employees
Daikin Industries, Ltd. (Only)	1	7,254	1	7,499
Domestic Group (Excluding Daikin Industries, Ltd.)	30	5,243	29	5,380
U.S.	55	16,686	58	17,497
China	33	19,194	36	18,996
Europe	80	9,034	78	9,407
Asia, Oceania	50	15,686	51	16,456
Others (Latin America, Middle East, Africa, e.t.c)	43	3,387	61	5,134
Total	292	76,484	314	80,369

<sup>\*</sup> Figures as of fiscal year-end.

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# Number of Employees by Gender and Employment Rate of Women

	2018	2019
Man	55,415	58,229
Woman	21,069	22,140
Total	76,484	80,369
Women as % of all employees	28%	28%

### Number of Employees Leaving, Employee Turnover

[

	2015	2016	2017	2018	2019
Men	254	245	246	265	272
Women	59	50	68	78	69
Total	313	295	314	343	341
Employee turnover	3.9%	3.6%	3.8%	4.0%	3.9%

Related Page: > Work-Life Balance (Page 315)

# Number of New Employees Hired; Women as Percentage of All New Employees Hired\*

D

	2015	2016	2017	2018	2019
Men	174	187	181	298	308
Women	83	86	97	131	123
Total	257	273	278	429	431
Women as % of all new employees	32.3%	31.5%	34.9%	30.5%	28.5%

<sup>\*</sup> Number of people joining the company on April 1.

Related Page: > Workplace Diversity (Page 291)

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#### **Development of Human Resources**

#### Human Resources Development of Manufacturing

	2016	2017	2018	2019
The ratio of Excellent or Advanced Skilled Engineers*1 in Manufacturing (%)	28.0	29.5	34.7	31.6
Ratio*2	1 in 3.6 employees	1 in 3.4 employees	1 in 2.9 employees	1 in 3.2 employees

<sup>\*1</sup> High-skilled engineers with knowledge and leadership.

Related Page: > Fostering Human Resources (Page 282)

#### **Workplace Diversity**

# Number and Percentage of Women in Management Positions

	2015	2016	2017	2018	2019
Number of Female Managers	36	47	53	59	63
Females as Percentage of all managers	3.6%	4.4%	4.9%	5.3%	5.4%

Related Page: > Workplace Diversity (Page 291)

#### Number of Overseas Bases Where Local Nationals are Presidents and Executives

OG

	2015	2016	2017	2018	2019
Number of Bases Where Local Nationals are Presidents and Executives	42	46	46	42	48
Number of Overseas Bases Where Local Nationals are President	31	33	32	32	32
Number of Overseas Bases Where Local Nationals are Executives	63	71	67	64	68

Related Page: > Workplace Diversity (Page 291)

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<sup>\*2</sup> One out of every-employees is Excellent or Advanced Skilled Engineer.

#### Percentage of Overseas Bases Where Local Nationals are President and Executives

OG

(%)

	2015	2016	2017	2018	2019
Percentage of Overseas Bases Where Local Nationals are President	50.8	52.4	46.4	46.4	47.1
Percentage of Overseas Bases Where Local Nationals are Executives	46.7	50.0	47.9	43.0	48.6

Related Page: > Workplace Diversity (Page 291)

#### Number of Re-employed Workers and Percentage of Re-employed after Retiring

D

	2	2015	2	2016	2	2017	2	2018	2	2019
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of retirees	123	7	97	3	100	2	104	2	127	7
Number of re-employed workers	103	5	88	3	88	2	90	2	115	7
Percentage re-employed after retiring		83.1%		91.0%		88.2%	86.8%			91.0%

Related Page: > Workplace Diversity (Page 291)

### Number of People with Disabilities Employed and Employment Rate

	2015	2016	2017	2018	2019
Number of people with disabilities employed*1	303	308	327	359	369
Employment rate of people with disabilities*2	2.15%	2.19%	2.28%	2.42%	2.44%

<sup>\*1</sup> Legally, one severely disabled person employed is counted as two people with disabilities.

Note: Figures as of end of fiscal year.

Related Page: > Workplace Diversity (Page 291)

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<sup>\*2</sup> Disability employment rate = number of people with disabilities employed / number of full-time employees.

#### Occupational Safety and Health

# Number of Sites that Obtained Occupational Safety and Health Management System Certification (fiscal 2019)

	2019					
	Air Conditioning	Chemicals	Total			
Japan	2	1	3			
China	22	3	25			
Asia and Oceania	11	0	11			
Europe	14	4	18			
North America, Latin America	1	1	2			
Total	50	9	59			

Related Page: > Occupational Safety and Health (Page 304)

Frequency Rate\*1 OJG

	2015	2016	2017	2018	2019
Daikin Group (Including Overseas)	1.90	1.50	1.33	1.38	1.26
Japan (Manufacturing Industry Average)	1.61	1.63	1.66	1.83	1.80
U.S. (Average for All Industries)*2	15.0	14.5	14.0	14.0	-

<sup>\*1</sup> This shows the frequency of work-related calamities, expressed in number of casualties for every 1,000,000 working hours

Related Page: > Occupational Safety and Health (Page 304)

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Frequency rate = Number of calamities by industrial injuries / Total actual working hours  $\times 1,000,000$ .

