

## Sustainability Report

# 2021

— Web version —

(As of October 2021)

Every year the Daikin Group reports on its CSR (corporate social responsibility) activities. On the Sustainability section of the Daikin website, we have past years' data and related information so that you can read the details of all activities we are involved in. This PDF file contains all the fiscal 2020 information from the Sustainability section of our website as of October 2020. You may download and print it out.

Note: The printed version of the Sustainability Report 2021 focuses on our main activities and efforts. It can also be downloaded as a PDF file.



*For the Air We Live in*

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# Editorial Policy

# EDITORIAL POLICY

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## Editorial Policy

Sustainability Report 2021 (printed version) and Sustainability (website) cover the basic philosophy of the Daikin Group with regards to sustainable growth, achievements in fiscal 2020, 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/) (<https://www.daikin.com/csr/report/>)

› [Key Activities](#) (Page 587)

### 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 609)

## Reference Standard

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 661)

## 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/](https://www.daikin.com/investor/library/results_brief/))
- [Integrated 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 385)

#### Note

In reporting on fiscal 2020 CSR activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual fiscal 2019 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.

# What This Report Covers

## Term Covered

This report covers fiscal 2019 (April 1, 2019 to March 31, 2020).

## Daikin Organizations Covered

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

- Financial : Covers Daikin Industries, Ltd. and its 313 consolidated subsidiaries (total 314 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 44 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.	

**44 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.

Daikin Manufacturing Germany GmbH

Daikin Airconditioning India Pvt. Ltd.

Daikin Malaysia Sdn. Bhd.

Daikin Research & Development Malaysia Sdn.Bhd.

Daikin Refrigeration Malaysia Sdn.Bhd.

Daikin Electronic Devices Malaysia Sdn.Bhd.

Daikin Steel Malaysia Sdn.Bhd.

Shenzhen McQuay Air Conditioning Co., Ltd.

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

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

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AAF (Suzhou) Co., Ltd.

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AAF (Shenzhen) Co., Ltd.

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American Air Filter Manufacturing Sdn. Bhd.

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Daikin Applied Americas Inc.

---

American Air Filter Company, Inc. (Delaware)

---

Daikin Air-conditioning (Suzhou) Co., Ltd.

---

J & E Hall Limited (United Kingdom)

---

McQuay (UK) Limited (United Kingdom)

---

AAF-Limited (United Kingdom)

---

AAF International B.V. (The Netherland)

---

AAF International s.r.o. (Slovakia)

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Daikin Applied Europe S.p.A.

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Daikin Isitma Ve Sogutma Sistemleri San. Tic. A.S.

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JiangXi DaTang Chemicals Co., Ltd.

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Daikin Refrigerants Frankfurut GmbH

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Goodman Manufacturing Company, L.P.

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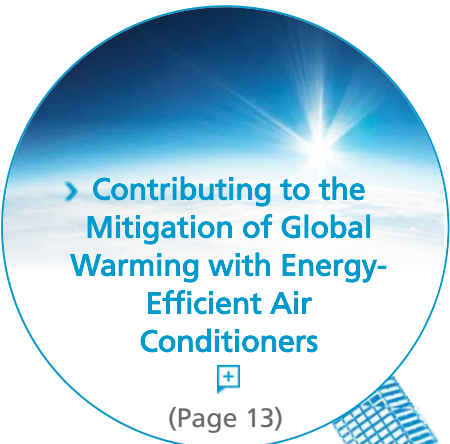
Quietflex Manufacturing Company, L.P.

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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.



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



(Page 13)



› Conserving Forests with People around the World



(Page 17)



› Creating Comfortable Spaces with Small Amounts of Energy



(Page 14)



› Protecting Human Health with Air



(Page 15)



› Creating Environments in Which Everyone Can Work Energetically



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## More Information about Daikin's CSR



### › Message from the President

Message from Masanori  
Togawa, Representative  
Director, President and CEO  
(Page 18)



### › Sustainability Report

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



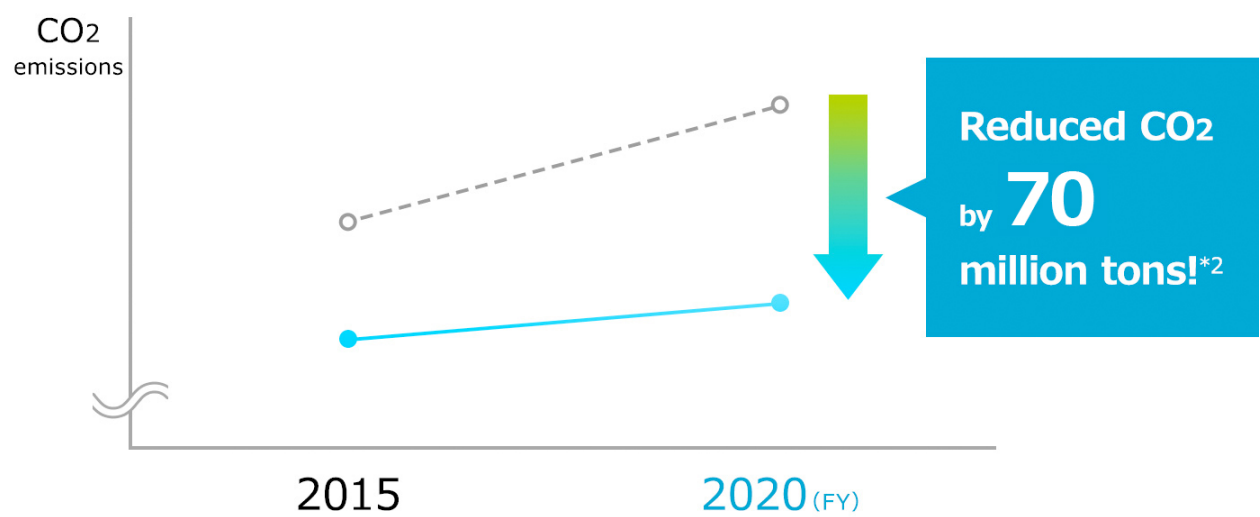
### › "Forests for the Air" Project

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

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



- If energy-efficient air conditioners\*<sub>1</sub> were used throughout the world
- If low/no-energy air conditioners are sold

\*<sub>1</sub> 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"

\*<sub>2</sub> 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 reduced CO<sub>2</sub> emissions by 70 million tons (accounting for around 40% of the annual CO<sub>2</sub> emissions attributed to the household sector in Japan)\* in fiscal 2020. We will continue to contribute to the mitigation of global warming.

\*Source: Daikin estimate based on data from the Japan Center for Climate Change Actions.

## The Society Daikin is Aiming Toward

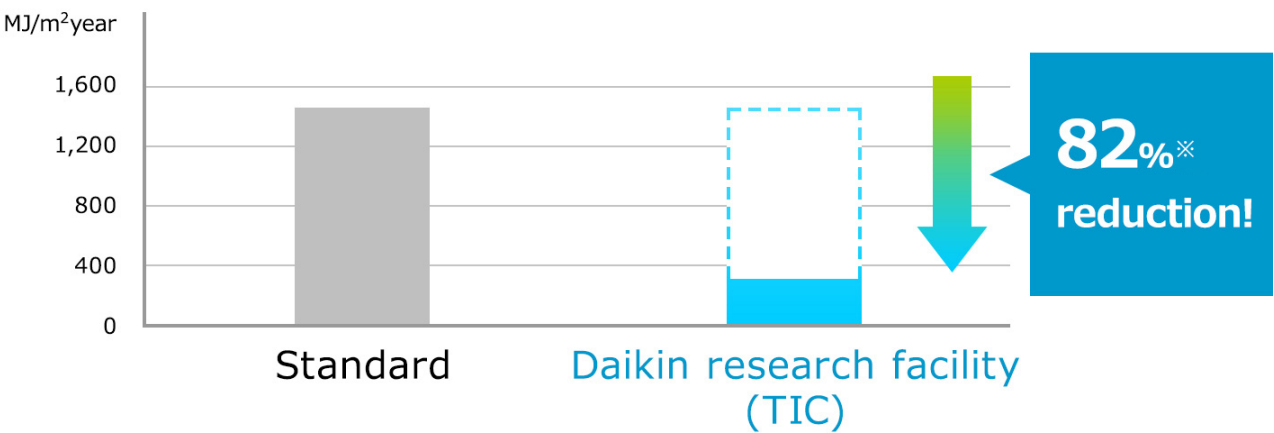


**A society that does not exacerbate environmental burdens**

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 145)

# Creating Comfortable Spaces with Small Amounts of Energy

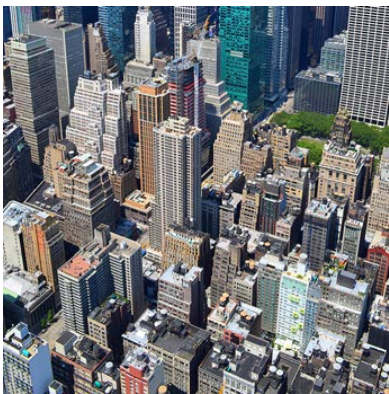


Acquired the **highest ranked Platinum Certification** under the LEED® certification system for buildings that contribute to the environment

\* 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 191)

# 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, the spread of infectious diseases, 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 273)

# 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 326)

## Conserving Forests with People around the World



Daikin cultivates forests with local communities in seven locations around the world.

There are many unnatural factors causing deforestation, including agricultural cultivation and the use of timber for firewood and fuel. In response to these issues, Daikin promotes initiatives aimed at achieving a balance between peoples lives and forest preservation.

### The Society Daikin is Aiming Toward



#### **A Society in Which Humans Coexist with Nature**

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

[➤ Communities](#) (Page 489)

# Message from the President

# MESSAGE FROM THE PRESIDENT

Working toward Sustainable Growth in Line with Societal Changes and Daikin's Vision for the Future

**Masanori Togawa**

President and CEO Daikin Industries, Ltd.



## Taking into Account Rapid Changes in Society

Fiscal 2020 was a year like few others. Society experienced some of the largest and quickest changes that we have ever seen. The COVID-19 pandemic completely transformed the way we live and work, heightening everyone's awareness toward safety and security. The pandemic has also had major impacts on corporate activities. At the same time, the movement toward decarbonization picked up steam as well. Governments including Japan's are releasing decarbonization policy that strongly urges the business world to set and achieve greenhouse gas emissions reduction targets.

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## Contributing to a Sustainable Society as a Company That Provides Solutions with Air

As the only manufacturer in the world to produce both air conditioners and refrigerants, Daikin has provided markets around the world with products and services harnessing its environmental technologies.

Our core business of air conditioning has become a form of infrastructure underpinning society, transforming the indoor environment in hot climate regions. In this manner, Daikin contributes to people's health through the prevention of heatstroke and improved air quality and supports economic development by improving work efficiency.

However, the widespread use of air conditioners increases electricity usage and impacts global warming. Following economic development in emerging countries, demand for air conditioning is forecast to triple from current levels by 2050. Our social mission is to mitigate future global warming effects to every extent possible while providing comfortable air environments to the world.

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## Fusion 25 Strategic Management Plan Seeks Carbon Neutrality

Under the Fusion 25 Strategic Management Plan, which targets fiscal 2025, Daikin aims to continually grow and develop its businesses while benefiting society and the environment with an eye toward the Sustainable Development Goals (SDGs), recognizing that rapid changes in society including decarbonizations represent a business opportunity. In this manner, the plan was backcast from Daikin's vision for the future. The growth strategy laid out in Fusion 25 focuses on the three themes of "Challenge to achieve carbon neutrality," "Promotion of solutions business connected with customers," and "Creating value with air," under the vision of "realize both contributions to sustainable society and Group growth."

Following the first theme of "Challenge to achieve carbon neutrality," Daikin established an interim target aimed at the goal of reducing greenhouse gas emissions to net zero by 2050. This target aims to lower greenhouse gas emissions throughout the entire lifecycle of our products by 50% or more in 2030 compared to BAU,\* with fiscal 2019 as the base year. In addition to reducing energy usage during manufacturing, expanding the adoption of environmentally conscious products, and expanding heat pump space and water heating businesses, we will work to build and commercialize refrigerant recovery, reclamation, and destruction systems, while developing new environment-related businesses that create energy and new technologies for the decomposition, recovery, and reuse of CO<sub>2</sub>. Through "Promotion of solutions business connected with customers," we will provide experiences that meet the new needs of people, and under "Creating value with air," we will encourage the creation of new air environments that enrich people's lives by delivering health and comfort, along with safety and reliability.

Additionally, we will focus on strengthening and reforming our management foundation. This includes building a resilient supply chain and promoting digitalization.

\* Business as Usual: In this context, BAU refers to emissions in case of normal business growth without the implementation of countermeasures.

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## Workforce Diversity as a Source of Growth

In order to achieve Fusion 25, we will refine people-centered management, as our people represent the foundation for Daikin's growth. I recognize that it will be important to elevate this approach across the entire Group.

With a workforce of over 80,000 people in more than 160 countries around the world, the Daikin Group's greatest strength is our unique form of diversity management, which creates innovation and enhances the Group's collective strengths and competitiveness. This is achieved by embracing people with diverse values and from different cultures, ethnicities, generations and lifestyles, and harnessing the uniqueness and strengths of every individual to power the organization.

With our people as the driving force behind our competitiveness, we will implement measures that more dynamically utilize our talent around the world across borders and we will boldly deploy a new, flexible and uniquely-Daikin personnel system and measures for fostering a better work environment suited to a new normal. These measures will increase employee motivation and help generate results.

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## Continually Fulfilling the Expectations of Stakeholders

Since 2008, the Daikin Group has participated in the United Nations Global Compact that sets out 10 principles spanning the four areas of human rights, labor, environment, and anti-corruption.

Daikin also endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2019. We are now focusing on the disclosure of environmental, social, and governance (ESG) data, including climate change, in addition to financial information.

As a company that grows its businesses while benefiting society, Daikin will continue to fulfill the expectations of its stakeholders, including customers, shareholders, investors, suppliers, employees, and local communities.

**Masanori Togawa**  
President and CEO  
Daikin Industries, Ltd.

# Management Strategy and Sustainability

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# Management Strategy and Sustainability

## › Overview of Sustainability

(Page 25)

Daikin is helping resolve social issues and contributing to sustainable development of society by creating new value through our businesses.

## Relationship between › Sustainability and Management Strategy

(Page 33)

Daikin is creating new value and enhancing corporate value mindful of the various issues facing the world.

## › Daikin's Aims for Value Creation

(Page 38)

Daikin is providing new value to make people and spaces healthy and comfortable that contributes to the SDGs.

## › Daikin's Priority SDGs

(Page 44)

Daikin is focusing on eight SDGs in particular.

## › Long-Term Outlook Policy (Environmental Vision 2050)

(Page 47)

Daikin is working under its Environmental Vision 2050 to achieve net-zero greenhouse gas emissions by 2050.

## Information Disclosure › based on the TCFD Framework

(Page 53)

Daikin endorses the TCFD's recommendations and analyzes the impacts of climate change on its business operations.

## › Participation in the Global Compact

(Page 60)

Daikin participates in the UN Global Compact supporting universal principles in the areas such as human rights and labor.

# OVERVIEW OF 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.



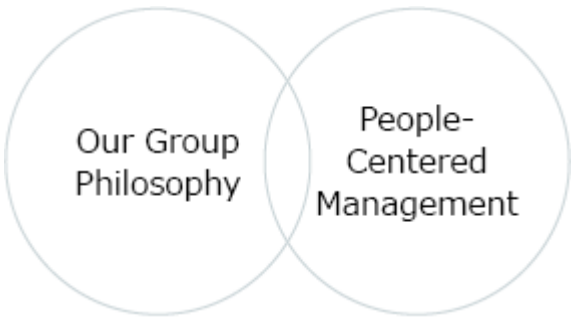
## Daikin's Basic Profile

We are bringing the world healthy and comfortable lifestyles.

### Basic Management Policy

#### Corporate Policies

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



➤ [CSR Philosophy](#)  
(Page 64)

#### Strategic Management Plan

### FUSION25

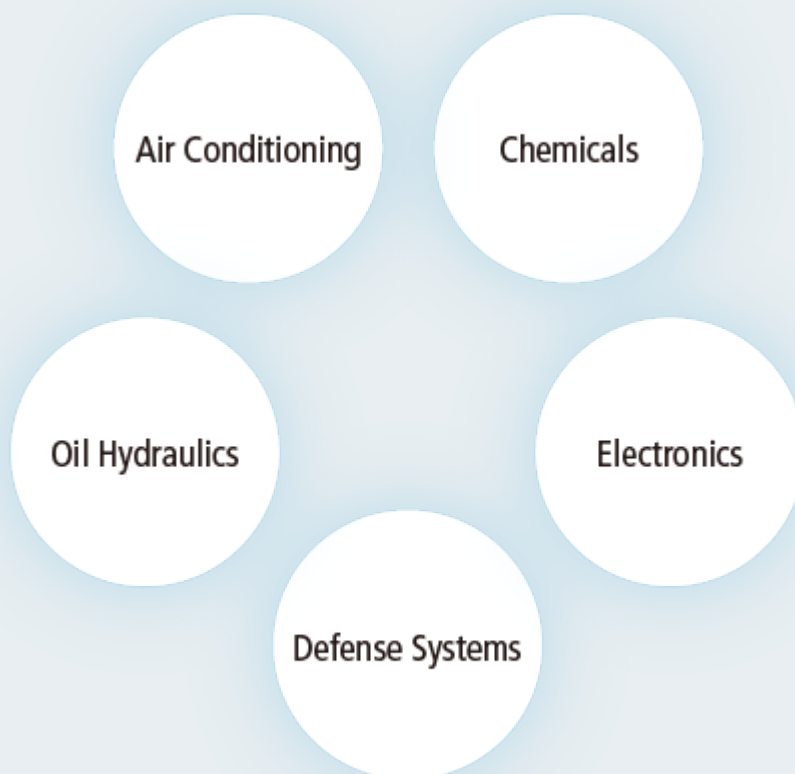
Offer new value for the environment and air to realize both contributions to a sustainable society and Group growth

➤ [Strategic Management Plan](#)  
[Fusion 25](#)

(<https://www.daikin.com/investor/management/strategy/fusion25/>)

## Daikin's Three Business Pillars

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› [Management Strategy and Sustainability](#)  
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# 2

## Awareness of social issues

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

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

Source: World Economic Forum Global Risks Perception Survey 2020

## International Framework

### 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

### 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

### 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

### UN Global Compact (UNGC)

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 616)

### Dialogue with stakeholders

› [Stakeholder Engagement](#)  
(Page 473)



## Values provided to society by Daikin

### 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)



## Value Creation for People

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

- Provide safe and reliable air environments
- Improve indoor environments to support people's healthy and comfortable lifestyles
- Raise productivity to contribute to economic advancement

Work toward sustainable development goals (SDGs)



# Foundation Underpinning Value Creation

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## Human Resources

Contribute to the growth of employees and local citizens

- Training of highly skilled personnel
- Job creation
- Contribution to local economic development

Work toward sustainable development goals (SDGs)



## Co-creation (partnerships)

Contribute to solving social issues through industry-government-academia partnerships

- Formation of market value (international rules and standards)
- Creation of new solutions that contribute to improved quality of life

Work toward sustainable development goals (SDGs)



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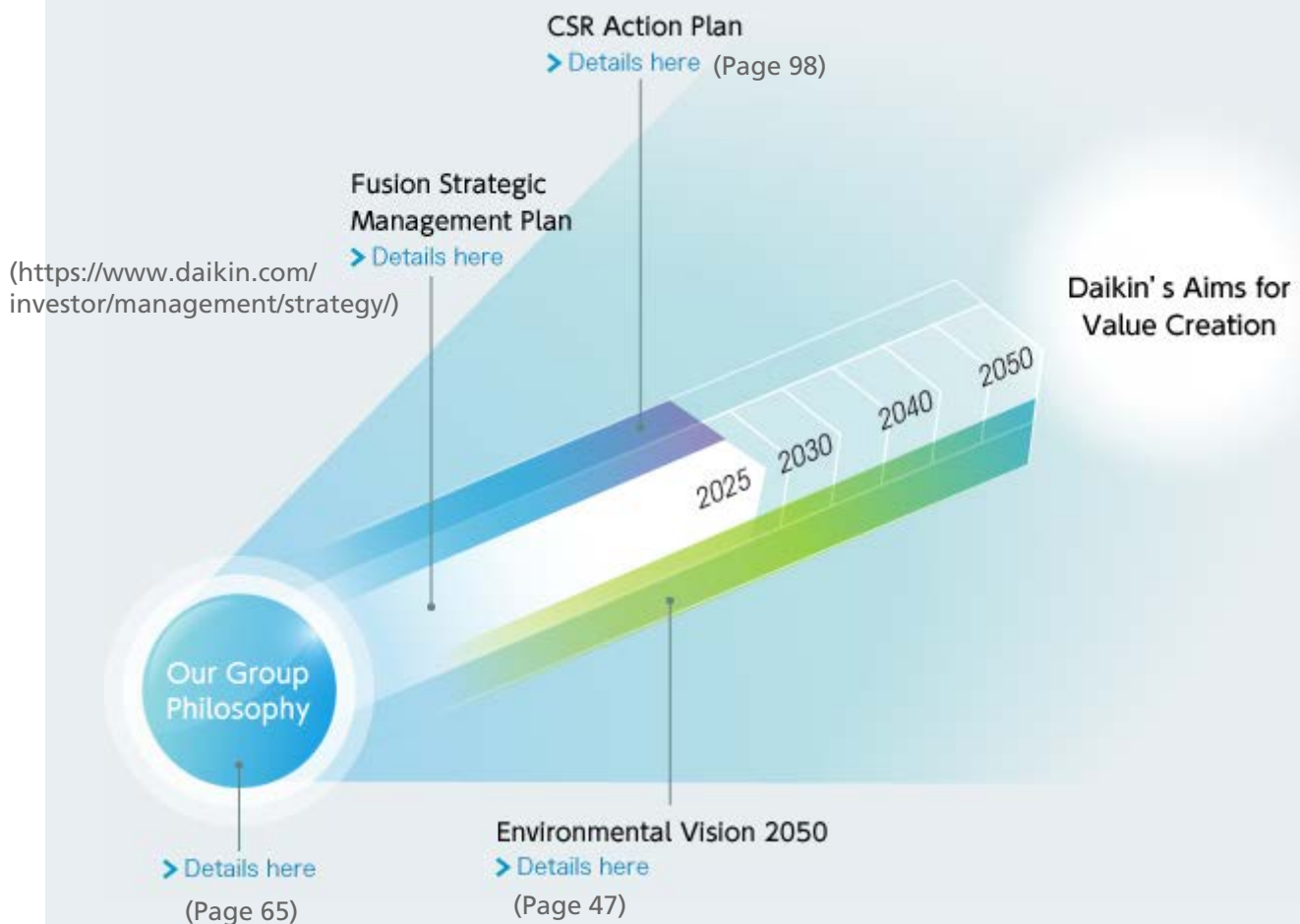
➤ [Daikin's Aims for Value Creation](#) (Page 38)

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## Daikin's actions toward a sustainable society

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 worked to achieve these targets.



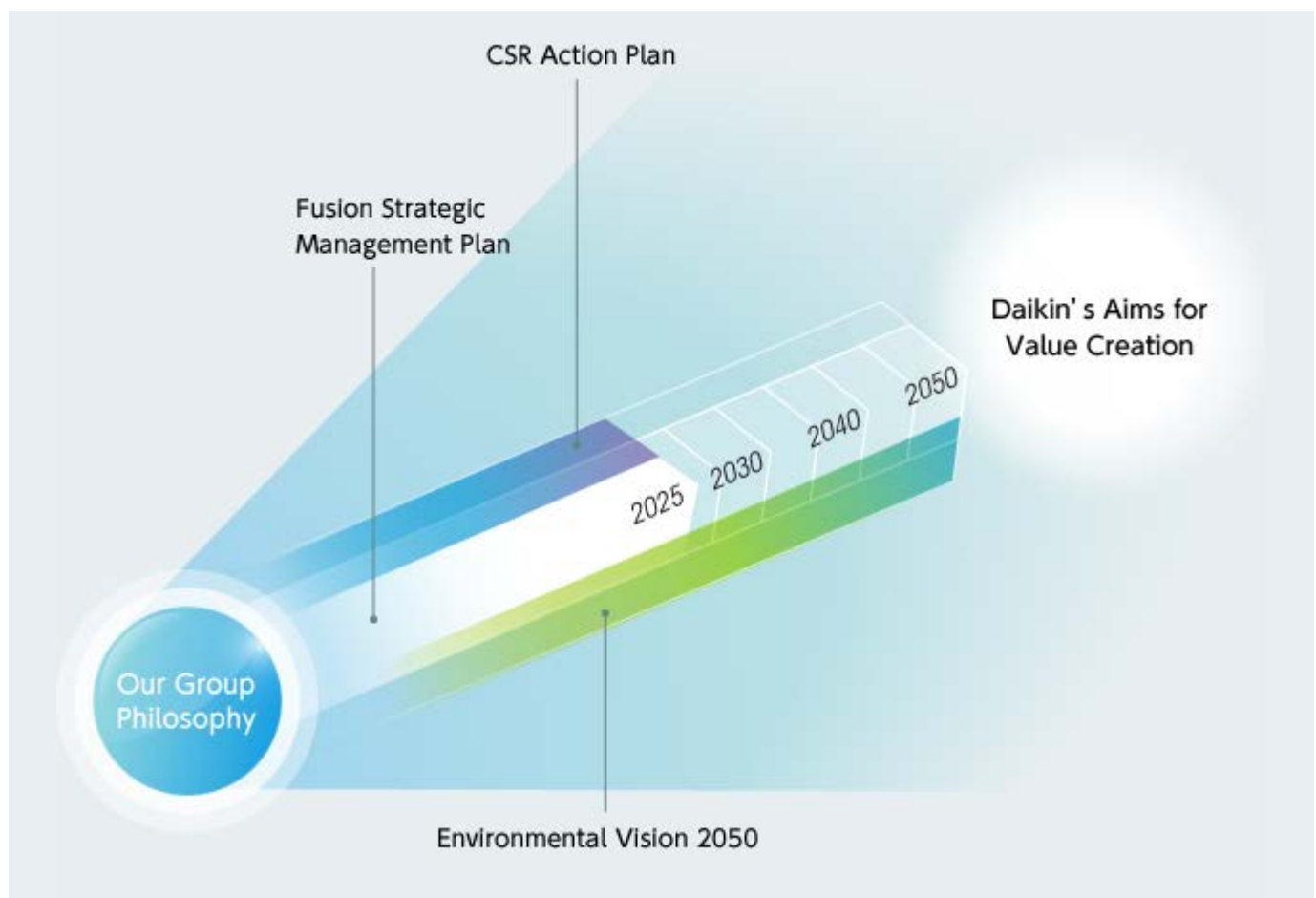
# RELATIONSHIP BETWEEN SUSTAINABILITY AND MANAGEMENT STRATEGY

Daikin engages in management from both short- to medium term and long-term perspectives in order to create new value aimed at resolving social issues and for sustainable development.

Daikin has formulated the CSR Action Plan based on evaluation of its business' impact on society in the short- to medium-term, and the Environmental Vision 2050 based on prediction and identification of its unique long-term risks and opportunities.

The company conducts planning and execution of specific targets and policies every five years based on its strategic management plan, Fusion.

## Daikin's Sustainability for Fiscal 2050



# Group Management Philosophy

Basic philosophy on management that forms the basis of thinking and action for all employees.

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/) 

(<https://www.daikin.com/corporate/overview/philosophy/>)

## CSR Action Plan

The five-year action plan established with goals for the four themes of CSR for Value Provision and five themes of Fundamental CSR.

CSR for value provision		Fundamental CSR	
We provide healthy and comfortable air environments for people around the world while at the same time reducing environmental impact.	<ul style="list-style-type: none"><li>• Environment</li><li>• New value creation</li><li>• Customer satisfaction</li><li>• Human resources</li></ul>	We respond to societal demands for greater transparency and more open business practices.	<ul style="list-style-type: none"><li>• Corporate governance</li><li>• Respect for human rights</li><li>• Supply chain management</li><li>• Stakeholder engagement</li><li>• Communities</li></ul>

› [CSR Action Plan 2020](#) (Page 98)

› [CSR Action Plan 2020](#)  (68KB) ([https://www.daikin.com/csr/company/CSR\\_Action\\_Plan\\_2020.pdf](https://www.daikin.com/csr/company/CSR_Action_Plan_2020.pdf))

# Strategic Management Plan Fusion 25

Daikin's strategic management plan established with directions for the Group's growth in five years based on the management philosophy and awareness of current conditions.

Fusion 25  
Strategic Management Plan

Offer new value for the environment and air to realize both contributions to a sustainable society and Group growth

9 key strategy themes

3 growth strategy themes

- Challenge to achieve carbon neutrality
- Promotion of Solutions business connected with customers
- Creating value with air

1 theme for focus regions

- Air Conditioning business in North America

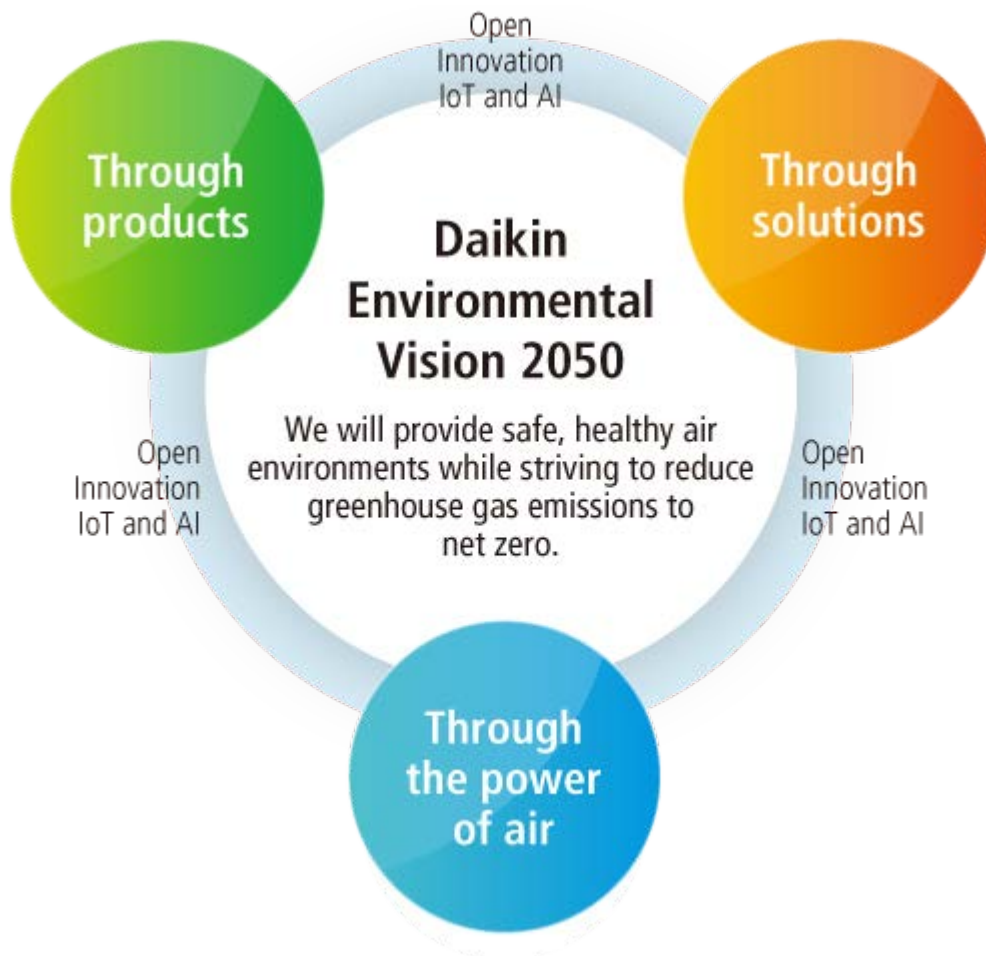
5 themes to enhance the management foundation

- Strengthening technology development capabilities
- Establishing a robust supply chain
- Promoting digital transformation for innovation
- Creating market value/enhancing advocacy activities
- Improving HR capabilities through advanced diversity management

> FUSION25  (<https://www.daikin.com/investor/management/strategy/fusion25/>)

## Environmental Vision 2050

Long term goal formulated with the aim of achieving net-zero greenhouse gas emissions by 2050 in support of the Paris Agreement.



➤ [Long-Term Outlook Policy \(Environmental Vision 2050\)](#) (Page 47)

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# Value Creation Daikin Strives For

Provide new value to deliver health and comfort to people and spaces while reducing environmental impacts.

<p><b>Value Creation for the Earth</b></p> <p>Reduce environmental impact through all business activities and contribute to alleviating climate change</p>	<p><b>Value Creation for Cities</b></p> <p>Contributing to solving energy-related issues arising from urbanization and contribute to the creation of sustainable cities</p>	<p><b>Value Creation for People</b></p> <p>Pursue new possibilities for air and contribute to healthy, comfortable lifestyles</p>
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- [Daikin's Aims for Value Creation](#) (Page 38)
- [Daikin's Priority SDGs](#) (Page 44)

# DAIKIN'S AIMS 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.

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## 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 in fiscal 2020

- › [Developing and Promoting Products and Services That Reduce Environmental Impact](#) (Page 148)
- › [Low Environmental Impact Refrigerants](#) (Page 162)

## Past initiatives

- › [Key Activities of Fiscal 2019: Environment—Launched New Refrigerant Service in Europe Contributing to a Circular Economy](#)  (2.0MB)  
(<https://www.daikin.com/csr/feature-past/feature2019-environment.pdf>)
- › [Key Activities of Fiscal 2017: Customer Satisfaction—Create a Mechanism That Brings Peace of Mind by Promoting Adoption of Low-Environmental- Impact Heat-Pump Heating](#)  (0.7MB)  
(<https://www.daikin.com/csr/feature-past/feature2017-customer.pdf>)

# 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 in fiscal 2020

- ▶ [Providing Solutions](#) (Page 191)
- ▶ [Key Activities of Fiscal 2020: New Value Creation—Providing Comfortable Air Environments Using the Best Format Possible, from Goods to Services](#)  (0.4MB)  
(<https://www.daikin.com/csr/feature-past/feature2020-newvaluecreation.pdf>)

### Past initiatives

- ▶ [Key Activities of Fiscal 2016: Environment—Contributing to the Realization of Net Zero Energy Buildings through Optimally Controlled Air Conditioning Systems](#)  (0.3MB)  
(<https://www.daikin.com/csr/feature-past/feature2016-environment.pdf>)

# 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 in fiscal 2020

- › Collaborative Innovation Led by Industry-Government-Academia Partnerships (Page 273)
- › Collaborative Innovation Led by Industry-Industry Partnerships (Page 287)
- › 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  (0.6MB)  
(<https://www.daikin.com/csr/feature-past/feature2016-newvaluecreation.pdf>)
- › Key Activities of Fiscal 2020: Customer Satisfaction—Quickly Providing Air Purification Solutions as a Company that Provides Solutions with Air  (0.5MB)  
(<https://www.daikin.com/csr/feature-past/feature2020-customer.pdf>)

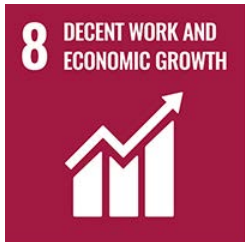
### Past initiatives

- › Key Activities of Fiscal 2019: New Value Creation—Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation  (2.3MB)  
(<https://www.daikin.com/csr/feature-past/feature2019-newvaluecreation.pdf>)
- › Key Activities of Fiscal 2018: New Value Creation—Creating Air Environments for Increasing Intellectual Productivity with Air Conditioning Solutions Using IoT and AI  (0.7MB)  
(<https://www.daikin.com/csr/feature-past/feature2018-newvaluecreation.pdf>)
- › Key Activities of Fiscal 2017: New Value Creation—Reducing Fatigue and Realizing Pleasant Air Environments through Open Innovation  (1.0MB)  
(<https://www.daikin.com/csr/feature-past/feature2017-newvaluecreation.pdf>)

# Foundation Underpinning Value Creation

## Contribute to the growth of employees and local citizens

Focus on fostering highly skilled human resources, creating employment, and contributing to the economic development of local communities.



### Initiatives in fiscal 2020

- ▶ Key Activities of Fiscal 2020: Human Resources—Enhancing Manufacturing Around the World by Training the Next Generation of Plant Operators 📄 (0.6MB)  
(<https://www.daikin.com/csr/feature-past/feature2020-human.pdf>)

### Past initiatives


- ▶ Key Activities of Fiscal 2019: Human Resources— Daikin's Unique Approach to Developing AI and IoT Human Resources for Driving Innovation 📄 (2.0MB)  
(<https://www.daikin.com/csr/feature-past/feature2019-human.pdf>)
- ▶ Key Activities of Fiscal 2018: Customer Satisfaction—Global Product Development Structure to Quickly Address Various Regional Needs 📄 (1.3MB)  
(<https://www.daikin.com/csr/feature-past/feature2018-customer.pdf>)
- ▶ Key Activities of Fiscal 2018: Human Resources—Developing Human Resources to Promote the Spread of Air Conditioners in the Rapidly Growing Market of Vietnam 📄 (0.8MB)  
(<https://www.daikin.com/csr/feature-past/feature2018-human.pdf>)
- ▶ Key Activities of Fiscal 2017: Human Resources—Human Resource Development in the U.S.— Growing with Local Communities 📄 (1.0MB)  
(<https://www.daikin.com/csr/feature-past/feature2017-human.pdf>)
- ▶ Key Activities of Fiscal 2016: Human Resources—Supporting the Training of Engineers in Emerging Countries through Industry-Government-Academia Collaboration 📄 (0.5MB)  
(<https://www.daikin.com/csr/feature-past/feature2016-human.pdf>)

## Contribute to solving social issues through industry-government-academia partnerships

Strive to create new solutions that will contribute to the enhanced lifestyles and formation of market value through developing international rules and standards.




### Initiatives in fiscal 2020

- ▶ [Key Activities of Fiscal 2020: Environment— Creating Standards for a Decarbonized Society Alongside Stakeholders](#)  (0.9MB)

(<https://www.daikin.com/csr/feature-past/feature2020-environment.pdf>)

### Past initiatives

- ▶ [Key Activities of Fiscal 2018: Environment—Promoting the Spread of Energy Efficient Technology through Dialogue and Collaboration with Governments and International Agencies](#)  (1.3MB)

(<https://www.daikin.com/csr/feature-past/feature2018-environment.pdf>)

# DAIKIN'S PRIORITY SDGS

## SDGs Daikin is contributing to through its businesses

The Sustainable Development Goals (SDGs) adopted in 2015 comprise 17 goals aimed at resolving the world's challenges. Through its businesses, Daikin will focus on a total of eight out of the 17 SDGs to which it can make a great contribution, taking advantage of its strengths. We will contribute to a sustainable society by creating new value in making people and spaces healthy and comfortable, while reducing environmental and climate impacts.

### Related Information

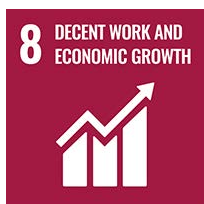
► [Daikin's Aims for Value Creation](#) (Page 38)



- Protect people from heatstroke and infectious diseases
- Countermeasures for atmospheric pollution



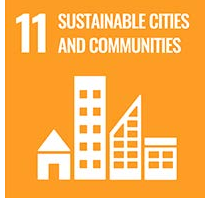
- Increased energy efficiency from the adoption of inverter air conditioners, etc.
- Development and adoption of lower GWP refrigerants
- Adoption of heat pump space and water heating
- Utilization and adoption of renewable energy



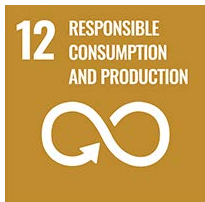
- Training of highly skilled personnel
- Job creation
- Contribution to local economic development



- Initiatives for net zero emission buildings (ZEB)
- Promotion of energy management and demand response



- Initiatives for net zero emission buildings (ZEB)
- Promotion of energy management and demand response
- Creation of value in air and spaces for people's physical and mental wellbeing



- Initiatives for energy efficiency, recycling-oriented, and lower resource production
- Refrigerant conversion in the market along with recovery, reclamation, and destruction
- Contribution to increased productivity by liberation from heat and cold



- Increased energy efficiency from the adoption of inverter air conditioners, etc.
- Development and adoption of lower GWP refrigerants
- Adoption of heat pump space and water heating
- Utilization and adoption of renewable energy



- Formation of market value (international rules and standards)
- Creation of new solutions that contribute to improved quality of life

## Sustainable Development Goals: SDGs



### 1. No poverty

End poverty in all its forms everywhere



### 2. Zero hunger

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



### 3. Good health and well-being

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



### 4. Quality education

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



### 5. Gender equality

Achieve gender equality and empower all women and girls



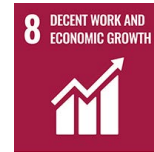
### 6. Clean water and sanitation

Ensure availability and sustainable management of water and sanitation for all



### 7. Affordable and clean energy

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



### 8. Decent work and economic growth

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



### 9. Industry, innovation and infrastructure

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



### 10. Reduced inequalities

Reduce inequality within and among countries



### 11. Sustainable cities and communities

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



### 12. Responsible consumption and production

Ensure sustainable consumption and production patterns



### 13. Climate action

Take urgent action to combat climate change and its impacts



### 14. Life below water

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



### 15. Life on land

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



### 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



### 17. Partnerships for the goals

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

# LONG-TERM OUTLOOK POLICY (ENVIRONMENTAL VISION 2050)

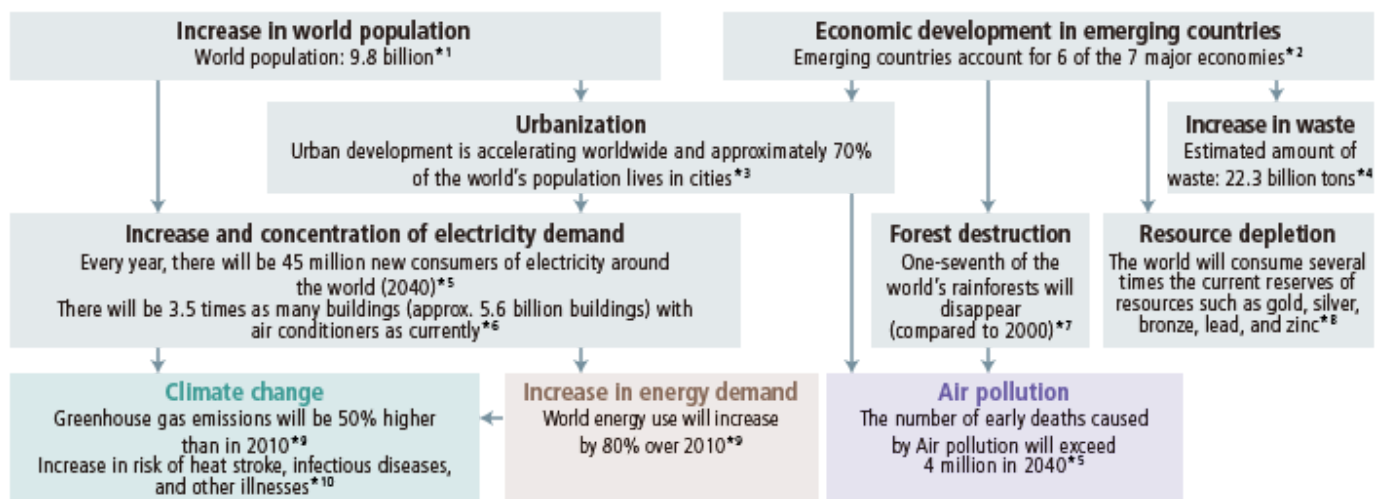
Adopted in 2015, the Paris Agreement contains a target for the latter half of this century of reducing greenhouse gas emissions to net zero and limiting global warming by less than 2°C compared to pre-industrial levels. In the spirit of the Paris Agreement, Daikin has formulated Environmental Vision 2050, with a target of reducing greenhouse gas emissions to net zero by 2050. We have established a reduction target for 2030 and incorporated this into our efforts under the Fusion 25 Strategic Management Plan.