<sup>\*2</sup> No data was released for the U.S. in fiscal 2019 (As of end of May 2020) .

Calculated based on information from U.S. Bureau of Labor Statistics (November 2019).

### Severity Rate OJG

	2016	2017	2018	2019
Daikin Group (Including Overseas)	0.04	0.04	0.03	0.04
Japan (Manufacturing Industry Average)	0.10	0.09	0.09	0.09

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.

## Occupational disease frequency rate\*1

	2017	2018	2019
Emissions*2	0	0	0

<sup>\*1</sup> Occupational disease frequency rate = (Number of occupational disease / Total working hours) x 1,000,000.

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<sup>\*2</sup> Sakai Plant, Yodogawa Plant, Shiga Plant, and Kashima Plant of Daikin Industries.

#### **Work-Life Balance**

### Number of Employees Taking Childcare Leave

		2015	2016	2017	2018	2019
	Men	128	178	257	274	337
Number taking childcare leave	Women	112	136	131	140	145
	Total	240	314	388	414	482

Note: Number of employees taking childcare leave each fiscal year.

Related Page: > Work-Life Balance (Page 315)

### Number Taking Family Care Leave

		2015	2016	2017	2018	2019
North and alice of could be soon become	Men	0	1	2	0	4
Number taking family care leave	Women	0	0	2	3	1
Total		0	1	4	3	5

Related Page: > Work-Life Balance (Page 315)

# Percentage of Employees Taking All Paid Leave D (%)

	2015	2016	2017	2018	2019
Percentage of Daikin Industries, Ltd. employees	94.8	96.7	93.5	94.8	95.7
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	54.7	55.4	59.9	58.4	52.4

Related Page: > Occupational Safety and Health (Page 304)

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### Average Hours of Overtime per Employee

D

(hours)

	2015	2016	2017	2018	2019
Hours	201.70	205.40	209.70	217.10	207.80

Related Page: > Occupational Safety and Health (Page 304)

### Periodic Health Checkup Results

D

(%)

	2015	2016	2017	2018	2019
Percentage of employees taking checkup	99	99	99	99	94
Percentage of employees requiring treatment	72	69	53	56	69

Related Page: > Occupational Safety and Health (Page 304)

#### **Labor-Management Relations**

Ratio of Union Member

(%)

	2016	2017	2018	2019
Percentage of Employees in Union	87	86	86	87

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# **Supply Chain Management**

CSR Procurement Implementation Rate\*

С

(%)

	2018	2019
Japan	94	97
Overseas	-	99
Entire Group	-	99

<sup>\*</sup> Percentage of suppliers that satisfy Daikin's standards.

Related Page: > Philosophy on Suppliers (Page 378)

# **Communities**

**Expenditure for Social Contribution Activities** 

OJG

(million yen)

	2015	2016	2017	2018	2019
Total	1,286	1,548	1,623	1,415	1,477

Related Page: Daikin's Philosophy of Social Contribution (Page 411)

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# **Shareholders and Investors**

#### Consolidated Sales by Business Segments (Consolidated)

(%)

	2015	2016	2017	2018	2019
Air Conditioning	89.5	89.8	89.6	89.6	90.5
Chemicals	7.9	7.7	8.0	8.1	7.1
Oil Hydraulics, Defense Systems, and Electronics	2.6	2.5	2.4	2.3	2.4

### Consolidated Sales by Region (Consolidated)

(billion yen)

	2015	2016	2017	2018	2019
Japan	502.23	518.45	542.73	585.11	596.98
U.S.	484.95	503.49	551.82	625.04	666.31
Europe	276.59	274.05	332.96	366.67	405.61
Asia and Oceania	304.63	303.42	349.19	387.09	395.46
China	349.27	329.25	381.67	379.63	341.28
Others	126.03	115.31	132.20	137.57	144.67
Total	2,043.69	2,043.97	2,290.56	2,481.11	2,550.31

Net Sales (billion yen)

	2015	2016	2017	2018	2019
Consolidated	2,043.7	2,044.0	2,290.6	2,481.1	2,550.3
Non-consolidated	500.4	505.6	527.8	570.2	588.3

Total Assets (billion yen)

	2015	2016	2017	2018	2019
Consolidated	2,191.1	2,356.1	2,475.7	2,700.9	2,667.5
Non-consolidated	1,308.3	1,363.9	1,440.9	1,430.9	1,420.5

Note: According to the adoption of the Partial Amendments to Accounting Standard for Tax Effect Accounting.etc.., from FY2018, the figures in FY 2017 have been retrospectively adjusted.