## 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.



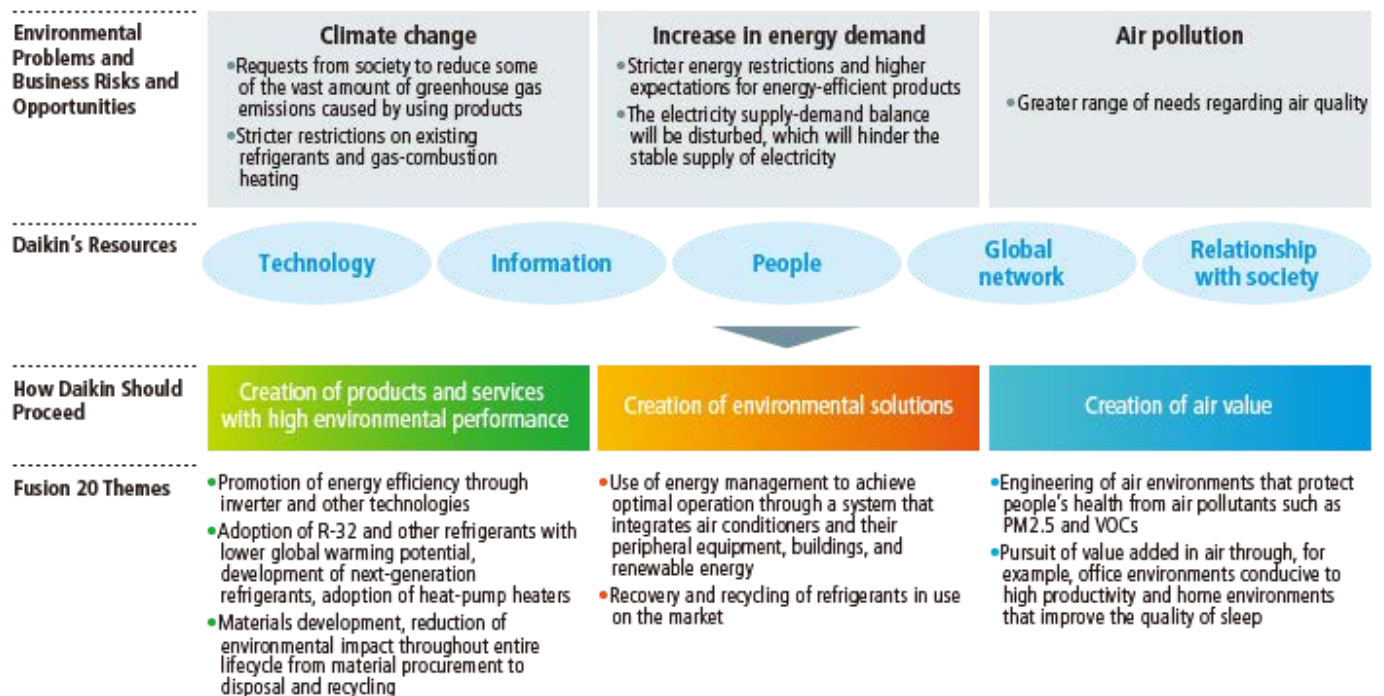
Daikin referred to the following reports when making its forecasts

- \*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 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.



## 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.

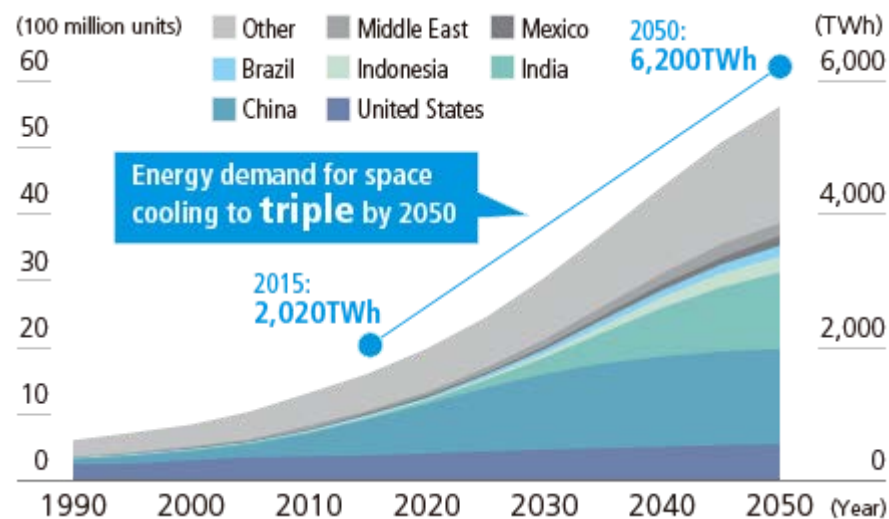
Therefore, in addition to mitigating environmental and climate change impacts by curtailing electricity consumption and preventing refrigerant leakage, we will develop and spread higher energy-efficient air conditioners and refrigerants with a lower global warming potential. Daikin will also create new 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.

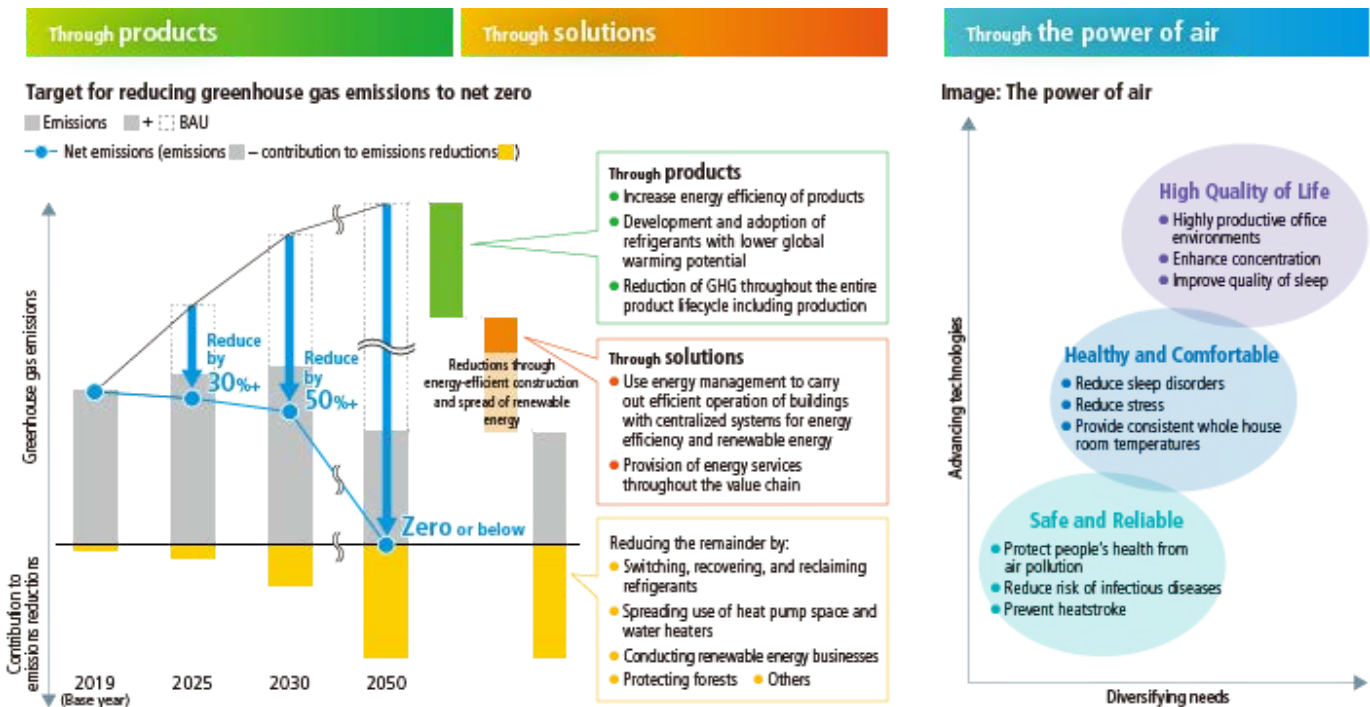
### Worldwide Air Conditioner Stock (Number of Units) and Electricity Demand



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

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

Daikin has established a greenhouse gas emissions reduction target after analyzing the future of its business operations in order to reduce these emissions to net zero while bringing the added value nature of air to people around the world. With the base year set at 2019, we aim to reduce greenhouse gas emissions by 30% or more in 2025 and by 50% or more in 2030 compared with emissions without measures (business as usual (BAU)). Measures to achieve these goals will be implemented under Fusion Strategic Management Plans.



# Initiatives in the Medium-Term Management Plan for Achieving Environmental Vision 2050

The three themes of the growth strategy for achieving Environmental Vision 2050 have been incorporated into the nine key strategy themes of the Fusion 25 Strategic Management Plan. We will now implement this plan aiming to balance contributions to resolving social issues through business growth.

FUSION25

Offer new value for the environment and air to realize both contributions to a sustainable society and Group growth

3 Themes of Growth Strategy

1. Challenge to achieve carbon neutrality	Daikin will aim to achieve carbon neutrality by 2050. We will contribute to solving environmental issues, while at the same time expanding our business, by converting combustion heating to heat-pumps, switching to lower GWP* refrigerants and working to recover, reclaim, and destroy refrigerants.
2. Promotion of solutions business connected with customers	Daikin will expand the solutions business directly connected to customers with a focus on customer needs by application and market, and contribute to solutions to such issues as energy conservation and reducing food loss.
3. Creating value with air	Daikin will utilize its proprietary air-related technologies and products to significantly grow the indoor air quality and ventilation businesses and address the growing need for safe and reliable air.

\* GWP stands for global warming potential. This metric examines each greenhouse gas's ability to trap heat in the atmosphere compared to carbon dioxide.

# 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.

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## 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<sub>2</sub> 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.

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## 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, etc.

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 throughout the entire lifecycle from our own business operations by 2050. The targets and measures for 2030 aimed at realizing this goal have been laid out in Fusion 25 Strategic Management Plan.

## Details of scenario analysis

### Scenarios referenced

- IEA Sustainable Development Scenario
- IEA Base line Scenario, Current Policies Scenario
- IEA The Future of Cooling
- IEEJ Reference Scenario

### 4-degree scenario with current policies unchanged

- The number of regions requiring air conditioning for day-to-day living will increase due to higher summer temperatures. In addition, as winter temperatures rise, the number of areas suitable for heat pump heating with an outside temperature of about -20 degrees or higher will increase.
- Demand for air conditioners will approximately double by 2030 and roughly triple by 2050.
- Demand for air conditioners in non-OECD countries will increase five-fold from 2016 to 2030, but power generation will only increase by 2.4-fold. (Worldwide power generation will increase 1.4-fold compared the 1.9-fold increase in air conditioner demand.)

### 2-degree scenario with stricter regulations in each country from decarbonization policy

- The progress of reducing use of refrigerants under the Montreal Protocol will be strictly managed and regulations could be tightened if the effectiveness is deemed insufficient.
- In addition, countries that today do not have strong regulations will adopt strict energy conservation policies

### 2-degree and 4-degree scenario

As temperatures rise, the intensity and frequency of extreme weather will increase, which could increase instances of production shutdowns or postponements due to damages to our own plants or those of suppliers.

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# 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.

Every year our business sites around the world identify physical climate-related risks as part of operational risks. After material risks are identified by the Corporate Ethics and Risk Management Committee, we examine action policies and response measures.

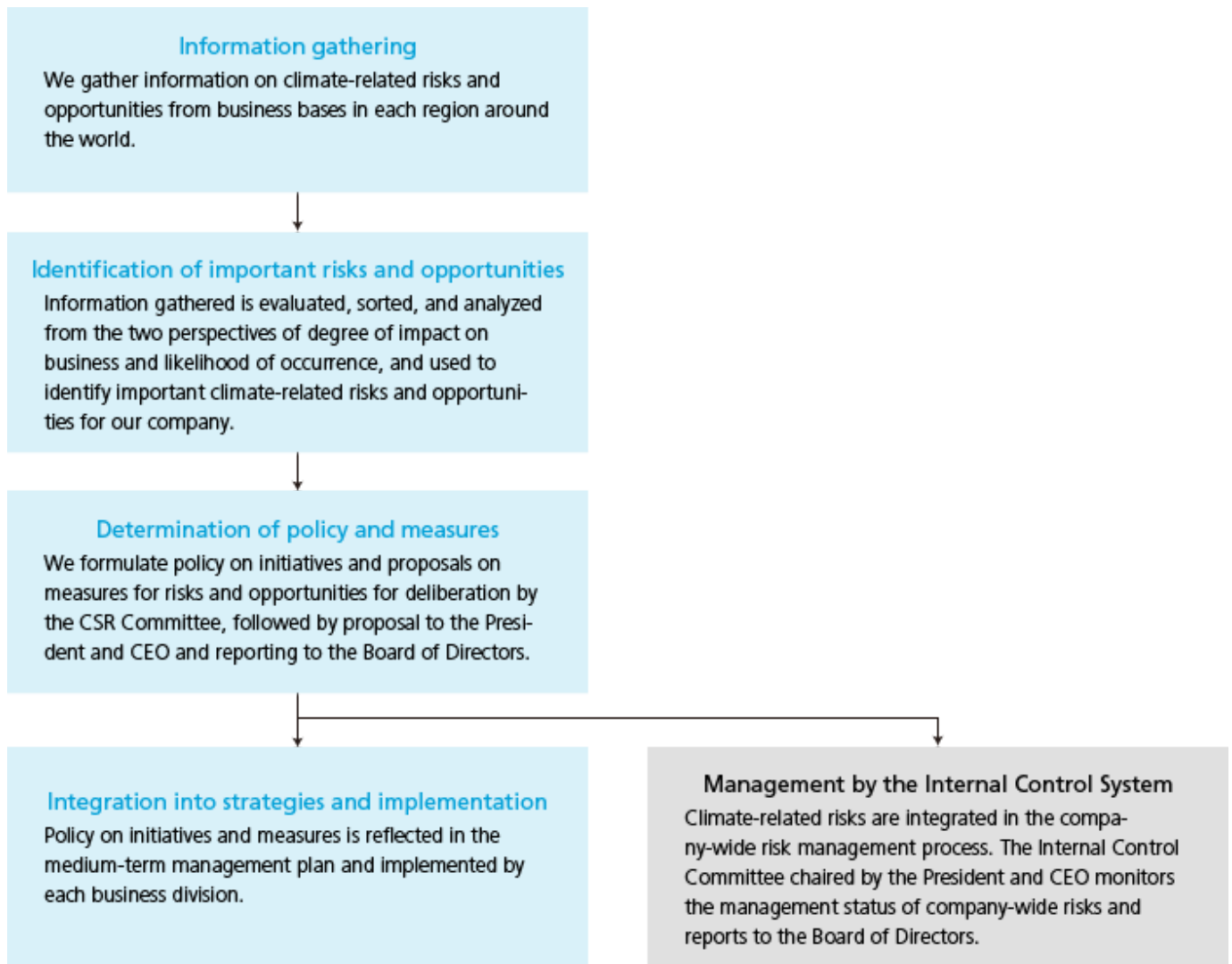
Product environmental meetings identify transition-based climate-related risks and opportunities at the time medium-term management plans are formulated and reviewed. After material risks and opportunities are identified by the CSR Committee, we examine initiatives and response measures. The initiatives and response measures for identified risks and opportunities are incorporated into the medium-term management plan and implemented by each business department.

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 of occurrence	Potential financial impacts
Risks	Transition	<b>Stricter regulations on refrigerants</b> 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
		<b>Tight supply and demand for electricity</b> 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	<b>Damage to production bases</b> 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	Transition	<b>Stricter regulations on refrigerants</b> 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
		<b>Stricter regulations on energy efficiency</b> 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
		<b>Stricter regulations on the use of fossil fuels</b> 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



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## Metrics and Targets

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

We manage the progress of our environmental activities including actions related to climate change by including the GHG reduction target following Environmental Vision 2050 in Fusion 25 Strategic Management Plan and formulating an environmental action plan in conjunction with Fusion Strategic Management Plan.

1. Scope 3: With the base year set at 2019, we plan to reduce net GHG emissions from our own business operations by 30% in 2025, 50% in 2030 and achieve net zero emissions in 2050, compared to a BAU scenario.
2. Scope 1 and 2: Reduce GHG emissions resulting from manufacturing activities of the entire Group by 38% in 2030 compared to 2015.

#### Related Information

- [Environmental Action Plan](#) (Page 123)
- [Long-Term Outlook Policy \(Environmental Vision 2050\)](#) (Page 47)

# PARTICIPATION IN THE GLOBAL COMPACT

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## 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, anti-corruption 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.

# CSR Management

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# CSR Management

## › CSR Philosophy

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Daikin recognizes that implementing Our Group Philosophy and People-Centered Management will lead to sustainable growth and development.

## › Key Themes of CSR and Management Strategy

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Daikin reflects key CSR themes it has identified into the material issues facing the company to define its efforts.

## › CSR Management Structure

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Daikin promotes CSR comprehensively and cross-functionally across the entire Daikin Group.

## › CSR Action Plan 2020

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Daikin has established KPI for fiscal 2020 covering nine key CSR themes, which the entire Daikin Group has worked toward.

# 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.



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# 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/>)

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## 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		Fundamental CSR	
We provide healthy and comfortable air environments for people around the world while at the same time reducing environmental impact.	<ul style="list-style-type: none"><li>• Environment</li><li>• New value creation</li><li>• Customer satisfaction</li><li>• Human resources</li></ul>	We respond to societal demands for greater transparency and more open business practices.	<ul style="list-style-type: none"><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 96)

# Group Conduct Guidelines

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

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](#) 

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### 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](#) 

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### 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](#) 

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### 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](#) 

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## 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.

[➤ Specific Guidelines](#) 

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## 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).

[➤ Specific Guidelines](#) 

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## 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.

[➤ Specific Guidelines](#) 

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## 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](#) 

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## 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](#) 

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## 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](#) 

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#### 11. Protection of Company Assets

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

[➤ Specific Guidelines](#) 

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#### 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](#) 

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#### 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](#) 

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#### 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.

[➤ Specific Guidelines](#) 

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#### 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](#) 

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#### 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.

[➤ Specific Guidelines](#) 

(Page 87)

# 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 of our product, our first and primary concern shall be for the safety of our customers, and we shall take immediate actions to minimize and prevent the occurrence of a serious accident. Actions to be taken immediately shall include repairing or replacing the product in question, 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 confidentiality 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 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. 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.

# KEY THEMES OF CSR AND MANAGEMENT STRATEGY

Daikin has reflected the changes in external environment and the key themes of CSR identified by the CSR Committee with an eye toward 2030 in the key strategy themes of the Fusion 25 Strategic Management Plan (materiality of management) ending in 2025.

## 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)	<ul style="list-style-type: none"> <li>• Extreme weather events and temperatures</li> <li>• Natural disasters</li> <li>• Failures of climate change mitigation and adaptation</li> <li>• Loss of biodiversity</li> <li>• Pandemics</li> <li>• Natural resource crises</li> </ul> <p>Note: World Economic Forum Global Risks Perception Survey 2020</p>
International frameworks	<ul style="list-style-type: none"> <li>• Sustainable Development Goals (SDGs)</li> <li>• Paris Agreement to the UN Framework Convention on Climate Change</li> <li>• Kigali Amendment* to the Montreal Protocol</li> <li>• UN Global Compact (UNGC)</li> </ul> <p>* International agreement to phase down the global warming impact (CO<sub>2</sub> equivalent) of HFCs.</p>
Assessments of Daikin, stakeholder dialogue	<p>ESG assessment Dialogue with stakeholders</p> <ul style="list-style-type: none"> <li>• Briefings for shareholders and investors</li> <li>• Air Conditioner Forums</li> <li>• Dialogue with international organizations, NPOs, NGOs, etc.</li> </ul>



Important Elements Affecting Daikin	<ul style="list-style-type: none"> <li>• Worldwide electricity demand for space cooling will triple by 2050</li> <li>• Acceleration in the decarbonization movement</li> <li>• Growing physical risks such as extreme weather events and risk of resource depletion</li> <li>• Growing need for safe and reliable air environments</li> </ul>
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# Assessing the Impact of Our Business on Society throughout the Entire Value Chain





Environmental

Social

Governance

Procurement

**Impacts of our business and expectations of Daikin**

Throughout our worldwide supply chain:

- Respond to various procurement risks involving quality control, labor practices, and environmental protection

- Efforts of significant materiality**
- Response to climate change
  - Supply chain management
  - Respect for human rights



Environmental

Social

Governance

Development, Design

**Impacts of our business and expectations of Daikin**

At our R&D bases around the world:

- Engage in R&D that strikes a balance between growing air conditioning demand and decarbonization of society
- Contribute to solutions to social issues such as water shortages, air pollution, and infectious diseases

- Efforts of significant materiality**
- Response to climate change
  - Prevent air and water pollution
  - Provide safe and reliable air environments
  - Increase the valued-added nature of air
  - Create innovation through co-creation



## Manufacturing

### Impacts of our business and expectations of Daikin

At our production bases around the world:

- Increase production efficiency while increasing manufacturing quality
- Mitigate environmental impacts, such as reduce energy and resource usage or prevent pollution

### Efforts of significant materiality

- Response to climate change
- Prevent air and water pollution
- Provide safe and reliable air environments
- Increase the valued-added nature of air
- Create innovation through co-creation



## Sales, Transportation, Installation

### Impacts of our business and expectations of Daikin

At our distributors around the world:

- Market products with a lower environmental impact
- Provide training on installation and maintenance techniques

### Efforts of significant materiality

- Response to climate change
- Quality and customer satisfaction
- Anti-corruption



## Usage

### Impacts of our business and expectations of Daikin

At our customers around the world:

- Reduce CO<sub>2</sub> emissions from electricity consumption
- Prevent heatstroke and increase productivity with air conditioning
- Provide a safe and reliable air environment using ventilation, air purification, and filtration



## After-sales Service, Recovery, Recycling

### Impacts of our business and expectations of Daikin

At maintenance providers around the world:

- Provide high quality after-sales services
- Recycle air conditioners
- Establish a circular ecosystem of refrigerants through recovery and reclamation

### Efforts of significant materiality

- Response to climate change
- Prevent air and water pollution
- Quality and customer satisfaction
- Information security

### Efforts of significant materiality

- Response to climate change
- Response to resource recycling
- Quality and customer satisfaction



## Business Activity Foundation

### Impacts of our business and expectations of Daikin

For sustainable growth:

- Develop human resources to lead our business activities
- Promote compliance
- Strengthen governance and risk management

### Efforts of significant materiality

- Human resource development
- Corporate governance
- Risk management
- Respect for human rights



## Relationship with Society

### Impacts of our business and expectations of Daikin

For growing together with society:

- Collaborate with various stakeholders, including governments, international organizations, industry and academia, NPOs and NGOs, experts, and local communities

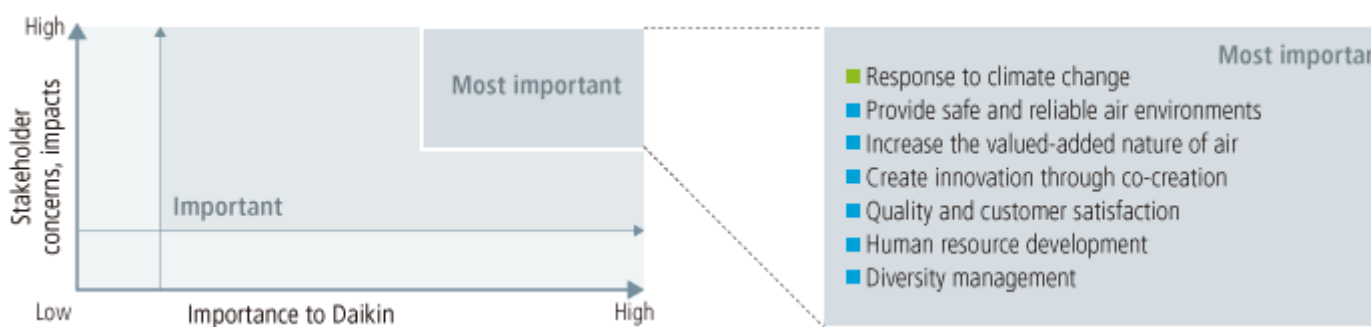
### Efforts of significant materiality

- Response to climate change
- Create innovation through co-creation
- Stakeholder engagement
- Communities

# Identifying Key Themes of CSR for Daikin and Society

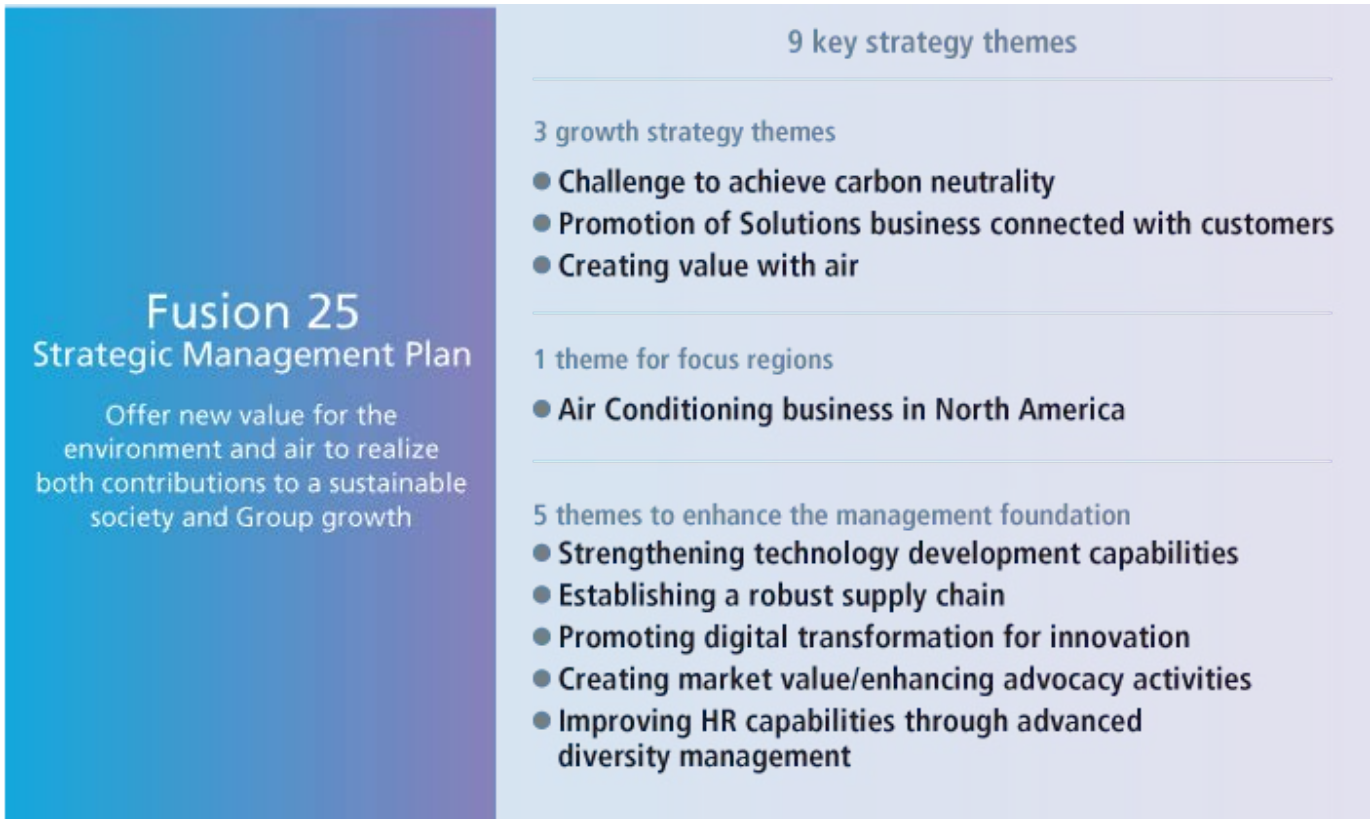
Prior to formulating the Fusion 25 Strategic Management Plan, we reviewed our key themes of CSR. We incorporated highly important initiatives for evaluating the impacts our business has on society across the entire value chain. On top of this, we evaluated the materiality for Daikin in terms of stakeholder's concerns and impacts by soliciting the views of investors, experts, and external directors and then conducting interviews with employees and senior management. This culminated in the CSR Committee finalizing the key themes of CSR.

## Materiality Analysis



# Reflection in Fusion 25 Strategic Management Plan

Under the Fusion 25 Strategic Management Plan, Daikin established nine key strategy themes including "Challenge to achieve carbon neutrality" based on the key themes of CSR, our strengths, and changes in the external environment around Daikin. By implementing this plan, we will aim to contribute to society and grow the Group.



# CSR MANAGEMENT STRUCTURE

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## 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.

In fiscal 2020, the CSR Committee established numerical targets for 2030 as well as discussed the specific plan to achieve the goal of net-zero greenhouse gas emissions in 2050. In addition, it deliberated on the revision of key CSR themes in order to formulate the strategic management plan, Fusion 25.

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## Materiality (of Key Initiatives)

➤ For more information, refer to "Materiality (of Key Initiatives)" (Key Themes of CSR and Management Strategy). (Page 93)

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## CSR Targets and Achievements

➤ For more information, refer to CSR Action Plan 2020. (Page 98)

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# 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 65)

### 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 65)

### 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.

› [Relationship between Sustainability and Management Strategy](#) (Page 62)

› [CSR Action Plan 2020](#) (Page 98)

## 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.

## 2021

### Formulation of strategic management plan, Fusion 25, in pursuit of further contribution to a sustainable society

Our key themes, including the challenge to achieve carbon neutrality, as well as the target value for 2030 in aiming to achieving net-zero greenhouse gas emissions in 2050 are established in Fusion 25, our strategic management plan.

# 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 2020 targets and the fiscal 2020 achievements regarding these themes.

➤ **Targets and Achievements** 📄 (68KB)

([https://www.daikin.com/csr/company/CSR\\_Action\\_Plan\\_2020.pdf](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 99)

➤ New Value Creation (Page 102)

➤ Customer Satisfaction (Page 103)

➤ Human Resources (Page 104)

## Fundamental CSR

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

➤ Corporate Governance (Page 105)

➤ Respect for Human Rights (Page 106)

➤ Supply Chain Management (Page 106)

➤ Stakeholder Engagement (Page 107)

➤ Communities (Page 107)

# 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

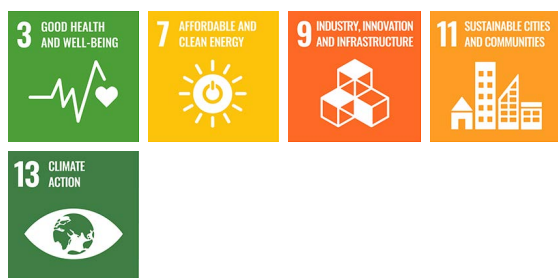
- Promote use of energy-efficient air conditioners, including inverter products
- Promote use of air conditioners using refrigerants with lower global warming potential
- Promote use of heat-pump-type heating systems and hot water heaters
- Expand our environmental solutions business

#### 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 2020 Achievements

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

**70** 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)

**98%**

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

## 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 2020 Achievements

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

**79%** 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 2020 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 in-house 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<sub>2</sub> 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 2020 Achievements

R&D expenditure

**71.7** billion yen

Number of patent applications

Japanese applications: **1,076**

Overseas applications: **467**

(FY2019) (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 2020 Achievements

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

Japan (Compared to Fiscal 2015) 1.14

China (Compared to Fiscal 2018) 1.04

India (Compared to Fiscal 2016) 1.15

Indonesia (Compared to Fiscal 2017) 1.10

Singapore (Compared to Fiscal 2015) 1.01

Vietnam (Compared to Fiscal 2015) 1.17

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 and values, 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

**1** in **4** employees

Increase percentage of overseas bases where local nationals are presidents

Frequency rate

(shows frequency of occurrence of labor accidents)

**0**

### Fiscal 2020 Achievements

The ratio of excellent or advanced skilled engineers in manufacturing

**1** in **3.3** 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

**43** % (overseas bases)

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

Frequency rate

**1.01**

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 2020 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.

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# 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 2020 Achievements

**Self-assessment implementation rate**

99%

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

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# 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 2020 Achievements

**CSR procurement implementation rate**

99%

We measured the ratio of suppliers who satisfied Daikin's in-house standards to total procurement value.

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# 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 2020 Achievements

**Number of air conditioner forums held, number of outside participants**

Held *eight* times online around the world

with a total of *90* people, including university professors and specialists, from 22 countries taking part

The number of dialogue sessions/persons with experts from around the world related to air conditioning, a particularly strong foundation of Daikin's operations in terms of engagement.

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# 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 2020 Achievements

**Expenditure for social contribution activities**

*1.3* billion yen

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

# Environment

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## 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 2020 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

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

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

**98** %

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

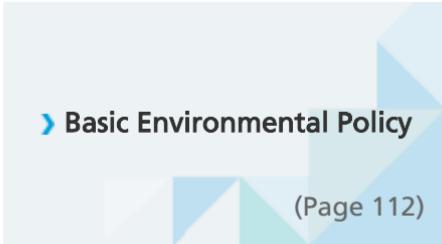
**79** %



› **Long-Term Outlook Policy  
(Environmental Vision 2050)**

(Page 47)

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



› **Basic Environmental Policy**

(Page 112)

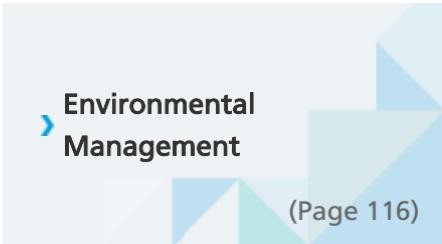
We have established a basic environmental policy that serves as the basis for our efforts.



› **Overview of Environmental Impact**

(Page 114)

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



› **Environmental Management**

(Page 116)

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



› **Response to Climate Change**

(Page 145)

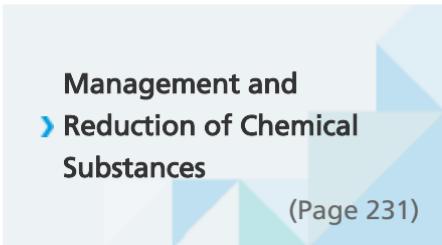
We focus on mitigating the effects of global warming from our products and reducing greenhouse gas emissions from production.



› **Effective Use of Resources**

(Page 211)

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 231)

We are reducing the use and emission of chemical substances and strive to prevent pollution from chemical substances.



› **Protecting Biodiversity**

(Page 247)

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



› **History of Environmental Activities**

(Page 258)

Daikin publishes an annual report detailing our environmental protection activities.



› **Endorsement as an Eco First Company**

(Page 262)

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 60)

# BASIC ENVIRONMENTAL POLICY

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## 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.

## 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).



### Related information

➤ [Environmental Policy of the Daikin Group in Japan](https://www.daikin.com/csr/environment/management/environmental_policy.pdf)  (236KB)

([https://www.daikin.com/csr/environment/management/environmental\\_policy.pdf](https://www.daikin.com/csr/environment/management/environmental_policy.pdf))

# OVERVIEW OF ENVIRONMENTAL IMPACT

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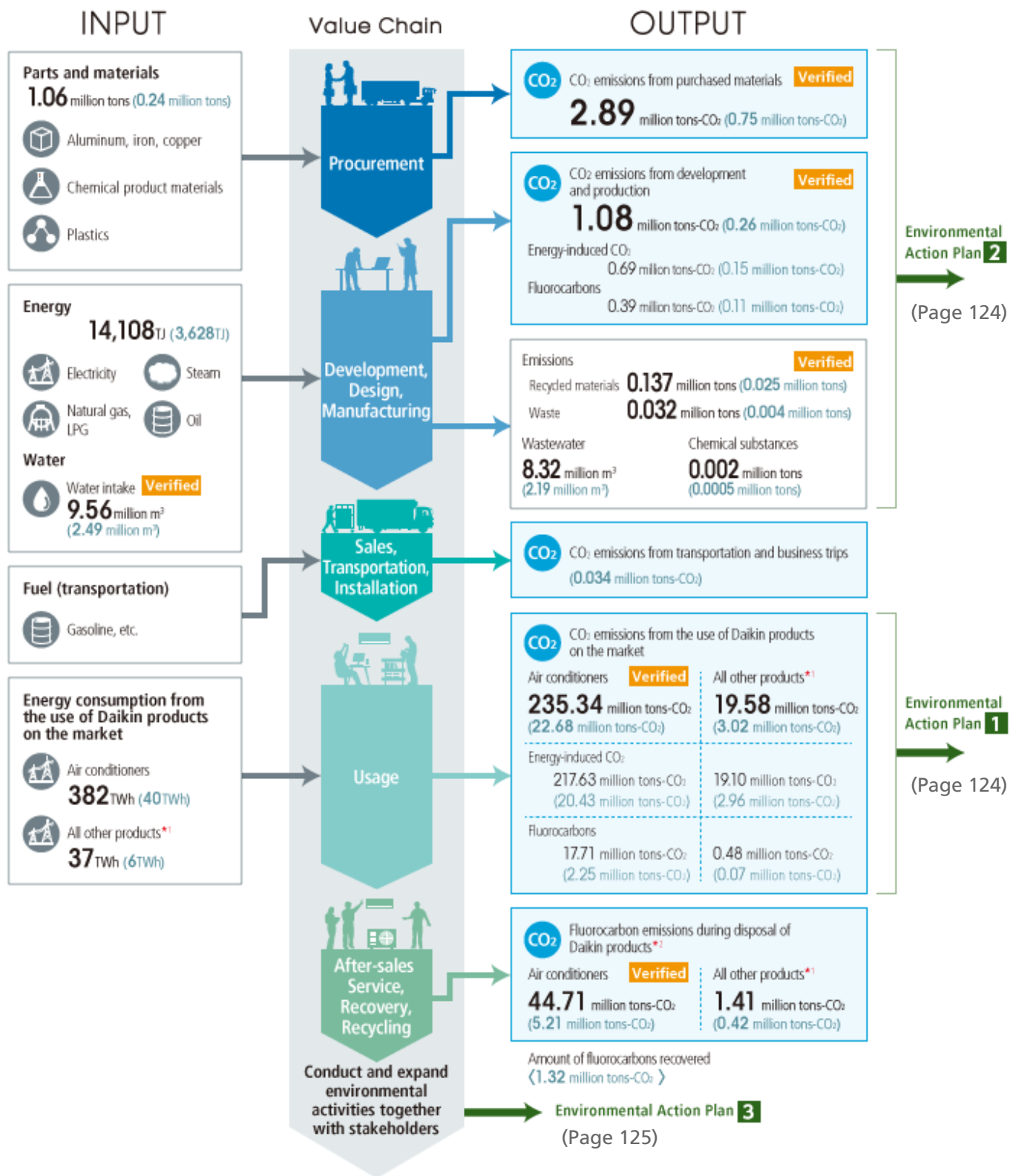
The Daikin Group measures the impact that its business activities have on the environment throughout the value chain: in materials procurement, development, production, transportation, installation, product use, recovery, and recycling. Air conditioners are products that consume large amounts of electricity, 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 2020. Figures in ( ) are for Daikin Industries, Ltd. only. Figures in < > are for the Daikin Group in Japan.

\*1 Air purifiers, refrigeration, oil hydraulics, and defense systems, etc.

\*2 The fluorocarbon recovery rate at the time of disposal is calculated as 0%.



## Related information

- [Environmental Action Plan 2020](#) (Page 123)
- [Method of Calculating Greenhouse Gas Emissions Data](#) (Page 612)
- [Search by ESG Data: GHG emissions in the value chain \(Scope 1,2,3\)](#) (Page 623)

## Environmental Management



### › Management Structure

(Page 118)

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.

### › Environmental Risks and Opportunities

(Page 120)

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

### › Environmental Action Plan

(Page 123)

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 126)

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

### › Environmental Audits

(Page 129)

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

### › Green Heart Factories and Offices

(Page 131)

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

### › Environmentally Conscious Design

(Page 132)

We strive to develop products with low environmental impact.

### › Green Procurement

(Page 138)

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

### › Environmental Accounting

(Page 141)

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

## Related information

- [Basic Environmental Policy](#) (Page 112)
- [Environmental Policy of the Daikin Group in Japan](#)  (236KB)  
([https://www.daikin.com/csr/environment/management/environmental\\_policy.pdf](https://www.daikin.com/csr/environment/management/environmental_policy.pdf))
- [Daikin Domestic Group ISO 14001 Certificate and Appendices](#)  (2.3MB)  
(<https://www.daikin.com/csr/environment/management/touroku.pdf>)
- [Supply Chain Management](#) (Page 473)
- [Key Activities Fiscal 2017: Environment—Environmentally Conscious Products Come from Green Heart Factories](#)  
(<https://www.daikin.com/csr/feature2017/01.html>)

# MANAGEMENT STRUCTURE

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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.

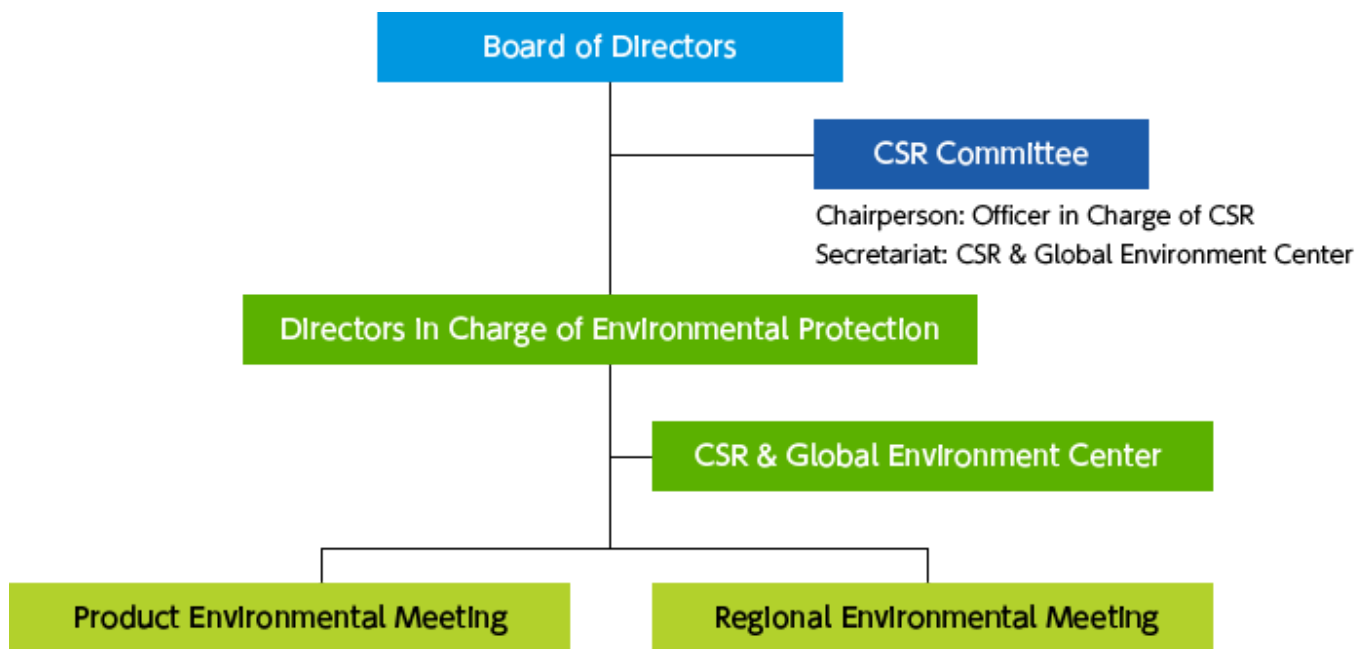
In order to promote environmental management throughout the Group, management of environmental issues related to climate change, water, and waste in each of the five regions including Japan, Europe, the U.S., China, and Asia-Oceania is achieved through regional environmental meetings and product environmental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

## System Driving Environmental Management



# ENVIRONMENTAL RISKS AND OPPORTUNITIES

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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 deduced 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.

### Related Information

➤ [Information Disclosure Based on the TCFD Framework](#) (Page 53)

## Environment-related risks and opportunities and potential impact

Category		Impact on Daikin's business	Probability of occurrence	Potential financial impact
Climate related				
Risks	Transition	<b>Stricter regulations on refrigerants</b> 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
		<b>Tight supply and demand for electricity</b> 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	<b>Damage to production bases</b> 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	Transition	<b>Stricter regulations on refrigerants</b> 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
		<b>Stricter regulations on energy efficiency</b> 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
		<b>Stricter regulations on the use of fossil fuels</b> 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

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

# ENVIRONMENTAL ACTION PLAN

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## Environmental Action Plan 2020

We implemented Environmental Action Plan 2020 based on the Fusion 20 Strategic Management Plan. We will reduce environmental impacts across the entire value chain aimed at striking a balance between sustainable business growth and environmental conservation.

Under our Environmental Action Plan 2020, which targets fiscal 2020, we took 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 greenhouse gas when used, we focused 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, the final fiscal year of the plan, by 60 million tons-CO<sub>2</sub>. Calculations show that we achieved the reduction of 70 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 2020, we succeeded in lowering these emissions to 1.08 million tons-CO<sub>2</sub>.