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Ordinary Profit (billion yen)

	2015	2016	2017	2018	2019
Consolidated	209.5	231.0	255.0	277.1	269.0
Non-consolidated	86.5	141.5	135.6	141.6	153.3

### Fiscal Year End Stock Prices

(yen)

	2015	2016	2017	2018	2019
Fiscal year end stock prices	8,412	11,185	11,735	12,970	13,170

### Operating Income Margin (Consolidated)

(%)

	2015	2016	2017	2018	2019
Profit rate	10.7	11.3	11.1	11.1	10.4

# Dividends

(yen)

	2015	2016	2017	2018	2019
Dividends	120	130	140	160	160

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# Breakdown of Shareholders

	2015			2016		
	Number of voters	Shares held	As Percentage of all shareholders	Number of voters	Shares held	As Percentage of all shareholders
Government and local public bodies	0	0	0.0	0	0	0.0
Financial institutions	152	140,252,048	47.9	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	10.5	490	29,974,441	10.2
Foreign corporation	689	97,020,517	33.1	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	24,146	293,113,973	100.0

	2017			2018			
	Number of voters	Shares held	As Percentage of all shareholders	Number of voters	Shares held	As Percentage of all shareholders	
Government and local public bodies	0	0	0.0	0	0	0.0	
Financial institutions	173	139,226,030	47.5	164	1,457,398	49.7	
Securities companies	63	3,043,818	1.0	58	65,611	2.2	
Other corporations	514	29,224,321	10.0	537	287,069	9.8	
Foreign corporation	885	107,016,161	36.5	909	981,968	33.5	
Individuals, other	25,000	14,603,643	5.0	24,975	138,140	4.7	
Total	26,635	293,113,973	100.0	26,643	2,930,456	100.0	

	2019					
	Number of voters	Shares held	As Percentage of all shareholders			
Government and local public bodies	0	0	0.0			
Financial institutions	161	143,889,230	49.1			
Securities companies	63	2,830,929	1.0			
Other corporations	536	28,440,782	9.7			
Foreign corporation	1,012	104,420,628	35.6			
Individuals, other	25,256	13,532,404	4.4			
Total	27,028	293,113,973	100.0			

Related Page: > Dialogue with Shareholders and Investors (Page 402)

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# Dividends to Shareholders Equity

	2015	2016	2017	2018	2019
Dividends to shareholders equity	46.3	47.2	52.1	52.4	53.8

(%)

# Voting Rights Exercised

	2015	2016	2017	2018	2019
Voting rights exercised (%)	85.68	86.75	89.53	87.41	89.20
Votes cast over the Internet	1,495,992	1,596,419	1,744,888	1,754,167	1,897,714
Shereholderes voting online	902	921	1,020	1,290	1,826

Related Page: Dialogue with Shareholders and Investors (Page 402)

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# Number of the Company Shares Held by Directors and Audit & Supervisory Board Members (fiscal 2019)

Position	Name	Number of shares held (unit: k)
Chairman of the Board	Noriyuki Inoue	67
Representative Director	Masanori Togawa	10
Member of the Board (external)	Chiyono Terada	2
Member of the Board (external)	Tatsuo Kawada	-
Member of the Board (external)	Akiji Makino	2
Member of the Board (external)	Shingo Torii	1
Member of the Board	Ken Tayano	5
Member of the Board	Masatsugu Minaka	8
Member of the Board	Jiro Tomita	5
Member of the Board (non-resident)	Kanwal Jeet Jawa	-
Member of the Board	Takashi Matsuzaki	8
Audit & Supervisory Board Members (external)	Ryu Yano	-
Audit & Supervisory Board Members (external)	Toru Nagashima	-
Audit & Supervisory Board Members	Kosei Uematsu	8
Audit & Supervisory Board Members	Hisao Tamori	1
total	*	120

- Notes 1: The terms of office of Directors will expire at the end of the Ordinary General Meeting of Shareholders for the fiscal year ending March 2020, starting from the end of the Ordinary General Meeting of Shareholders for the fiscal year ended March 2018.
- Notes 2: The term of office of the Audit & Supervisory Board Member will expire at the end of the Ordinary General Meeting of Shareholders for the fiscal year ending March 2020, starting from the end of the Ordinary General Meeting of Shareholders for the fiscal year ended March 2016.
- Notes 3: The term of office of the Audit & Supervisory Board Member will expire at the end of the Ordinary General Meeting of Shareholders for the fiscal year ending March 2021, starting from the end of the Ordinary General Meeting of Shareholders for the fiscal year ended March 2017.
- Notes 4: The terms of office of the Audit & Supervisory Board Members will expire at the end of the Ordinary General Meeting of Shareholders for the fiscal year ending March 2023, starting from the Ordinary General Meeting of Shareholders for the fiscal year ended March 2019.