Action targets		Fiscal 2020 target	Fiscal 2020 results	Self-assessment
<b>1 Provide Environmentally Conscious Products and Services Worldwide</b>				
Contribute to reducing GHG emissions by spreading the use of the following products <ul style="list-style-type: none"> <li>• Energy-efficient air conditioners such 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>		Contribution to greenhouse gas emission reductions <sup>*1</sup> 60 million tons-CO <sub>2</sub>	70 million tons-CO <sub>2</sub>	★★★
		Increase in selling ratio of environmentally conscious products <sup>*2</sup>	Sales volume of environmentally conscious products as percentage of residential air conditioners 98%	★★★
<b>2 Minimize Environmental Impact in Production Activities</b>				
Greenhouse Gas	Emission Reductions	70% reduction over fiscal 2005 (reduction to 1.58 million tons-CO <sub>2</sub> )	79% reduction (reduction to 1.08 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 <sup>*3</sup>	14% reduction	★★★
Emissions		Unit reduction in emissions of 5% against standard value <sup>*3</sup>	12% reduction	★★★
Water		Unit reduction in water intake of 5% against standard value <sup>*3</sup>	14% reduction	★★★
Chemicals		Unit reduction in chemical emissions of 5% against standard value <sup>*3</sup>	23% reduction	★★★
Green Procurement		Increase in green procurement rate <sup>*4</sup>	80%	★★★

Action targets		Fiscal 2020 target	Fiscal 2020 results	Self-assessment
<b>3 Expand the Green Heart Circle of Love for the Earth</b>				
Carry out and expand environmental activities in collaboration with stakeholders	Encourage employees to take part in environmental activities inside and outside work	Certify all production bases as Green Heart Factories <sup>*5</sup>	39 bases certified (7 in Japan, 32 overseas)	★★
	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 740 students	★★

\*1 Difference between emissions from all Daikin environmentally conscious products and emissions from non-inverter products, air conditioners using conventional refrigerants, and combustion space and 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

# ENVIRONMENTAL MANAGEMENT SYSTEM

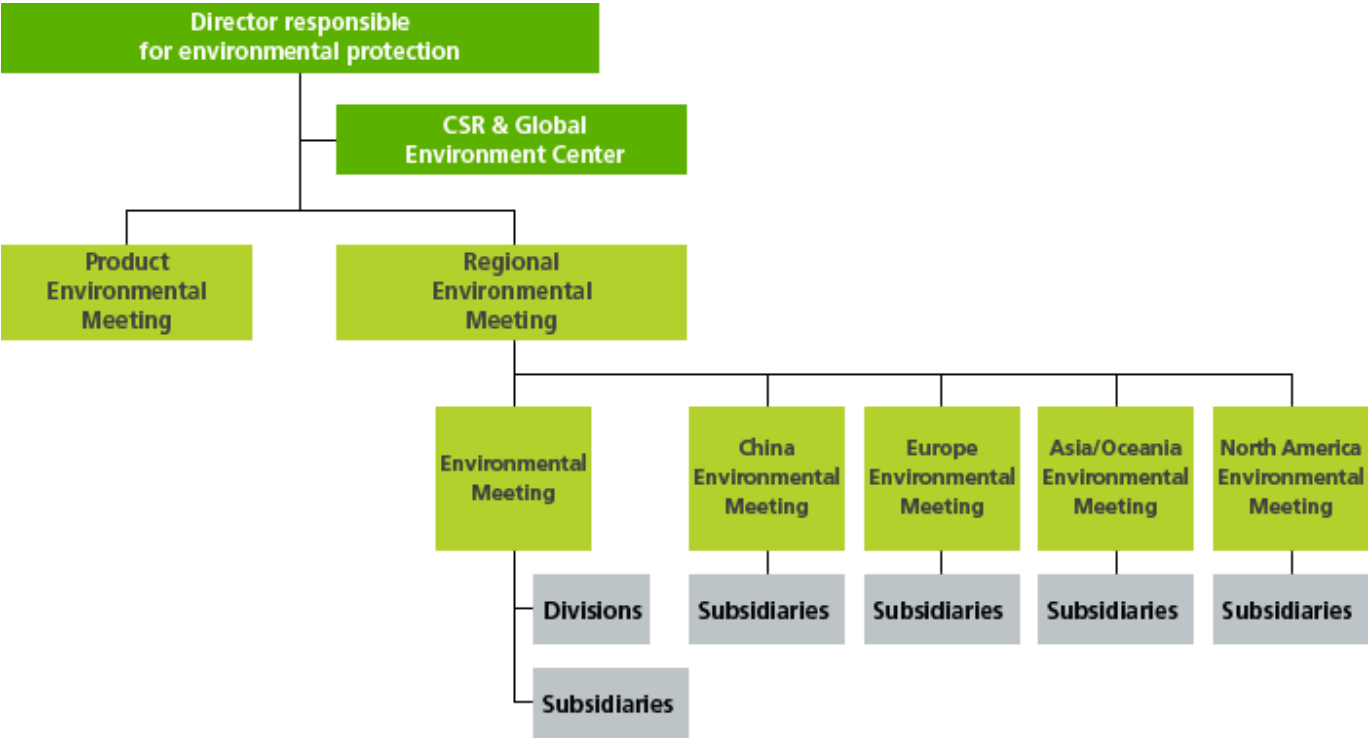
## Basic Policy

### 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 with ISO 14001 Certification (FY2020)



### Related information

▶ [Daikin Bases Certified for ISO 14001](#)  (710KB/4P)

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

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# 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 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.

# 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.

Since the Daikin Group in Japan transitioned to ISO 14001:2015 in fiscal 2016, new initiatives have begun to take hold. The internal audit for fiscal 2020 focused on response to risks and opportunities following the spread of the COVID-19 pandemic and compliance with laws and regulations. One major nonconformity was revealed, but it has since been corrected after clarifying rules, improving competence, and implementing multiple checks. 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 (FY2020)

	Findings from internal environmental audits	Findings by certification bodies
Major nonconformance	1	0
Minor nonconformance	9	0
Improvement	77	5

## **Internal Auditor Training**

As of the end of fiscal 2020, there are currently 78 internal auditors undergoing training and skills improvement at the Daikin Group in Japan. Newly appointed and experienced auditors work in pairs so as to pass on skills from one generation to the next and 11 newly appointed auditors work as assistant auditors. Internal auditors also take annual training to improve their skills and ensure standards are being thoroughly met.

In fiscal 2020, the usual group training was conducted as virtual training, where participants learned more in depth about the ISO 14001 standard.

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

# GREEN HEART FACTORIES AND OFFICES

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## 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 2020, 39 bases in Japan and overseas had been certified as gold (seven bases), silver (16 bases) and bronze (16 bases).

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## 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 2020, seven bases were Gold Class and two bases were Silver Class. In order to enhance environmental awareness among employees, we conducted virtual information sessions on the sustainability report targeting non-production bases, where over 1,000 participants attended. We will continue our efforts in working toward increasing the number of Gold Class bases.

# 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, and incorporates 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 134)

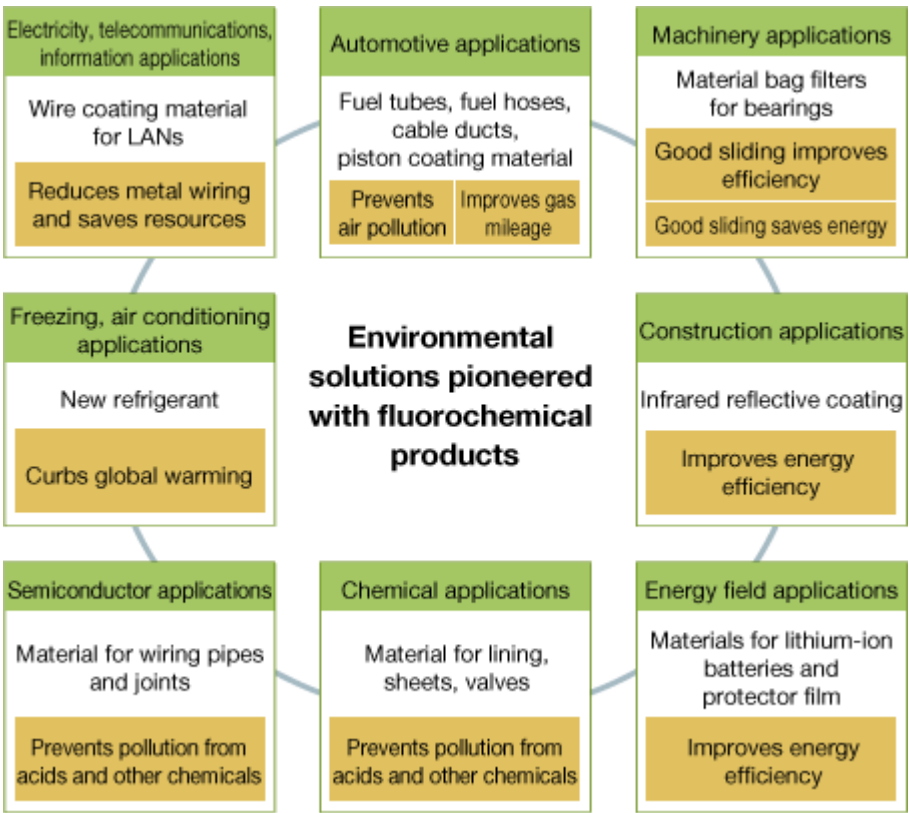
# Environmentally Conscious Fluorochemical Products

## 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.

Utilization of these characteristics in various fields helps contribute to reducing environmental impacts.

### Environmental Solutions Pioneered with Fluorochemical Products



## 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 semi-conductors and the next generation automobile field. In addition, as fluoride materials also contribute to increased capacity of lithium-ion batteries, they are used for electrode binding and gasket. We will continue to expand their use in renewable energy, new energy, and energy-saving applications.

## Product Assessment Items

	Assessment item		Assessment standard
01. Weight reduction of products	1-1	Weight and volume reduction of products, and main raw materials and parts	Have the weight and volume of products (including main raw materials and parts) been reduced?
	1-2	Weight reduction of scarce materials	Have fewer scarce materials been used?
	1-3	Reduction of refrigerants	Has less refrigerant (HFC) been used?
02. Use of recycled materials and parts	2-1	Use of recycled plastics	Have recycled plastics been used?
	2-2	Labelling use of recycled plastics	Have parts been labelled as using recycled plastics?
	2-3	Use of recycled parts	Have reused parts been used, and are these of standard quality?
03. Packaging	3-1	Reduce weight of packaging, simplify packaging	<ul style="list-style-type: none"> <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>
	3-2	Make it possible to recycle more packaging	<ul style="list-style-type: none"> <li>• Has the use of compound materials been reduced?</li> <li>• Is it easy to separate each type of material in compound materials?</li> <li>• Have common materials been used across products?</li> <li>• Has packaging reuse been considered?</li> </ul>
	3-3	Use recycled packaging materials	Has recycled packaging material been used?
04. Reduction in environmental impact in the manufacturing process	4-1	Reduce amount of production waste	Have products been designed so that less waste is generated during production?
	4-2	Energy efficiency in the production stage	Are product specifications such that less energy is consumed in the production stage?

	Assessment item		Assessment standard
05. Energy and resource conservation in use	5-1	Improve energy efficiency during use	Has the product been made more energy efficient during use?
	5-2	Reduce energy consumption in standby mode	Has the product been made more energy efficient in standby?
	5-3	Include energy and resource saving functions	Are there energy and resource saving functions?
	5-4	Reduce amount of product consumables	Has the amount of consumables been reduced?
06. Product life extension	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 style="list-style-type: none"> <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>
	6-3	Possibility and greater ease of maintenance and repair	<ul style="list-style-type: none"> <li>• Have parts requiring maintenance and repair been clearly indicated?</li> <li>• Are parts common across products?</li> <li>• Does construction allow for easy maintenance and repair?</li> </ul>
	6-4	Tell customers how to get longer use out of products	<ul style="list-style-type: none"> <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>

	Assessment item		Assessment standard
07. Ease of delivery/collecting/transporting	7-1	Improve handling and safety of products during delivery, collection, and transport	<ul style="list-style-type: none"> <li>• Have items been loaded evenly and balanced, and can collection and transport take place safely?</li> <li>• For heavy, bulky items, are handles and wheels properly positioned?</li> </ul>
	7-2	Improve loading efficiency of products during delivery, collection, and transport	Is it easy to improve loading efficiency, and is there no danger of items falling off?
08. Raise possibility of reuse of resources	8-1	Raise possibility of use of plastics	Have easy-to-recycle plastics been used?
	8-2	Raise recycling ratio	Has the overall possible recycling ratio of the product been raised?
09. Ease of disassembly and separation of materials by hand	9-1	Easy to disassemble products and separate parts by hand	<ul style="list-style-type: none"> <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 style="list-style-type: none"> <li>• Is shredding with a shredder easy?</li> <li>• Can products and parts fit into a shredder?</li> <li>• Has there been a check to ensure that there are no substances that may damage or dirty the equipment or the materials that will be reused?</li> </ul>

	Assessment item		Assessment standard
11. Environmental conservation capabilities	11-1	Use low global warming potential refrigerants	Do products use low global warming potential refrigerants, which contribute less to global warming?
	11-2	Reduce PVC	Has the amount of PVC been reduced?
	11-3	Protect environment during recycling and disposal stages	<ul style="list-style-type: none"> <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. Disclosure of information	12-1	Label product, parts, user manual, packaging, etc.	Are there energy and resource saving functions?
	12-2	Provide information in product catalogs and on the website	<ul style="list-style-type: none"> <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?

# 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 contains information on the presence or absence of environmental management systems, chemical substances management, and other data.

### 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 ISO 14001 certification, or acquire third-party certification for their environmental management system.)
- Compliance
- Promotion of voluntary activities of improving environment including energy conservation, waste reduction, and improvement of transport means.
- Provision of information (on CO<sub>2</sub> emissions, etc.)

#### Essential conditions for products

- Chemical substance management
  1. Restriction on use of chemical substances
  2. Cooperation to investigation of chemical substances
  3. Voluntary reduction of substances ranked to reduce, and the implementation of adequate management procedures of them
- Packaging materials
- When designing work is involved, eco-friendly design must be employed.
- Biodiversity
- Protecting water resources

➤ [Green Procurement Guidelines \(Supply Chain Management\)](#) (Page 472)

## Targets and Achievements

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

Our goal is to require compliance with the Green Procurement Guidelines by 100% of our suppliers inside and outside of Japan. 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 2020, 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.

We launched green procurement in South America in 2016. In regions where green procurement has been established, such as Europe and China, 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= Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured

Quantitative indicator	FY2021 Target	FY2018 Results	FY2019 Results	FY2020 Results
Rate of supplier compliance with the Guidelines	100%	100%	100%	100%
Increase in green procurement rate		80%	80%	80%

### Green Procurement Rate by Region (%)

	FY2016	FY2017	FY2018	FY2019	FY2020
Japan	91	92	90	93	95
China	96	92	90	93	94
Thailand	95	97	97	97	95
Other countries in Asia and Oceania	58	84	80	74	79
Europe	93	95	95	97	98
North America	30	30	32	32	35
South America	97	94	100	100	100
All regions	74	76	80	80	80

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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 233)
- [Green Procurement Guidelines \(Supply Chain Management\)](#) (Page 472)

# ENVIRONMENTAL ACCOUNTING

## Environmental Accounting

### FY2020 Environmental Accounting Figures

Total environmental protection costs in FY2020 were ¥29.8 billion (investment in equipment: ¥3.8 billion; expenses: ¥26.0 billion), 101% 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 space and 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 Guidelines 2005 released by Japan's Ministry of the Environment.

#### Costs of Environmental Conservation

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

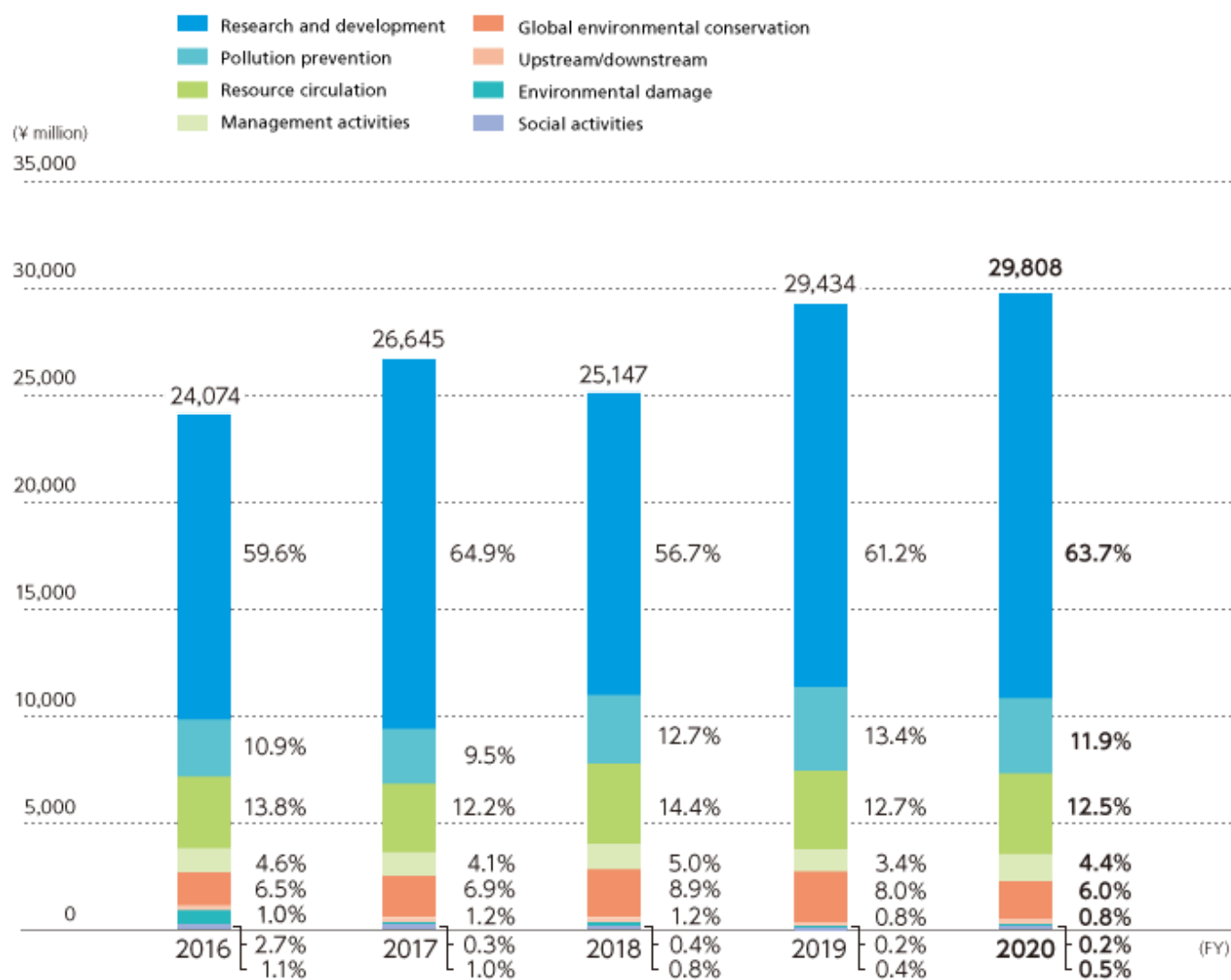
#### Effects of Environmental Conservation

Please see the relevant page for details of each item.

#### Economic Benefits of Environmental Conservation Efforts

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

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



## FY2019 and FY2020 Environmental Costs

(¥ million)

Cost of environmental conservation					
Category	Major activities	FY2019		FY2020	
		Amount of equipment invested	Expenses	Amount of equipment invested	Expenses
Cost in business area		2,995	7,024	2,195	6,868
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.	1,509	2,434	1,122	2,415
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	1,300	1,051	916	884
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	186	3,539	158	3,570
Upstream/downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	23	201	11	227
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	35	964	96	1,215
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	2,127	15,883	1,470	17,518
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	1	120	0.05	137
Environmental damage	Costs for purification of polluted groundwater and soil.	0	61	0	70
Total		5,181	24,253	3,772	26,036
Total of investment in facilities within the period		132,000		137,000	
Total of investment in R&D activities within the period		68,000		71,700	

Effects of environmental conservation				
Effects			FY2019 figures	FY2020 figures
Effects corresponding to business area cost	1. Effects of the resources used for business activities	Reduction in CO <sub>2</sub> emissions caused by energy consumption	18,218 tons-CO <sub>2</sub>	94,569 tons-CO <sub>2</sub>
		Reduction in water consumption	873,383 m <sup>3</sup>	1,470,631 m <sup>3</sup>
	2. Effects against environmental impacts and waste resulting from business activities	Reduction in fluorocarbon emissions	5 tons	7 tons
		Reduction in waste materials	6,065 tons	3,286 tons
Effects corresponding to upstream/downstream cost	Effects associated with benefits and services that are calculated and based on business activities	Number of residential air conditioners collected	410,000 units	460,000 units
		Amount of fluorocarbons recovered	275 tons	269 tons
		Amount of packaging material recycled	98.0 tons	87.0 tons

(¥ million)

Economic benefits of environmental conservation efforts (monetary benefits)			
Effects		FY2019	FY2020
Profit	Profit from sale of recycled items, such as waste or used products, etc.	3,634	5,378
Reduction in expenses	Reduction in energy expenses resulting from energy conservation efforts	162	255
	Reduction in waste disposal expenses resulting from resource conservation or recycling resources	107	20

## Response to Climate Change

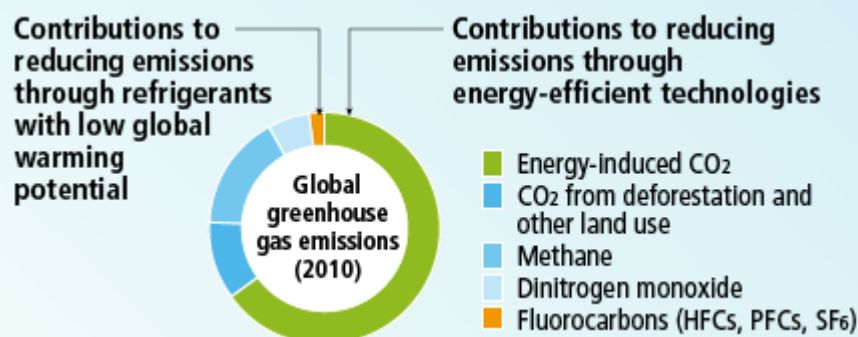


### Basic Policy

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

**Developing and Promoting  
Products and Services That  
Reduce Environmental  
Impact**

(Page 148)

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

**Increasing Air Conditioner  
Efficiency**

(Page 150)

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

**Low Environmental Impact  
Refrigerants**

(Page 162)

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

**Promoting the Use of  
Inverter Products**

(Page 174)

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

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

(Page 177)

We develop space and hot water heaters that use highly energy-efficient heat-pump technology.

**Energy-Efficiency through  
Fluorochemical Products  
and Oil Hydraulic Products**

(Page 183)

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 186)

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

**Providing Solutions**

(Page 191)

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

**Recovery, Recycle, and  
Destruction of  
Fluorocarbons**

(Page 200)

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

## Related information

- [Environment](#) (Page 108)
- [Environmentally Conscious Design](#) (Page 132)
- [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](https://www.daikin.com/csr/EN_Kigali_Agreement_Daikin_Stance_FINAL.pdf))
- [Dialogue with Government and Industry Groups \(Stakeholder Engagement\)](#) (Page 482)
- [Key Activities Fiscal 2020: Environment—Creating Standards for a Decarbonized Society Alongside Stakeholders](#) (Page 592)
- [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>)

# 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.

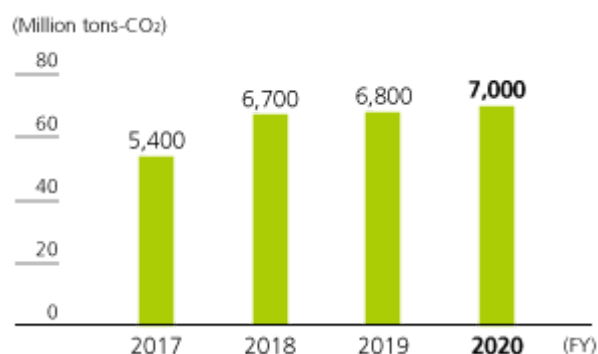
Furthermore, by promoting environmentally conscious products and services all over the world, we will contribute to solving environmental and energy problems while providing a healthy and comfortable air environment.

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## 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<sub>2</sub> 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<sub>2</sub> in fiscal 2020, we surpassed the goal by reducing greenhouse gas emissions by 67 million tons-CO<sub>2</sub> in fiscal 2018, and by 70 million tons-CO<sub>2</sub> in fiscal 2020.

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



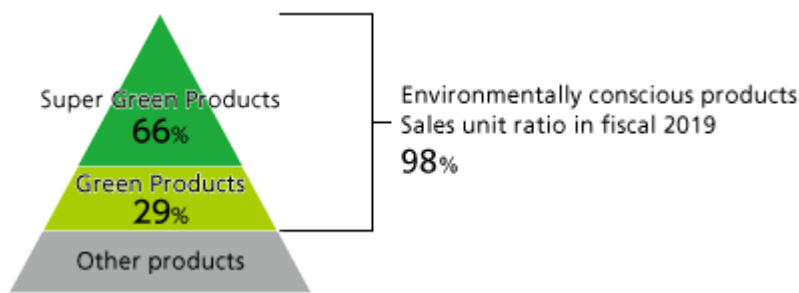
- \* • Difference between emissions from all Daikin environmentally conscious products sold and emissions from non-inverter products, air conditioners using conventional refrigerants, and combustion space and water heaters
- Value of fiscal 2014 is for emerging countries only
- Reviewed by a third-party

# 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 2020, environmentally conscious products accounted for 98% of residential air conditioner units sold.

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



(%)

	2017	2018	2019	2020
Environmentally Conscious Products	83	93	97	98
Super Green Products	47	51	60	69
Green Products	36	42	36	29
Other products	17	7	3	2

\* Environmentally conscious products: A generic term that refers to Super Green Products and Green Products. Air conditioners that meet all of the following conditions are considered Super Green Products, and air conditioners that meet at least one of the following conditions are considered Green Products.

- Consume at least 30% less electricity than conventional products, i.e., 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 low global warming potential

### Related information

- [Promoting the Use of Inverter Products](#) (Page 174)
- [Low Environmental Impact Refrigerants](#) (Page 162)

# 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 provide people with safe and comfortable air 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.

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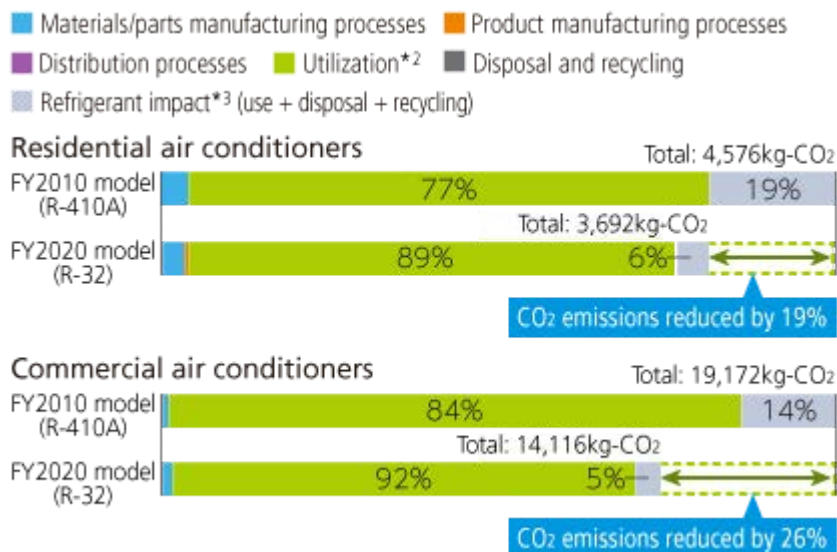
## Life Cycle Assessment

### **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 2020, we reduced CO<sub>2</sub> emissions from residential air conditioners by 19% and from commercial air conditioners by 26% compared to life cycle CO<sub>2</sub> emissions 10 years earlier.

## Sample of LCA: Comparison of CO<sub>2</sub> Emissions over Product Lifecycle\*<sup>1</sup>



\*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

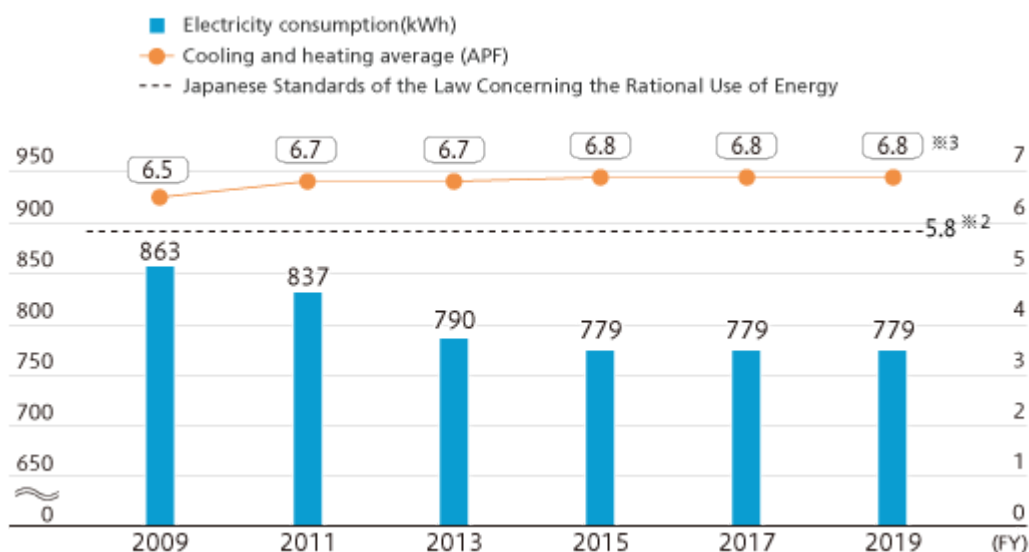
## Improving Annual Performance Factor (APF)\*<sup>1</sup> and Integrated Part Load Value (IPLV)\*<sup>2</sup>

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.

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

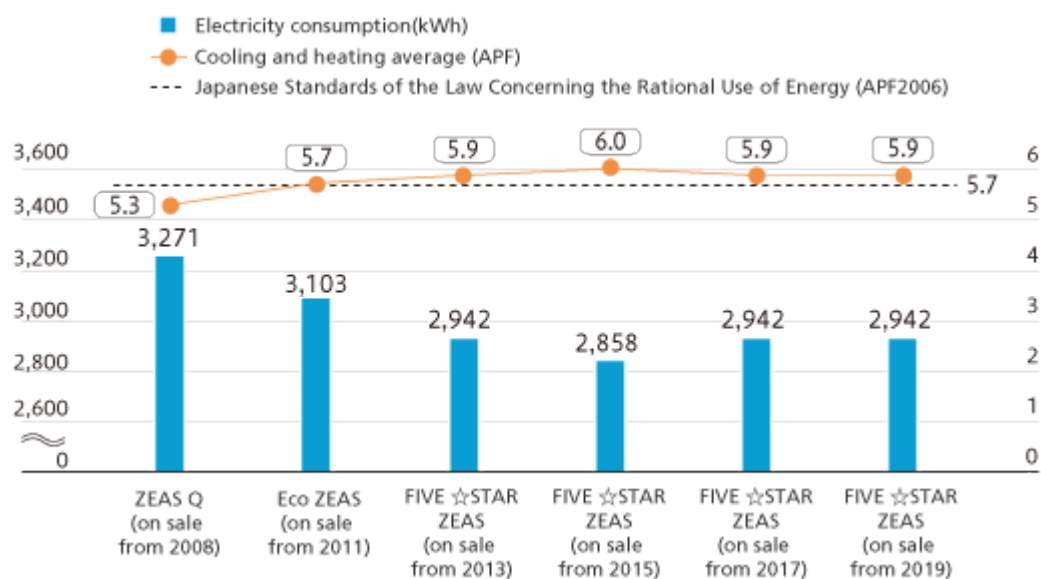


\*1 Calculated for Daikin 2.8-kW class air conditioners. Under JIS conditions.

\*2 For products with prescribed measurements

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

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



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

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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.

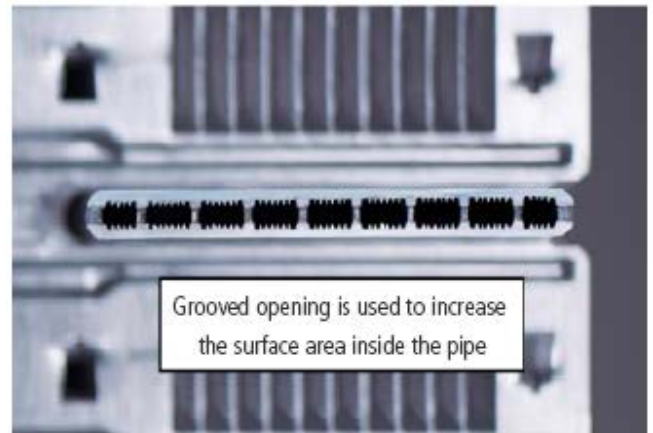
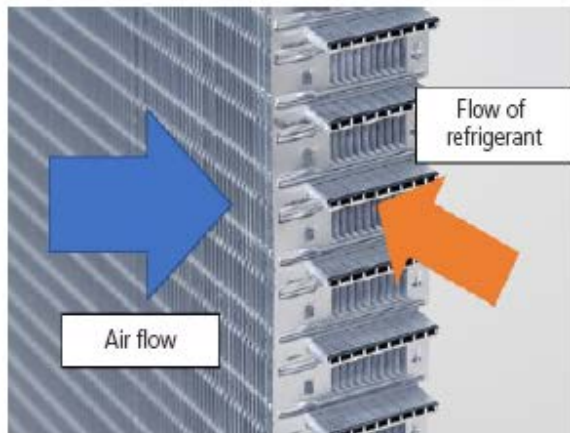
### Multi-Split Type Air Conditioner for Commercial Buildings with Industry-leading Energy Efficiency Performance

The new VRV6, a multi-split type air conditioner for commercial buildings released in July 2018, uses a complete microchannel heat exchanger to achieve high energy efficiency performance.

In August of the same year, 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. This product's global warming potential (GWP) multiplied by refrigerant quantity is around 79% lower than the average for models using the conventional R-410A refrigerant from 2011 to 2013. This amount achieves the Kigali Amendment target for 2029.

We released the new model of VRV X in April 2020. We increased surface area by grooving the refrigerant flow path of the microchannel heat exchanger. This further improves the heat exchange efficiency, making VRV X top of the industry in the field of multi-split type air conditioners for commercial buildings in terms of energy saving performance\*. Moreover, the structure of the outdoor unit on VRV X has been improved, making it more resistant to heat waves, earthquakes and typhoons that have occurred frequently in recent years.

\* Daikin research as of December 2019.



Structure of heat exchanger adopted for use in VRV X

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

The Retrofit Maintenance Plan that Daikin has come up with is a service that reduces energy consumption from existing multi-split air conditioners for commercial buildings. This service earned the Minister's Prize of the Ministry of Economy, Trade and Industry in the product and business model category of the fiscal 2016 Energy Conservation Grand Prize.

The Retrofit System entails replacing parts in the control panel, the air conditioner's brain, and the compressor, the machine's heart, and reducing power consumption by 13% a year. 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, thereby it also contributes to saving resources.

Since the start of the service, we have been expanding the service application to include more models. In fiscal 2020, we added four series to the service lineup. We plan to further expand to include air conditioners featuring cooling-heating-free system, which enables simultaneous cooling and heating operation, in fiscal 2021.

## Released Venti-air, an Exposed Installation Total Heat Exchanger Unit that Achieves both Ventilation and Energy Saving for Business Stores, etc.

Venti-air, an exposed installation type of total heat exchanger unit, is a commercial ventilation equipment that can be used in small spaces. It is equipped with a built-in energy recovery apparatus to prevent cool or hot air to escape from indoors, and achieves efficient ventilation without compromising the energy efficiency. In comparison to installation of a general ventilation equipment, this product is capable of reducing 26% of the increased power consumption.\* The energy saving performance and ease of retrofit installation on an existing building has earned the product the Chairman Prize of Energy Conservation Center, Japan, in the product and business model of the fiscal 2020 Energy Conservation Grand Prize.

The design is also familiar to the interior of cafes and shops, making it easy for store to adopt the exposed installation type model, as well as giving rise to having conversation with customers on ventilation.

\* Surveyed by Daikin, as a comparison to common ventilation equipment (250 m<sup>3</sup>/h) in a small sized store of 25 m<sup>2</sup> to meet the recommendation of 30 m<sup>3</sup>/h/person by the Ministry of Health, Labour and Welfare.



Example of exposed Venti-air installation

## Released IoT Energy Management Service Ene Focus α

We released Ene Focus α, a new remote monitoring service for air conditioners in December 2020. This service enables customers to continuously achieve energy conservation in their air conditioner use through automation of energy-saving operation schedule that suits each user and regular suggestions made to improve operations based on the remote monitoring data.

### Related information

› [Daikin energy management system Ene Focus α \(available in Japanese only\)](https://www.daikin.co.jp/fcs/ene_focus_a/) 

([https://www.daikin.co.jp/fcs/ene\\_focus\\_a/](https://www.daikin.co.jp/fcs/ene_focus_a/))

## Products for Detached Homes Added to DESICA Series

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

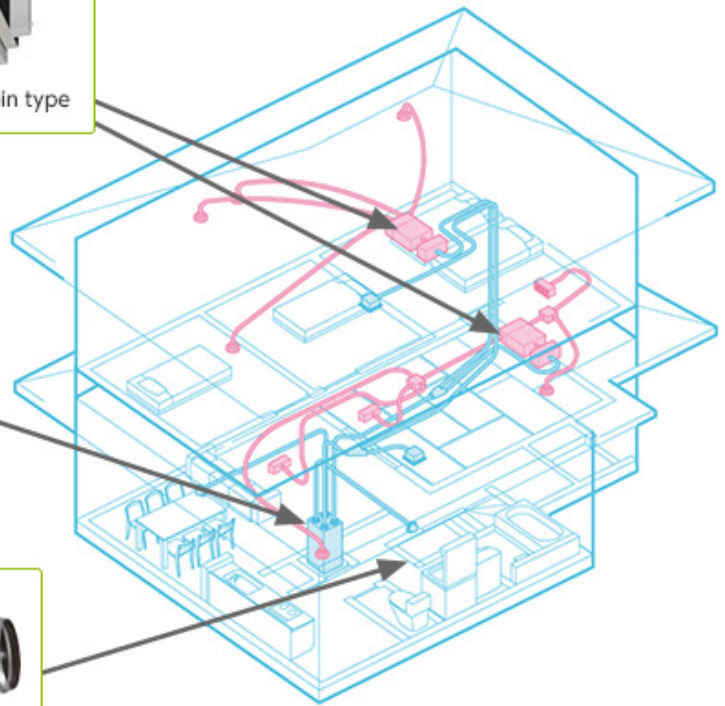
In autumn 2012, Daikin Industries, Ltd. released the DESICA HOME AIR for detached homes, which controls humidity and ventilation throughout the entire house. Just one unit offers round-the-clock, year-round comfort control for all rooms in homes with floor space of between 120 m<sup>2</sup> and 200 m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

## DESICA HOME AIR

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

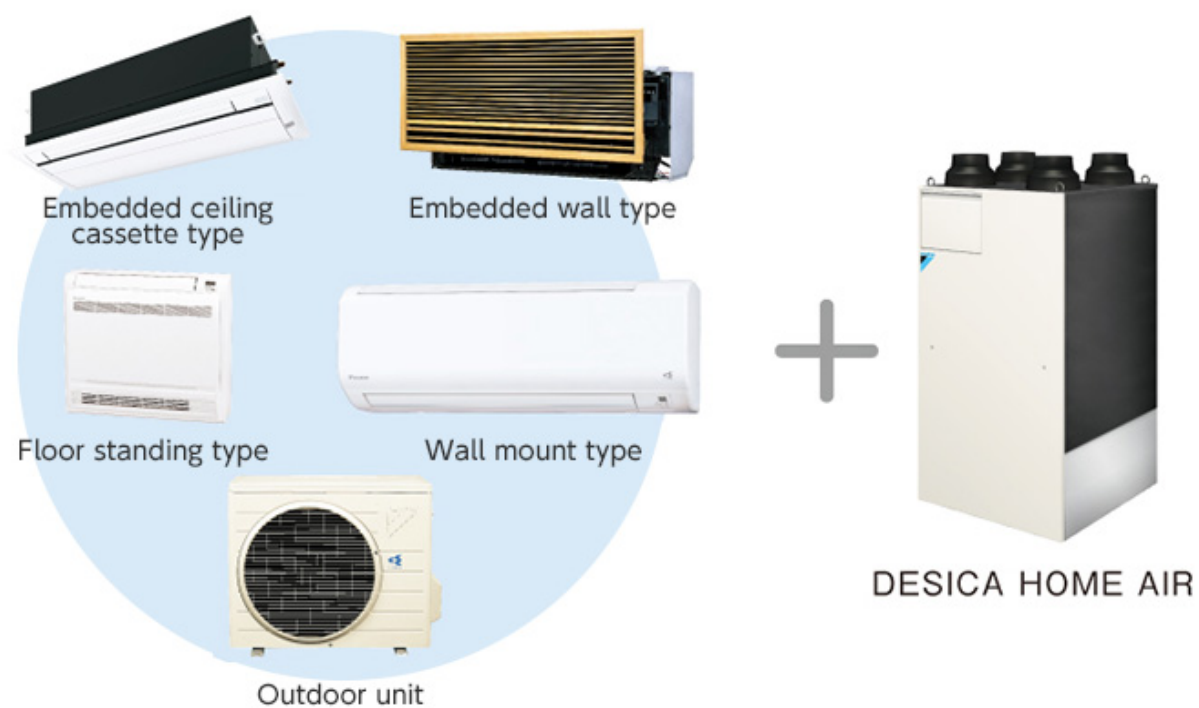
### Suggestion for Combining All-Room Air Conditioning with DESICA

#### Air conditioner



Can be combined with individual air conditioning units

## Suggestion for Combining Individual Air Conditioners with DESICA



### Related information

➤ [DESICA HOME AIR \(available in Japanese only\)](http://www.daikinaircon.com/catalog/kanki/desica_home/)   
([http://www.daikinaircon.com/catalog/kanki/desica\\_home/](http://www.daikinaircon.com/catalog/kanki/desica_home/))

## Adopted R-32 Refrigerant in the 8-10 Horsepower Air-Cooled Small- to Mid-Sized Chillers

Daikin revamped the full model of small-medium air-cooled chillers with 8–30 horsepower, and released new products that use R-32 refrigerant with a low global warming potential in February 2021. Daikin is the first company in the industry to launch products in the same horsepower class using R-32.

In addition to adopting R-32 that have a lower global warming potential (GWP) compared to the conventional R410A refrigerant, we also drastically reduced the amount of refrigerant charge with our all aluminum microchannel heat exchangers, making our products top class in the industry in terms of both environmental and energy performance.

As the first company in Japan to launch air-cooled small- to mid-sized chillers using R-32 which are in high demand in factories, we are contributing to reducing environmental impact and promoting energy conservation through industrial application. This product can be combined with a compact air handling unit to improve ventilation volume, which has a growing need in the central air conditioner market amid the COVID-19 pandemic.



Air cooled heat pump chiller 10 horsepower (left), 30 horsepower (right)

## Urusara XA Series and DX Series Energy Efficient Residential Air Conditioners

The Urusara XA Series and DX Series of energy efficient residential air conditioners released in November 2019 are products that have been 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

# 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)



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

Residential	Commercial, Industrial	
Residential Air Conditioners and Heat Pumps	VRF Systems	Refrigeration Systems
R-32	R-32	R-32, R-407H, HFOs, HFO blends, CO <sub>2</sub> , Hydrocarbon, etc.
Residential Hot Water Supply Systems	Commercial Air Conditioners and Heat Pumps	Chillers and Heat Pumps
R-32, CO <sub>2</sub>	R-32	R-32, R-1234ze(E), R-1233zd(E), Other HFOs, HFO blends

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.

### 1 Role as a Refrigerant Manufacturer

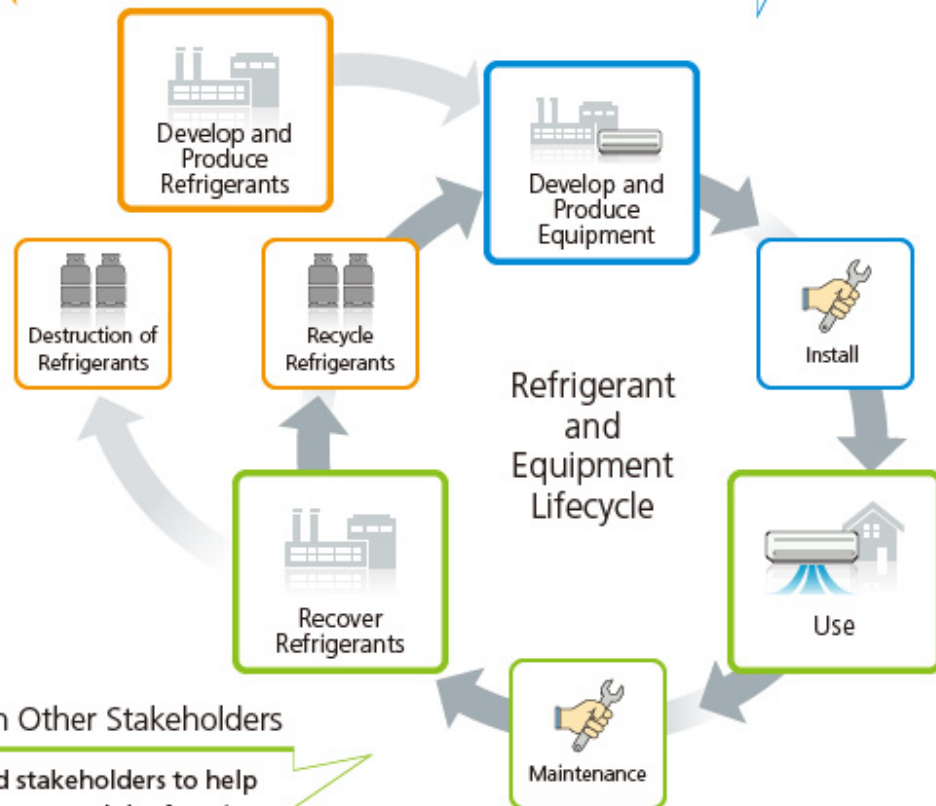
Daikin will continue to develop new refrigerants in response to diverse needs and aim for the realization of a circular economy for refrigerants by recovering and reusing them. Daikin commits to utilizing and providing refrigerants that meet diverse needs and aims to achieve an environmentally conscious refrigerant lifecycle by reclamation and recycling.

### 2 Role as an Equipment Manufacturer

Daikin continues to improve the energy efficiency of equipment and systems, and to select optimal refrigerants that meet various needs.

### 3 Collaborating with Other Stakeholders

Daikin works with related stakeholders to help achieve a self sustainable approach by focusing on refrigerant leakage prevention and refrigerant recovery.



## 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.

#### **Related information**

➤ [Key Activities of Fiscal 2015: Environment—Creating a New Market that Contributes to the Mitigation of Global Warming](https://www.daikin.com/csr/feature-past/feature2015-environment.pdf)  (2.0MB)

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

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## 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.

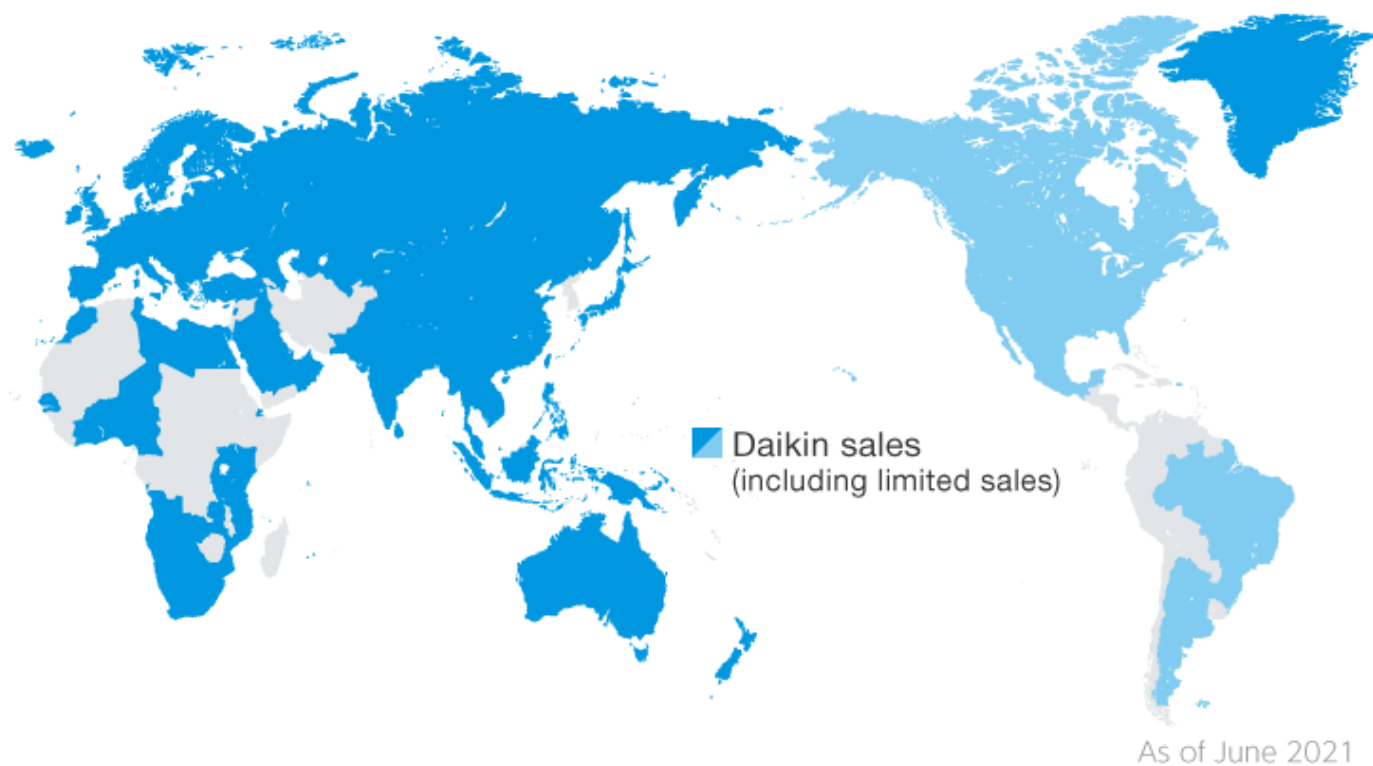
To encourage the adoption of R-32 globally, in September 2011 Daikin began offering companies in emerging countries 93 patents related to the manufacture and sales of air conditioners that use R-32 free of charge. In September 2015, these patents were offered to companies worldwide, including developed countries. In 2019, we made a non-assertion pledge, which offers free access to around 180 patents filed since 2011 related to the manufacture and sales of air conditioners that use R-32. This pledge is now helping reduce the impacts of global warming by making the broader use of R-32 possible. In July 2021, this pledge was further extended to include 123 more patents.

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 33 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 160 million units, whose contribution to CO<sub>2</sub> emissions reduction is estimated at 260 million tons (calculated by Daikin as of June 2021).

Cumulative Total of R-32 Air Conditioners Sold by Daikin (As of June 2021)

Over **33** million air conditioners sold in more than **100** countries worldwide  
(Approx. 13.5 million in Japan and 19.5 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 overall the optimal refrigerant for today's residential and commercial air conditioners. In July 2019, we made a non-assertion pledge to offer free access to around 180 patents in order to further promote the spread of R-32. In July 2021, this pledge was further extended to include 123 more patents.

Moreover, 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.

## 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. cooperated with A-Gas, a company based in the U.K. that recovers and reclaims refrigerant, and released simple recycling equipment under the Daikin brand in fiscal 2019. 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 $\infty$ P by Daikin air conditioners that use reclaimed refrigerant.

Going forward, Daikin will continue to implement efforts to widely permeate this scheme in Europe.

### Main progress and results in fiscal 2020

- **Began demonstration experiment with participation in the EU Grant Project**

Daikin Europe N.V. and Daikin Central Europe participated in the EU funding program of the LIFE3R project. In the LIFE3R project which strives for a circular economy of fluorocarbons, demonstration experiments such as recovery, recycle, and reuse of refrigerants and online trading of recovered refrigerants were started in three countries in the EU in November 2020.

- **Released the portable refrigerant reclaim machine**

We launched a high performance portable refrigerant reclaim machine equipped with an oil separator with electrostatic separation technology in the European market in April 2020. Using the machine, refrigerants can be renewed with a high purity by eliminating impurities from the recovered refrigerant. We aim to expand the utilization of simple regenerated refrigerants in anticipation of the rising price of refrigerants and tight supply and demand balance in the future.

- **Launched Reclaim with Confidence Program in the U.K.**

We launched Reclaim with Confidence Program, a new refrigerant reclamation package service, in the U.K. By combining the services of recycle cylinder handling by air conditioner wholesalers and the refrigerant reclamation by A-Gas, we are able to provide our refrigerant recovery service to a wide range of targets who are not our direct customers.



Portable Refrigerant Reclaim Machine with Electrostatic Separation Technology



Refrigerant recovery in Europe



## 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](https://www.daikin.com/csr/pdf/press_20190701.pdf)  (236KB)  
([https://www.daikin.com/csr/pdf/press\\_20190701.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](https://www.daikin.com/csr/feature-past/feature2015-environment.pdf)  (2.0MB)  
(<https://www.daikin.com/csr/feature-past/feature2015-environment.pdf>)
- ▶ [Key Activities of Fiscal 2019: Environment—Launched New Refrigerant Service in Europe Contributing to a Circular Economy](https://www.daikin.com/csr/feature2019/01.html)  
(<https://www.daikin.com/csr/feature2019/01.html>)
- ▶ [Dialogue with Governments and Industry Groups](#) (Page 482)

# PROMOTING THE USE OF INVERTER PRODUCTS

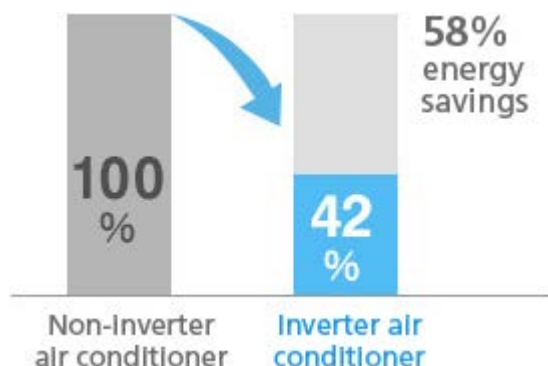
To reduce global warming worldwide, it is crucial to spread the use of highly energy efficient products, such as those using inverters, to all countries. Daikin is developing affordable air conditioners for Southeast Asian countries, where market penetration is still low. We are also working to support 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/about/why_daikin/benefits/inverter/index.html)  ([https://www.daikin.com/about/why\\_daikin/benefits/inverter/index.html](https://www.daikin.com/about/why_daikin/benefits/inverter/index.html))

# 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 a relatively low price especially for the Asian cooling-only 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.

### Inverter Products as Percentage of All Residential Air Conditioners Worldwide (FY2020)

Market	Inverter percentage
Japan	100%
EU	100%
Australia	98%
Brazil	69%
India	63%
China	60%
Saudi Arabia	30%

Source: BSRIA

## 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)  
(<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](https://www.daikin.com/csr/feature-past/feature2015-environment.pdf)  (2.0MB)  
(<https://www.daikin.com/csr/feature-past/feature2015-environment.pdf>)
- ▶ [Dialogue with Government and Industry Groups](#) (Page 482)

# 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>.

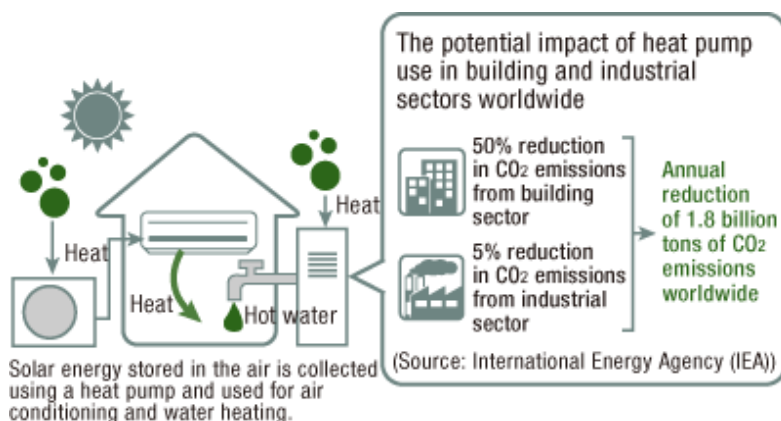
Daikin is engaged in the development and promotion of hot water heaters and space heaters using highly energy-efficient heat pump technology while striving to increase comfort and reduce CO<sub>2</sub> emissions.

## Heat-Pump Technology

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

The heat pump system is a technology that cools the air and heats water by extracting the heat stored in the air. 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/about/why_daikin/benefits/heatpump/)  ([https://www.daikin.com/about/why\\_daikin/benefits/heatpump/](https://www.daikin.com/about/why_daikin/benefits/heatpump/))

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

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

Policies on the use of renewable energy have been promoted in Europe since late 1990s. In January 2009, the heat pump was recognized in the EU as technology that captures renewable energy and heat pump heaters are being recommended as part of this target. A building taxation system based on CO<sub>2</sub> emissions standards has come into effect in London in 2019 and in Germany in 2021, with the gradual switch from gas boiler to heat pump in progress.

For the European space heating market, we will expand the product line up and carry out meticulous marketing efforts as we make our heat pump and gas-combustion-type products more energy efficient in the market around the world and thus contribute to reducing CO<sub>2</sub> emissions.

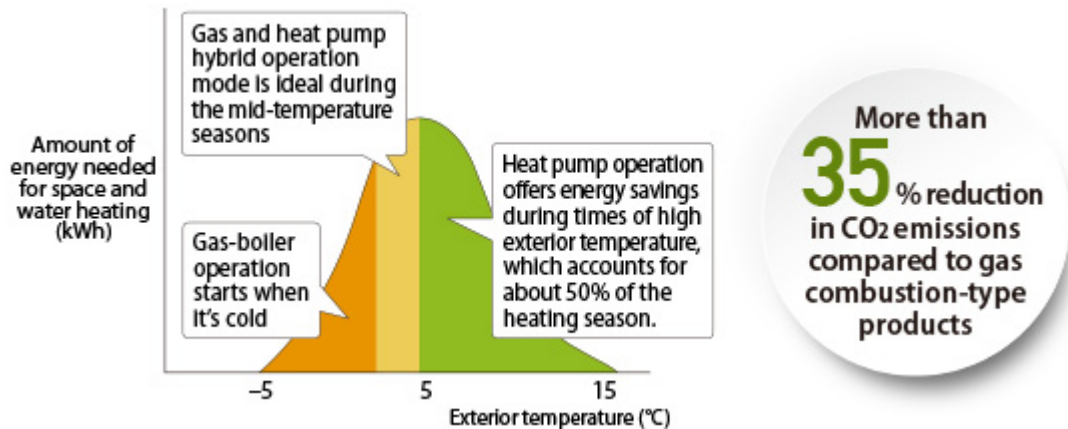
## Examples of promotion activities of heat pump and gas-combustion type space and water heaters in Europe

Items	Details and results of activities
Daikin Altherma heat pump space and water heater	Development of models for the European market (2006) and expanding the product lineup as needed since then
	Development of hybrid products combining heat pumps and boilers for extremely cold regions (2014)
	Development of a small-capacity hybrid 4 kW space and water heater and space and water heaters that utilize geothermal energy intended for use by major home builders, local municipalities, and public power companies
	First in the industry to release models using R-32, a refrigerant with low global warming impact (2018)
	Regained top share (2019)
	Introduction of R-32 in the large capacity class of Monoblock which requires no refrigerant piping connection process (November 2020)
	Released Water Plumbing Kit, which simplifies on-site plumbing construction (launched in France in May 2020 and within EU in July 2021)
High energy efficient gas combustion space heaters	Focused on developing since fiscal 2014 in aims to expand options in energy efficient models
Promote switch to energy efficient models based on need	<p>Provide suggestions on switch to the best suited energy efficient model based on usage and size</p> <ul style="list-style-type: none"> <li>• Switch from space heater with big environmental impact to heat pump</li> <li>• Switch to hybrid type products that automatically selects between heat pump and gas combustion for equipment with moderate impact</li> <li>• Switch to energy efficient gas combustion heating for equipment with a small environmental impact</li> </ul>
Expand product line up in accordance with the multiple climate conditions and market needs in Europe	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 (fiscal 2019)
Activities at Daikin Asahikawa Laboratory (Asahikawa, Hokkaido)	Developing new space and water heating systems that will offer comfort and energy efficient for the world's extremely cold regions (since December 2013)

## Daikin Hybrid Altherma

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.

In fiscal 2019, we released system that allows heat pump outdoor units to be retrofitted on existing boilers using Hybrid Altherma. This enables energy saving using existing equipment in place.



## 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.

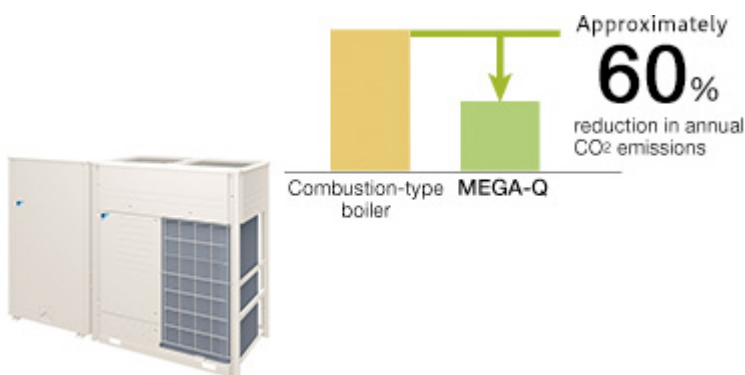


## Promoting Highly Energy-efficient Products Including the MEGA-Q Large-Scale Heat-Pump Hot Water System in the Japanese Commercial Market



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<sub>2</sub> Emissions: MEGA-Q Large-Scale Commercial Heat-Pump Water Heating System versus Combustion-Type Boiler



#### Related information

- ▶ [Key Activities of Fiscal 2017: Customer Satisfaction—Create a Mechanism That Brings Peace of Mind by Promoting Adoption of Low-Environmental- Impact Heat-Pump Heating](https://www.daikin.com/csr/feature2017/03.html)  
(<https://www.daikin.com/csr/feature2017/03.html>)
- ▶ [Commercial heat-pump hot water heaters \(available in Japanese only\)](http://ec.daikinaircon.com/ecatalog/DKCB028/)   
(<http://ec.daikinaircon.com/ecatalog/DKCB028/>)
- ▶ [Danzen Heat heat-pump heaters \(available in Japanese only\)](http://ec.daikinaircon.com/ecatalog/DKCB032/)   
(<http://ec.daikinaircon.com/ecatalog/DKCB032/>)

# ENERGY-EFFICIENCY THROUGH FLUOROCHEMICAL PRODUCTS AND OIL HYDRAULIC PRODUCTS

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## Fluorochemical Products

### Fluorine Characteristics Help Improve the Performance of Lithium-Ion Batteries

We offer gasket and binder materials that utilize the characteristics of fluorine for use in lithium-ion batteries. In addition, we are also undertaking development of binders that do not rely on solvents as a next-generation material which could lead to reduction of environmental impact.

As the use of renewable energy encouraged is seen in policies of each country and region globally, lithium-ion batteries as power storage system that is indispensable has attracted attention. Daikin aims to contribute to reduction in CO<sub>2</sub> emissions through development and provision of outstanding materials.

### Refrigeration Equipment Lineup with Lower Global Warming Potential Refrigerants

Daikin is gradually expanding product lineup of refrigerants with a lower global warming potential (GWP) than the R-404A refrigerants used in many conventional refrigeration equipment.

In addition to our R-407H refrigerant developed in-house, we also released the R-448A product manufactured by Honeywell International Inc. in Japan in 2020. In 2021, we plan to release R-455A, made by the same company, in Europe, which has cleared the GWP 150 or less stipulated by the European F-gas regulations. Additionally, we are also conducting in-house development of next generation refrigerants with zero GWP for air conditioners use.

#### Related information

➤ [NEOFLON ETFE EP-Series](#) 

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

# Oil Hydraulic Equipment

## Energy-Efficient Hybrid Hydraulic Super Unit

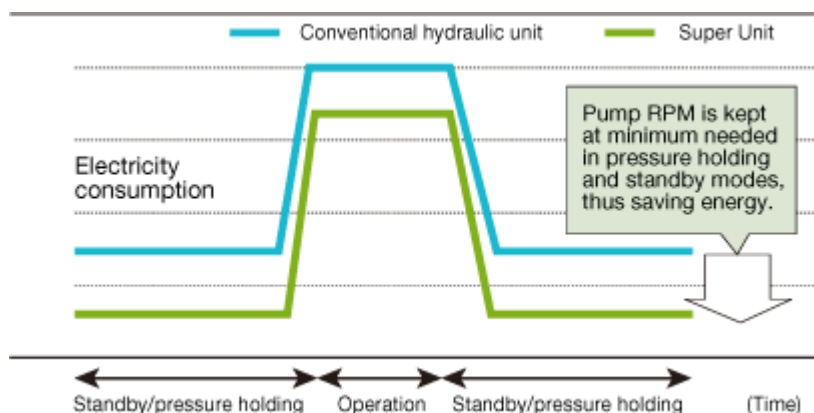
### Energy Savings and Lower CO<sub>2</sub> Emissions in Factories

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.

## 9 Series Oil Cooling Unit

### Product Lineup Expanded to Meet Extensive Range of Needs





In machine tools, Daikin's Oil Cooling Unit makes possible detailed temperature control of the lubricating and cooling oil, which has a major effect on the precision of the work. Daikin's 9 Series Oil Cooling Unit allows temperature adjustment to  $\pm 0.1^{\circ}\text{C}$ . In addition, with inverter control and the most advanced compressor, it offers 45% greater energy efficiency than conventional on/off controllers. In fiscal 2020, we left the 9 Series as is with its high energy efficiency, and released the 10 Series, a compact, light-weight, transformerless 400V model, and expanded our product lineup in fiscal 2021.

At the same time, we are also developing some models in the oil cooling unit lineup in a water-cooling type. This style of product eliminates heat outside of the factory using cooling water in order to eliminate waste heat from general air-cooling-type Oil Cooling Units inside a factory. We released some models in fiscal 2018, and in fiscal 2019, we expanded our lineup of coolant-cooling type products. Furthermore, in 2020, we also released products for oil cooling, as well as added more water cooling type products to our lineup.



Transformerless 400V Oil Cooling Unit

#### Related information

- [SUPER UNIT](https://www.daikinpmc.com/en/special/sut/)  (<https://www.daikinpmc.com/en/special/sut/>)
- [ECORICH](https://www.daikinpmc.com/en/special/ecorich/)  (<https://www.daikinpmc.com/en/special/ecorich/>)
- [Oil Cooling Unit](https://www.daikinpmc.com/en/special/oilcon/)  (<https://www.daikinpmc.com/en/special/oilcon/>)
- [Oil Cooling Unit 10 Series 400V Model](https://www.daikinpmc.com/en/special/oilcon/10series/lp/)  (<https://www.daikinpmc.com/en/special/oilcon/10series/lp/>)

# REDUCING GREENHOUSE GASES DURING DEVELOPMENT, PRODUCTION AND TRANSPORTATION

## Reducing Greenhouse Gas Emissions During Development and Production

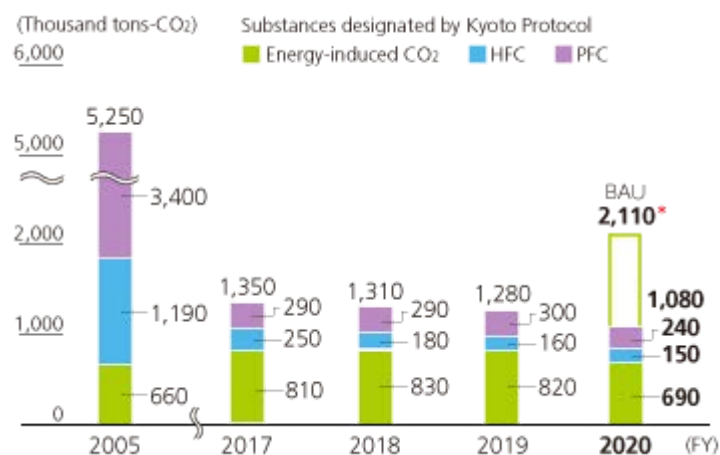
**Target Reached: 79% Reduction Compared to Fiscal 2005, achieved Environmental Action Plan 2020**

Daikin strives to reduce greenhouse gas emissions during the product development and production processes.

Daikin emits two kinds of greenhouse gases during development and production processes: CO<sub>2</sub> from energy use, and fluorocarbons. We have set goals for reducing greenhouse gas emissions during the product development and production processes in fiscal 2020 by 70% and in fiscal 2025 by 75% in comparison to fiscal 2005. We reached our Environmental Action Plan 2020 goal with greenhouse gas emissions in fiscal 2020 of 1.08 million tons-CO<sub>2</sub> (79% reduction compared to fiscal 2005). As an energy initiative, we purchased green electricity at Goodman Manufacturing Company, L.P. in the U.S. and installed a 5 MW sized solar power generation system at Daikin Tukey A.S.

In addition, regarding fluorocarbons, we have introduced couplers (joints) with less leakage when charging refrigerants in air conditioners in Japan in fiscal 2020.

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



\* Amount of emissions assuming business growth without taking measures (fiscal 2016 as baseline)

## Related information

- [Method of Calculating Greenhouse Gas Emissions Data](#) (Page 612)
- [Search by ESG Data](#) (Page 622)

## Terminology

### Greenhouse Gases

Greenhouse gases as major cause of global warming, CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, and four fluorinated gases (HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>), are subject to regulation based on the Kyoto Protocol.

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

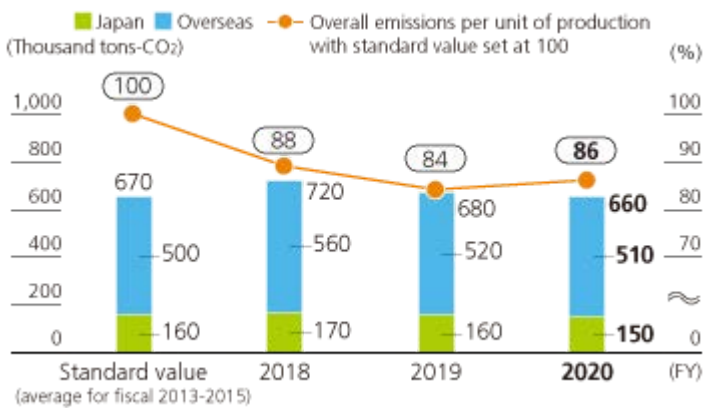
## CO<sub>2</sub> Emissions per Production Unit Dropped by 14% Against Standard Value

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 2020, CO<sub>2</sub> emissions per production unit dropped 14% against the standard value. Following from the previous fiscal year we have continued to visualize energy usage at each location, minimize use, and improve low pressured compressed air in fiscal 2020.

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



#### Related information

[Search by ESG Data](#) (Page 622)

### Terminology

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

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

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

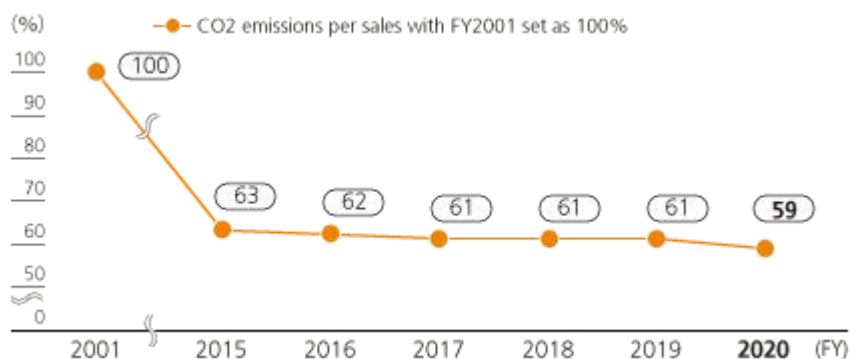
## CO<sub>2</sub> Emissions per Sales Reduced by 4.4% Over Fiscal 2015

Daikin Industries, Ltd. set a goal of decreasing CO<sub>2</sub> 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 2020, we also introduced transportation by railway for the return trip from Tokyo to Kansai. This initiative to utilize roundtrip travels is also recognized by the Ministry of Land, Infrastructure, Transport and Tourism's Promotion of Modal Shift-Intermodal Transportation.

The modal shift conversion rate in fiscal 2020 was 21%.

## 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.

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 7,230 MWh a year at development and production bases in Japan and overseas. This is equivalent to CO<sub>2</sub> emission reductions of approximately 4,000 tons-CO<sub>2</sub> (estimated by Daikin).

Moreover, in Europe, where governments using EU directives on renewable energy like solar, wind, and hydro powers, we are aiming to have renewable energy account for 20% of the energy mix by 2020. We have introduced green electricity to power factories and offices at Daikin Europe N.V., AAF (UK), Daikin Device Czech Republic s.r.o., and Daikin Applied Europe.

In Asia and Oceania, we are installing large scale solar panels at Daikin Industries (Thailand) Co., Ltd., Daikin Compressor Industries, Ltd. and Daikin Airconditioning India Pvt. Ltd.

In fiscal 2020, we purchased green energy at Goodman Manufacturing Company, L.P. in the U.S. and installed a 5 MW sized solar power generation system at Daikin Turkey A.S.

Going forward, we will continue to implement the use of renewable energy globally.



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

## 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.

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### Optimal Energy Management for Buildings

#### Initiatives to 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. 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. Daikin has accumulated knowledge and advanced technology on LED lighting control as well as air conditioners and ventilation systems and their controls. It is possible to achieve ZEB using our unique system that is versatile and popular for application in existing small- and medium-sized buildings with high energy-saving potential as well as new buildings.

In 2015, , we carried out ZEB demonstration testing at our R&D base, the Technology and Innovation Center (TIC), a newly-built large facility. In 2017 at the Daikin Industries, Ltd. building in Fukuoka (Fukuoka Building), we received ZEB Ready Distinction for a small- and medium-sized renovated building.

In addition, we registered as a ZEB planner in response to call for applications by the Sustainable open Innovation Initiative in order to accelerate our ZEB planning business while leveraging the success we have had so far to provide solutions that increase the number of ZEB buildings. Going forward, we are focusing on making proposals with ZEB, as well as collaborate on projects with general contractors advanced in making ZEBs in Japan and overseas.

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

## First Company in Japan to Receive ZEB Ready Distinction for a Tenant Building of over 30 Years

A building owned by Anabuki Kosan Inc. received ZEB Ready Distinction in January 2019 and received the Chairman Prize of the Energy Conservation Center, Japan, in the Energy Conservation Case Category of the fiscal 2020 Energy Conservation Grand Prize. Daikin provided consultation on energy conservation and ZEB support, and reduced approximately 68% of energy consumption compared to the standard. This was the first tenant building of over 30 years of age in Japan to receive the ZEB Ready Distinction.

In this manner, Daikin is leveraging its expertise on turning existing, older buildings into ZEB to accelerate its delivery of solutions address energy conservation challenges.



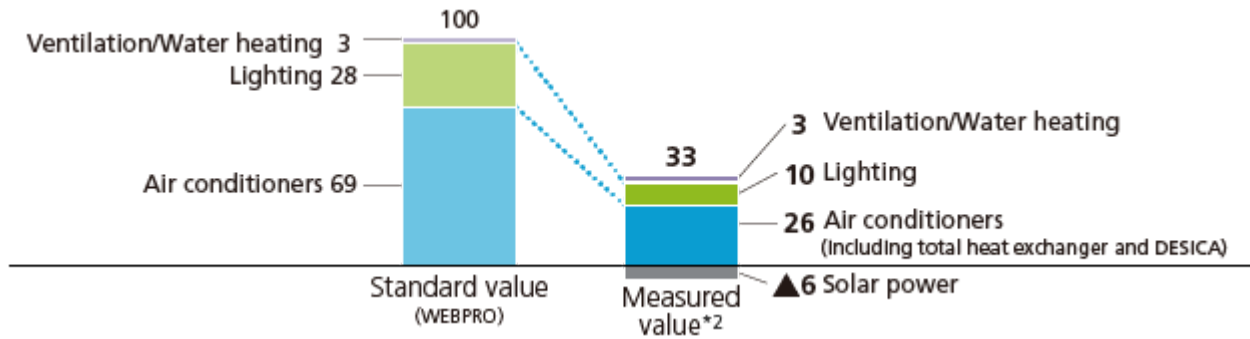
Logo of the Energy Conservation Grand Prize

## Results of ZEB related activities by Daikin

Time	Activity & results	Third-party evaluation and recognition
November 2015 (construction completion)	Achieved ZEB for new, large-scale building at our TIC	<ul style="list-style-type: none"> <li>• ZEB</li> <li>• LEED® Platinum certification (July 2016)</li> <li>• CASBEE certification in the S class (evaluation agency: Institute for Building Environment and Energy Conservation (IBEC))</li> <li>• ASHRAE Honors and Awards (October 2017)</li> </ul>
May 2017	<p>Received ZEB Ready Distinction in the renovation of Daikin Industries, Co., Ltd. Fukuoka Building for small- and medium-sized buildings</p> <p>Features: Transforming a 20-year old building (constructed in 1996) with high-efficiency air conditioner and ventilation system and control system for AC and LED lighting</p>	<ul style="list-style-type: none"> <li>• ZEB Ready</li> <li>• Director-General Prize of Agency for Natural Resources and Energy, fiscal 2018 Energy Conservation Grand Prize</li> </ul>
October 2017	Registered as a ZEB planner	
January 2019	<p>Received ZEB Ready Distinction for a building owned by Anabuki Kosan Inc.</p> <p>Features: Daikin provided energy-saving consulting and ZEB support. First tenant building in Japan to achieve the distinction with over 30-years of age.</p>	<ul style="list-style-type: none"> <li>• ZEB Ready</li> <li>• Chairman Prize of Energy Conservation Center, Japan, at the fiscal 2020 Energy Conservation Grand Prize, Energy Conservation Case Category</li> </ul>
March 2020	<p>Esaka Building owned by Daikin Industries, Co., Ltd. received ZEB Ready Distinction</p> <p>Features: A 67% reduction in annual energy consumption compared to the standard value*. Received both ZEB and CASBEE Wellness Office certification for energy conservation as well as taking workers health into consideration in the refurbishing of the small- and medium-sized building.</p>	<ul style="list-style-type: none"> <li>• ZEB Ready</li> <li>• Received certification of CASBEE Wellness Office A class (evaluation agency: Institute for Building Environment and Energy Conservation (IBEC))</li> </ul>

\* Standard value: Energy consumption value of common buildings of the same size (reference building).

## Energy Performance Assessment of Daikin Industries, Ltd. Fukuoka Building (Primary Energy Consumption\*1)



\*1 ZEB assessments do not include electricity consumed via wall sockets.

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

## 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.



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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 2020, Shenzhen McQuay Air Conditioning Co., Ltd. received the LEED® Gold certification, as well as the Three Star Green Building Design Label Certificate.



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.



LEED® Gold certification  
(Shenzhen McQuay Air Conditioning Co., Ltd.)



Three Star Green Building Design Label Certificate

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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 and Industrial Technology Development Organization (NEDO). Under this project, the heating systems were converted to the heat-pump space and water heater, Daikin Altherma, models to improve energy efficiency in 550 homes. We also conducted a demonstration project for a potential business model using automated demand response technology<sup>\*1</sup>, in which the air conditioner operation is controlled at multiple residences, and excess electricity is generated.

In fiscal 2019, we continued to participate 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 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 plan to provide over 250 units of Daikin Altherma as part of this project.

Since fiscal 2016, we have also been participating in a verification project of automated demand response technology in Lisbon, Portugal. We worked together with the New Energy and Industrial Technology Development Organization (NEDO) on developing the air conditioning automated demand response technology, and began trial operation in July 2018. VRV multi-split air conditioners installed in several buildings including the city hall are optimally controlled with a balance between renewable energy and the amount of electricity purchased by using data such as energy usage, weather analysis, and communication with an aggregator.

In addition to the above, in fiscal 2018, we held a workshop in Brussels, Belgium at which we discussed the European market environment, limiting conditions, and the potential for dissemination of virtual power plants (VPP<sup>\*2</sup>), etc., 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.

In fiscal 2020, Daikin's research and development base, Technology and Innovation Center (TIC), participated in the Innovation Ecosystem, which was formed as a redevelopment project for the former site of Expo Milano in Italy. Daikin Airconditioning Italy S.p.A. also supports the same program.

<sup>\*1</sup> Automated demand response technology: Daikin's technology which automatically adjusts power consumption of air-conditioning systems

<sup>\*2</sup> 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.

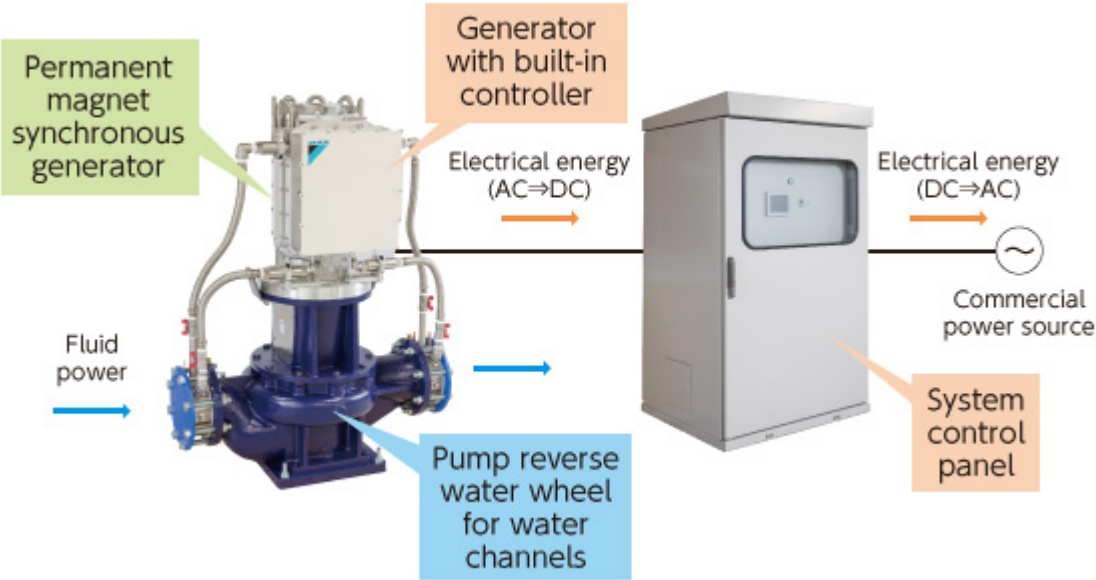
Hydroelectric power can be a stable power source because it generates high annual amounts of electricity, and has a higher utilization rate than sources such as solar and wind power. However, there are limited locations where micro-hydroelectric power can be used because it has a high cost considering 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, 2021, the company has installed these systems at 25 locations across Japan with total annual power generation of 3,200 MWh in fiscal 2020, which is enough to power 1,070 homes\*.

The company has been aiming to install these systems at a total of 30 locations nationwide for cumulative power generation of 7,487 MWh (CO<sub>2</sub> emission reduction effect of 3,878 tons-CO<sub>2</sub>) during the approximately five-year period from 2017 when the company was established to March 2021. While the number of installations did not reach the target as of the end of March 2021, the number of contracts signed with 39 projects that has exceeded the target of 30 locations. We were slightly short of our goals for cumulative power generation at 7,188 MWh and CO<sub>2</sub> emission reduction effect at 3,723 tons-CO<sub>2</sub>.



\* 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/)  (<http://www.dk-power.co.jp/>)

# RECOVERY, RECYCLE AND DESTRUCTION OF FLUOROCARBONS

## Recovery, Recycle and Destruction of Fluorocarbons from Air Conditioners

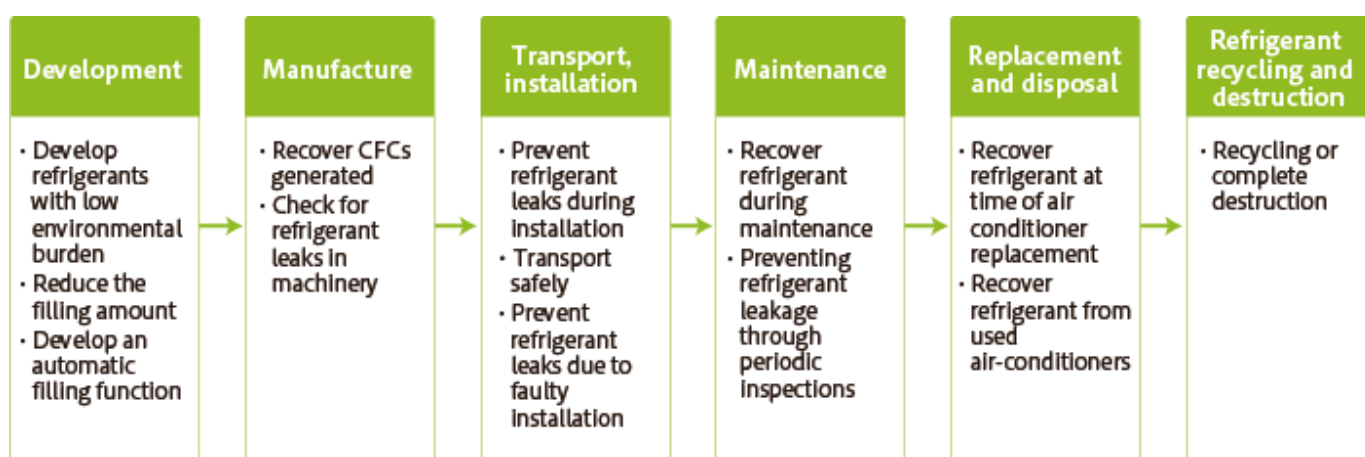
### Reducing Impact throughout the Entire Life Cycle

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>.

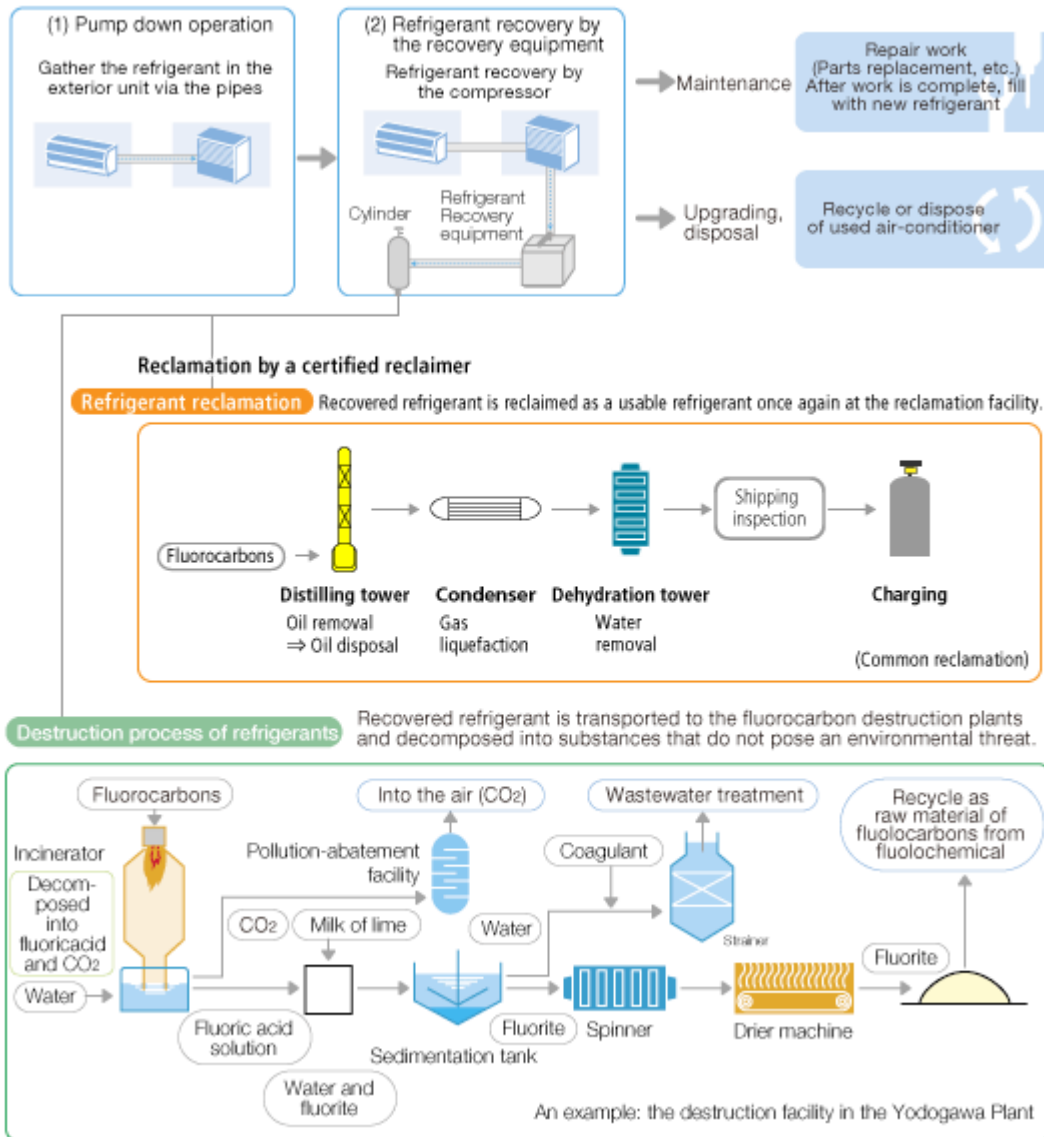
Daikin is the only comprehensive air conditioner manufacturer developing everything from refrigerant to air conditioners and engaging in the recovery, recycle and destruction of refrigerants. In addition to disseminating low-global-warming-impact refrigerants worldwide, we strictly manage refrigerants 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



## Recovery, Reclamation, and Destruction of Refrigerants



### Related information

- ▶ [Key Activities of Fiscal 2019: Environment—Launched New Refrigerant Service in Europe Contributing to a Circular Economy](https://www.daikin.com/csr/feature2019/01.html)

(<https://www.daikin.com/csr/feature2019/01.html>)

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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 fluoride generated during the destruction process and reuse it as raw material for the production of fluorochemical products.