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Sumitomo Mitsui Banking Corporation 9,000 3.08  Japan Trustee Services Bank, Ltd. (Trust account 7) 6,331 2.16  Japan Trustee Services Bank, Ltd. (Trust account 5) 5,192 1.77  Japan Trustee Services Bank, Ltd. (Trust account5)Japan Trustee Services Bank, Ltd. (Retirement Benefit Trust Account for The Norinchukin Bank, re-entrusted by Sumitomo Mitsui Trust Bank, Limited) 4,999 1.71  JPMorgan Chase Bank 385151 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department) 4,637 1.59  Japan Trustee Services Bank, Ltd. (Trust account 4) 4,436 1.52			
Japan Trustee Services Bank, Ltd. (Trust account)  Sumitomo Mitsui Banking Corporation  Japan Trustee Services Bank, Ltd. (Trust account 7)  Japan Trustee Services Bank, Ltd. (Trust account 5)  Japan Trustee Services Bank, Ltd. (Retirement Benefit Trust Account for The Norinchukin Bank, re-entrusted by Sumitomo Mitsui Trust Bank, Limited)  MUFG Bank, Ltd.  JPMorgan Chase Bank 385151 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)  Japan Trustee Services Bank, Ltd. (Trust account 4)  Japan Trustee Services Bank, Ltd. (Trust account 4)  Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch)  1.40	Name of Individual or Company	shares held (Thousands of	held in the total number of shares issued (excl. treasury
Sumitomo Mitsui Banking Corporation 9,000 3.08  Japan Trustee Services Bank, Ltd. (Trust account 7) 6,331 2.16  Japan Trustee Services Bank, Ltd. (Trust account 5) 5,192 1.77  Japan Trustee Services Bank, Ltd. (Trust account 5) Japan Trustee Services Bank, Ltd. (Retirement Benefit Trust Account for The Norinchukin Bank, re-entrusted by Sumitomo Mitsui Trust Bank, Limited) 4,999 1.71  JPMorgan Chase Bank 385151 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department) 4,637 1.59  Japan Trustee Services Bank, Ltd. (Trust account 4) 4,436 1.52  Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch) 4,108	The Master Trust Bank of Japan, Ltd. (Trust account)	36,871	12.60
Japan Trustee Services Bank, Ltd. (Trust account 7)  Japan Trustee Services Bank, Ltd. (Trust account 5)  Japan Trustee Services Bank, Ltd. (Retirement Benefit Trust Account for The Norinchukin Bank, re-entrusted by Sumitomo Mitsui Trust Bank, Limited)  MUFG Bank, Ltd.  JPMorgan Chase Bank 385151 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)  Japan Trustee Services Bank, Ltd. (Trust account 4)  Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch)  1.70  4,08  1.71  4,08  1.71	Japan Trustee Services Bank, Ltd. (Trust account)	20,617	7.05
Japan Trustee Services Bank, Ltd. (Trust account 5)  Japan Trustee Services Bank, Ltd. (Trust account 5)  Japan Trustee Services Bank, Ltd. (Trust account 5) Japan Trustee Services Bank, Ltd. (Retirement Benefit Trust Account for The Norinchukin Bank, re-entrusted by Sumitomo Mitsui Trust Bank, Limited)  MUFG Bank, Ltd.  JPMorgan Chase Bank 385151 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)  Japan Trustee Services Bank, Ltd. (Trust account 4)  Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch)  1.77  4,999  1.71  4,999  1.71  4,999  1.71  4,999  1.71  4,637  1.59  4,637  1.59	Sumitomo Mitsui Banking Corporation	9,000	3.08
Japan Trustee Services Bank, Ltd. (Trust account5) Japan Trustee Services Bank, Ltd. (Retirement Benefit Trust Account for The Norinchukin Bank, re-entrusted by Sumitomo Mitsui Trust Bank, Limited)  MUFG Bank, Ltd.  JPMorgan Chase Bank 385151 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)  Japan Trustee Services Bank, Ltd. (Trust account 4)  Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch)  1.71  4,999  1.71  4,999  1.71  4,999  1.71  1.71  4,999  1.71	Japan Trustee Services Bank, Ltd. (Trust account 7)	6,331	2.16
Services Bank, Ltd. (Retirement Benefit Trust Account for The Norinchukin Bank, re-entrusted by Sumitomo Mitsui Trust Bank, Limited)  MUFG Bank, Ltd.  JPMorgan Chase Bank 385151 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)  Japan Trustee Services Bank, Ltd. (Trust account 4)  Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch)  1.71  4,999  1.71  4,999  1.71  4,999  1.71  4,900  1.67  4,637  1.59  4,637  1.59	Japan Trustee Services Bank, Ltd. (Trust account 5)	5,192	1.77
JPMorgan Chase Bank 385151 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)  Japan Trustee Services Bank, Ltd. (Trust account 4)  Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch)  1.59  4,637  1.59	Services Bank, Ltd. (Retirement Benefit Trust Account for The Norinchukin Bank, re-entrusted by Sumitomo Mitsui Trust Bank,	4,999	1.71
Bank, Ltd., Settlement Sales Department)  Japan Trustee Services Bank, Ltd. (Trust account 4)  Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch)  4,637  4,637  1.59  4,436  1.52	MUFG Bank, Ltd.	4,900	1.67
Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch)  4,108	JPMorgan Chase Bank 385151 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	4,637	1.59
Branch) 4,108 1.40	Japan Trustee Services Bank, Ltd. (Trust account 4)	4,436	1.52
Total 101,095 34.55	Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch)	4,108	1.40
	Total	101,095	34.55

Note: Of the above shares held, 36,871 thousands shares of The Master Trust Bank of Japan, Ltd. and 20,617 thousand, 6,331 thousands, 5,192 thousands, 4,999 thousands and 4,436 thousands shares of Japan Trustee Services Bank, Ltd. relate to trust operations.