In Japan, in fiscal 2020, we reduced emissions of PFC-c318 by over 10% compared to the previous year through optimizing production equipment operating conditions and limiting emissions.

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 works are done by certified technicians according to maintenance manual procedures. Technicians also undergo training every year based on the manual.

In fiscal 2020, we introduced couplers (joints) which have less leakage during charging at our Shiga Plant and Daikin Air Conditioning (Shanghai) Co., Ltd. In fiscal 2020, 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.

In addition to the above, 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.


## 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)

フロン排出抑制法 第一種特定製品			
<div></div> <div>法にもとづくフロン類の</div> <ul style="list-style-type: none"><li>・みだり大気放出禁止</li><li>・冷媒回収業者へ依頼実施</li><li>・未回収機器の引渡禁止</li></ul> <div>フロン類の種類, 冷媒番号, 地球温暖化係数及び数量</div>			
種類	冷媒番号	地球温暖化係数	数量 (kg)
HFC			

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## Efforts during Installation, Use and Repair

### 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.

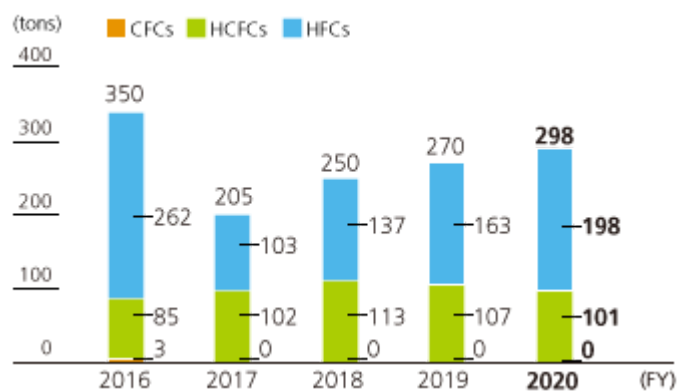
In fiscal 2018, Assisnet Service was launched, through which regular inspections are conducted by service engineers of Daikin Industries, Ltd. By attaching a low cost communicative LPWA device to outdoor unit, operational data on the air conditioner can be automatically collected to provide services 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.

Also at Daikin Industries, Ltd., all equipment located inside the company is operated and managed after having been registered on Dfct in fiscal 2018. 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 2020, Daikin Industries, Ltd. recovered 298 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/)  
(<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 Japan, the Law Concerning the Recovery and Destruction of Fluorocarbons was amended and enforced in April 2020. We are ensuring everyone is aware of the issuance of a copy of the recovery certificate at the time of equipment disposal and requirement to store the inspection and maintenance record for three years following the disposal of equipment in accordance with the same law.

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, Oceania, and other regions, we are also conducting refrigerant recovery trainings at dealers as well as for service partners.

### Refrigerant Recovery Network System

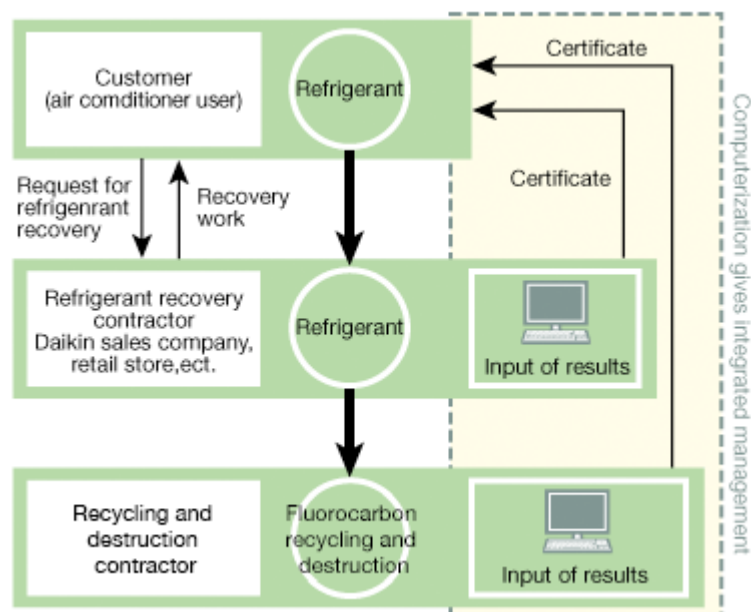
In Japan, we are thorough in our recovery of fluorocarbons (refrigerants) from commercial refrigeration and air conditioning equipment. We have created a network system for the integrated management of all information from recovery to destruction of refrigerants, including the amount of refrigerant recovered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

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

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

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

## Fluorocarbon Recovery Network System



### 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 2020, 1,081 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 2020, for people who have acquired certification as first and second grade refrigerant fluorocarbons handling technicians were attended by 309 people (first grade) and 850 people (second grade) throughout Japan. Moreover, as fiscal 2020 was the time for the five-year renewal for those technicians who received certification in the first year, 719 people (first grade) and 1,562 people (second grade) attended the workshops.

Overseas, since fiscal 2018, we have been implementing 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.

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

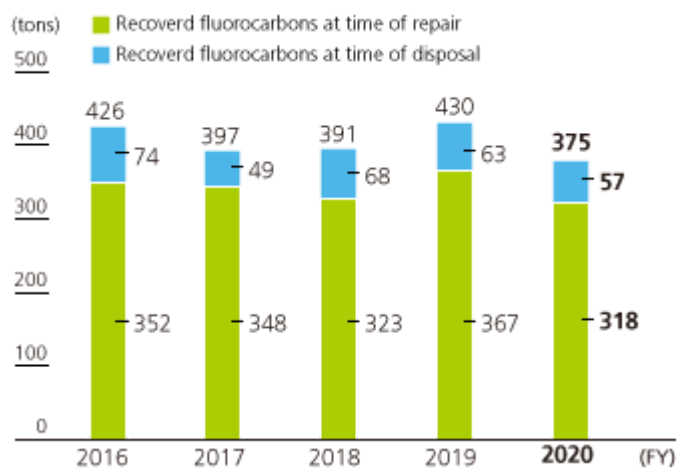
We take requests from dealers and other businesses for the proper recovery and destruction of refrigerants. The Daikin Contact Center receives calls all day, every day. Recovered refrigerants are taken to our Yodogawa Plant, Kashima Plant, or one of the contracted destruction facilities around Japan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

In fiscal 2020, the total amount of refrigerants destroyed in the recovery and destruction business by the Daikin Group in Japan was 375 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.

## 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 create refrigerant recovery, recycle and destruction schemes.

For instance, in Sri Lanka, Daikin was entrusted by the Ministry of the Environment to engage in research projects for two years since fiscal 2016 to work on promoting energy-saving air conditioners and creating refrigerant recovery, recycle and destruction schemes through cooperation with the United Nations Environment Programme. Moreover, based on survey results obtained, we compiled policy recommendations that were proposed to the government of Sri Lanka.

### Related information

➤ [Dialogue with Government and Industry Groups](#) (Page 482)

## 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 213)

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

### › Waste Reduction in Production Processes

(Page 223)

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

### › Home Appliance Recycling Results

(Page 224)

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

### › Water Resource Reduction

(Page 227)

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 132)
- › [Green Procurement](#) (Page 138)
- › [Key Activities Fiscal 2019: Environment—Launched New Refrigerant Service in Europe Contributing to a Circular Economy](#)  
(<https://www.daikin.com/csr/feature2019/01.html>)

# EFFECTIVE USE OF RESOURCES IN PRODUCTS

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## 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

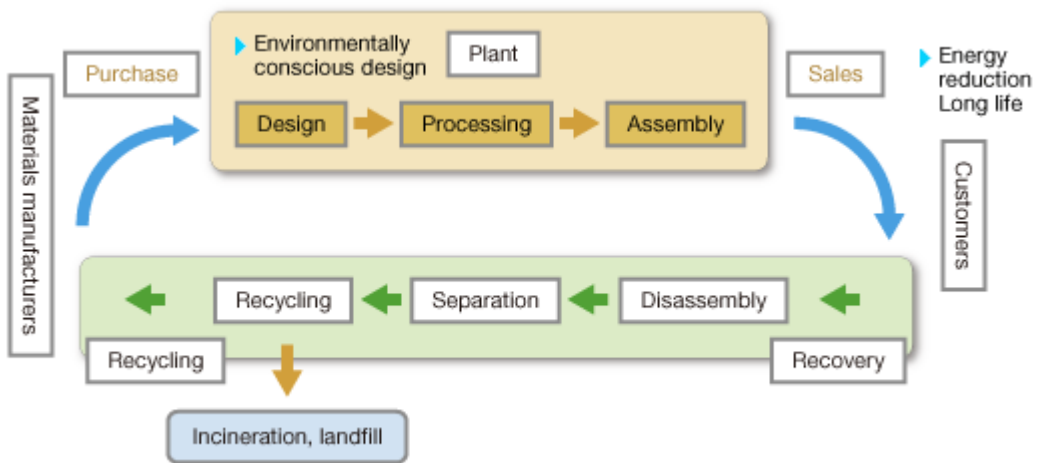
Daikin Industries, Ltd. strives to use resources as effectively as possible by carrying out the 3Rs—reducing, reusing, and recycling—along with repairing under its 3R & Repair initiative.

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 <ul style="list-style-type: none"><li>• Use plastics that are easy to recycle</li><li>• Indicate the materials used</li><li>• Construct products that are easy to disassemble</li></ul>
	After use	Recycle end-of-life products
Repair	Development	Design products that are easy to maintain
	After sales	Have a repair support system that contributes to long-lasting products

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



#### Related information

➤ [Environmentally Conscious Design](#) (Page 132)

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# 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.

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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**

Fiscal 2020

- Reduced the weight of the water storage unit of a portion of residential EcoCute models by up to 7% each through weight reduction of water storage tank (launched in August 2020)

### **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.

Continued from the previous fiscal year, in fiscal 2020, 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.

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

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

In fiscal 2020, we set a reduction target of 4% compared to fiscal 2016. The distribution and development departments together collaborated with overseas production bases and switched the transport position of individual BS units required for the installation of multi-split type air conditioners for commercial buildings to vertical. This reduced the amount of packaging materials used by 26% to reach the annual target as well as improved the load efficiency of containers during transport.

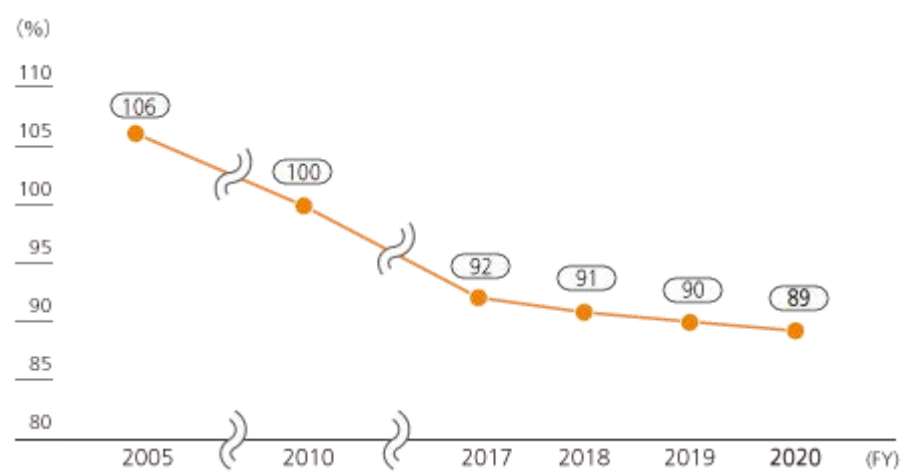
An example of working with outside partners is collaboration with distribution businesses and cardboard suppliers in reducing of thickness in the packaging cardboard for the outdoor unit of residential air conditioner Urusara X series. Particularly, since the upper packaging material for the product is heavy and requires a vacuum lift when loading was improved to better withstand lifting, the use of a thinner cardboard became possible.

In overseas bases, the pallet loading efficiency was increased by 33% and the amount of packaging materials used was also decreased by downsizing the bottom tray used in the commercial outdoor unit made in Thailand. At the same time, the cargo handling efficiency was also improved.

**Reduction in packaging materials used for the BC unit by switching the transport position**



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



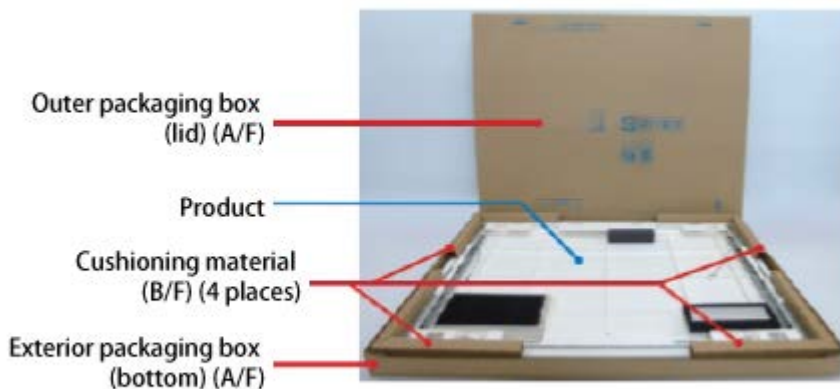
## Won an Industrial Packaging Award at the 2020 Japan Packaging Contest

### All cardboard package for the panel used in commercial grade non-watering humidifier unit, Ururu Unit

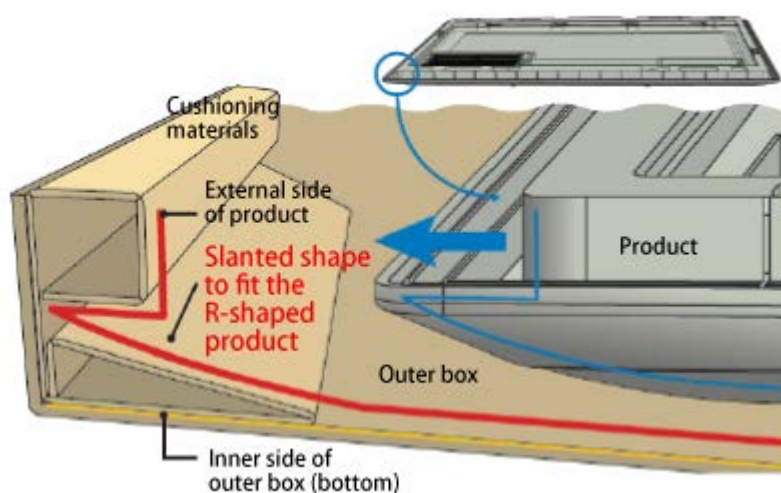
We worked collaboratively with Oji Container Co., Ltd. in fiscal 2020 to design and develop an all cardboard packaging for the panels used in the commercial grade non-watering humidifier unit, Ururu Unit. With a simple structure in which cushioning materials that require no attachment are placed at the four corners of the telescope-shaped outer box, the front, back, left, right, top, and bottom of the product can be effectively cushioned and protected. This packaging won an Industrial Packaging Award at the 2020 Japan Packaging Contest.

### Package structure for panel used in the Ururu Unit

**Exterior view of opened package**



**Cross section of cushioning materials**



## 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 in fiscal 2019, 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 place 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).



Internal structure of the revamped packaging

## 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. In fiscal 2019, 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.

### Replacement of wooden frame packaging with cardboard



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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.

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## 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 address 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 and receive requests for repairs. We strive for even greater customer satisfaction by improving the technical expertise and etiquette of our service engineers through an engineer certification system. To make repair requests more accessible, the telephone Contact Center staff follows a support system that promptly asks for necessary information on the phone and provides adequate directions, and we offer more ways of reaching us other than by telephone, such as through the Internet.

We are also working to strengthen our service network in each country. By introducing service management systems, we are making workflow more efficient and providing more high-quality and transparent service in every phase of customer interaction including through our service engineers and our partner companies.

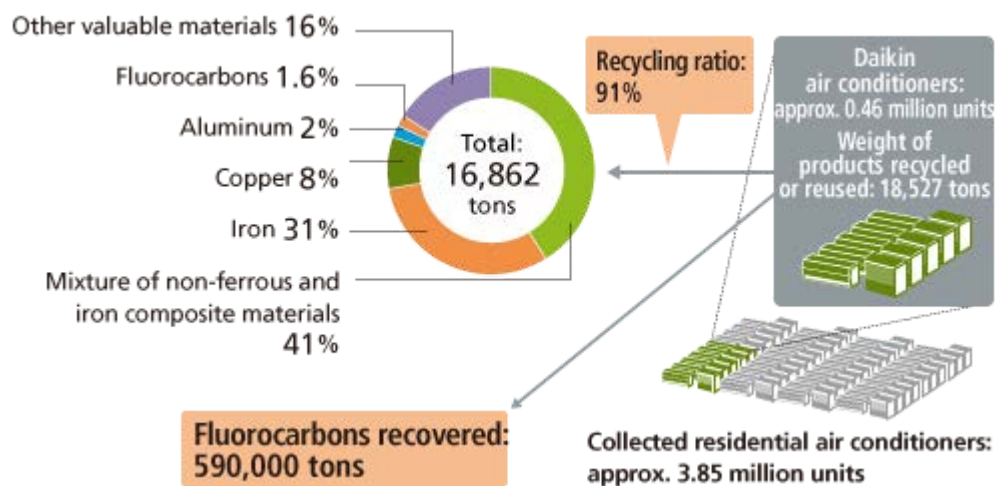
## Recycling Residential Air Conditioners

### Daikin Achieves Recycling Ratio of 91%, 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 2020, we recovered about 460,000 products totaling 18,527 tons. The recycling ratio was 91% and the amount of fluorocarbons recovered was 590,000 tons- $\text{CO}_2$ .

#### Recycling of Residential Air Conditioners in FY2020 (Japan)



#### Related information

- ▶ [Home Appliance Recycling Results \(Progress in carrying out recycling, etc. of specified home appliances\)](#) (Page 224)
- ▶ [Recovery, Recycle and Destruction of Fluorocarbons](#) (Page 200)

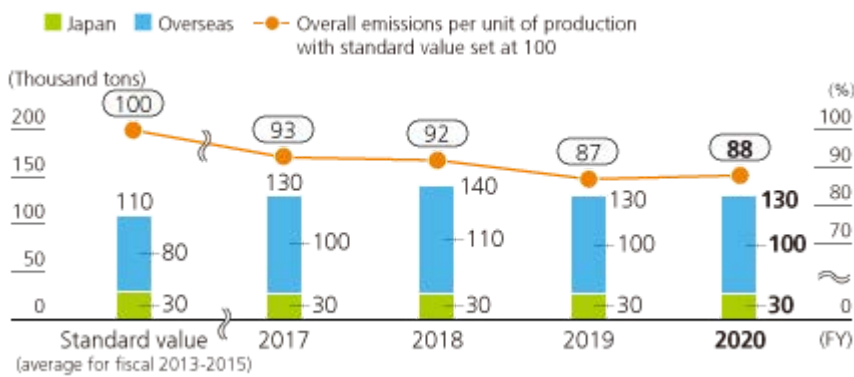
# WASTE REDUCTION IN PRODUCTION PROCESSES

## 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 per unit of production across the entire Group by 5% against the standard value (average for fiscal 2013 to 2015), and to this end we have strived to use raw materials more efficiently, minimize production loss, and shift to returnable packaging. In fiscal 2020, we achieved a 12% reduction in emissions per production unit against the standard value.

### Emissions/Emissions per Unit of Production



#### Related information

➤ [Search by ESG data](#) (Page 622)

# HOME APPLIANCE RECYCLING RESULTS

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

## Daikin's Progress in Recycling Home Appliances in Fiscal 2020

Total amount of home appliances recycled in one year (April 1, 2020 to March 31, 2021) 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)	471
Number of appliances recycled, etc. (Units: 1,000)	459
Amount recycled, etc. by weight (tons)	18,527
Amount recycled by weight (tons)	16,862
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.

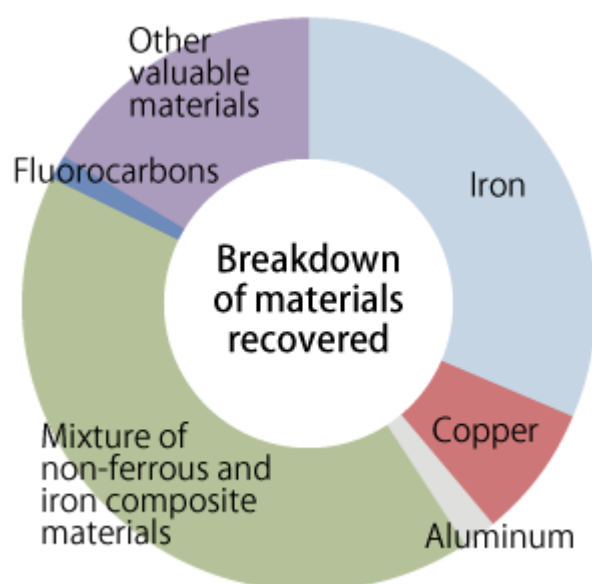
Note2: All values are rounded off to the decimal point.

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.

## 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)	5,296
Copper (tons)	1,274
Aluminum (tons)	350
Mixture of non-ferrous and iron composite materials (tons)	6,949
Fluorocarbons (tons)	273
Other valuable materials (tons)	2,717
Total weight (tons)	16,862



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)	298,421
Shipped weight of fluorocarbons used as refrigerants (kg)	294,097
Weight of recycled and reused fluorocarbons used as refrigerants (kg)	268,864
Weight of destroyed fluorocarbons used as refrigerants (kg)	23,901

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

# WATER RESOURCE REDUCTION

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## 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](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

### 14% Reduction in Water Intake Per Unit of Production

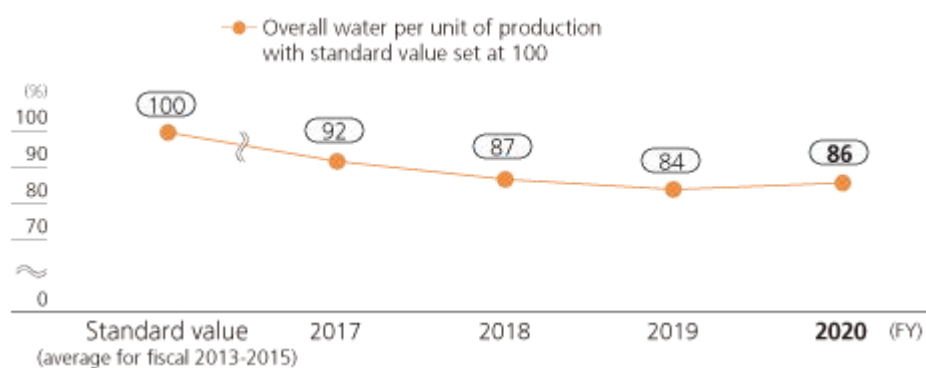
At Daikin, we strive to reduce water intake by ascertaining the volume of water intake at manufacturing bases and reusing wastewater to the full extent possible. We established the goal of reducing water consumption per unit of production by 5% in fiscal 2020 compared to a baseline comprising the average water intake between fiscal 2013–2015. In fiscal 2020, we reduced total water intake per unit of production by 14% compared to the benchmark for the entire Group. In fiscal 2020, we worked on ensuring the stable operation of the wastewater recycling equipment installed in the previous fiscal year and monitoring the malfunctions of the cooling tower at the Kanaoka Factory of Sakai Plant.

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.

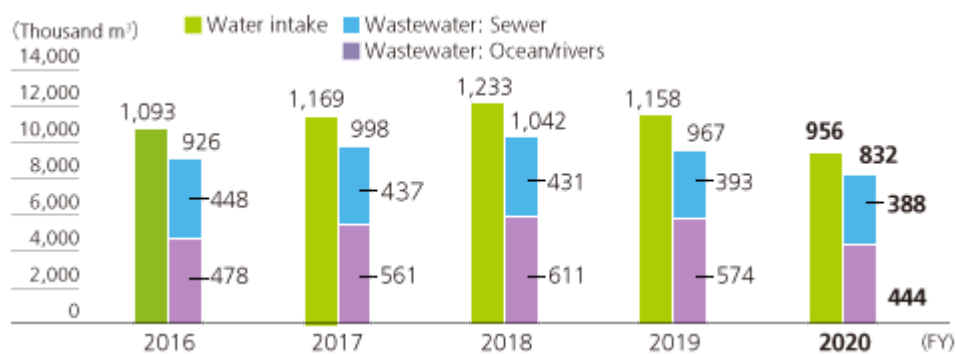


Wastewater treatment facility at Kanaoka Factory of Sakai Plant

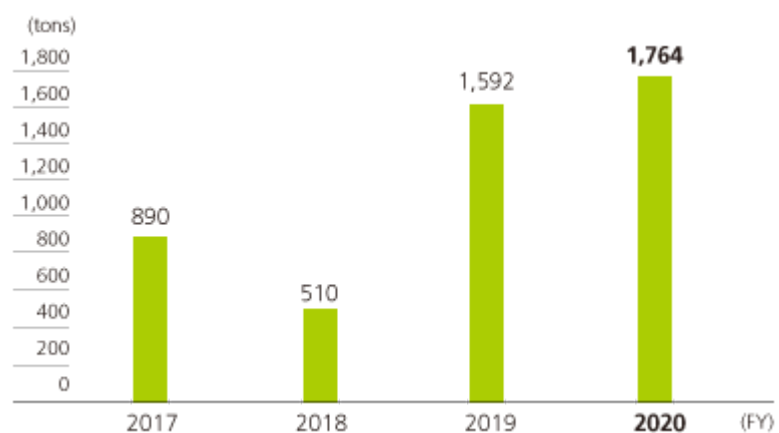
## Water Intake per Unit of Production



## Water Intake and Wastewater Trends



## COD emissions



Note: The measuring method has changed since fiscal 2020, and the numerical values from fiscal 2019 have been retroactively corrected following the same method.

# 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	2020
India	Water intake	59.0	60.0	59.0	58.0	50.0
	Wastewater	59.0	60.0	59.0	43.0	37.0
China	Water intake	23.0	26.0	26.0	25.0	26.0
	Wastewater	18.0	21.0	21.0	20.0	21.0

## 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.

## 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 233)

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

**Compliance with J-Moss**

(Page 235)

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 239)

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

**Preventing Pollution**

(Page 243)

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

**Related information**

- ▶ [Environmentally Conscious Design](#) (Page 132)
- ▶ [Green Procurement](#) (Page 138)

# MANAGEMENT AND REDUCTION OF CHEMICAL SUBSTANCES CONTAINED IN PRODUCTS

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## 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,<sup>\*1</sup> the REACH Regulation,<sup>\*2</sup> 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 472)

# 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



#### Related information

➤ [NEOFLON CPT](#) 

(<https://www.daikinchemicals.com/solutions/products/fluoropolymers/neoflon-cpt.html>)

# COMPLIANCE WITH J-MOSS

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## 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.



Green Mark eco-label

## 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					
	Pb	Hg	Cd	Cr(VI)	PBB	PBDE
Structural parts	○	○	○	○	○	○
Refrigerant system parts	N/A	○	○	○	○	○
Electrical/electronic parts	N/A	○	○	○	○	○
Compressor	N/A	○	○	○	○	○
Refrigerant	○	○	○	○	○	○
Accessories	○	○	○	○	○	○

JIS C 0950:2008

Note1: A "○" 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 237)

# 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

## 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)

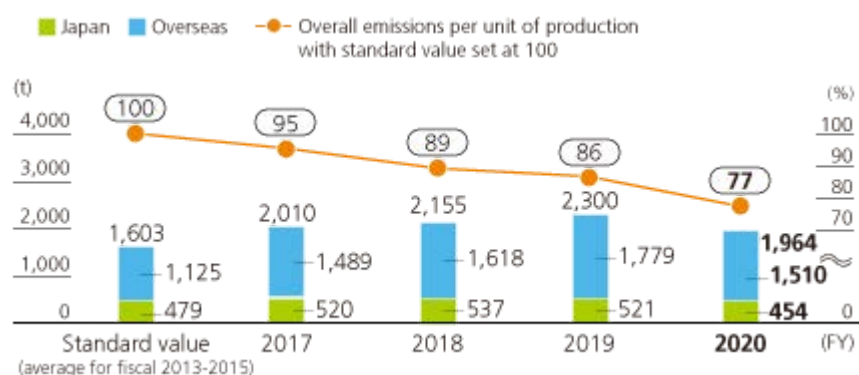
# MANAGEMENT AND REDUCTION OF CHEMICAL SUBSTANCES DURING PRODUCTION

## 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 2020 we achieved a 30% reduction against the standard value.

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



### 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.

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

Substance name	2020				
	Amount emitted			Amount transported	
	Air	Public waterways	Soil	Waste	Sewage
Chlorodifluoromethane; HCFC-22	46.80	0.00	0.00	0.00	0.00
Dichloromethane; methylene dichloride	11.05	0.00	0.00	1.40	0.00
1-chloro-1,1-difluoroethane; HCFC-142b	7.20	0.00	0.00	0.00	0.00
Toluene	2.87	0.02	0.00	0.43	0.00
2-chloro-1,1,1,2-tetrafluoroethane; HCFC-124	1.40	0.00	0.00	0.00	0.00
Chloroform	0.75	0.00	0.00	3.90	0.00
Phenol	0.73	0.00	0.00	0.74	0.00
Xylene	0.63	0.00	0.00	0.05	0.00
Ethylbenzene	0.46	0.00	0.00	0.08	0.00
Formaldehyde	0.38	0.62	0.00	0.27	0.00
n-hexane	0.22	0.00	0.00	0.33	0.00
Hydrogen fluoride and its water-soluble salts	0.21	0.00	0.00	95.01	0.00
1,3,5-trimethylbenzene	0.05	0.00	0.00	0.00	0.00
Poly(oxyethylene)alkyl ether(alkyl C=12-15)	0.04	0.02	0.00	41.00	0.24
N,N-dimethylacetamide	0.02	0.00	0.00	0.27	0.00
1,2,4-trimethylbenzene	0.02	0.00	0.00	0.00	0.00
Methylenebis(4,1-phenylene)diisocyanate	0.01	0.00	0.00	0.05	0.00
N,N-dimethylformamide	0.01	0.00	0.00	5.20	0.00
Acetonitrile	0.00	0.00	0.00	2.10	0.03
Boron compounds	0.00	0.40	0.00	0.53	0.00
Antimony and its compounds	0.00	0.00	0.00	17.00	0.00
ferric chloride	0.00	0.00	0.00	10.27	0.00

Substance name	2020				
	Amount emitted			Amount transported	
	Air	Public waterways	Soil	Waste	Sewage
copper salts (water-soluble, except complex salts)	0.00	0.00	0.00	0.31	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
Water-soluble salts of peroxodisulfuric acid	0.00	0.00	0.00	0.00	0.00
tetrachloromethane	0.00	0.00	0.00	0.00	0.00
Allyl alcohol	0.00	0.00	0.00	0.00	0.00
styrene	0.00	0.00	0.00	0.00	0.00
Methylnaphthalene	0.00	0.00	0.00	0.00	0.00

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## 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.

Furthermore, the standard value for tap water and water environment was set at 50 ng/L\* for PFOS and PFOA combined since April 2020, and monitoring will be required going forward. The standard value of 50 ng/L is an extremely low value, with trace amount possibly still present in the groundwater on factory premises that had used PFOA in the past; therefore, we are working together with the local government and experts in groundwater pumping and purifying.

\* There are 100,000,000 nanograms (ng) in a gram.

# 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 2020)

	Main training
Sakai Plant	Emergency training with added features based on consideration for prevention of COVID-19 in evacuation and roll calls in preparation for earthquakes
Shiga Plant	Emergency materials storage check patrol and water quality accident and emergency training, practical training on recovery methods for oil leaks and leakage prevention measures (conducted once in total)
Yodogawa Plant	Late-night disaster drill with the scenario of chemical plant leakage (conducted once), training on evacuation activity that avoids the 3 C's in place of the two cancelled night training sessions due to COVID-19 pandemic, fundamental action training for new employees, chemical accident response training
Kashima Plant	Emergency training on evacuation and measures during an earthquake, assuming fire, leakage, and man-made disaster (conducted twice)



Socially distanced, mask-wearing evacuation training (Sakai Plant)



Practical training on oil recovery and sandbag installation (Shiga Plant)



Late-night disaster drill on chemical plant leakage measures (Yodogawa 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/) (https://www.daikin.com/csr/report/site\_data/)

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## 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. We continued groundwater cleanup, and confirmed that pollution concentration in the groundwater was reduced to below the standards through measurements in fiscal 2020. We will continue our cleanup efforts.

# 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
	in FY2020	for FY2021 and beyond
Sakai Plant	7	8 transformers
Yodogawa Plant	1 condenser	3 condensers

## 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 248)

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 [📄 \(https://www.daikin.com/csr/forests/\)](https://www.daikin.com/csr/forests/)

# PROTECTING BIODIVERSITY

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## 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.

## 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 blessings 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/)  (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 practicing garden management where 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.



Daikin Ales Aoya (overview)



Practicum field of Tottori University



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

## 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.



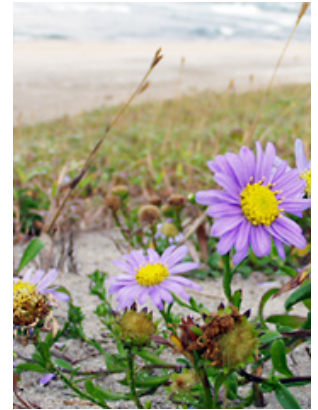
Beachwort



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.

In fiscal 2020, our employees planted 50 native Japanese irises at Shiga Plant in commemoration of the 50th anniversary of the plant. We aim to replace the existing yellow irises\* growing in the area that are non-native species systematically going forward in order to create a high quality Satoyama.

\* A naturalized non-native species under the Iridaceae family which has been designated as a priority target alien species on the List of Designated Invasive Alien Species by the Ministry of the Environment.



Planting iris

## Nature Forest at Yodogawa Plant

We are supporting the formation of a natural forest under the theme of "know it," "see it," and "experience it," which was developed as TIC Forest in conjunction with the opening of the Technology and Innovation Center (TIC) in fiscal 2015.

For example, we have begun nursing seedlings of the Japanese maple trees that are naturally growing in the forest in order to encourage more growth by transplanting the baby saplings into pots in fiscal 2017. In fiscal 2019, saplings that have reached the height of one meter were transplanted in the ground at the border to the neighboring community. This initiative was continued in fiscal 2020. We aim to develop a line of Japanese maple trees over the course of three years.

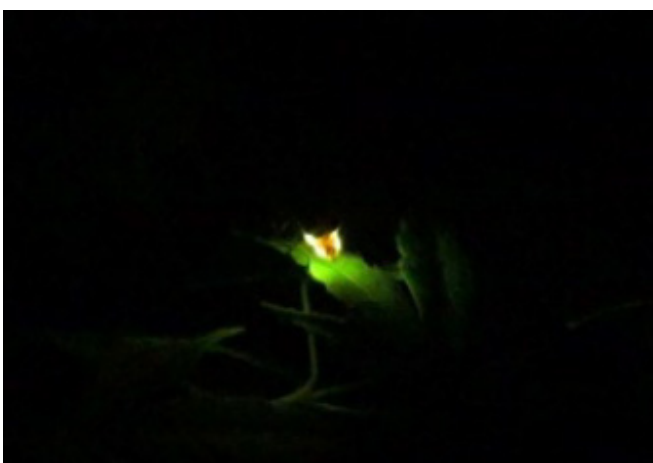
We also aim to foster an environment where fireflies thrive, which symbolizes a safe and beautiful factory. Since fiscal 2017, we have been developing areas that are conducive to laying eggs and growth while conducting water temperature and quality surveys. In fiscal 2019, we have confirmed the hatching of one firefly. The number of eggs hatched increased in fiscal 2020, with a confirmation of up to five fireflies hatched a day.



Transplanting Japanese maple seedlings



Removing fallen leaves from a small stream



Hatched firefly

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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.





Furthermore, 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.

A total of 130 employees and their families volunteered in the Harashiroyama and Izuhara forest projects as of the end of fiscal 2019. In fiscal 2020, the activities of both projects originally scheduled four times each were postponed from the standpoint of preventing the spread of COVID-19.

### 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.

## Examples of biodiversity protection efforts in overseas bases

Base	Activity content
Daikin Industries (Thailand) Ltd.	<p>In December 2020, a tree-planting activity was held at Boonyarasri Temple, Klong Tamru, Muang, Chonburi where the factory is as part of the "Love Water, Love Forest, and Save the Land Project".</p> 
Daikin Compressor Industries Ltd.	<p>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.</p> 
Wuhan McQuay Air Conditioner & Refrigeration Co. Ltd.	<p>We are improving the habitat for animals and plants within the factory premises. Through properly caring for and replenishing trees, we increased green space from what was originally 8,873 square meters to 11,071 square meters in 2020. This provides perches for birds such as turtle doves, sparrows, and magpies.</p> 
DAIKIN Manufacturing Germany GmbH	<p>The two bee nests found on the premises in 2020 are being properly managed with cooperation from a local beekeeping association. As an important pollinator in nature, the habitat loss for bees is a concern in Germany in recent years. We will continue our efforts for the survival of bees.</p> 

## Related information


- [Protecting the Environment](#) (Page 494)
- [Report by Business Site](https://www.daikin.com/csr/report/site_data/) ([https://www.daikin.com/csr/report/site\\_data/](https://www.daikin.com/csr/report/site_data/))




# HISTORY OF ENVIRONMENTAL ACTIVITIES

## History of Environmental Activities

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

	Daikin Group	Air Conditioning Divisions (Japan)	Chemicals Divisions (Japan)
1998	<ul style="list-style-type: none"> <li>First Environmental Report published</li> </ul> <a href="https://www.daikin.com/csr/report/">➤ Related information</a> (https://www.daikin.com/csr/report/)	<ul style="list-style-type: none"> <li>Released Super Inverter 60 ultra-energy-efficient commercial air conditioner</li> <li>Released HFC multi-purpose air conditioner for buildings, HFC residential air conditioners</li> </ul>	
1999	<ul style="list-style-type: none"> <li>Environmental accounting introduced, Environmental Meetings launched</li> </ul> <a href="#">➤ Related information</a> (Page 141)		<ul style="list-style-type: none"> <li>Established fluorocarbon destruction facilities</li> </ul>
2000	<ul style="list-style-type: none"> <li>Start of green procurement</li> </ul> <a href="#">➤ Related information</a> (Page 138)	<ul style="list-style-type: none"> <li>Released Super Inverter ZEAS ultra-energy-efficient HFC air conditioner</li> </ul>	
2001	<ul style="list-style-type: none"> <li>Environmental Action Plan 2005 enacted</li> <li>Achieved zero waste emissions in Daikin Industries, 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> </ul> <a href="#">➤ Related information</a> (Page 138)		
2002	<ul style="list-style-type: none"> <li>Basic Environmental Policy of the Daikin Group enacted</li> </ul> <a href="#">➤ Related information</a> (Page 112)	<ul style="list-style-type: none"> <li>Began fluorocarbon recovery and destruction business</li> <li>Completed Conversion to HFC refrigerant for all major products (in Japan)</li> </ul> <a href="#">➤ Related information</a> (Page 200)	
2003	<ul style="list-style-type: none"> <li>Aquired integrated ISO 14001 certification in Daikin Group in Japan</li> </ul> <a href="#">➤ Related information</a> (Page 126)		
2004	<ul style="list-style-type: none"> <li>Achieved zero waste emissions in all Daikin Industries, Ltd. production bases in Japan</li> </ul>		

	Daikin Group	Air Conditioning Divisions (Japan)	Chemicals Divisions (Japan)
2006	<ul style="list-style-type: none"> <li>Environmental Action Plan 2010 enacted</li> <li>CSR Report published</li> </ul>	<ul style="list-style-type: none"> <li>Released Daikin Altherma air-to-water heat-pump space and hot water heater in Europe</li> </ul> <p>➤ <a href="#">Related information</a> (Page 177)</p>	
2007		<ul style="list-style-type: none"> <li>Air conditioner forums in Europe and the U.S. launched</li> </ul>	
2008	<ul style="list-style-type: none"> <li>Formulated the latter half of the Fusion 10 strategic management plan, which stresses proactive contribution to solving environmental problems, as well as business expansion</li> </ul>	<ul style="list-style-type: none"> <li>Started for reforestation in Indonesia</li> </ul> <p>➤ <a href="#">Related information</a> (Page 248)</p> <ul style="list-style-type: none"> <li>Released world's first VRV system (multi-split type air conditioner for building) using CO<sub>2</sub> refrigerant</li> <li>Air conditioner forums in Japan launched</li> </ul>	
2009		<ul style="list-style-type: none"> <li>Air conditioner forums in China launched</li> </ul>	
2010		<ul style="list-style-type: none"> <li>Air conditioner forums in Asia/Oceania launched</li> </ul>	
2011	<ul style="list-style-type: none"> <li>Formulated Environmental Action Plan 2015</li> </ul> <p>➤ <a href="#">Related information</a> (Page 112)</p>		
	<ul style="list-style-type: none"> <li>Started environmental protection activities in Shiretoko</li> </ul> <p>➤ <a href="#">Related information</a> (Page 248)</p>		
2012		<ul style="list-style-type: none"> <li>Released Urusara 7 residential air conditioner, world's first air conditioner to use the new R-32 refrigerant</li> </ul>	
2013		<ul style="list-style-type: none"> <li>Released FIVE STAR ZEAS, world's first commercial air conditioner to use new refrigerant R-32</li> </ul>	
2014	<ul style="list-style-type: none"> <li>Started "Forests for the Air" project</li> </ul> <p>➤ <a href="#">Related information</a>  (https://www.daikin.com/csr/forests/)</p>	<ul style="list-style-type: none"> <li>Released cooling-only variable speed (inverter) air conditioners for emerging countries</li> </ul>	

	Daikin Group	Air Conditioning Divisions (Japan)	Chemicals Divisions (Japan)
2015	<ul style="list-style-type: none"> <li>Daikin offers companies worldwide free access to its 93 patents on the manufacture and sale of R-32 air conditioners</li> <li>➤ <a href="https://www.daikin.com/csr/feature-past/feature2015-environment.pdf">Related information</a>  (2.0MB) (https://www.daikin.com/csr/feature-past/feature2015-environment.pdf)</li> <li>"Daikin's Policy and Comprehensive Actions on the Environmental Impact of Refrigerants" published</li> <li>➤ <a href="https://www.daikin.com/csr/information/influence/">Related information</a> (https://www.daikin.com/csr/information/influence/)</li> </ul>		
2016	<ul style="list-style-type: none"> <li>Environmental Action Plan 2020, CSR Action Plan 2020 formulated</li> <li>➤ <a href="https://www.daikin.com/csr/company/CSR_Action_Plan_2020.pdf">Related information</a>  (62KB) (https://www.daikin.com/csr/company/CSR_Action_Plan_2020.pdf)</li> <li>Sustainability Report published</li> </ul>		
2018	<ul style="list-style-type: none"> <li>Environmental Vision 2050 formulated</li> <li>➤ <a href="#">Related information</a> (Page 47)</li> <li>10th anniversary event for forest restoration in Indonesia held</li> <li>➤ <a href="https://www.daikin.com/csr/pdf/press_20181003.pdf">Related information</a>  (500KB) (https://www.daikin.com/csr/pdf/press_20181003.pdf)</li> </ul>		
2019	<ul style="list-style-type: none"> <li>Endorsed the TCFD's recommendations</li> <li>➤ <a href="#">Related information</a> (Page 53)</li> </ul>		
2021	<ul style="list-style-type: none"> <li>Established medium-term targets to achieve net zero greenhouse gas emissions</li> <li>➤ <a href="#">Related information</a> (Page 53)</li> </ul>		

# 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 108)

# New Value Creation

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Start-Up Arises from Collaborative Innovation .....	294



## 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 2020 Achievements

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

### R&D Expenditure

¥ **71.7** billion

Number of patent applications (FY2019; Daikin Industries, Ltd. only)

Patent applications in Japan:

**1,076**

Patent applications overseas:

**467**

### › Management Structure

(Page 268)

Daikin R&D Centers such as the Technology Innovation Center are located throughout the world.