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Category	Number of shares	Number of voting rights	Description
Non-voting shares	-	-	-
Shares with restricted voting rights (treasury shares, etc.)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with voting rights (treasury shares,	Ordinary shares – Treasury shares 524,900	-	-
etc.)	Ordinary shares – Reciprocal holding 9,500	-	-
Shares with voting rights (other)	Ordinary shares 292,510,200	2,925,102	-
Shares less than one unit	Ordinary shares 68,373	-	Shares less than one unit (100 shares)
Number of issued and outstanding shares	293,113,973	-	-
Total number of voting rights	-	2,925,102	-

Note: Ordinary shares in "Shares with voting rights (other)" include 1,000 shares (10 voting rights) which are held in the name of Japan Securities Depository Center, Incorporated.

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# Business / Financial Data (Consolidated)

	2015	2016	2017	2018	2019
	Years ended March 31, 2016	Years ended March31, 2017	Years ended March31, 2018	Years ended March31, 2019	Years ended March31, 2020
Net Sales (billion yen)	2,043.7	2,044.0	2,290.6	2,481.1	2,550.3
Operating Income (billion yen)	217.9	230.8	253.7	276.3	265.5
Ordinary Income (billion yen)	209.5	231.0	255.0	277.1	269.0
Net Income (billion yen)	137.0	153.9	189.1	189.0	170.7
Earnings Per Share (yen)	469.23	526.81	646.53	646.39	583.61
Overseas Business Ratio (%)	75	75	76	76	77
Free Cash Flow (billion yen)	78.3	52.3	51.2	<b>▲</b> 9.8	125.6
Return on Assets (%)	6.3	6.8	7.8	7.3	6.4
Return on Equity (%)	13.4	14.5	15.7	13.9	12.0
Shareholders' Equity Ratio (%)	46.3	47.2	52.1	52.4	53.8
Plant-and- Equipment Investment (billion yen)	112.7	90.3	96.6	87.2	132.0
Reseach & Development Costs (billion yen)	46.1	53.9	62.1	65.2	68.0
Liability with Interest Ratio (%)	27.8	25.9	22.3	21.7	20.8

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### Governance

### Number of Executives and Breakdown\*

[

			2018	2019	2020
Executives	Internal	Men	7 (non-Japanese 2)	7 (non-Japanese 2)	7 (non-Japanese 1)
	internal	Women	0	0	0
	Evetarnal	Men	2	2	3
	External	Women	1	1	1
	Total		10	10	11

<sup>\*</sup> Current as of June 2020.

Related Page: Corporate Governance (Page 327)

Number of Auditors and Breakdown\*

D

			2018	2019	2020
Auditors	Internal	Men	2	2	2
	Internal	Women	0	0	0
	External	Men	2	2	2
		Women	0	0	0
	Total		4	4	4

<sup>\*</sup> Current as of June 2020.

Related Page: Corporate Governance (Page 327)

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### Number of Board of Directors' Meetings and Average Attendance

	2017	2018	2019
Number of meetings	16	15	15
Average attendance of Board of Directors' meetings (%)	84	91	94

Related Page: > Corporate Governance (Page 327)

### Average Appointment Term for Directors

	2018	2019
Average appointment term	11 years	11 years

Related Page: > Corporate Governance (Page 327)

### Make-up of Human Resources Advisory Committee and Compensation Advisory Committee\*

D

			2018	2019	2020
Human Resources Advisory Commitee and Compensation Advisory	Internal	Men	1	1	1
	directors	Women	0	0	0
	External directors	Men	2	2	3
Committee		Women	1	1	1
	Executive	Men	1	1	1
	officers	Women	0	0	0

<sup>\*</sup> Current as of July 2020.

Related Page: Corporate Governance (Page 327)

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#### The Vesting for Variable CEO Compensation

D

Period During Which CEO's Change in Compensation is Based On

Within 3 to 12 years from the allotment date

Related Page: > Corporate Governance (Page 327)

Executive Compensation\*

D

		2015	2016	2017	2018	2019
	Number	12	15	11	12	12
Directors	Amount of compensation (million yen)	1,284	1,262	1,298	1,183	1,186
	Number	5	5	4	4	5
Audit & Supervisory Board Member	Amount of compensation (million yen)	94	94	93	98	99
	Number	17	20	15	16	17
Total	Amount of compensation (million yen)	1,378	1,356	1,391	1,281	1,285

#### \* About compensation amounts

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 directors who retired is included.

For fiscal 2018, the compensation amount for the term of office of two auditors who retired is included. For fiscal 2019, the compensation amount for the term of office of one auditor who retired is included.

Related Page: > Corporate Governance (Page 327)

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	Total consolidated			Total consolidated compensation by type (million yen)			
Name	compensation (million yen)	Category Company		Fixed compensation	Stock options	Performance- linked compensation	
Noriyuki Inoue	421	Director	Daikin Industries, Ltd.	189	36	193	
Masanori Togawa	284	Director	Daikin Industries, Ltd.	123	38	123	
		Director	Daikin Industries, Ltd.	85	19	51	
Ken Tayano 1	167	President	Daikin (CHINA) Investment Co., Ltd. (Consolidated subsidiary)	11	-	-	
		Director	Daikin Industries, Ltd.	5	19	34	
Masatsugu Minaka	139	Director	Daikin Europe N.V. (Consolidated subsidiary)	73	-	6	
Jiro Tomita	156	Director	Daikin Industries, Ltd.	59	19	77	
Kanwal Jeet		Director	Daikin Industries, Ltd.	12	10	-	
Jawa	108	Director	Daikin Airconditioning India Pvt. Ltd.	54	-	31	

Related Page: > Corporate Governance (Page 327)

Search for CSR Contents - 566 -

	2019
Auditing expenses	246

Related Page: > Corporate Governance (Page 327)

Starting Salary\* D

(yen)

	2016	2017	2018	2019	2020
University grad	225,000	225,000	225,000	225,000	225,000
Masters	244,800	244,800	244,800	244,800	244,800
PhD	268,800	268,800	268,800	268,800	268,800

<sup>\*</sup> Figures are those during April of each year.

**Major Legal Violations** 

OJG

(cases)

	2017	2018	2019
Number of Major Legal Violations	0	0	0

Related Page: > Compliance (Page 341)

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# **SEARCH BY GUIDELINES**

Fiscal 2019 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 529)

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# Climate-Related Financial Information Disclosure Taskforce Comparison Table

This comparison table 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 (Page 99)
b) Management Role within the assessment and management of climate-related risks and opportunities	> Management Structure (Page 99)
Strategy	
Actual and potential impact of climate-related risks and opportunities on business, str	rategy and financial planning
a) Details of climate-related risks and opportunities over the short-, medium- and long-term	> Environmental Risks and Opportunities (Page 10
b) Impact of climate-related risks and opportunities on organization business, strategy and financial planning	> Environmental Risks and Opportunities (Page 10
c) Strategic resilience in light of considerations based on climate related scenarios including scenarios where temperatures rise by 2 degrees or lower	> Long-Term Outlook Policy (Environmental Vision 2050)
Risk Management	(Page 77)
Process for identifying assessing and managing climate-related risks	
a) Process for specifying and assessing climate-relate risks	> Environmental Risks and Opportunities (Page 10
b) Process for managing climate-relate risks	> Environmental Risks and Opportunities (Page 10
c) Specification, assessment and management process integration of climate-related risks for comprehensive risk management	> Environmental Risks and Opportunities (Page 10
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 (Page 104
b) Scope 1–3 greenhouse gas emissions volume and related risks	> Overview of Environmental Impact (Page 95)
A Tananta and addisonance for managing disorts added sides and an extra	> Environmental Action Plan (Page
c) Targets and achievements for managing climate-related risks and opportunities	> Search ESG Data (Page 529

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# **GRI Standard Comparison Table**

This comparison table indicates standard disclosure items in accordance with the GRI Sustainability Reporting Standards.

### General Disclosures

	Disclosure	WEB		
Organizati	onal Profile	·		
102-1	Name of the organization			
102-2	Activities, brands, products, and services			
102-3	Location of headquarters			
102-4	Location of operations	Corporate Information (https://www.daikin.com/ corporate/overview/)		
102-5	Ownership and legal form			
102-6	Markets served	corporate/overview/		
102-7	Scale of the organization			
102-8	Information on employees and other workers	> Workplace Diversity	(Page 29	
102-9	Supply chain	> Key CSR Theme Formulation Process		
102-10	Significant changes to the organization and its supply chain	-	(Page 57)	
102-11	Precautionary Principle or approach	> Risk Management	(Page 330	
102-12	External initiatives	> Participation in the Global Co	mpact	
102-13	Membership of associations	-	(Page 87)	
Strategy				
102-14	Statement from senior decision-maker	Massage from the President	(D 20)	
102-15	Key impacts, risks, and opportunities	> Message from the President	(Page 30	
Ethics and	Integrity	·		
102-16	Values, principles, standards, and norms of behavior	> CSR Philosophy	(Page 33)	
102-17	Mechanisms for advice and concerns about ethics	> Compliance	(Page 34	

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Disclosure		WEB	
Governance			
102-18	Governance structure	> Corporate Governance	(Page 327)
102-19	Delegating authority	-	
102-20	Executive-level responsibility for economic, environmental,	> CSR Management	(Page 64)
102-20	and social topics	> Corporate Governance	(Page 327)
102-21	Consulting stakeholders on economic, environmental, and social topics	-	
102-22	Composition of the highest governance body and its committees	Management corpora	www.daikin.com te/overview/ y/directors/)
102-23	Chair of the highest governance body	-	
102-24	Nominating and selecting the highest governance body	> Corporate Governance	(Page 327)
102-25	Conflicts of interest	-	
102-26	Role of highest governance body in setting purpose, values,	> CSR Management	(Page 64)
102 20	and strategy	> Corporate Governance	(Page 327)
102-27	Collective knowledge of highest governance body	-	
102-28	Evaluating the highest governance body's performance	> Corporate Governance	(Page 327)
102-29	Identifying and managing economic, environmental, and social impacts		
102-30	Effectiveness of risk management processes	> Risk Management	(Page 336)
102-31	Review of economic, environmental, and social topics		
102-32	Highest governance body's role in sustainability reporting	> CSR Management	(Page 64)
102-33	Communicating critical concerns	> Risk Management	(Page 336)
102 33	Communicating critical concerns	> Corporate Governance	(Page 327)
102-34	Nature and total number of critical concerns	-	
102-35	Remuneration policies	Corporate Governance	(Page 327)
102-36	Process for determining remuneration	Corporate dovernance	(1 dgc 327)
102-37	Stakeholders' involvement in remuneration	-	
102-38	Annual total compensation ratio	-	
102-39	Percentage increase in annual total compensation ratio	-	