### › Collaborative Innovation Led by Industry-Government-Academia Partnerships

(Page 273)

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

(Page 287)


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

### › Start-Up Arises from Collaborative Innovation

(Page 294)

Introducing initiatives from collaborative innovation to commercialization

#### Related information

- › Key Activities of Fiscal 2020: New Value Creation—Providing Comfortable Air Environments Using the Best Format Possible, from Goods to Services (Page 596)
- › Key Activities of Fiscal 2019: New Value Creation—Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation (<https://www.daikin.com/csr/feature2019/02.html>)
- › Stakeholder Engagement (Page 473)
- › Technology and Innovation Center (TIC)  (<https://www.daikin.com/about/corporate/tic/>)

# 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 have established 24 air conditioning business development bases in six regions 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.

## **Air conditioning business development bases**

Production Bases

Over **100** locations

(March 2021)

Air conditioning business development bases

**24** locations

# 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/about/corporate/tic/>)

› [Key Activities of Fiscal 2015: New Value Creation—Collaborative Innovation with Other Industries and Fields](https://www.daikin.com/csr/feature-past/feature2015-newvaluecreation.pdf)  (830KB)

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

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## 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 100 production bases around the world and does business in over 160 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 AI and IoT Human Resources for Driving Innovation](https://www.daikin.com/csr/feature2019/04.html)

(<https://www.daikin.com/csr/feature2019/04.html>)

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# 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 2020, in addition to paying compensation for patent applications, Daikin compensated employees for 617 successful uses of patents.

The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. In fiscal 2020, we awarded incentive bonuses to the creators of 84 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 2019, we applied for 1,076 patents in Japan and 467 patents overseas.

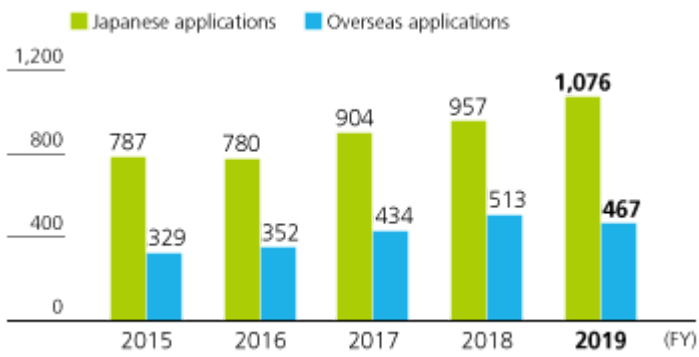
In fiscal 2020, in the air conditioning divisions, the number of patent applications increased; this covered everything from development of new products that we intend to release, to near-future products that make use of AI and IoT technologies. In the chemicals divisions, we increased the number of 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.



Awarding incentive bonuses to inventor group representatives

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



# **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 taking up the challenge to achieve co-creative innovation through industry-government-academia partnerships by defining co-creation as the comprehensive initiatives, which involve deep interaction between the tops, managers, and team members of two organizations to encourage everyone in working together in considering topics from the very core question, therefore leading to the creation of new value, to move away from a full in-house development in preparation for the coming digital age.

## 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 establish the vision 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 research tasks they need to take on.

In addition, 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 to accelerate mutual human resource exchange and achieve successes from shared creation by conducting global internships at Daikin worldwide sales, production, and R&D bases and providing assistance to the globalization and fostering global human resources at the University of Tokyo. As an example, we conduct joint training camp every year with the research lab of Professor Sakata (Technology Management Information Engineering), who is serving as a Daikin fellow, through which we aim to steadily promote the theme via active discussions.

Currently, we are developing a prediction system for future market and technological trends using technology informatics taught as part of the social-collaborative seminars held at the Sakata Lab. In addition, this also links to the acceleration in the advance of technologies such as frost prevention utilizing the cutting-edge technology.

\* 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.



Results from 2018 to 2020

## Results from 2018 to 2020

### Large project planning, execution and collaboration with venture companies

- Planning of the vision and project "thinking together from the questions."
- Planning of 17 Social Collaboration Seminars at record speed with the view of socially implementing future technologies to achieve SDGs and Society 5.0.
- For venture collaboration, we listed 409 companies and visited 120 of them, while 20 of the venture companies visited Daikin. We invested in seven companies.
- Established Baridi Baridi Inc., in the United Republic of Tanzania as a joint venture, whose main business is subscription business, with WASSHA Inc., a venture company from the University of Tokyo
- Joint development of THINKLET®, a smart wearable device that supports remote operations in fostering air conditioning service engineers with Fairy Devices Inc., a venture company from the University of Tokyo

### Successful full-scale human resources exchange

- Over a total of 1,000 participants in two years
- Over 815 Daikin technical executives and technicians attended Look Todai program and partook in technical discussions with 95 professors. In total, 15 roundtable discussions were held involving members from the University of Tokyo and Daikin. The University of Tokyo was represented by 73 faculty members from 15 departments, while Daikin executives also attended. Moreover, 19 Daikin employees are stationed at the University of Tokyo to promote co-creation.
- 241 students applied for the global internship; 48 students participated in activities at Daikin's overseas bases.
- We also launched the human resources exchange program of Spirit Appointment System which enables participants to be involved in both the University of Tokyo and Daikin at the same time.



Interview survey at a air conditioner sales outlet in Thailand

### Related Information

▶ [DAIKIN-UTokyo Lab.](https://daikin-utokyo-lab.jp/en/members)  (<https://daikin-utokyo-lab.jp/en/members>)

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## 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 and has yielded results through its efforts to date in materials and procedure development in the environmental field.

This collaboration comes up with themes on revolutionary technologies and major themes with far-reaching 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.

In fiscal 2020, we solicited new ideas for research themes on air and spaces 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.\* With regard to the future target value and vision that we will work together with Osaka University to achieve, our business departments and TIC have invited input for business ideas, and conducted workshops involving students of the Innovators Club and research lab of humanities and social science disciplines from the perspective of advanced technology for information science. We have formulated three main pillars of "Infrasharing," "Mass customization of environment," and "Digital Twin City" for achieving the vision of "Leading the Future of People and Space." Meanwhile, we have established technology and moved into the demonstration phase, while continuing to evaluate the commercialization concerning six themes of research conducted to date.

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

### Information Sector Related Joint Research

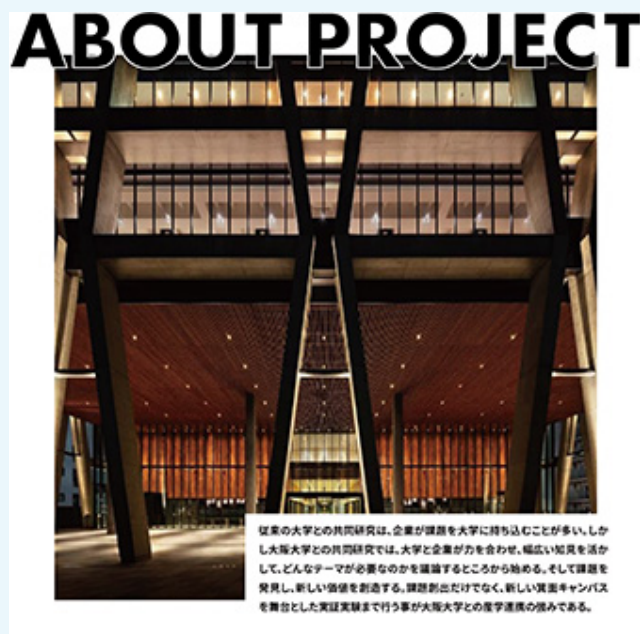
We established the Daikin Information Science Research Unit (Di-CHiLD), and developed the controlling technology for sleep and learning environment aimed at expanding our Air and Space Solutions Business, as well as engineering workload reduction technologies such as air conditioner automatic selection and position detection aimed at expanding the Air Conditioner and Space Design Business from sales of air conditioners. We have established these technologies that started out as joint research themes, and are in the process of multiple patent applications.

Currently, we are conducting theme development activities, which also involve business departments, with universities and hospitals as two target markets. For universities, we added sensing and control as the new themes with installation of displacement ventilation air conditioners and density alert system based on traffic sensing to provide a safe and secure space, and energy management through traffic-sensor based on air conditioning and lighting. In addition, we are in the progress of deliberating materializing the business of providing an entire building with the addition of POC\* for new air conditioners as a theme for large and open spaces.

\* POC: Proof of concept

## Verification Experiment on Energy Management at New Minoh Campus, Osaka University

We are conducting a large verification experiment at the New Minoh Campus, School of Foreign Studies, Osaka University that just opened in April 2021. The experiment involves the concept of interaction between multitude of people, knowledge and culture, and is conducted in a safe and secure space with consideration for COVID-19, including verification testing on whole building energy management.



Daikin WITH, brochure highlighting case examples of co-creation

## Joint-Research on Air Conditioning and Chemical Core Technology

We worked with the Joining and Welding Research Institute, which possesses the world's leading technology, on the development of technology for sophisticated manufacturing and differentiation elements for the air conditioning business, and worked on creating an innovative fundamental technology for fluorochemicals as well as strived to take full advantage of Osaka University's cutting-edge analytical devices and technology for the chemicals business. Moreover, we have also successfully implemented strategy human resources exchange, exemplified by the design that launched the interdisciplinary program by professor Ogoshi (a program that fosters innovative human resources that enhances both specialized and general skills, which involves all of Osaka University's PhD students, including from humanities disciplines), the core leader of Organic Chemistry department, and cross-appointment of professor Fujita of the Design and Systems Engineering department.

**Student Researcher Program, Leading Researcher Program, AI Human Resources Cultivation Program  
(Daikin Information and Communications Technology College)  
Diversity Research Environment Achievement Initiative Project (Female Participation Promotion)**

We implement a training program for outstanding students of the School of Information Science and Technology at Osaka University (PhD students). We also conduct an internship program, which incorporates learning about challenges that may arise when using information technologies such as AI, IoT, and Big Data, and aims to cultivate human resources with practical skills through real life learning using actual data.

The leading researcher program receives corporate funding from the phase of fundamental research with an anticipation for advanced research results from these outstanding, young researchers, on future research themes that are not feasible by the university or corporation alone. We are contemplating the theme of the estimation system for body composition (body fat ratio) that can be useful in the sports gym business of the Defense Systems Division.

The cultivation of information science and technology engineers by the Daikin Information and Communications Technology College is getting accelerated with an upward revision of the initial target for lecture attendees from 1,000 people by fiscal 2021 to 1,500 people by fiscal 2023. Furthermore, for challenging tasks of the PBL\* theme, we are inviting professors of Osaka University frequently to the TIC to conduct office hours for detailed instruction in order to solve the challenges.

For our diversity initiatives (female participation promotion), we have been implementing the innovation female participation promotion program, reception with female graduate students, and career advancement support program during childcare leaves. Given considerations for the COVID-19 pandemic, we are continuing with the implementation of symposiums via virtual meetings. In addition, we are conducting an online festival to entice more high school girls to consider studying the sciences.

\* PBL: Problem-based learning

#### **Related Information**

➤ [Daikin Information Science Research Unit \(Di-CHiLD\)](http://otri.osaka-u.ac.jp/dichild/) (available in Japanese only)   
(<http://otri.osaka-u.ac.jp/dichild/>)

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## Collaboration with Kyoto University

Daikin began an comprehensive collaboration with Kyoto University in June 2013 with the aim of value creation through integrating humanities with sciences. Since then, we have worked on creating themes related to air and space primarily led by the Center for the Promotion of Interdisciplinary Education and Research, as well as implemented projects involving researchers in the humanities and sciences departments, such as the "100 people world café," where we launched the program of "800 keywords on the value of air." In addition, our collaboration also contributed to the creation of themes for joint research that played a part in the existing businesses of Daikin Industries, Ltd. as well as involved collaboration and exchange centered on cutting-edge technology that will transform our mainstay businesses of air conditioning and chemicals business.

In April 2021, we re-started our comprehensive collaboration under the new keyword of "well-being (a society for better living)" on subjects such as healthcare (healthcare-industry collaboration) based on DNA search using Nagahama Cohort, utilization of cutting-edge technology, collaboration in the fields of energy and cold chain, Asia and African area studies, and utilization of ventures.



### **Began Initiatives on Next-Generation Batteries (Solid-State Batteries, Fluoride Ion Batteries)**

In fiscal 2020, we began initiatives on next-generation batteries (solid-state batteries and fluoride ion batteries).

Through the co-creative process with the research lab, we were able to develop a network with automobile and battery manufactures, as well as gain a wealth of knowledge on batteries, in addition to materials, which contribute to creating a structure for our future business.

Moreover, we have set healthcare-industry collaboration and smart campus as our new domains, while we plan to re-start comprehensive collaboration in April 2021.

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## 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> decomposition and reuse technologies into practical use and to further increase the efficiency of air conditioners that integrates technologies of mechanics, electronics, and materials. In addition, they will develop talent in collaborative innovation through joint research.

### **Decomposition and Reuse of CO<sub>2</sub>**

We are conducting research on the technology to reduce CO<sub>2</sub> emissions utilizing Doshisha University's molten salt electrolysis technology and Daikin's fluorine technology. Specifically, we are studying the decomposition and reuse of CO<sub>2</sub> to turn CO<sub>2</sub> into chemicals and materials via electrolysis for reuse, such as in fuels. We have confirmed that CO<sub>2</sub> can generate useful compounds as the joint-research is progressing and results are beginning to show.

### **Further Efficiency of Air Conditioning**

We launched a technology theme aimed at developing environmentally conscious technologies and products through making air conditioners more efficient. We are conducting research on the themes of motor structure and inverter control as well as elucidating the corrosive mechanism of heat exchangers for corrosion resistance.

## Pilot Program of Future Design (FD) Practice for Fostering Human Resources for Co-creative Innovation

We launched the pilot program of FD in fiscal 2020 in preparation for the full implementation of human resources cultivation in fiscal 2021. FD is a program for developing new technology and product ideas based on the prediction of future changes in society and technological advances. Participants of the program consisted of 18 Doshisha University students and eight junior Daikin employees, who were divided into five groups to conduct prototyping of new technologies and products. The training proved to be fruitful as both the students and young employees were about to gain a new perspective and awareness from their different points of view.



Future design exercise

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## 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.



### Accelerating Research on a Safer and More Secure Living Space in China

In July 2020, professor Xudong Yang assumed the position of the president and chairman of Tsinghua University-Daikin R&D Center. Professor Yang is an expert in architecture and IAQ, and has the background of serving as a fellow in the U.S. and China. Given the reality of the COVID-19 pandemic, Daikin has established specific theme and further specified and presented its awareness of issues, from the regulations on air conditioning and ventilation, to verification of the effect of sterilization technology, and the technology to visualize the air and space quality to give users peace of mind.

In addition to the Technical Group at TIC, we are also involving the Shanghai R&D team as well as company-wide project in order to determine a co-creative theme for consideration that will be adopted for commercialization and product application. In addition to development of new products, we are making efforts from a wide perspective that will lead to our business results, including developing guidelines for making the actual living space safe and secure.

Moreover, Tsinghua University, Daikin Industries, Ltd., and Daikin Fluorochemicals China Co., Ltd. are conducting joint research with the aim of putting fluorine materials to practical use in EV batteries as well as in environment-conscious vehicles (EVs, FCVs, etc.)

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## Collaboration with Tottori University

Daikin began a comprehensive collaboration with Tottori University in May 2021 with the aim of promoting programs such as the arid land research and healthcare research through collaboration between healthcare, industry, and agriculture. The program involves research projects such as the air conditioning solution research at Tottori University's Arid Dome, the only arid land research facility in Japan, and healthcare related research on stress reduction effect verification with the Fungus/Mushroom Resource and Research Center. In addition, we make use of the global training facility of Ales Aoya located in Tottori Prefecture to conduct active interaction between researchers and students of Tottori University as well as fostering human resources capable of addressing issues on the themes related to global arid lands.

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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.

In addition, in 2019, we concluded a co-creation agreement with RIKEN's subsidiary RIKEN Innovation Co., Ltd. Going forward, we will continue to strive to extend healthy life expectancy through collaboration.



### Participation in the COVID-19 Droplets Research Program

As a co-creative theme in 2020, we participated in the COVID-19 Droplets Research Program using supercomputer Fugaku. We aim to establish a safe and secure space design with simulation of ventilation method (airflow), airflow distribution, indoor air pressure, and air cleanliness, in order to facilitate implementation of the research and development and create innovation and not merely stopping at the simulation of droplets and airflow.

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## Collaboration with the National Institute of Advanced Industrial Science and Technology

Since 2015, we have begun collaboration with the National Institute of Advanced Industrial Science and Technology (AIST) in all technological fields in aiming to resolve the technical challenges we embrace at Daikin. With the establishment of game-changing new technology as our long-term collaboration theme, we are harnessing the strengths of AIST in social implementation and standardization in developing and standardizing the magnetic refrigeration HP development as a new technology with the most likelihood to achieve non-fluorocarbon heat pumps, as well as developing the new concept of "healthy air" in which functions of health improving effects can be instilled into the air.

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## 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 2020, we launched a new project aimed at inspiring large themes such that will fundamentally transform the conventional framework. Our goal is to create a science and technology theme that combines the strengths in Information Science, Biological Science, and Material Science at the Nara Institute of Science and Technology.

# 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.

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## Daikin and Daicel Accelerate Co-creation Aimed at Developing World-First and World-Best Products

Daikin has engaged in technology exchanges with Daicel Corporation over the course of the last two decades. From 2016, we have been working on co-creation aimed at creating products with value for customers by utilizing Daicel's strengths in innovative "materials technology" and Daikin's strengths in "air conditioning elemental technology," moving beyond our partnership's previous focus on production innovation. As outcomes of these activities, in fiscal 2020 we jointly developed a moisture-permeable membrane total heat exchange element for ventilation equipment and low pressure drop air filter media for large air conditioners following growing worldwide demand for air quality. Based on these outcomes, we plan to expand co-creation aimed at creation of world-first and world-best products in order to resolve social issues.



Moisture-permeable membrane total heat exchange element

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

In November 2019, Daikin began a demonstration test on a new business 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.

As the feasibility of our business model and potential for contributing to the resolution of social issues have been verified, we established a joint venture Baridi Baridi Inc. in June 2020 to accelerate commercialization. The company name was coined from the word baridi, which means cooling in the East African language of Swahili, with the hope of delivering comfortable spaces.

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 highly efficient 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](https://www.daikin.com/csr/feature2019/02.html)

(<https://www.daikin.com/csr/feature2019/02.html>)

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## 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.

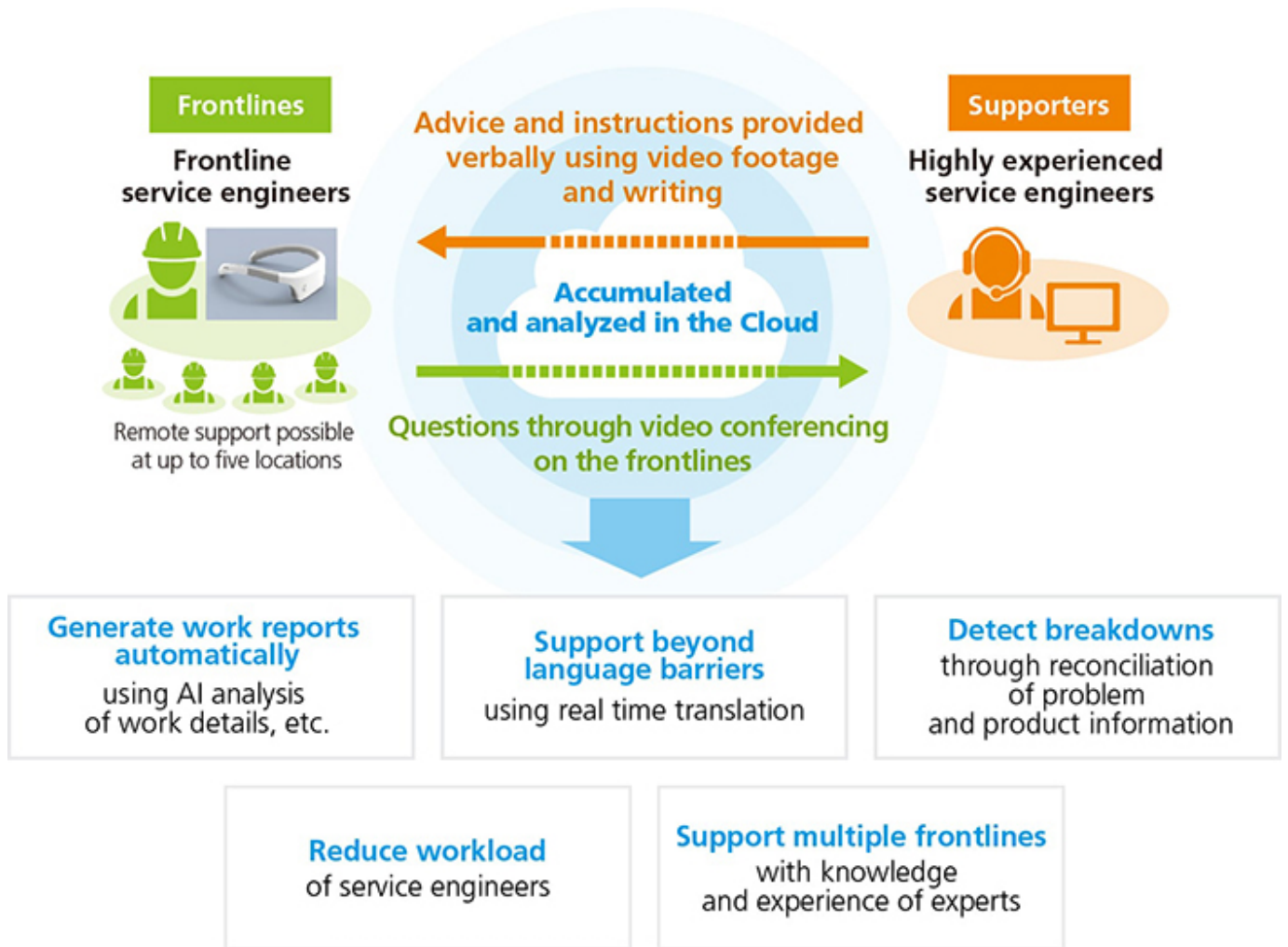
Specifically, the THINKLET™ smart wearable device and technology stack\*2 developed by Fairy Devices and an online app for operational support developed by Daikin will be combined to develop a remote work support solution where experienced service engineers can support and train workers remotely. The 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.

Furthermore, in February 2021, we invested approximately ¥500 million. We will expand the application of this solution in 13 countries in Asia, Oceania, and Africa that are seeing rapid growth in the air conditioner market.

\*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



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## Establishing a Collaborative Platform Utilizing Data on Air and Space

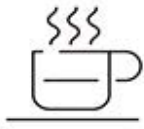
Daikin has established a collaborative platform called CRESNECT under which it works with a number of partner companies to utilize data gathered from air conditioners in order to come up with new value and services encompassing air and space. Using data that can be gathered from air conditioners, Daikin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



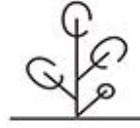
Conference rooms suited to various purposes



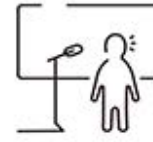
Meditation/yoga room, and events, in support of user mindfulness



Free showers



Rich vegetation space



Event space holds up to 80 people



Community events promote the creation of futuristic working styles

## T TOPICS

### Receipt of the Gold Rank in WELL Certification

The co-working space, point 0 marunouchi, which is managed by point 0, a company invested in by Daikin Industries, Ltd. has received a Gold Rank certification from WELL v2 pilot, an office space evaluation system that aims to establish better living environments. We conduct various verification experiments in this space in collaboration with companies like Okamura Corporation and Panasonic Corporation Life Solutions Company in aiming to find an ideal office space by exchanging expertise in specialized areas of air, space, furniture, and lighting.

In the air and space area, Daikin provides layout to meet the certification criteria for ventilation volume in each room. We are strengthening the air ventilation system and maintaining a good air quality by adding high performance air filters.



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## 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.

Our new R&D effort utilizing image analysis on technology for automatically measuring actual working time and work details of production line workers using images taken with cameras installed on the lines is progressing. At present, we have adopted a time measurement system on all assembly line processes, and we are conducting verification of this technology on the frontline of our production operations.



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

# START-UP ARISES FROM COLLABORATIVE INNOVATION

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## 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.

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## 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.

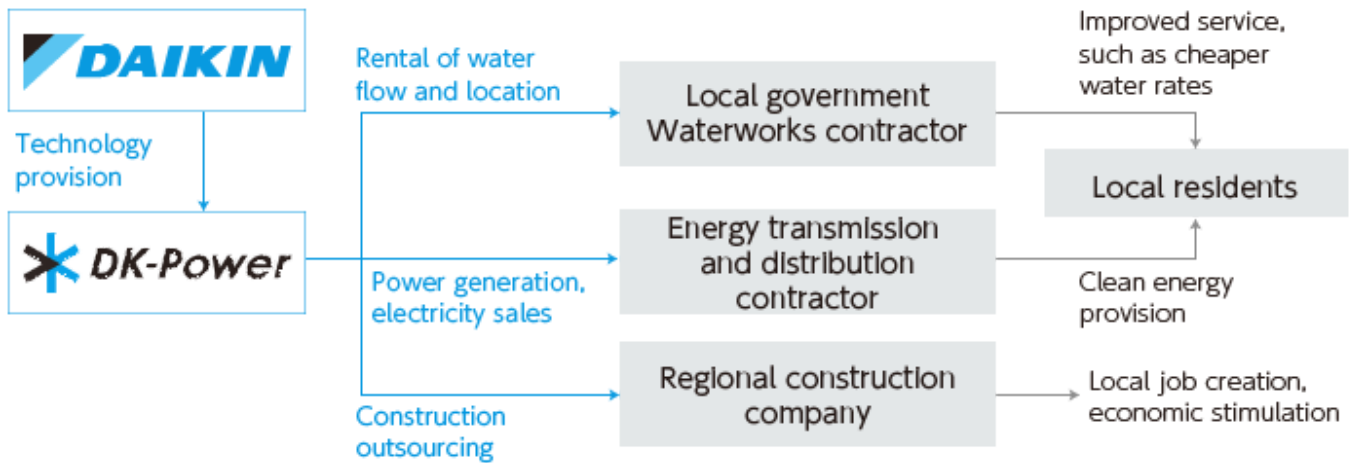
Daikin has utilized its technologies in air conditioning and hydraulic machinery to develop a compact, low-cost micro-hydroelectric power generation system, equipped with vertical inline pump reverse turbine, for water channels. Through technology for making electricity from waterflow using the motor inverter technologies that Daikin has built up, it is now possible to create natural energy instead of discharging CO<sub>2</sub> 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.

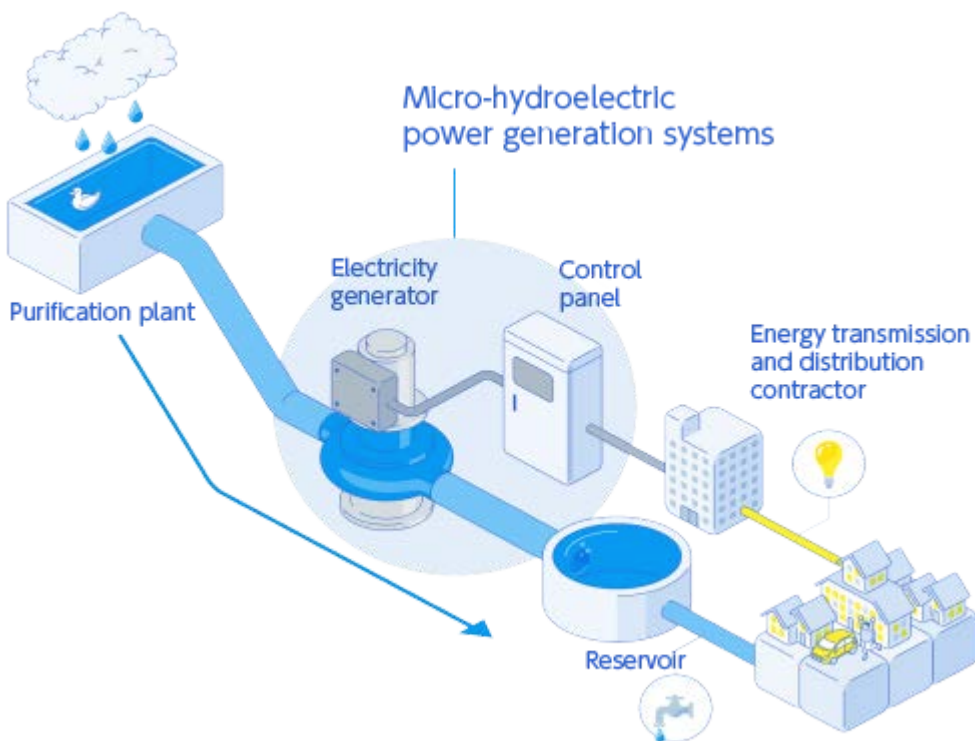
In June 2017, we established DK-Power, Ltd., a subsidiary whose business is generating power through micro-hydroelectric power generation systems. The company installs these systems on waterworks facilities owned by local governments, and manages, operates, and sells the electricity that is generated. 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.

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



## Micro-hydroelectric Power Generation System



### Award from the local government

We received an award from the local government for having generated more than 170 MWh of electricity in one year since the start of power generation, which is equivalent to the electricity consumption of about 57 households\*, in Suita City, Osaka Prefecture,

\* Calculated based on the Nuclear Power and Energy Drawing Collection of the Federation of Electric Power Companies and assuming a monthly electricity consumption of 247.8 kWh for a household.

### Related information

➤ [DK-Power, Ltd. \(available in Japanese only\)](http://www.dk-power.co.jp/)  (<http://www.dk-power.co.jp/>)

# Customer Satisfaction

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### 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 160 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.

## Fiscal 2020 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):    China (compared to fiscal 2018):

**1.14**                      **1.04**

India (compared to fiscal 2016):    Indonesia (compared to fiscal 2017):

**1.15**                      **1.10**

Singapore (compared to fiscal 2015):    Vietnam (compared to fiscal 2015):

**1.01**                      **1.17**

Australia (compared to fiscal 2015):

**1.00**

### › Product Quality and Safety

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

### › Customer Satisfaction

(Page 325)

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

### › Protecting Customer Information

(Page 311)

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

## Related information

- [Key Activities of Fiscal 2020: Customer Satisfaction—Quickly Providing Air Purification Solutions as a Company that Provides Solutions with Air](#) (Page 600)
- [Key Activities of Fiscal 2019: Customer Satisfaction—Developing Fluorochemicals for a Digital World using Co-Creation with Customers](#)  
(<https://www.daikin.com/csr/feature2019/03.html>)
- [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>)
- [Key Activities of Fiscal 2017: Customer Satisfaction—Create a Mechanism That Brings Peace of Mind by Promoting Adoption of Low-Environmental- Impact Heat-Pump Heating](#)  
(<https://www.daikin.com/csr/feature2017/03.html>)

# PRODUCT QUALITY AND SAFETY

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## 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."

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## 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.

With the goal of establishing a Daikin quality that meets customer expectations, the air conditioning divisions strove to address defects at an early stage through expanding traceability efforts in order to ensure quality that customers can trust.

Additionally, the divisions worked hard to reach their goals by improving development quality with enhanced quality assessment process, improving manufacturing quality with elimination of lot defect due caused by the equipment, and enhancing quality of purchased products through co-creation with suppliers.

In the chemicals divisions, under the policy of "providing customers with reassurance and value," we have introduced early detection of abnormality, process inspection, change management, and equipment design (QFD process\*) to eradicate quality defects and respond to chronic quality irregularities of each product, and made efforts to provide global quality assurance through horizontal examination of common quality issues across multiple products.

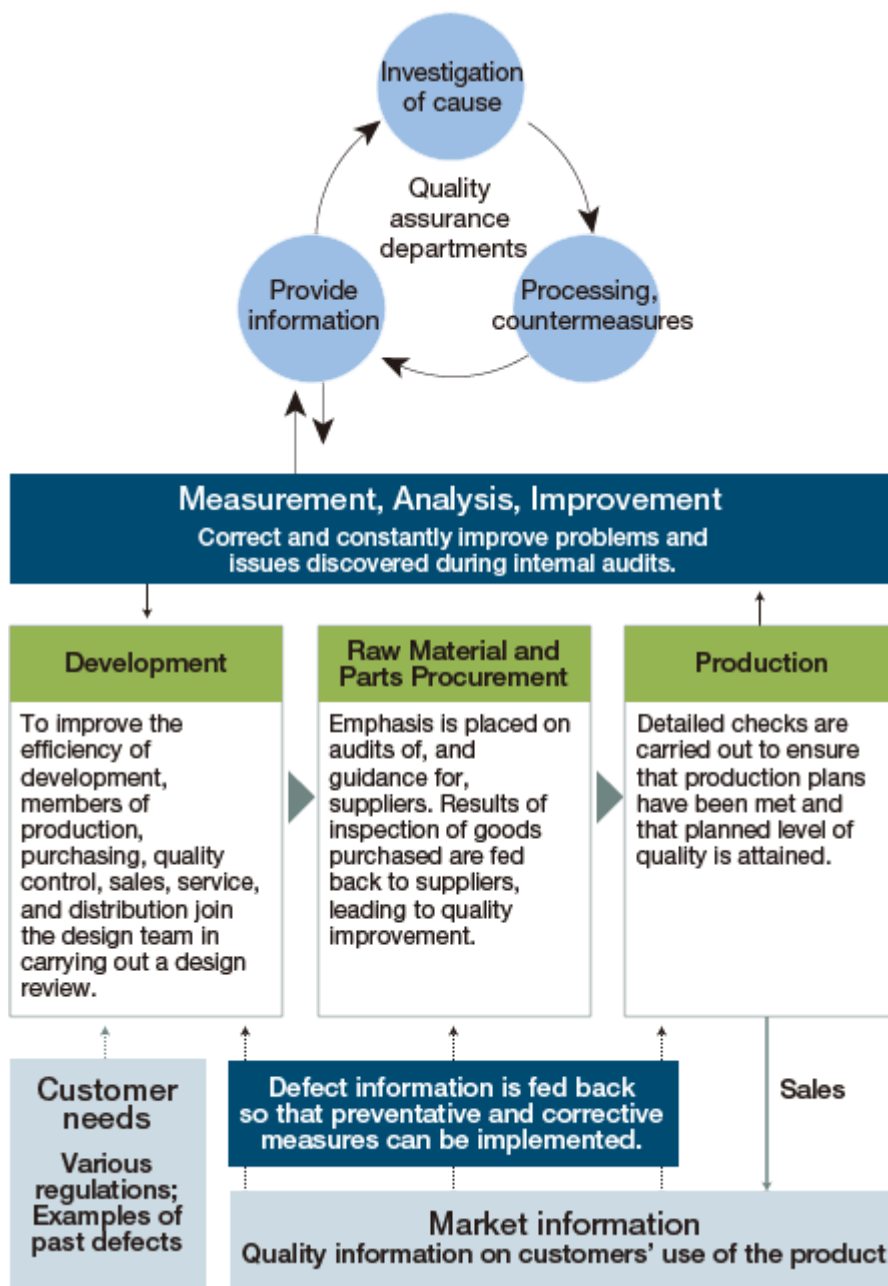
Moreover, we conducted measures with a focus on themes that had large financial implication or impact on business due to serious defects that occurred in the previous fiscal year with an emphasis on "quality defects and current tasks," and "enhancing the ability to establish quality," as well as developed the platform for improving and stabilizing quality through quality assurance (QFD process) from the product design stage and revising our change management. As a result, we largely reduced the number of quality-related complaints to 17 cases (45% reduction from previous year) and compensation paid due to quality irregularities to ¥329 million (47% reduction from previous year). Going forward, we plan to implement AI and IoT based prediction management on the quality management platform built this fiscal year.

\* Acronym for Quality Function Deployment; it is a product development process that analyzes the design quality a customer desires based on their needs, and applies the design concept to ensure these needs are reflected in each process of development and manufacturing. This process enables reliable quality assurance from the product development stage.

## Quality Control System



## Quality Assurance Process



# Improving Quality

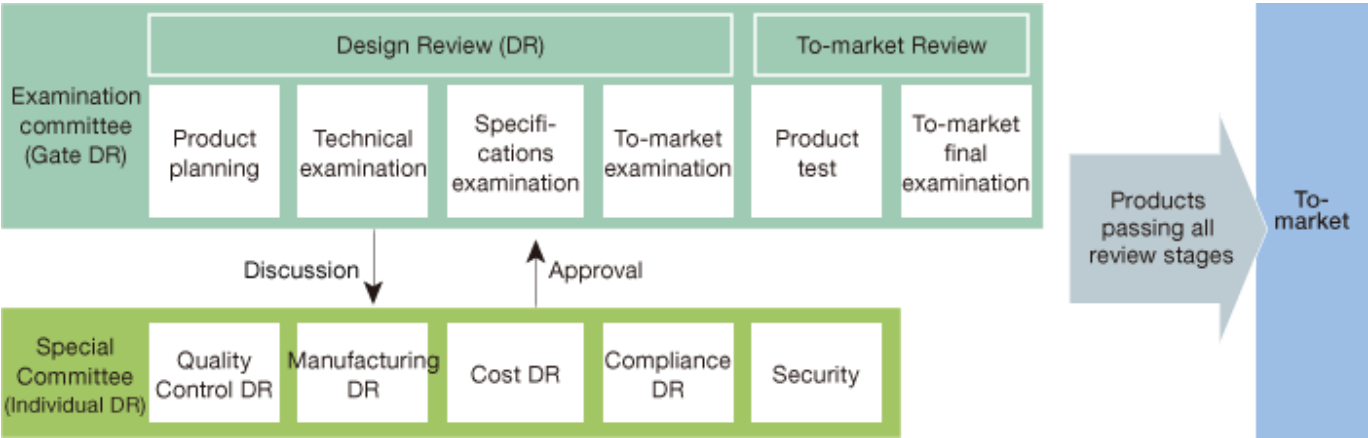
## Only Those Products That Pass Our Strict Design Review for Product Safety Are Manufactured

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 five criteria of an individual design review (DR): product quality, monotsukuri (the art of manufacturing), cost-effectiveness, compliance, and security. The item of security was newly added in fiscal 2020 in response to the heightened information security risks for our company's products. 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.

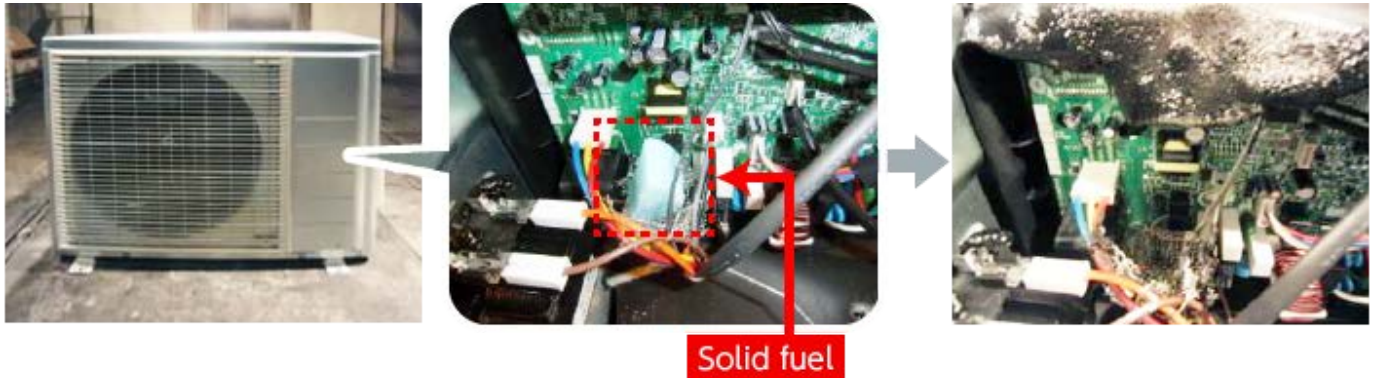
### Development Process Raises Quality (Air Conditioning Divisions)



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

During the development stage, we perform forced ignition tests on actual products 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.

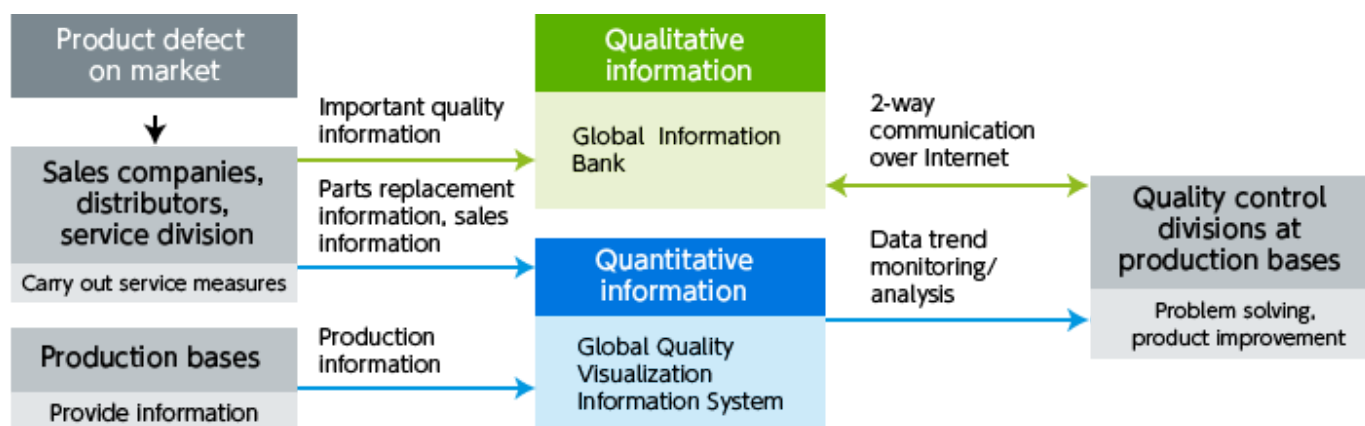


At a Global Product Structural Audit activity

## 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 given the increasing speed at which information proliferates on the Internet and our belief 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 2020, there were no cases of product recall.

### Related information

➤ [Important Announcements \(available in Japanese only\)](http://www.daikin.co.jp/taisetsu/)  (<http://www.daikin.co.jp/taisetsu/>)

## Working Closely with Suppliers

➤ [Refer to "Raising Product Quality and Ensuring Safety Together with Suppliers" \(Working Closely with Suppliers\)](#)

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

## **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 safely 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.

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## 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.

### 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.

# CUSTOMER SATISFACTION

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## 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.

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# 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.



Contact Center (UK)



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\*

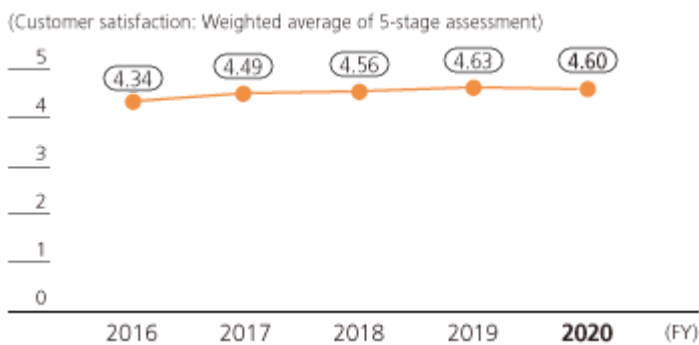
	(Base year)	2016	2017	2018	2019	2020
Japan	(FY2015)	1.07	1.11	1.13	1.14	1.14
Spain	(FY2016)	1.00	1.21	1.15	1.12	-
China	(FY2018)	-	-	1.00	1.04	1.04
India	(FY2016)	1.00	1.06	1.09	1.13	1.15
Indonesia	(FY2017)	-	1.00	1.03	1.03	1.10
Singapore	(FY2015)	1.01	1.00	1.00	1.00	1.01
Vietnam	(FY2015)	1.02	1.04	1.09	1.11	1.17
Australia	(FY2015)	1.00	1.00	1.00	1.00	1.00

\* 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 2020, services received an overall high customer satisfaction score of 4.60 out of a total 5.0 points. 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."

We believe the main reason for the 0.03 points decrease from the previous year was the declined rate of response to and the scoring of commercial products.

## 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.

## 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 currently revising our certification examination system, with a plan to include quantitative evaluation of "speed, accuracy, and good manners" for service quality performance in the certification standard for fiscal 2021. In fiscal 2020, we did not implement the certification examination due to the transition stage of the new system.

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 instructions on brazing, 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. We did not dispatch service experts in fiscal 2020 due to the COVID-19 pandemic.

### 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 40 engineers who won each regional qualifying round to compete in the second Service Olympics and display the results of their daily work, but this event was postponed to sometime around October 2021 due to the impacts of the COVID-19 pandemic. We are considering conducting the event remotely in case hosting the event in-person is difficult.