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	Disclosure	WEB	
Stakeholde	er Engagement		
102-40	List of stakeholder groups	> Stakeholder Engagement	(Page 397)
102-41	Collective bargaining agreements	> Labor Management Relations	(Page 322)
102-42	Identifying and selecting stakeholders		(Page 397)
102-43	Approach to stakeholder engagement	> Stakeholder Engagement	
102-44	Key topics and concerns raised		
Reporting	Practice	·	
102-45	Entities included in the consolidated financial statements	Editorial Policy	(Page E)
102-46	Defining report content and topic Boundaries	Editorial Policy	(Page 5)
102-47	List of material topics	> Key CSR Theme Formulation Pr	rocess
102-48	Restatements of information	-	(Page 57)
102-49	Changes in reporting	-	
102-50	Reporting period		
102-51	Date of most recent report	> Editorial Policy (Page 4)	
102-52	Reporting cycle		
102-53	Contact point for questions regarding the report	> Sustainability Report Question	naire
102-54	Claims of reporting in accordance with the GRI Standards	(https://www.daikin.com/contact	t/csr/agree.ph
102-55	GRI content index	> Search by Guidelines	(Page 568)
102-56	External assurance	> Third-Party Verification	(Page 515)
Manageme	ent Approach	·	
102.1	Fundamental and the management of the management	> CSR Management	(Page 64)
103-1	Explanation of the material topic and its Boundary	> CSR Action Plan 2020	(Page 67)
103.3	The management approach and its assurement	> CSR Management	(Page 64)
103-2	The management approach and its components	> CSR Action Plan 2020	(Page 67)
103-3	Evaluation of the management approach	> CSR Action Plan 2020	(Page 67)

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### Economic

	Disclosure	WEB	
Economic	Performance		
201-1	Direct economic value generated and distributed	> Social Contribution Expenses (Page 41	
201-2	Financial implications and other risks and opportunities due to climate change	> Environmental Risks and Opportunities (Page 10	
201-3	Defined benefit plan obligations and other retirement plans	-	
201-4	Financial assistance received from government	-	
Market Pre	esence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	
202-2	Proportion of senior management hired from the local community	> Workplace Diversity (Page 29	
Indirect Ec	onomic Impacts		
203-1	Infrastructure investments and services supported	-	
203-2	Significant indirect economic impacts	-	
Procureme	nt Practices		
204-1	Proportion of spending on local suppliers	-	
Anti-corru	ption		
20E 1	Operations assessed for viels valeted to serve intim	> Compliance (Page 34	
205-1	Operations assessed for risks related to corruption	> Risk Management (Page 33	
205-2	Communication and training about anti-corruption policies	> Compliance (Page 34	
205-2	and procedures	> Prohibiting Bribes (Page 35	
205-3	Confirmed incidents of corruption and actions taken	-	
Anti-comp	etitive Behavior		
		> Compliance (Page 34	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	> Free Competition and Fair Business Dealings (Page 34)	
Tax			
207-1	Approach to tax		
207-2	Tax governance, control, and risk management	Tax Compliance (Page 36	
207-3	Stakeholder engagement and management of concerns related to tax	_ <b>&gt;</b> Tax Compliance (Page 36	
207-4	Country-by-country reporting	-	

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### Environmental

	Disclosure	WEB
Materials		
301-1	Materials used by weight or volume	> Overview of Environmental Impact (Page 9
301-2	Recycled input materials used	-
301-3	Reclaimed products and their packaging materials	> Effective Use of Resources in Products
Energy		(Page 183)
302-1	Energy consumption within the organization	No Committee of Francisco manufal large at
302-2	Energy consumption outside of the organization	<ul> <li>Overview of Environmental Impact</li> <li>(Page 95)</li> </ul>
302-3	Energy intensity	> Reducing Greenhouse Gases during Development, Production and Transportation (Page 156)
302-4	Reduction of energy consumption	> Reducing Greenhouse Gases during Development, Production and (Page 156) Transportation
		> Overview of Environmental Impact (Page 9
302-5	Reduction in energy requirements of products and services	> Reducing Greenhouse Gases during Development, Production and Transportation (Page 156)
		> Environmental Action Plan (Page 104)
Water		
303-1	Interactions with water as a shared resource	> Water Resource Reduction (Page 193)
303-2	Management of water discharge-related impacts	-
303-3	Water withdrawal	→ Water Resource Reduction (Page 193)
303-4	Water discharge	water resource reduction (1 age 199)
303-5	Water consumption	-
Biodiversity	/	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-
304-2	Significant impacts of activities, products, and services on biodiversity	> Protecting Biodiversity (Page 211)
304-3	Habitats protected or restored	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-

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	Disclosure	WEB		
Emissions				
305-1	Direct (Scope 1) GHG emissions	> Overview of Environmental Impact (Page		
305-2	Energy indirect (Scope 2) GHG emissions	<ul> <li>Reducing Greenhouse Gases during</li> <li>Development, Production and (Page 156)</li> </ul>		
305-3	Other indirect (Scope 3) GHG emissions	Transportation Transportation		
305-4	GHG emissions intensity	> Reducing Greenhouse Gases during		
305-5	Reduction of GHG emissions	Development, Production and Transportation (Page 156)		
305-6	Emissions of ozone-depleting substances (ODS)	> Low Environmental Impact Refrigerants (Page 138)		
303-0	Emissions of ozone-depleting substances (OD3)	> Recovery, Recycle and Destruction of Fluorocarbons (Page 170)		
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	> Preventing Pollution (Page 207)		
Effluents a	nd Waste			
306-1	Water discharge by quality and destination	> Water Resource Reduction (Page 193)		
206.2	Waste by type and disposal method	> Overview of Environmental Impact (Page 9		
306-2		> Waste Reduction (Page 190)		
306-3	Significant spills	> Preventing Pollution (Page 207)		
306-4	Transport of hazardous waste	> Waste Reduction (Page 190)		
306-5	Water bodies affected by water discharges and/or runoff	> Water Resource Reduction (Page 193)		
Environme	ntal Compliance			
307-1	Non-compliance with environmental laws and regulations	Major Legal Violations in Daikin in Fiscal 2019 (Page 346)		
Supplier Er	nvironmental Assessment			
308-1	New suppliers that were screened using environmental criteria	> Supply Chain Management (Page 375)		
308-2	Negative environmental impacts in the supply chain and actions taken	> Green Procurement (Page 118)		

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# Social

Disclosure		WEB	
Employment			
401-1	New constants bires and annulates to the con-	> Workplace Diversity	(Page 291
401-1	New employee hires and employee turnover	> Work-Life Balance	(Page 315
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	
401-3	Parental leave	> Work-Life Balance	(Page 315
Labor/Manag	ement Relations		
402-1	Minimum notice periods regarding operational changes	-	
Occupational	Health and Safety	:	
403-1	Occupational health and safety management system	> Occupational Safety and He	ealth (Page 304
403-2	Hazard identification, risk assessment, and incident	> Occupational Safety and He	d Health (Page 304)
403-2	investigation	> Compliance	(Page 341
403-3	Occupational health services	-	
403-4	Worker participation, consultation, and communication on occupational health and safety		
403-5	Worker training on occupational health and safety	Occupational Safety and He	ealth (Page 304
403-6	Promotion of worker health		
403-7	Prevention and mitigation of occupational health and safety	> Occupational Safety and He	alth (Page 304
405-7	impacts directly linked by business relationships	> Working Closely with Suppl	iers (Page 386
403-8	Workers covered by an occupational health and safety management system		(Page 20/
403-9	Work-related injuries	> Occupational Safety and He	ealth <sup>(Page 304</sup>
403-10	Work-related ill health	_	
Training and	Education		
404-1	Average hours of training per year per employee	-	
404-2	Programs for upgrading employee skills and transition assistance programs	> Fostering Human Resources	(Page 282
404-3	Percentage of employees receiving regular performance and career development reviews	> Employee Evaluation and T	reatment (Page 320

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	Disclosure	WEB	
Diversity a	nd Equal Opportunity	•	
405.1	Discounity of management hading and hading	> Corporate Governance	(Page 327)
405-1	Diversity of governance bodies and employees	> Workplace Diversity	(Page 291
405-2	Ratio of basic salary and remuneration of women to men	-	
Non-discri	nination	•	
406-1	Incidents of discrimination and corrective actions taken	-	
Freedom o	f Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	> Labor Management Relations	(Page 322)
Child Labo	r		
408-1	Operations and suppliers at significant risk for incidents of child labor	> Respect for Human Rights	(Page 368)
Forced or 0	Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	> Respect for Human Rights	(Page 368)
Security Pr	actices		
410-1	Security personnel trained in human rights policies or procedures	-	
Rights of I	ndigenous Peoples	'	
411-1	Incidents of violations involving rights of indigenous peoples	-	
Human Rig	hts Assessment	'	
412-1	Operations that have been subject to human rights reviews or impact assessments	-	
412-2	Employee training on human rights policies or procedures	> Respect for Human Rights	(Page 368)
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	
Local Com	munities		
413-1	Operations with local community engagement, impact assessments, and development programs	-	
413-2	Operations with significant actual and potential negative impacts on local communities	-	

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	Disclosure	WEB	
Supplier Sc	ocial Assessment	•	
414-1	New suppliers that were screened using social criteria	> Supply Chain Management	(Page 375
414-2	Negative social impacts in the supply chain and actions taken	-	
Public Polic	cy		
415-1	Political contributions	-	
Customer I	Health and Safety	•	
416-1	Assessment of the health and safety impacts of product and service categories	> Product Quality and Safety	(Page 255
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	
Marketing	and Labeling	•	
417-1	Requirements for product and service information and labeling	> Efforts to Ensure Safety	(Page 262
417-2	Incidents of non-compliance concerning product and service information and labeling	-	
417-3	Incidents of non-compliance concerning marketing communications	-	
Customer F	Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	
Socioecono	om Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Major Legal Violations in Daikir Fiscal 2019	n in (Page 346
		· ·	

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