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

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

In the four-year-long "Service University" training program for service engineers in Japan, 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 2020, there were 52 participants in their first year, 38 in their second year, 29 in their third year, and 30 in their fourth year. The training program is conducted via existing videoconference system even during the COVID-19 pandemic.

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 57 courses. As a COVID-19 preventive measure, we have switched the delivery of courses from in-person sessions to LIVE streamed sessions.

In fiscal 2020, we added two new courses: special training on the safe use of full harness to prevent falls when working in high places, and Daikin Online Training (DOT) Air Conditioning Basics. Approximately 1,600 people from both in and outside of the company participated in DOT Air Conditioning Basics.

Our environment-related solution training that deepens participants' understanding of the importance of environmental protection has been expanded to include all courses (except qualification acquisition and preparation courses) from the five conventional courses. The change is made since it is recognized as a training for "environmental pioneers," due to the nature of the training content that includes general knowledge of global warming and ozone depletion issues, cautions regarding the handling of fluorocarbons, and social demand for efforts to prevent global warming, which has attracted many participants.

In addition, the booklets distributed with the training have been replaced by online text since fiscal 2020, which resulted in reduction of paper consumption equivalent to 9,000 printed copies of the booklet.

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 fiscal 2020, 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.



Skills training for distributors



eco-booklet

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# 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.

For R&D in China, which is a primary base for IAQ products, 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 fiscal 2020, we promoted product development in collaboration with TIC, as well as established services utilizing data acquired with air quality and bio sensors and development of air quality improvement technology through external collaborative creation with DOSZ and Tsinghua University. We plan to launch trials for these technologies and services from within China in the future.

For R&D in Europe, as the primary base for space and water heating products, we developed distinctive products in fiscal 2020, such as air conditioner with expanded operating range in cold areas and heat-pump heating top grade with increased hot water temperature. Going forward, we will enhance collaboration with TIC such as through joint development on a reciprocal basis with an emphasis on "switching from combustion heating to heat-pump heating" as a priority theme in the Fusion 25 space and water heating strategy.

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 develop 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)

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

## 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.

In fiscal 2020, we launched a virtual showroom fuha on our website for customers to experience the showroom and seek consultation even if they may not visit our showroom in person due to the COVID-19 pandemic. The virtual showroom offers informative videos on the concerns customers may have or products of interest, as well as direct chat with dedicated staff through Online AC Consultation. In addition, we also launched other initiatives for customers who are physically far away to experience fuha up-close through Online LIVE Tour that allows customers to see products online.

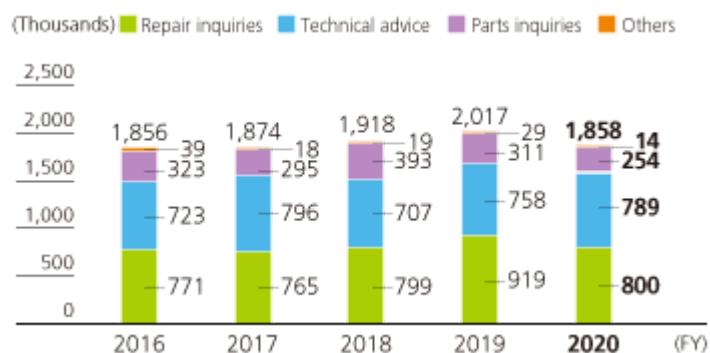


Daikin Solutions Plaza Fuha Osaka

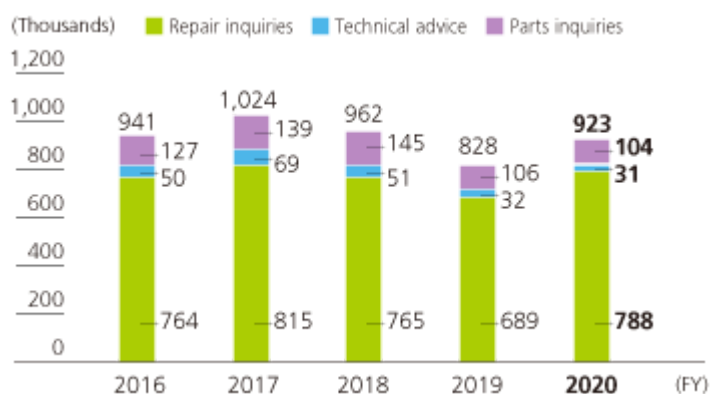
## Customer Inquiries Used in Improving Products and Developing New Ones

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.

## 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 300,000 members, through which we conduct questionnaires.

We utilize customer opinions in the development of new products.

## 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.

## 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.



Karaie 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.

# Universal Design in Product Development

## Developing Products That Anyone Can Use Easily

The Daikin Group incorporates universal design (UD) into product development to enable even the elderly and physically disabled to operate products with ease.

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

### Example of Universal Design

#### Guidelines for Universal Design of Smartphone Software

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

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

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



Applications allow operation of multiple products from a smartphone

#### Related information

▶ [Daikin Smart APP, Daikin Home Controller APP \(available in Japanese only\)](http://www.daikinaircon.com/app/) 

(<http://www.daikinaircon.com/app/>)

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## Chemicals Divisions Initiatives

The chemicals divisions have identified "improvement of quality," "stable supply," "communication," "response to needs (development of new products)," and "environmental consciousness" 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.

In fiscal 2020, we held eight online sessions of Fluorine Classroom for customers who have expressed interest.

In addition, our annual networking sessions of "Chemicals Customer Appreciation Meeting" and "Dai Fluorine Gas Meeting," which are normally held between top management where participants deepen interactions through the introduction of efforts for application development and functions of fluorine that lead to new application development, have been postponed in fiscal 2020 due to the impact of the COVID-19 pandemic.

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

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

The sales representatives of the chemicals 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, 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 2020, sales departments also held training and educational sessions on such topics as the environment (SDGs and PFAS), AI & IoT, and compliance.

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 \(available in Japanese only\)](http://www.daikin.co.jp/chm/)  (<http://www.daikin.co.jp/chm/>)

# PROTECTING CUSTOMER INFORMATION

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## 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 406)
- › [PRIVACY POLICY](#)  (<https://www.daikin.com/privacy/>)
- › [Response to Personal Data Regulations for EU Citizens](#) (Page 429)

# Human Resources

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### 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 2020 Achievements

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

**Ratio of excellent or advanced skilled engineers in manufacturing**

1 in **3.3** employees (Daikin Industries, Ltd. Only)

**Percentage of overseas bases where local nationals are presidents**

**43** % (Overseas bases)

**Frequency rate (shows frequency of occurrence of labor accidents)**

**1.01**

### › Fostering Human Resources

(Page 329)

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.

### › Workplace Diversity

(Page 340)

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.

### › Occupational Safety and Health

(Page 352)

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 366)

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

### › Employee Evaluation and Treatment

(Page 371)

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.

### › Labor Management Relations

(Page 373)

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 2020: Human Resources—Enhancing Manufacturing Around the World by Training the Next Generation of Plant Operators (Page 604)
- › Key Activities of Fiscal 2019: Human Resources—Daikin's Unique Approach to Developing AI and IoT Human Resources for Driving Innovation  
(<https://www.daikin.com/csr/feature2019/04.html>)
- › 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>)

# FOSTERING HUMAN RESOURCES

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## Basic Policy

Daikin believes that people grow through work experience and the cumulative growth of all group members serves as the foundation for the group's development, as one of the principles of Our Group Philosophy. With our fundamental human resources development based in OJT,<sup>\*1</sup> in which each person is given the job and challenges most suitable to them according to their aptitude, we supplement OJT with off-the-job training (Off JT),<sup>\*2</sup> such as the Daikin Leadership Development Program for executives who will work on the front line of our business, overseas base practical training for fostering young, globally-minded employees, and Daikin Information and Communications Technology College, internal seminars aimed at fostering talents responsibility for technical development in the AI field. In addition, 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.

# 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. Serves multiple purposes, such as for managers training, technical and skills training, and training camps for fostering globally competent human resources.
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.

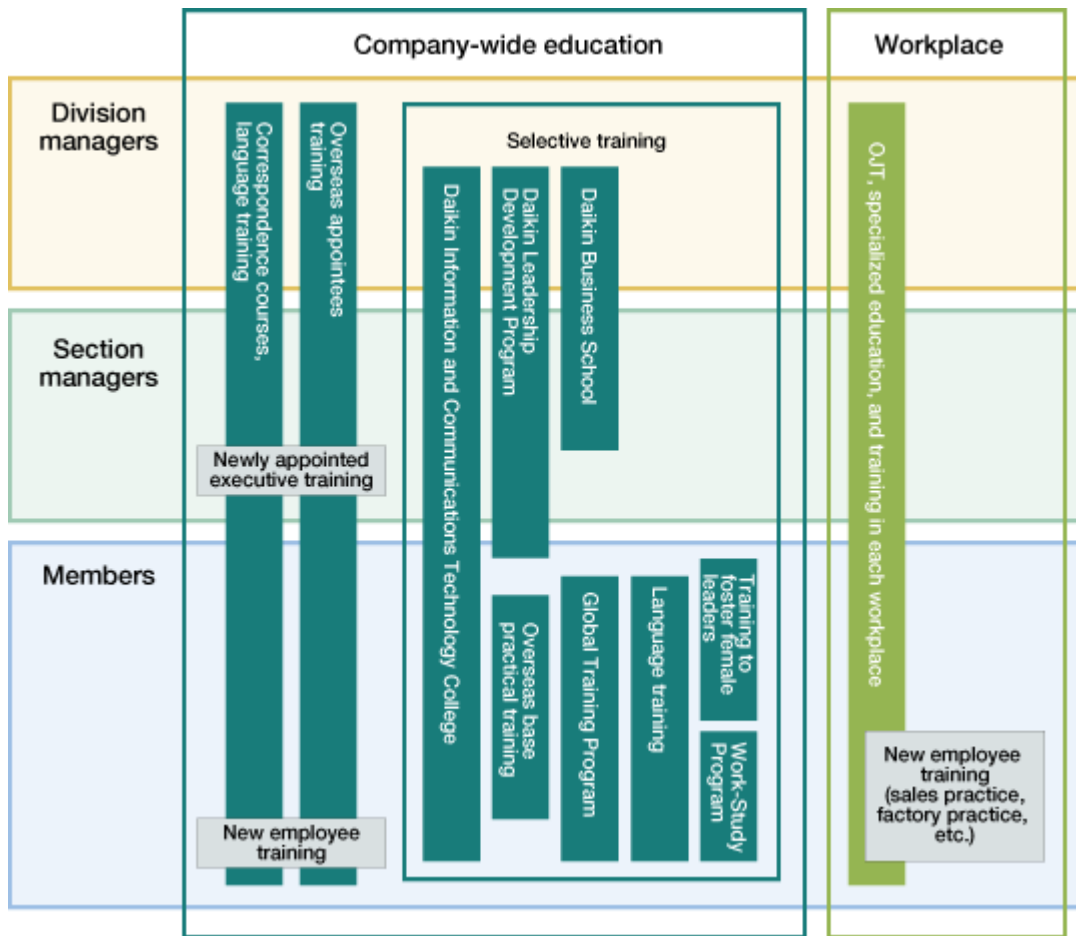


Daikin Ales Aoya Global Training Center



Daikin Eau De Ciel Tateshina Seminar House

## Education System



## Main Training Programs

New Employee Training	<p>Every year, new employees spend five nights and six days at the Daikin Ales Aoya global training center in Tottori Prefecture, Japan.</p> <p>In fiscal 2020, the training camp itself was cancelled due to the COVID-19 pandemic.</p> <p>In the meanwhile, introductory training was conducted as a mix of online and at-home training using IT tools, and in-person assembly at work. In June, the welcome ceremony as well as group training and factory tour for learning the basics of manufacturing were conducted following infection control protocols.</p> <p>Moreover, as a new initiative, we have launched the Feel the Connection program, whereby each new employee is supported by a senior employee using IT tools. This program enables senior employees to answer questions or concerns each new employee may have as well as have a dialogue on how to approach work with the aims of fostering a sense of connection to the company and its people.</p>
Overseas Base Practical Training	<p>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.</p> <p>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.</p> <p>Since the program started in fiscal 1999, a total of 318 employees have participated.</p>
Global Training Program for Overseas Personnel	<p>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.</p> <p>A cumulative total of 33 trainees have taken this training between fiscal 2015 and 2019.</p>
Work-Study Programs in Japan	<p>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.</p> <p>As of fiscal 2020, there were six Daikin employees studying at Toyota Technological Institute.</p>
Daikin Leadership Development Program, Global Daikin Leadership Development Program	<p>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.</p> <p>As of fiscal 2020, the cumulative number of participants reached 253 in the Daikin Leadership Development Program and 191 in the Global Daikin Leadership Development Program.</p>



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 2020, this rate was 1 in 3.3. 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 2020, there were 34 Takumi and 130 Trainers (39 in Japan, 91 at overseas bases) in the air conditioning divisions. The chemicals divisions had 10 Experts and 10 Trainers (six in Japan, four at overseas bases).

## 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.

In fiscal 2020, the Skills Competition was cancelled due to the COVID-19 pandemic. However, mini competitions were held at each plant in Sakai, Shiga, and Yodogawa, as well as at each overseas base. From the air conditioning divisions, there were 13 employees from production bases in Japan and 13 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 digital fields\* 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 digital training for 1,000 employees by the end of fiscal 2021 and 1,500 by the end of fiscal 2023.

In April 2020, the first group of graduates who have completed the two-year training were assigned to their respective divisions, and began undertaking jobs on the themes of creating new businesses and streamlining business processes using digital technology at the core.

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

## Activity details

Name	Objective	Details
Fostering Digital Human Resources Among Newly Hired Employees	Fosters specialist human resources in digital solutions unique to Daikin who understand technology in air conditioning and chemicals, etc.	<p>[First year] AI knowledge (using AI technologies from Osaka University), real data analysis using AI, IoT knowledge, business division knowledge and business model, etc.</p> <p>[Second year] Project-based learning (PBL using frontline data)</p>
AI Technology Development	Fosters human resources who can externally outsource development using AI technologies and AI development	<ul style="list-style-type: none"> <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 style="list-style-type: none"> <li>System development project management training</li> <li>On the job training (system development exercising using internal data)</li> </ul>
AI Utilization for Managers	Fostering managers and leaders that play the role in data utilization strategy	<ul style="list-style-type: none"> <li>Fundamentals of data utilization (AI literacy, AI business knowledge training)</li> <li>On the job training in data utilization (training on AI-themed planning and implementation)</li> </ul>

### Related information

- ▶ [Key Activities of Fiscal 2019: Human Resources—Daikin's Unique Approach to Developing AI and IoT Human Resources for Driving Innovation](https://www.daikin.com/csr/feature2019/04.html)

(<https://www.daikin.com/csr/feature2019/04.html>)

# 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.

### Activity at Each Division

	Purpose
The air conditioning divisions	<p>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. This fosters human resources that can quickly take on actual tasks in improvement and maintenance on the production frontline.</p> <p>&lt;Number of participants having had the practical training led by experienced workers (cumulative total as of fiscal 2020)&gt;</p> <ul style="list-style-type: none"><li>• Sakai Plant: Cumulative total of 183 people</li><li>• Shiga Plant: Cumulative total of 134 people</li></ul>
The chemicals divisions	<p>Learn the fundamental tasks and skills to detect abnormalities and modulations at chemical plants, as well as fostering human resources for improving SQCDE* at chemical plants</p>

\* Safety, Quality, Cost, Delivery, and Environment

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## Fostering Service Engineers

**We have established an essential knowledge and skills training system for improving service quality.**

At Daikin, we are conducting training of service engineers who are responsible for the maintenance of products. We conduct basic training on air conditioner service quality for service engineers, as well as various training and qualification acquisition training for each level and position type.

### **Related information**

- ▶ [Essential knowledge and skills training system developed for improving service quality \(Increasing Satisfaction with Services\) \(Customer Satisfaction\)](#) (Page 312)

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## 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 508)

# WORKPLACE DIVERSITY

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## 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.

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

	2019		2020	
	Men	Women	Men	Women
Number of employees	7,352	1,440	7,458	1,527
Average range of services (years)	16.9	11.0	16.8	10.9
Average age	42.4	35.2	42.4	35.2
Number of managers	1,100	63	1,110	71
Number of board members	48	1	52	1
Number of foreign nationals	62	31	64	33

\* Includes employees on loan.

Note: Figures as of fiscal year-end.

## Employee Make-up by Region\*

	2019		2020	
	Number of companies	Number of employees	Number of companies	Number of employees
Daikin Industries, Ltd. (Only)	1	7,499	1	7,732
Domestic Group (Excluding Daikin Industries, Ltd.)	29	5,380	30	5,586
U.S.	58	17,497	61	19,812
China	36	18,996	33	19,360
Europe	78	9,407	75	9,947
Asia,Oceania	51	16,456	54	17,367
Others (Latin America,Middle East,Africa, e.t.c)	61	5,134	62	5,066
Total	314	80,369	316	84,870

\* Figures as of fiscal year-end.

## Number of Employees by Gender and Employment Rate of Women\*

	2019	2020
Man	58,229	61,046
Woman	22,140	23,824
Total	80,369	84,870
Women as % of all employees	28%	28%

\* Figures as of fiscal year-end.

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# Maximizing the Talents of Women

## Accelerating Efforts to Maximize the Talents of Women

Daikin Industries, Ltd. considers diversity management as one of the pillars that supports management and has launched projects that are directly under top management since 2011 with a focus on promoting women's participation and advancement at work. We have mainly expanded on efforts including reinvention of the thinking of managers and female employees, early cultivation of female leaders, support for early return from childcare leave, and encouragement of male employees to participate in childcare.

For the early cultivation of female managers and leaders, we have been conducting ongoing training for female leaders along with the sponsor and mentor system. In fiscal 2020, we newly launched leadership training for mid-career female employees in providing an opportunity to modify their thinking and action in order to spark their interest in becoming managers and leaders.

As a result of these efforts, the number of female managers was 71 (6.0%) as of the end of fiscal 2020, which marks an increase by about three times compared to 2011 at 20 (2.1%), when the efforts to promote women's participation were officially launched.

We are expanding on programs to support balance between work and childcare, and above all, early return strategies from childcare leave. At present, the number of people returning from under one year of childcare leave is gradually increasing year on year. This population has grown from approximately 30% (9 employees, 32%) in 2011 to approximately 40% (33 employees, 40.8%) at the end of March 2021.

We are also promoting other programs to advance women's participation such as various trainings, seminars, and exchange meetings.

For efforts such as these to support female employees looking to forge a career, in March 2021, 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 eighth time, and the seventh consecutive year.



We established a new action plan to promote women's advancement in fiscal 2020 based on the Act on Promotion of Women's Participation and Advancement in the Workplace. We have set the following quantitative goals.

- One or more female director from internal hire by the end of fiscal 2025
- Reach 120 or more female managers
- Attain 90% or higher rate in taking childcare leave among both genders and 10 or more consecutive days of leave on average for male employees

# Hiring Women

## Increasing Percentage of Female Employees

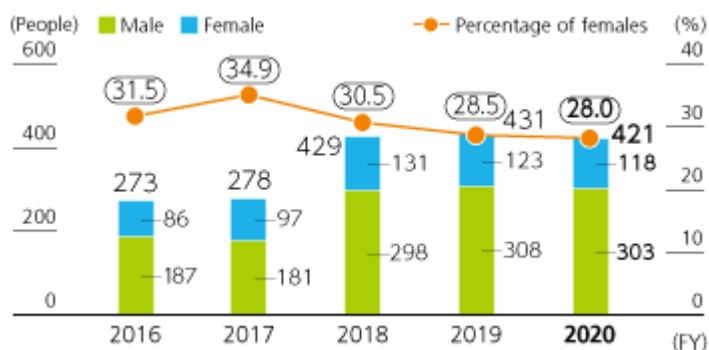
As of the end of March 2021, women accounted for 17.0% (1,527) of all employees of Daikin Industries, Ltd.

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)



\* Employees joining company on April 1

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## 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. has clearly established 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). We are also promoting understanding of the LGBT\* community through holding training and releasing information via newsletters.

\* LGBT: An acronym for lesbian (L), gay (G), bisexual (B), and transgender (T).

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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 September in fiscal 2020, local nationals accounted for 42.9% of the presidents and 48.2% 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 2021, there were 99 foreign nationals working at Daikin Industries, Ltd., an indication of Daikin efforts to include a diverse range of nationalities in its ranks.

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 and intern trainees of foreign nationality. 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 seminars, workshops, and Japanese lessons for foreign national employees.

In November 2020, we conducted "Cross-cultural Management Training" for supervisors and leaders whose unit consists of foreign national employees to instill knowledge on different values of people from diverse backgrounds and points to keep in mind in order to accelerate training of their subordinates. We will continuously implement various efforts, including following up individually with each foreign national employee.

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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 2.3%.

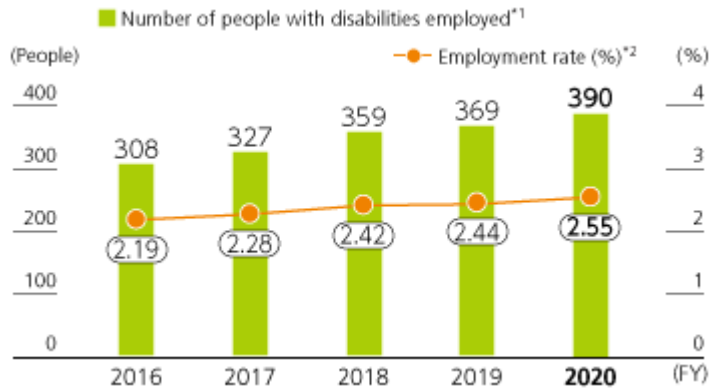
We also strive to hire persons with disabilities not just at DSS but at Daikin Industries, Ltd. and Daikin Group companies.

As of the end of fiscal 2020, 2.55% of workers in the Daikin Group are disabled, a percentage above the legal requirement.



Daikin Sunrise Settsu Co., Ltd. (DSS)

## 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 50 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.

# Re-employment of Retired Employees

## Re-employing More than 100 Veteran Workers Each Year

Daikin Industries, Ltd. has been a pioneer in promoting employment of seniors as it sees the utilization of experienced workers as an important theme with the ongoing declining birthrate and aging population. We introduced the system for rehiring employees 60 years of age and older in 1991 which keeps those who desire to work until age 63. In 2001, the age limit of this program was further raised to 65 years old.

Since the implementation of the program, we have rehired over 100 people each year, with 652 senior employees in service in fiscal 2020. Thirty-one of these employees are working at overseas bases, where they are passing on their outstanding skills and know-how.

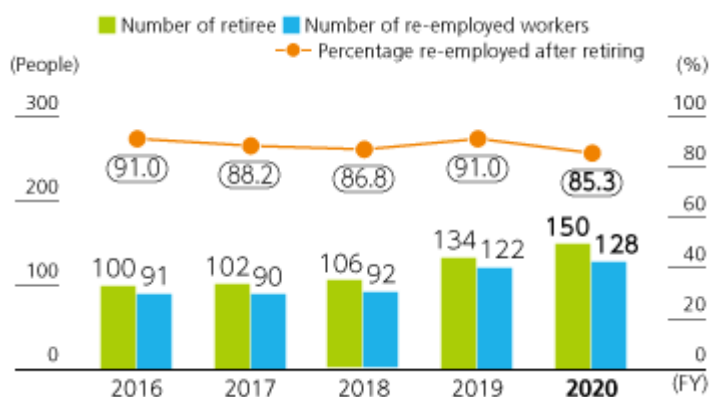
In order to further promote participation by veteran workers, we once again amended the rehiring system in April 2021, which enables employees to continue working until age 70 if desired. While the Law Concerning Stabilization of Employment of Older Persons that was amended in April is obliging companies to make an effort to employ workers up to age 70, we have taken a lead in the future obligation to ensure employment opportunities up to age 70.

Furthermore, we have revised the conventional compensation scheme to reflect better allocation of wages and bonuses, as well as established four levels of bonuses resulting in our new evaluation system that can reward employees in detail according to their results.

In addition, we also hire contract employees who are age 70 or above and possess highly specialized know-how, skills, expertise, network connection, and experience, and who carry on duties that are difficult to replace by others.

We recognize that as our business expands globally, we must take on challenges under many themes as a unity between young, mid-career, and veteran employees. We strive to continuously cultivate a company culture that enables employees to thrive regardless of their age and harness the skills of our veterans more than ever before in order to improve the organization's performance.

### Number of Re-employed Workers and Rate of Re-employment (Daikin Industries, Ltd. only)



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## Efforts in the hiring process

Daikin's Group Conduct Guidelines states 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. We are taking the same measures in our hiring process to respect each individual's diversity and prevent discrimination. For example, Daikin Industries, Ltd. has abolished the requirements for indicating gender and nationality as well as including a portrait on the entry sheet and resume.

# OCCUPATIONAL SAFETY AND HEALTH

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## 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.

## Occupational Safety and Health Promotion Structure



## 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 by providing protective equipment, translating procedures into local languages, conducting regular equipment maintenance and by making helmets mandatory at overseas bases and taking other measures irrespective of legal requirements in each country.

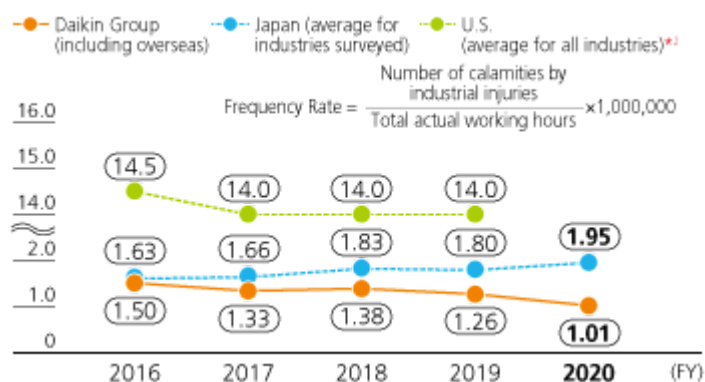
To foster greater safety awareness, every year in July (in conjunction with Nationwide Safety Week in Japan) the CEO shares a message with the entire Group about the key initiatives for that particular fiscal year. Also, every year, senior management, the officer in charge of safety and the department 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 collect information on the occurrence of accidents in the Group monthly which is then shared with safety managers at each base.

# 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 2020 was 1.01. In fiscal 2020, there were zero fatal accidents for the entire Daikin Group.

### Frequency Rate\*<sup>1</sup> (Including group companies in Japan and overseas)



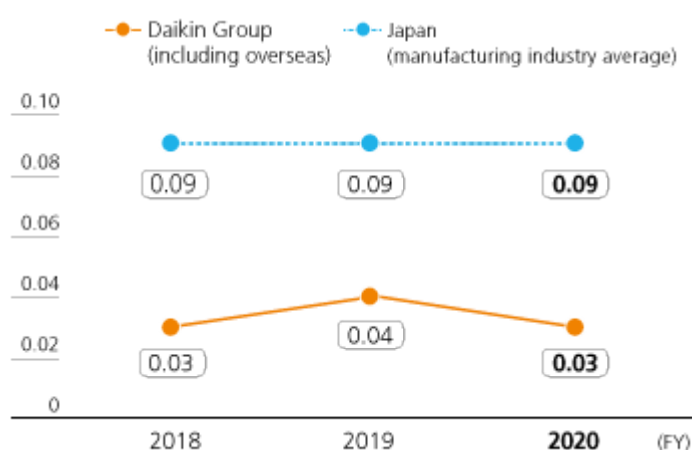
\*<sup>1</sup> This shows the frequency of work-related accidents, expressed in number of casualties for every 1,000,000 working hours.

Frequency rate = Number of fatalities/injuries caused by work-related accidents / Total actual working hours × 1,000,000

\*<sup>2</sup> 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

## Occupational Illness Frequency Rate (OIFR)\*<sup>1</sup> (Daikin Industries, Ltd. only\*<sup>2</sup>)

	2017	2018	2019	2020
Occupational Illness Frequency Rate	0	0	0	0

\*1 Occupational Illness Frequency Rate = (Number of Occupational Illnesses/Total Working Hours) x 1,000,000.

\*2 Daikin Industries, Ltd.'s Sakai Plant, Yodogawa Plant, Shiga Plant, and Kashima Plant

# Occupational Safety and Health Management System

## 56 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 at 56 bases.

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 2020, 48 air conditioning manufacturing bases and eight chemical manufacturing bases (approximately 50% of all 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

	2020		
	Air Conditioning	Chemicals	Total
Japan	2	1	3
China	15	3	18
Asia and Oceania	12	0	12
Europe	17	3	20
Americas	2	1	3
Total	48	8	56*

\* Acquired by approximately 50% of all manufacturing bases

# Employee Education and Training

## Hands-On Training Raises Safety Awareness at Daikin Worldwide

Daikin conducts a variety of education and training on occupational safety and health. This applies to everyone who works at Daikin, including employees (part-time employees and dispatched employees included), business partners, partner companies, and contractors.

Daikin Industries Ltd. places an important focus on 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.

### Interactive training to heighten safety awareness

	Details of initiatives at divisions
The air conditioning divisions	<ul style="list-style-type: none"><li>• Raise awareness toward safety by holding hands-on safety training that fosters awareness through experience</li></ul>
The chemicals divisions	<ul style="list-style-type: none"><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><li>• Training for learning basic on-site operations before official job assignment at the training plant that was converted from a suspended facility.</li><li>• Programs are updated, including hands-on training, and training by video (Yodogawa Plant).</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.

We also conduct training on occupational health and safety for our business partners, partner companies, and contractors.

#### Related information

- ["Business Partners Contribute to Plant Safety" \(Working Closely with Suppliers\)](#) (Page 470)
- [Report by business site](https://www.daikin.com/csr/report/site_data/) (https://www.daikin.com/csr/report/site\_data/)

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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 510)

# 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 2020, 99% of employees underwent checkups.

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

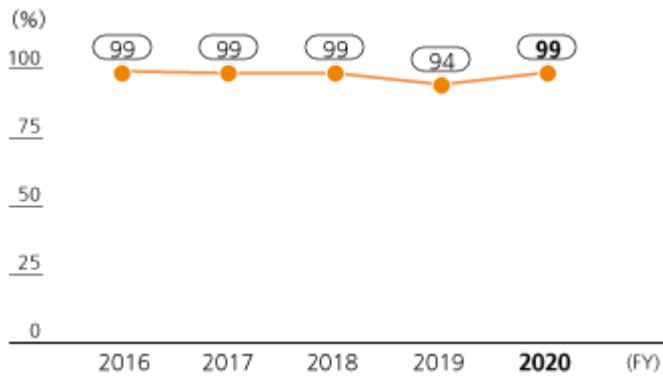
Employees working excessive hours are checked by an industrial physician, and if the employee needs special attention, he or she and his or her superior will receive guidance from the physician. At interviews with industrial physicians, employees are given not just health advice but also consultation regarding family life and other personal matters.

From 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.

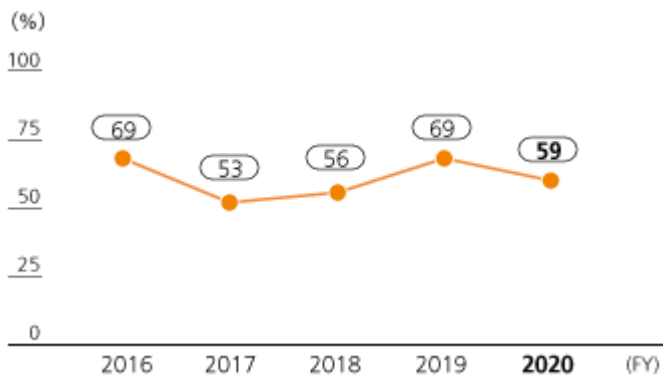
### Employees' health management

	Details of initiatives at plants
Sakai Plant	<ul style="list-style-type: none"><li>• Properly implements health education and measures to prevent the spread of infection among all employees, including prevention of COVID-19.</li></ul>
Shiga Plant	<ul style="list-style-type: none"><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><li>• Conducts physical fitness test to extend working life</li></ul>
Yodogawa Plant	<ul style="list-style-type: none"><li>• Conducts events such as health seminars for all employees as well as seminars led by industrial physicians</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)



### Infection control for employees

Daikin makes efforts in infection control that prioritizes the health and safety of employees and management of infection risks.

In fiscal 2020, Daikin conducted regular disinfection and ensured thorough ventilation in offices in ensuring the health and safety of its employees and their families in response to the spread of COVID-19. At the same time, it strictly required employees to undergo temperature checks prior to entering the workplace, wear masks, avoid closed spaces, and practice hand-washing and hand sanitization with alcohol. In addition, Daikin encouraged working from home, time-shifted commute and time-shifted work, and takes the utmost care when visiting clients for purposes of air conditioner repairs.

At overseas bases, Daikin took measures in line with the infection status and policies of each country and region with the preservation of health and safety of its employees as the top priority.

# 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 style="list-style-type: none"><li>• Early response in offering counseling to new hires and all employees with due consideration for the risks of the spread of the COVID-19 infection, and conducting new line care training for the management.</li></ul>
Shiga Plant	<ul style="list-style-type: none"><li>• Conducted training on self-care with the purpose of enhancing the mental toughness of the younger generation (3rd and 5th year employees).</li><li>• Conducted training on line care for leaders and managers to look out for their subordinates.</li><li>• Conducted training on line care for all management personnel.</li><li>• Provided self-care learning tools to all employees every two months for utilization at work.</li></ul>
Yodogawa Plant	<ul style="list-style-type: none"><li>• Published the mental care handbooks with information on how to handle stress and perform self-checks.</li></ul>

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## 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

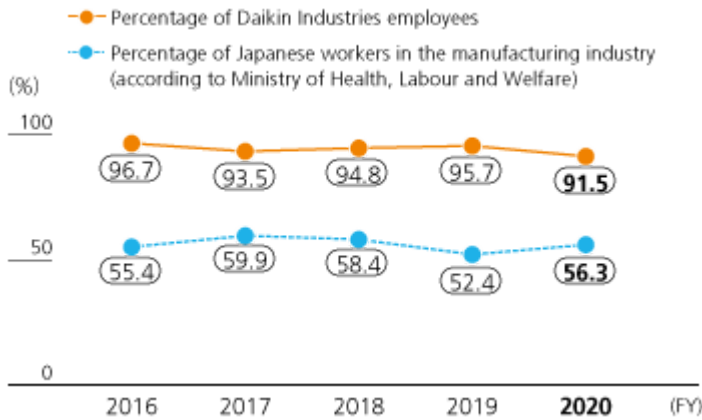
We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall 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).

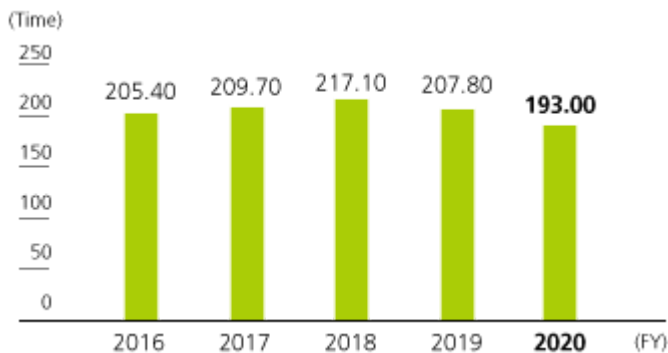
In this way, we are making a concerted effort to improve both work rule compliance and work efficiency. Yearly plans are made for each employee's duties and working hours, and to ensure that work and personnel management are in line with the plans, checklists are filled out to manage daily work.

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

### 1. Daily management of operations

Self-checks and mutual-checks using checklists.

### 2. Raising awareness and changing company culture

Managers lead the way by not working on days off or late at night. Change from calculating working hours by month to calculating by week in order to more quickly adjust work plans and work load. Workplaces voluntarily establish their own rules regarding working for especially long hours.

### 3. The 5 Rules

Ensure that employees leave work at closing time once a week. Nobody works on days off. Do not allow employees to work excess hours. Do not make employees do unpaid overtime. Late night work is prohibited. Each department sets its own maximum permitted work time.

### 4. Clarify management of operations

Implement a work attendance system.

### 5. Set goals to improve productivity and work efficiency in each division

# 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.

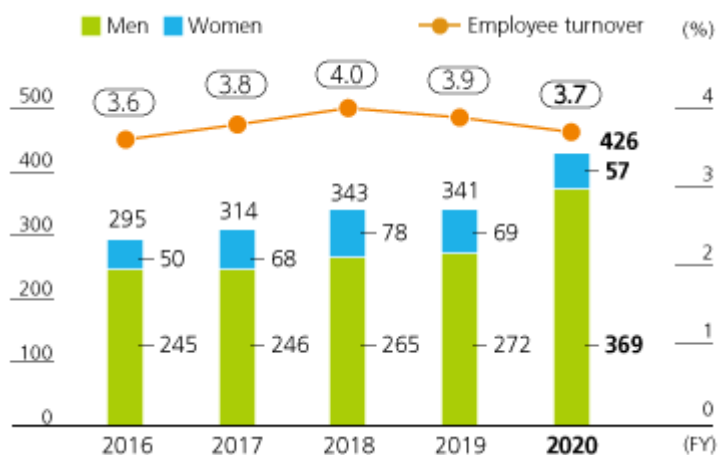
## Helping Employees Match Work Schedule with Lifestyle

### 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 3.7% (including mandatory retirement age employees) in fiscal 2020: 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)



# 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.

Going forward, we will continue to help employees achieve an ideal balance of work and childcare while also using their skills to the fullest.

### Workplace environment development at Daikin Industries, Ltd.

	Details	Targets
Since 2012:	We are conducting seminars to 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.	<ul style="list-style-type: none"><li>• For employees returning from childcare leave</li><li>• For their supervisors</li></ul>
Since 2013:	We began providing full support of outside specialists to employees searching for daycare facilities for their children.	<ul style="list-style-type: none"><li>• For employees taking childcare leave following childbirth</li></ul>
Since 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 options: 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. There is a growing trend for users each year.	<ul style="list-style-type: none"><li>• For employees with children.</li></ul>
Since 2017:	In response to growing number of children on waiting lists to enter daycare centers, and cases of children unable to enter daycare centers smoothly at a desired timing due to the lack of knowledge or information about searching for daycare seen in each city, 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.	<ul style="list-style-type: none"><li>• For employees planning to take childcare leave (for at least two months, including maternity leave) and partner of a marriage between coworkers</li></ul>

	Details	Targets
Since 2018:	The scope of attendees for the Daycare and Childcare Leave Support Seminars was expanded as work and childcare wouldn't be possible without the collaboration between partners (spouses) in dual-income families.	<ul style="list-style-type: none"> <li>• Employees returning from childcare leave</li> <li>• Their supervisors</li> <li>• Partner of a returnee from childcare leave</li> </ul>
Since 2020:	<p>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.</p> <p>* 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</p>	<ul style="list-style-type: none"> <li>• Employees returning to work from childcare leave</li> </ul>
	We offer Daycare and Childcare Leave Support Seminars in an effort to strengthen measures to prevent childbirth and childcare from being an end of a career. Due to the COVID-19 crisis, the seminar was conducted connecting the headquarters with each business base online, through a hybrid of both in-person assembly and online meeting. In order to cultivate the culture of balancing work and childcare regardless of gender, the scope of attendees was expanded. In addition to including partners in attendance since 2018, we have invited the partners' supervisors to also attend starting 2020.	<ul style="list-style-type: none"> <li>• Employees returning to work from childcare leave</li> <li>• Their supervisors</li> <li>• Partner of an employee returning to work from childcare leave</li> <li>• Supervisor of each partner</li> </ul>

93.40% 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 2016, we launched a policy to recommend that all male employees with a recently born child take at least five days of childcare leave.

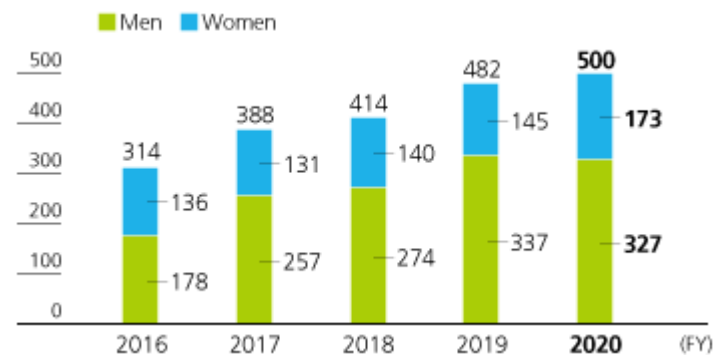
Also, the Handbook on Balancing Work and Childcare published in 2019 included a section for male employees. This handbook is given out to all male employees whose spouse gave birth.

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, 93.40% of male employees took childcare leave in fiscal 2020. 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)



\* 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).



Symbol Showing Certification as a Company Supporting Employees Childcare Efforts

# Support for Family Care and other Employee Benefit Systems

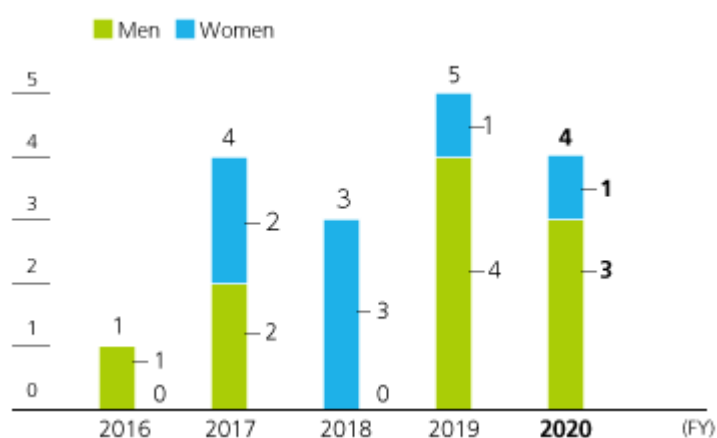
## Family Care Leave and Shortened Working Hours

In fiscal 2020, as a result of the amendment to the Child Care and Family Care Leave Act, the internal system was changed, which enabled family care leave to be taken in hourly units.

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 one 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 hourly units.

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



### Other Employee Benefit Systems (some are abridged)

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

# EMPLOYEE EVALUATION AND TREATMENT

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## 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.

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## Employee Evaluation and Treatment

### Aiming for a Fair Evaluation and Compensation Structure

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 addition, we have begun formulating a global, Group-wide human resources policy that includes evaluation and compensation in aiming to implement personnel measures that promote the desire to work and a sense of job satisfaction for all employees throughout the entire Group.

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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.

# LABOR MANAGEMENT RELATIONS

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## 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 2020, there were 12 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.

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## 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.

# Corporate Governance

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### 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.

## › Corporate Governance

(Page 375)

Through an integrated management system for fast decision-making and execution, we improve our operational speed and ensure sound, transparent management.

## › Management

(<https://www.daikin.com/corporate/overview/summary/directors/>)

Names and biographies of the Daikin Industries, Ltd.'s Management.

## › Risk Management

(Page 386)

We quickly and accurately get the big picture regarding risk, and we strive to reduce it by conducting cross-organizational risk management.

## › Compliance

(Page 391)

We confirm the status of compliance with the Group Conduct of Guidelines and ensure thorough legal compliance.

## › Free Competition and Fair Business Dealings

(Page 397)

The Daikin group strives for fair business practices through measures for complying with laws.

## › Prohibiting Bribery and Corruption

(Page 400)

We are working to prevent bribery and corruption based on the provisions on "Free Competition and Fair Trading" and "Practicing Moderation in Entertainment and Gift Exchanges" set out in the Group Conduct Guidelines.

## › Information Security

(Page 406)

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.

## › Respect for Intellectual Property Rights

(Page 412)

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 418)

We take steps to ensure thorough tax compliance pursuant to the Group Conduct Guidelines.

# CORPORATE GOVERNANCE

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## 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 ensuring 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 quickly 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. As of the end of June 2021, 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 and two external Audit & Supervisory Board members 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 9 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.

## Audit System

Daikin Industries, Ltd. employs an Audit & Supervisory Board. As of June 2021, Daikin Industries, Ltd.'s four Audit & Supervisory Board members include two external Audit & Supervisory Board members. 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.

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.

## Organizational Structure Supports Speedy Management Implementation

Daikin Industries, Ltd. is 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. Each year, the board conducts self-assessments with regards to its effectiveness.

Each director is interviewed individually each year as a way to confirm his or her effectiveness. During the evaluation of board effectiveness in fiscal 2020, opinions were shared to help 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 improve reporting of status of business execution, including risk management.

In fiscal 2020, the Board of Directors Meeting was convened 15 times, with external directors attending on average 91% of the meetings and external Audit & Supervisory Board members attending on average 100% 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 six times in fiscal 2020.

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.

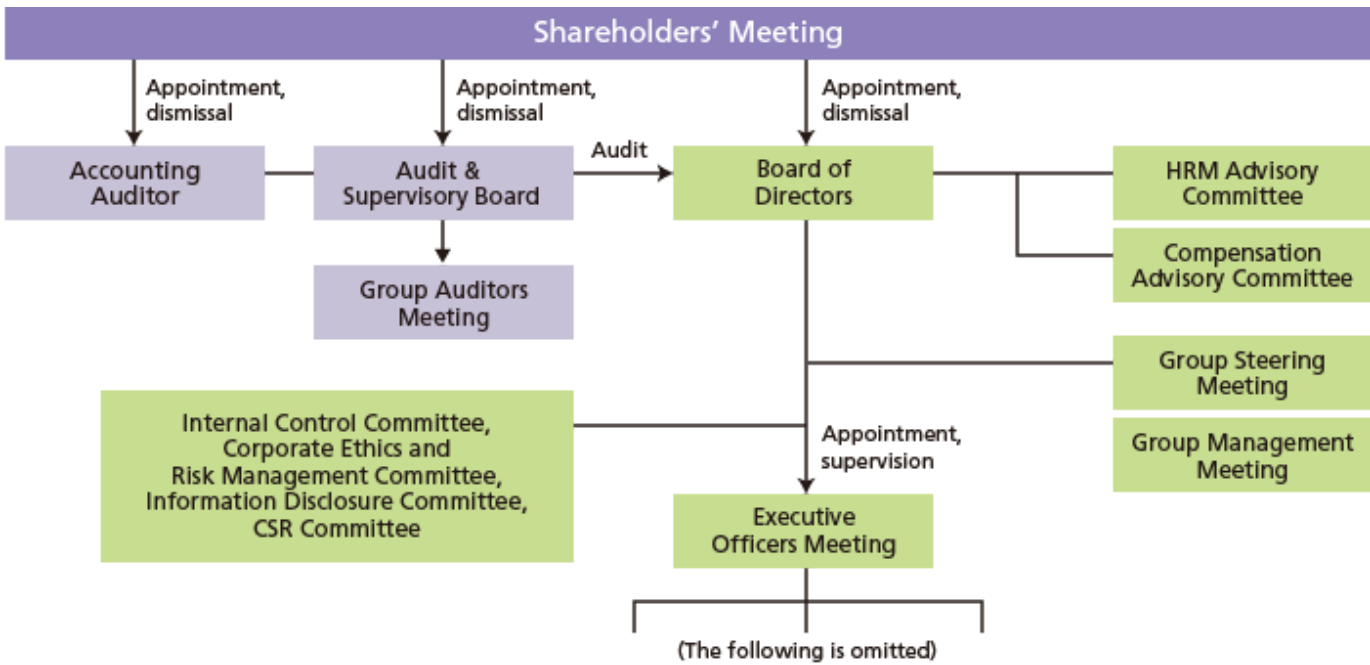
At the same time, we will develop a system to ensure the effectiveness of audits as a company that employs an Audit & Supervisory Board, with Internal Control Committee, the Corporate Ethics and Risk Management Committee, the Information Disclosure Committee, and the CSR Committee positioned under the Board of Directors. We are strengthening governance as the foundation for sustainable growth.

## HRM and Compensation Advisory Committees

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 2021, the HRM Advisory Committee and the Compensation Advisory Committee consist of six members—four external directors, one internal director, and one Human Resources executive officer—and is chaired by one of the four external directors.

In addition, the suitability of candidates and their training plan for the successors of executives such as directors, CEOs, and executive officers, are to be first deliberated and examined by the HRM Advisory Committee, followed by the same process by the Board of Directors.

### Corporate Governance Structure (as of end of June 2021)



## Corporate Officer Remuneration, Etc.

The decision method and detail of remuneration for directors are deliberated by the Compensation Advisory Committee based on advice of the chair of the Board of Directors.

The Compensation Advisory Committee utilizes information collection and advice from external specialized agencies to report its opinion to the chair of the Board of Directors in order to ensure its judgment independence and enhance its function effectiveness as an advisory body.

The chair of the Board of Directors makes decision on the amount of individual compensation for directors following discretionary approval from the Board of Directors based on the applicable reports.

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).

### Corporate Officer Remuneration (Fiscal 2020)

Category	Total compensation (Million yen)	Total of different types of compensation (millions of yen)			Persons paid
		fixed compensation	Stock options	Performance-linked compensation	
Director (Excluding external directors)	1,217	518	178	520	8
Audit & Supervisory Board member (Excluding external Audit & Supervisory Board members)	70	70	-	-	2
External corporate officers	92	92	-	-	6

## Corporate Officers with Compensation Over 100 Million Yen (Fiscal 2020)

Name	Total consolidated compensation (Million yen)	Category	Company	Total consolidated compensation by types (millions of yen)		
				fixed compensation	Stock options	Performance-linked compensation
Noriyuki Inoue	412	Director	Daikin Industries, Ltd.	189	42	181
Masanori Togawa	281	Director	Daikin Industries, Ltd.	123	42	115
Ken Tayano	168	Director	Daikin Industries, Ltd.	89	20	48
		President	Daikin (China) Investment Co., Ltd. (Consolidated subsidiary)	10	-	-
Masatsugu Minaka	138	Director	Daikin Industries, Ltd.	3	20	35
		Director	Daikin Europe N.V. (Consolidated subsidiary)	72	-	6
Jiro Tomita	152	Director	Daikin Industries, Ltd.	59	20	72
Takashi Matsuzaki	118	Director	Daikin Industries, Ltd.	43	20	54
Kanwal Jeet Jawa	114	Director	Daikin Industries, Ltd.	14	11	-
		Director	Daikin Airconditioning India Pvt. Ltd.	54	-	33

## Accounting Auditor Compensation (Fiscal 2020)

Auditing expenses	250 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 \(updated on July 1, 2021\)](https://www.daikin.com/csr/management/pdf/Corporate_Governance_Report.pdf)  (350KB)  
([https://www.daikin.com/csr/management/pdf/Corporate\\_Governance\\_Report.pdf](https://www.daikin.com/csr/management/pdf/Corporate_Governance_Report.pdf))
- [Management \(About Daikin\)](https://www.daikin.com/corporate/overview/summary/directors/)   
(<https://www.daikin.com/corporate/overview/summary/directors/>)
- [Disclosure Policy \(Investor Relations\)](https://www.daikin.com/investor/management/disclosure/index.html)   
(<https://www.daikin.com/investor/management/disclosure/index.html>)

# RISK MANAGEMENT

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## 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 120)

## 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 67-69 of Integrated Report 2021](#) .

(<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

- > [Integrated Report 2021\(Principal Risks Associated with the Daikin Group's Operations on pages 67-69\)](#)  (<https://www.daikin.com/investor/library/annual/>)
- > [Securities Report \(page 14 "Operating Risks"\) \(available in Japanese only\)](#)  (1.6MB)  
([https://www.daikin.co.jp/investor/data/youka/118/118\\_4.pdf](https://www.daikin.co.jp/investor/data/youka/118/118_4.pdf))
- > [Product Quality and Safety](#) (Page 302)
- > [Philosophy on Suppliers](#) (Page 435)
- > [Compliance](#) (Page 391)
- > [Information Security](#) (Page 406)
- > [Response to Climate Change](#) (Page 145)
- > [Management and Reduction of Chemical Substances](#) (Page 231)
- > [Risk Management \(Revamping Natural Disaster Risk Measures and Stepping Up Safety Measures\)](#) (Page 390)

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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.

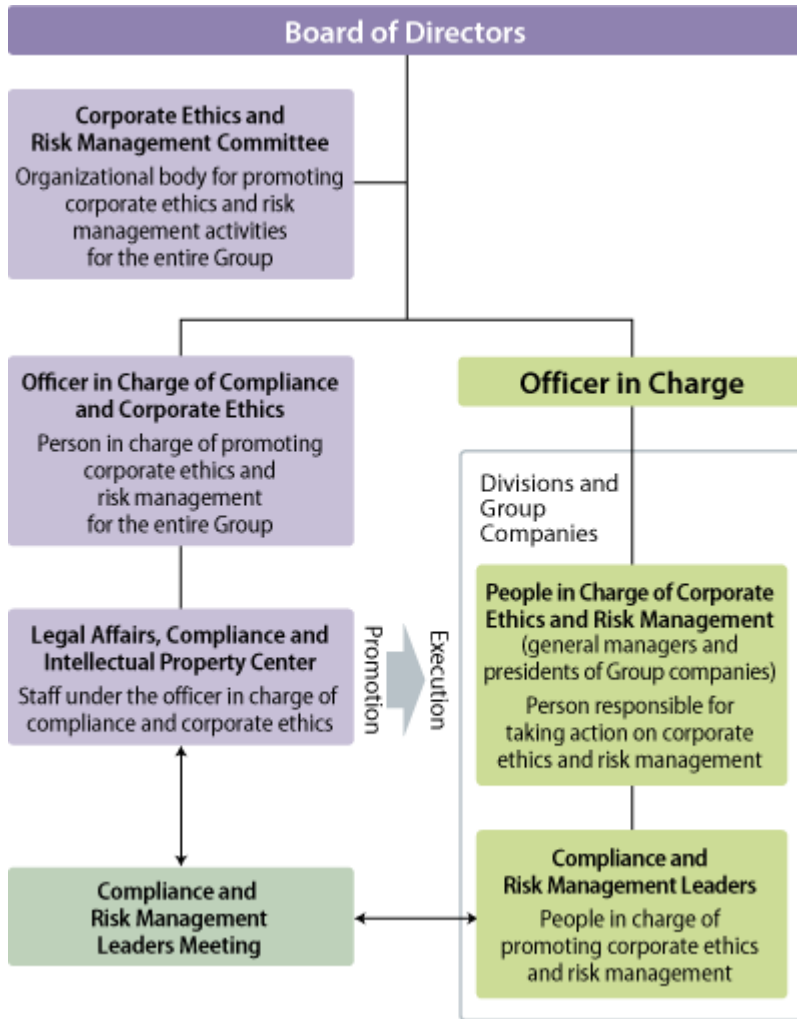
To deal with risk across the entire company, officers in charge of compliance and corporate ethics, through the legal department, identify major risks based on risk management principles, and these are deliberated biannually by the Corporate Ethics and Risk Management Committee in order to formulate measures to deal with risk.

### Major Operational Risks in Fiscal 2020

- Information management
- Economic security
- Product quality
- Natural disasters
- Strengthening of overseas crisis management
- Harassment prevention

All divisions and major group companies around the world carry out annual risk assessments to determine the most important risks. Based on this, companies propose and implement countermeasures to reduce risk. They also make reports on the progress of these measures and present and share them via the Corporate Ethics and Risk Management Committee.

## Operational Risk Management



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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 are making 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 various natural disasters occurring, the measures that we have 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, ensure stable procurement of parts and materials, and implement countermeasures for logistics.

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 406)

# COMPLIANCE

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## 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

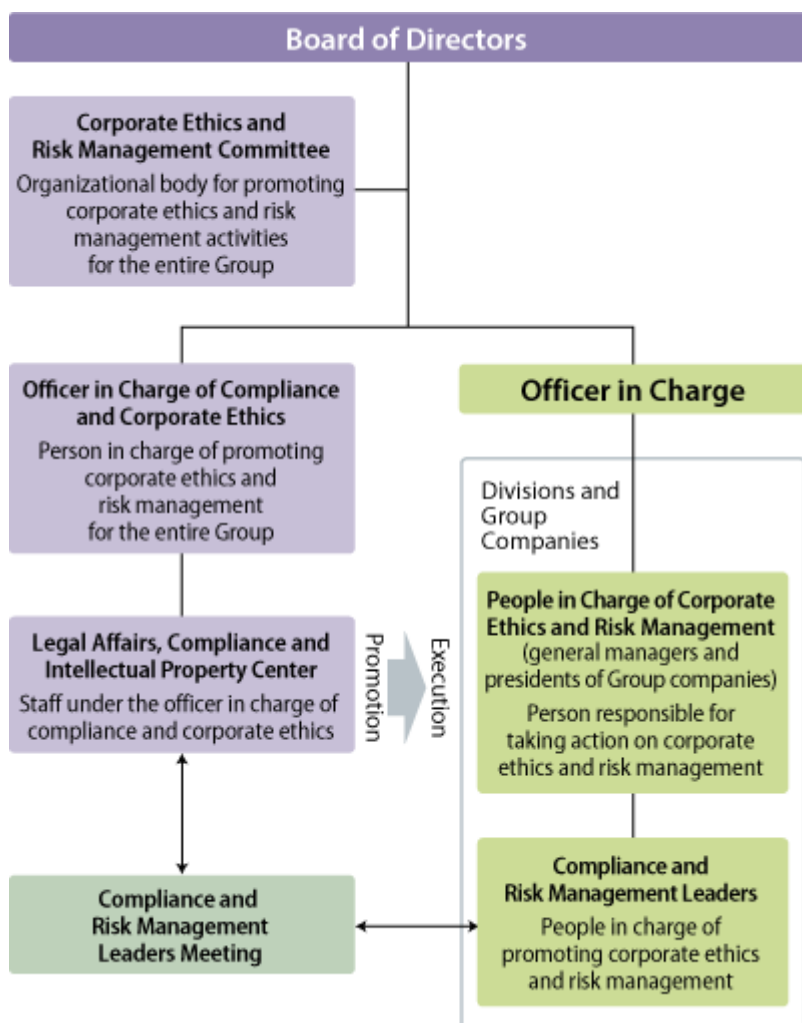
➤ ["Group Conduct Guidelines" \(CSR Philosophy\)](#) (Page 67)

# 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

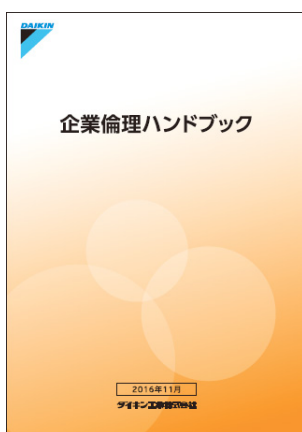
Once a year, we use our unique self assessment system to check that we are in thorough compliance and are following the Group Conduct Guidelines. Using this tool, employees check their own actions based on the Group Conduct Guidelines. Based on these self assessment results, they create a to-do list 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.

### 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

## Formulating Common Worldwide Rules and Sharing Them with Overseas Group Companies

Daikin has formulated common worldwide rules that it shares with overseas group companies for all Daikin bases around the world to 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 a virtual compliance committee meeting online for the Asia and Oceania region in September 2020, in which over 100 people participated. The legal and compliance committee meeting for the Europe region was held online in March 2021. In March 2021, we took part in a compliance information exchange meeting for China.



Asia and Oceania region compliance committee meeting

### Related information

- [" Ensuring Legal Compliance in the Entire Supply Chain" \(Working Closely with Suppliers\)](#)  
(Page 465)

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# Education

## Focus on Educating Employees Toward Thorough Compliance

Daikin places a special emphasis on educational activities in order to enhance the awareness toward compliance among every group employee.

At Daikin Industries, Ltd., compliance education is conducted each year targeting all employees based on the Group Conduct Guidelines.

Additionally, 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.

In addition to publishing an ongoing series on compliance in Daikin's in-house magazine to keep employees constantly aware of its importance since 2014, at Daikin Industries, Ltd., employees receive an email newsletter called Daikin Compliance News, which uses familiar case studies to raise employee awareness of the importance of compliance every two months. Moreover, whenever there is an important revision to a relevant law or regulation, all employees take e-learning on the matter. In fiscal 2020, following the enactment of the amended Act on Comprehensive Promotion of Labor Measures (Law on Power Harassment Prevention), we made the prevention of harassment a theme and conducted e-learning for all employees to raise awareness. Moreover, from the perspective of preventing further spread of the COVID-19 infection, we also implemented online training, e-learning, and sharing of case studies on the Intranet.

Education and awareness training are conducted at each overseas group company following the common worldwide rules. Compliance education is conducted based on the laws of each country and rules of the company.

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## Major Legal Violations in Daikin in Fiscal 2020

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 2020 at Daikin.

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## 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.

# FREE COMPETITION AND FAIR BUSINESS DEALINGS

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## 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.

### 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 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.

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 395)
- ["Compliance Effort" \(Compliance\)](#) (Page 393)
- [Philosophy on Suppliers](#) (Page 435)

# PROHIBITING BRIBERY AND CORRUPTION

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## Basic Policy

With the progress of a global economy, demand for anti-corruption is increasing while regulations are being tightened not only domestically but also in international business. Daikin has established its policy on "Free Competition and Fair Trading," "Practicing Moderation in Entertainment and Gift Exchanges," and "Maintaining a Firm Attitude against Anti-social Activities" in its Group Conduct Guidelines in an effort to prevent various conducts of corruption.

### 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

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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.

### 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.

## 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.

### 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.

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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.

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## 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 2020, we conducted audits remotely 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 engagement of third parties such as consultants and dealers.

### Related information

- ["Compliance Efforts" \(Compliance\)](#) (Page 393)
- [Working Closely with Suppliers \(Ensuring Legal Compliance in the Entire Supply Chain\)](#) (Page 465)

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## 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 2020, there were no incidents involving bribe-related violations or sanctions.

### Related information

- ["Help-Line" \(Compliance\)](#) (Page 396)

# INFORMATION SECURITY

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## 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 2020, 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.

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.

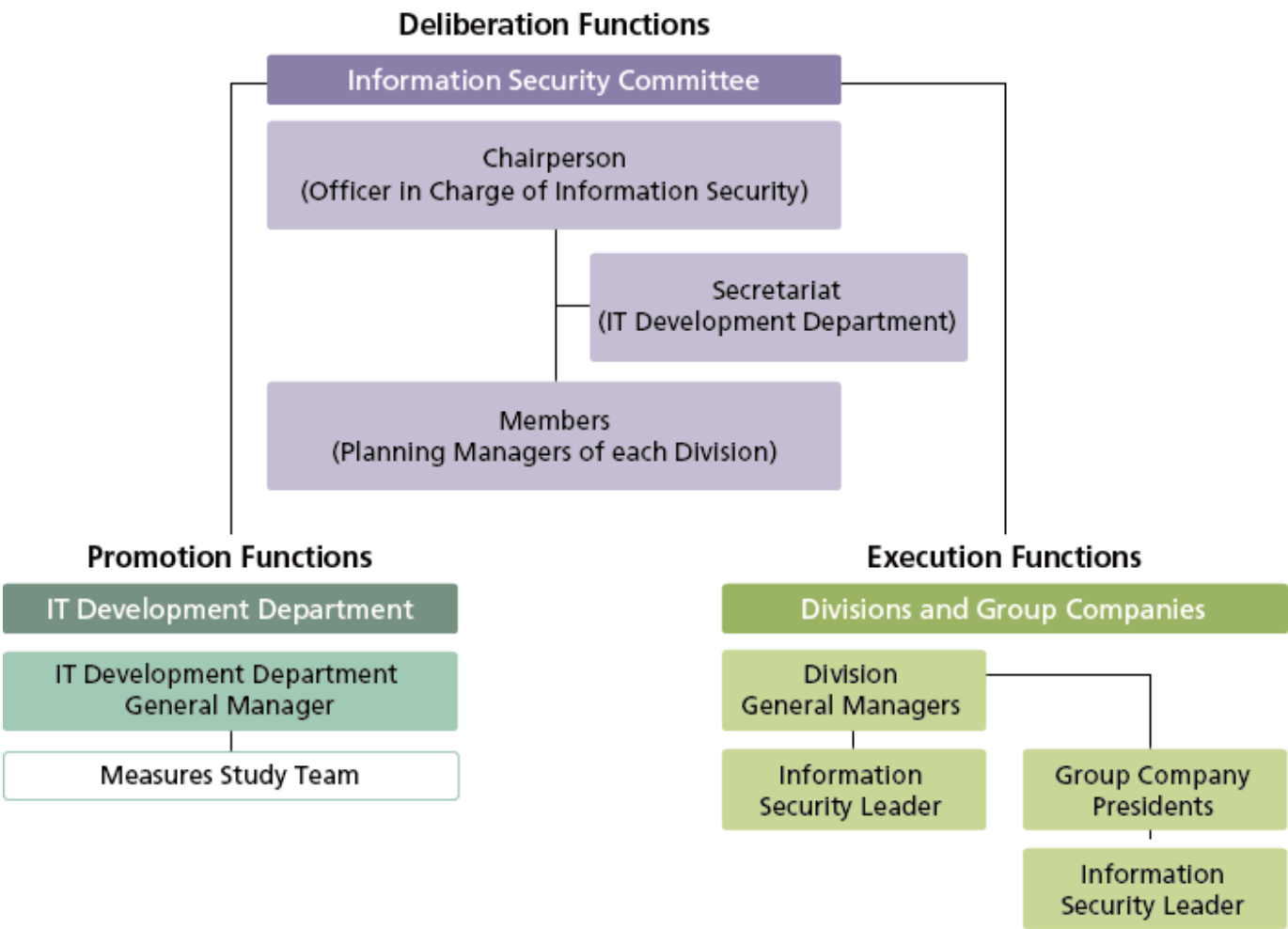
1. Our Group complies with rules and regulations, national guidelines, and other social standards in connection with information security.
2. Our Group establishes and complies with internal rules related to information security based on the basic information security policies.
3. Our Group implements 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.

# 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



## **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.

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## 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 2020, we held a training session for information security leaders led by an outside instructor on the fundamentals of information security management.

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## 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 391)

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## Measures Against Information Leak Risk

› [Refer to Risk Management.](#) (Page 386)

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## Personal Information

› [Refer to Protecting Customer Information.](#) (Page 325)

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## Response to Personal Data Regulations

› [Refer to "Response to Personal Data Regulations \(Dealing with Human Rights Risks\)" \(Respect for Human Rights\).](#)

(Page 429)

# RESPECT FOR INTELLECTUAL PROPERTY RIGHTS

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## 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.

### 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 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 e-learning, 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 continued these initiatives in fiscal 2020 as we sought to increase the level of intellectual property governance for the entire Group. Since fiscal 2020 was the final year of the five-year plan, we also looked back on previous activities and discussed the vision for the next five years.

In fiscal 2021, as the year of commencing our new five-year plan, we will enhance the intellectual property activities for the entire Group through once again sharing the Group-wide intellectual property policy as well as establishing and implementing regional based intellectual property strategy with collaboration between each location.

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## Encouraging Employees to Create Intellectual Property

› Refer to "Spurring the Creation of Intellectual Property" (Management Structure) (Page 271)

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## 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.






### Receipt of the Minister of Economy, Trade and Industry Award in Intellectual Property Achievement Awards

Daikin Industries, Ltd. has received the Minister of Economy, Trade and Industry Award in the Intellectual Property Achievement Awards in fiscal 2020 as a company that makes excellent use of the intellectual property system. This is the second time we have received an award since the Commissioner of the Japan Patent Office Award received in fiscal 2007. The Ministry of Economy, Trade and Industry and the Japan Patent Office present awards through the Intellectual Property Achievement Awards annually to recognize individuals who contribute to the permeation and development of the intellectual property system and corporations who effectively utilize the system to contribute to their smooth operations and development.

We received this award for opening patents on air conditioners using R-32, as well as our open and close strategies on the closed portion of other patents related to air conditioners, which contributes to reducing environmental impact while maintaining competitiveness.

## Related information

- [Low Environmental Impact Refrigerants](#) (Page 162)
- [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_20150910.pdf))
- [Press release: Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32](#)  (107KB)  
([https://www.daikin.com/csr/pdf/press\\_20190701.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>)

# TAX COMPLIANCE

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## 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.

### 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 Integrated Report.

### Related information

➤ [Securities Report \(available in Japanese only\)](#)

(<https://www.daikin.co.jp/investor/library/securities/>)

➤ [Integrated Report](#)

(<https://www.daikin.com/investor/library/annual/>)

# Respect for Human Rights

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## 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 prohibit discrimination based on race, ethnicity, gender, and so on, respect human rights as well as diversity in individual values and labor values, and ban child labor and forced labor.

## › Respect for Human Rights

(Page 424)

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 60)
- › ["Group Conduct Guidelines" \(CSR Philosophy\)](#) (Page 67)

# RESPECT FOR HUMAN RIGHTS

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## 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 throughout our entire value chain.

In addition to taking part in the United Nations Global Compact for aligning operations to universally accepted principles on issues such as human rights and labor standards, the Daikin Group also stipulates in its Group Conduct Guidelines to never discriminate on the basis of race, ethnicity, gender, etc. as well as never permit child labor and forced labor.

### **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 60)

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# 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. The self-assessment implementation rate in fiscal 2020 was 99%. 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, while 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	<ul style="list-style-type: none"> <li>Eroding safety or health due to work accidents or poor working environment</li> </ul>	Employees Suppliers
	<ul style="list-style-type: none"> <li>Noise, vibration, fires, etc. at bases</li> </ul>	Employees Suppliers Community members
	<ul style="list-style-type: none"> <li>Child labor, forced labor</li> </ul>	Employees Suppliers
Products and services	<ul style="list-style-type: none"> <li>Harm to customers' life and health because of faulty products or services</li> </ul>	Customers
	<ul style="list-style-type: none"> <li>Wrongful use or abuse—unforeseen by the company—of products or technologies</li> </ul>	Customers
Discrimination	<ul style="list-style-type: none"> <li>Lack of concern for people because of their gender, or because they are members of indigenous groups, ethnic minorities, LGBT, immigrant laborers, etc. (inappropriate language, advertising expressions, etc.)</li> </ul>	Customers Employees Suppliers Community members
Communities	<ul style="list-style-type: none"> <li>Air and water pollution, misuse of natural resources</li> </ul>	Employees Suppliers Community members
	<ul style="list-style-type: none"> <li>Procurement of conflict minerals associated with inhumane acts</li> </ul>	Community members
Societies and government	<ul style="list-style-type: none"> <li>Procurement of conflict minerals mined under inhumane conditions</li> </ul>	Suppliers
	<ul style="list-style-type: none"> <li>Leakage of personal information</li> </ul>	Customers Suppliers Employees
	<ul style="list-style-type: none"> <li>Violation of human rights-related laws</li> </ul>	Customers Suppliers Community members Employees

### Related information

➤ [Philosophy on Suppliers](#) (Page 435)

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# 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 firmly 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 449 major suppliers in Japan. From fiscal 2019, we conducted these same questionnaires on 487 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 subcommittees on supply chains and human rights education of the Global Compact Network Japan, the local body of the UN Global Compact. These subcommittees are made up of UN Global Compact member companies and organizations.

In fiscal 2020, we worked to elevate our own initiatives through attending presentations by experts on topics such as *UN Guiding Principles on Business and Human Rights* and *National Action Plan on Business and Human Rights* and learning about the global supply chain and human rights from other companies' CSR procurement practices.

### Related information

➤ ["CSR Procurement" \(Philosophy on Suppliers\)](#) (Page 439)

## 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 2020, we conducted in-depth GDPR training for key staff members at each European Group company.






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)  ([https://www.daikin.co.uk/en\\_gb/about.html](https://www.daikin.co.uk/en_gb/about.html))
- [J&E Hall International](http://www.jehall.com/terms-and-conditions)  (<http://www.jehall.com/terms-and-conditions>)
- [AAF Ltd.](https://www.aafintl.com/en-gb/power-and-industrial/about-us/modern-slavery-statement)  (<https://www.aafintl.com/en-gb/power-and-industrial/about-us/modern-slavery-statement>)

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# 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. In fiscal 2020, we conducted training for officers led by an outside expert on the theme of *Corporations and Human Rights--A CSR Perspective*. In addition, we implemented e-learning on the prevention of harassment among all employees to enhance awareness.



Human rights training

### Related information

- [Workplace Diversity](#) (Page 340)
- [Working Closely with Suppliers](#) (Page 465)

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## 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, workplace bullying, and sexual harassment.

### Related information

➤ ["Help-line" \(Compliance\)](#) (Page 396)

# Supply Chain Management

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Green Procurement Guidelines .....	472
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## 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 Green Procurement Guidelines and 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.

### › Philosophy on Suppliers

(Page 435)

We make efforts to engage in fair transactions with suppliers and promote CSR initiatives throughout the supply chain.

### › Working Closely with Suppliers

(Page 465)

We make efforts to collaborate with suppliers to enhance product quality while supporting technological capability improvements and safety countermeasures.

### › Green Procurement Guidelines

(Page 472)

Based on our Green Procurement Guidelines, we cooperate with suppliers in conducting green purchasing.

#### Related information

› [Green Procurement](#) (Page 138)

# PHILOSOPHY ON SUPPLIERS

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## 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"

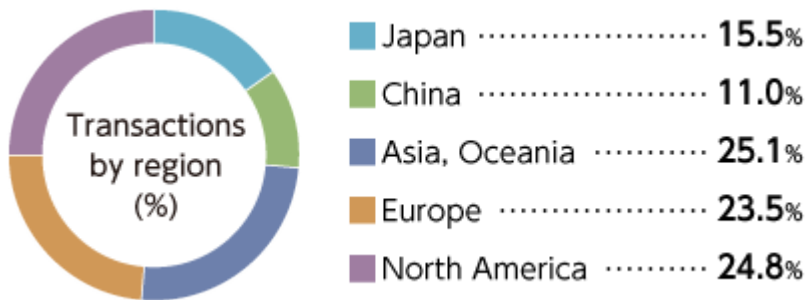
##### **Purchasing Policy:**

- **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.

## Responsible procurement

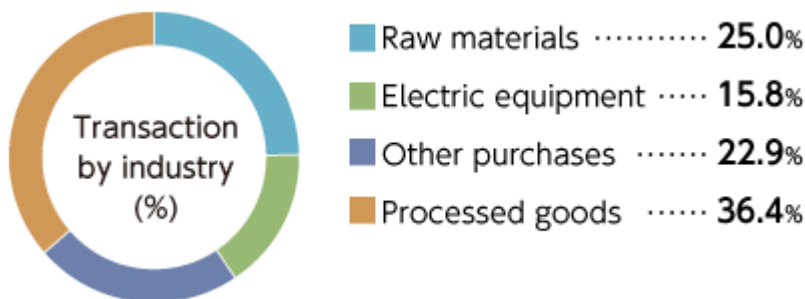
Daikin is working with suppliers worldwide in ensuring responsible procurement in order to fulfill its social responsibility across the entire supply chain. We consider our suppliers for raw materials and parts as important partners, with whom we are promoting relationships of trust through open, equal, 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 (%)



\*As of April 2020

### Transaction by industry (%)



\*As of April 2020

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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.

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# 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, to ascertain the ability of suppliers to address ESG related risks, we investigate their compliance with the CSR Promotion Guidelines, which represent standards used globally by the Group, and determine whether the business relationship with suppliers can be continued. Before we start transactions with new suppliers, we use the Supplier Assessment Standard Sheet, which takes region-specific risks into account, 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. We use the same standards globally to evaluate environmental aspects.

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 2020, such assessments resulted in Daikin bringing on 11 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

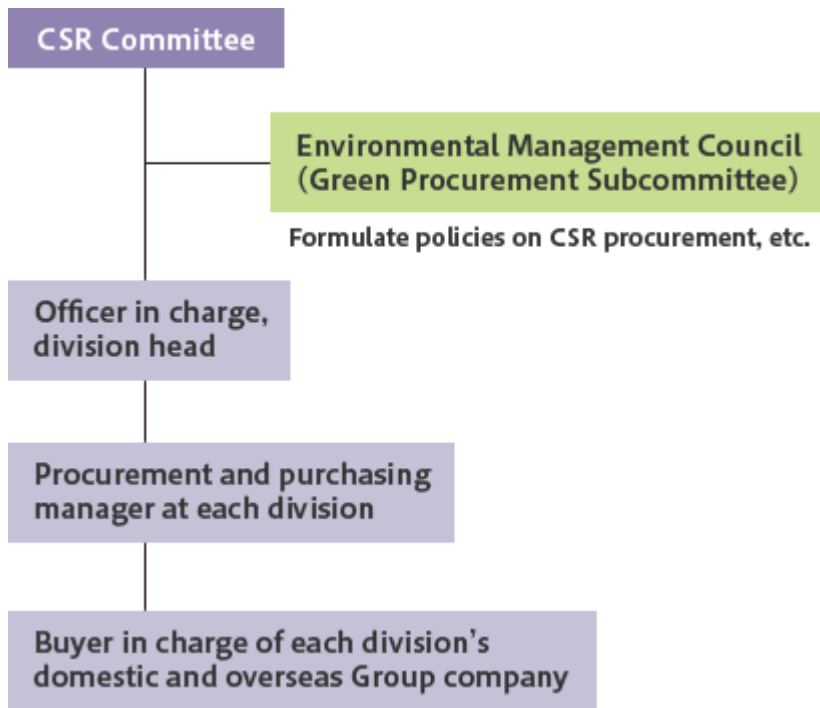
## Rolling Out Supply Chain CSR Promotion Guidelines

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, targeting a compliance rate of 100% with the above among both domestic and overseas suppliers. Training based on these guidelines is held internally and at suppliers. We 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 2020, the CSR procurement implementation rate is 99%.

\* Percentage of procurement value from suppliers that satisfy Daikin's standards of total procurement value.

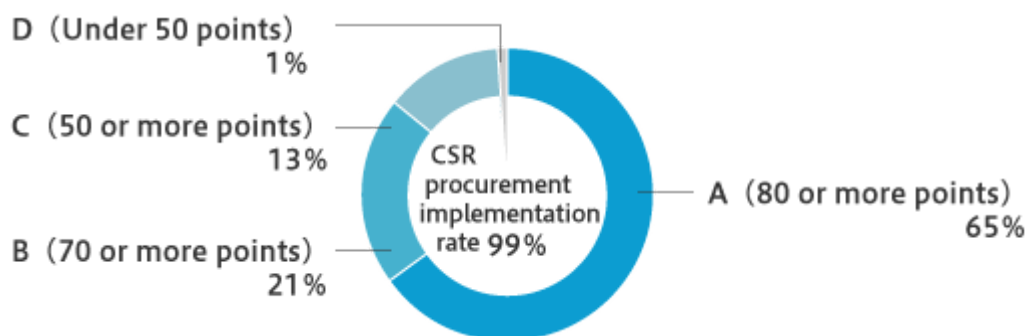
## Promotion structure



## Targets and Results

Quantitative target	FY2021 Target	FY2018 Results	FY2019 Results	FY2020 Results
Percentage of requests made to suppliers to implement initiatives based on the Guidelines	100%	100%	100%	100%
Increase of CSR procurement implementation rate		94% (Japan)	99%	99 %

## Results of CSR Questionnaires for Fiscal 2020



### 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.

[➤ Specific Guidelines](#)   
(Page 447)

### 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.

[➤ Specific Guidelines](#)   
(Page 448)

### 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.

[➤ Specific Guidelines](#)   
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### 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.

[➤ Specific Guidelines](#)   
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### 5. Respect and protection of intellectual property rights

Respect the intellectual property rights of other companies and ensure not to infringe upon them.

[➤ Specific Guidelines](#)   
(Page 451)

### 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.

[➤ Specific Guidelines](#)   
(Page 452)

## 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).

[➤ Specific Guidelines](#) 

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## 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.

[➤ Specific Guidelines](#) 

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## 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.

[➤ Specific Guidelines](#) 

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## 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.

[➤ Specific Guidelines](#) 

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## 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).

[➤ Specific Guidelines](#) 

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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.

[➤ Specific Guidelines](#) 

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### 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.

[➤ Specific Guidelines](#) 

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### 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.

[➤ Specific Guidelines](#) 

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### 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.

[➤ Specific Guidelines](#) 

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### 16. Compliance with industry laws and regulations

Accurately comprehend and observe all business laws and regulations applicable to your company's business activities.

[➤ Specific Guidelines](#) 

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### 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.

[➤ Specific Guidelines](#) 

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## **Green Procurement Ensures Thorough Chemicals Management**

➤ [Refer to Green Procurement \(Environmental Management\)](#) (Page 138)

### **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.

\* RMI: Responsible Minerals Initiative

### **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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# Risk Management in the Supply Chain

## Risk Management in the Supply Chain

Daikin is working to mitigate growing procurement risks due to the globalization of its business operations.

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.

We encourage the use of multiple suppliers across different regions and the commonization and/or standardization of parts in order to ensure raw materials and parts are supplied in a stable and timely manner at reasonable prices even if one supplier faces a deterioration in financial situation or in case of a natural disaster or accident.

Suppliers that carry parts and materials matching Daikin's core technologies are designated as "Critical Supplier" considering the three categories of "substitution difficulty," "size of transactional value", and "importance of items supplied." Moreover, from among these, suppliers that further meet the following criteria at a certain level are designated as "Global Supplier," with whom we promote business on a global scale.

### Definition of Global 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 2020, 23 companies around the world have been designated as Global 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. In addition, following the spread of the COVID-19 pandemic, we are promoting greater procurement locally.

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## 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 60)

# 1. 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.

## Specific Guidelines

### 1. Top management members take the initiative in fulfilling social responsibility

Have top management members take the initiative for social responsibility at your company by making policy and demonstrating this policy by example.

### 2. Have written rules on management policy for furthering social responsibility

Formulate and put into writing rules for your company's (management's) policy on social responsibility, as well as codes of conduct for these rules, and convey these rules to employees and all others connected to your company's business operations.

#### Documents to be submitted:

- Top management's CSR policy (Sustainability Report, information on company website)
- Documents on CSR policy and code of conduct (Sustainability Report, information on company website)

## 2. PROVISION OF SAFE, HIGH-QUALITY PRODUCTS AND SERVICES

Always strive to ensure safety and quality of products for end users.  
If problems arise, take action promptly and appropriately.

### Specific Guidelines

#### 1. Ensure the safety and quality of products and parts

1. Abide by relevant product-safety laws and product-safety standards in Japan and other countries.
2. To ensure quality of products (and parts), take measures including the establishment of a quality management system, so that in all processes, from design and manufacture to sales and after-sales service, your company can ensure the level of product safety and quality that Daikin demands.
3. To ensure that products (and parts) can be used safely, upon request from Daikin, provide it without delay with documentation such as delivery specifications and technical documents.
4. Strive to provide the safest and highest-quality products by promptly obtaining information on products (and parts) from within Daikin or from the market and by using this information to handle customer issues down the line and to provide the relevant company departments with proper customer feedback.

#### Documents required for submission:

- If your company's products, or products that use your company's products, have in the past been cited for a violation of product safety laws, provide documentation of the violation and the measures taken to resolve the problem.
- If your company has formulated its own safety standards related to parts (and products) regardless of laws or requests from customers, disclose the content of these standards.

#### 2. Respond promptly and appropriately when safety issues occur

1. Gather information on accidents involving your company's products (and parts), report this promptly to your company's top management, and provide Daikin with appropriate information.
2. If a safety issue occurs with your company's product (or part), prioritize end user safety by promptly taking all possible measures to prevent further accidents or to minimize damage from the accident.
3. Upon request from Daikin, promptly provide Daikin with a written report containing your company's evaluation of the accident, its cause, and possible ways to deal with the problem.

## 3. FREE COMPETITION AND FAIR BUSINESS DEALINGS

Pursue honest business activities by engaging in honest competition in abidance with Japan's Antimonopoly Act and the relevant laws of other countries and regions, and by abiding with other laws related to business dealings.

### Specific Guidelines

#### 1. Observance the Antimonopoly Act

1. To ensure free competition, do not enter into agreements with your 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, do not enter into any agreements with your competitors to predetermine bid price or bid recipient.
3. Do not unfairly inhibit your dealers from selling other companies' products, nor 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.
4. Observe the laws and regulations relating to fair competition in each country and region, and conduct fair and honest business activities.

## 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.

### Specific Guidelines

#### 1. Ensure that Transactions Do Not Undermine Security

1. 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. Sufficiently verify the user and intended use of transactions involving exports by being attentive to the international situation and do not engage in any trade that conflicts with your company's social responsibility.
3. Formulate clear in-house policies for secure export control, and abide by these policies to ensure thorough export control.

#### 2. Observe Other Trade Control Laws and Regulations

Besides ensuring secure export control as mentioned above, observe all related laws and regulations that concern the importing or exporting of products (or parts), including Japan's Foreign Exchange and Foreign Trade Control Law and the Custom's Law.

## 5. RESPECT AND PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Acquire and protect intellectual property rights for your company, respect the intellectual property rights of other companies, and ensure you do not infringe upon the intellectual rights of other companies.

### Specific Guidelines

#### 1. Acquire, Protect, and Utilize Intellectual Property Rights

1. Recognize that intellectual property is an important asset and strength of your company, and therefore properly maintain, manage, and protect your intellectual property rights while utilizing them effectively.
2. Be conscious that your company's products (and parts) are used in Daikin's and other company's products around the world, and actively acquire and protect intellectual property rights, which are the result of your company's advanced, creative research and development.
3. Gather information concerning intellectual property rights generated from all your organization's group companies, including overseas companies, and strive to fully understand and utilize intellectual property rights as a corporate group.
4. Appropriately execute your rights in regards to infringement upon your company's intellectual property rights by third parties.

#### 2. Respect the Intellectual Property Rights of Other Companies

1. When developing new products (and parts) and technology, confirm that you are not infringing on the intellectual property rights of other companies anywhere in the world.
2. In the legal licensing of intellectual property rights from Daikin and other companies, observe the scope of use specified in the contract when using those property rights. For example, be thorough in making sure you are not making illegal copies of software.

#### 3. Do Not Copy Other Companies' Products

In the interests of fair competition, do not without permission imitate the products (or parts) of any other companies during the development, manufacture, or sale of your products

## 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.

### Specific Guidelines

#### 1. Properly Manage and Utilize Your Company's Confidential Information

1. Properly manage and utilize the confidential information of your company to prevent it from leaking to outside the company.
2. Should the disclosure of confidential information of your company become necessary, thoroughly consider the disclosure method, the scope of the confidential information to be disclosed, and other matters, and take measures such as signing confidentiality agreements in order to prevent the confidential information from leaking to third parties.
3. Ensure that employees leaving your company do not leak confidential information that they obtained during their tenure with the company.

#### 2. Fairly Obtain and Properly use the Confidential Information of Other Companies

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

#### 3. Properly Handle Personal Information

1. When acquiring personal information, convey to the individual in question the purpose of use of the information and restrict its use to this purpose.
2. Do everything possible to prevent the leak of personal information that is entrusted to you from business partners, employees, and others.
3. Take the appropriate measures regarding requests by individuals to disclose, correct, or delete any of the personal information that you have stored in your database.

#### 4. Appropriately Manage Personal Information Systems

1. Protect your company's IT system (computer systems, networks, and information property kept within the computer systems), and build an environment for its proper use.
2. Always be on guard for cyber attacks such as computer viruses from outside your company. If by chance your company is attacked, have measures in place to prevent against actual damage from viruses.

## 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).

### Specific Guidelines

#### 1. Do Not Take Part in Insider Trading Based on Your Company's Internal Information

When material information (non-public information that may affect investment decisions) is gained regarding your company and its group companies, strictly manage such information in order to prevent leaks to third parties prior to public disclosure, and ensure that none of your employees buy or sell shares in your company for the purpose of profiting from the insider information.

#### 2. Do Not Take Part in Insider Trading Based on Other Companies' Internal Information

When material information is obtained on suppliers and other third party companies in the line of duty, strictly manage such information in order to prevent leaks to third parties prior to public disclosure, and ensure that none of your employees buy or sell shares in the company in question for the purpose of profiting from the insider information.

#### 3. Prohibit Leaks of Material Facts

When material facts of your company and its group companies, as well as other third-party companies (listed companies), are obtained, strictly manage that information prior to its public disclosure to prevent it from leaking to third parties and being used for the purpose of insider trading. In addition, do not convey that information to parties other than those who need it to perform work.

## 8. TIMELY AND PROPER DISCLOSURE OF CORPORATE INFORMATION

When stakeholders make requests for information based on proper reasons and conditions, do everything possible to disclose such information in a timely manner, and strive to further communication with stakeholders.

### Specific Guidelines

#### 1. Be a Highly Transparent and Open Company that Earns the Respect of Society

If Daikin or other group companies make requests for information on your company's business based on proper reasons and conditions, disclose such information in a proactive and timely manner. In addition, build a relationship of trust with Daikin through communication and strive to be a highly transparent and open company.

#### 2. Disclose Investor Information in a Timely and Appropriate Manner

Disclose investor information to your stakeholders in accordance with laws and regulations. In addition, disclose valuable and reliable information on your management philosophy, management strategy, business plans, and other facets of business in a proactive, appropriate, and timely manner so that your stockholders gain a full understanding of your enterprise's management.

#### 3. Cooperate in Inspection Tours and Audits of Your Factories

Cooperate in every way possible with requests from Daikin for inspection tours or audits (regarding quality, safety, or other necessary matters) of your factories.

## 9. PRESERVATION OF THE GLOBAL ENVIRONMENT

Observe all applicable laws and regulations in each country and world region, and practice initiatives that preserve and improve the global environment in all aspects of your business operations, including product development, manufacturing, sales, distribution, and service.

### Specific Guidelines

#### 1. Observe Environmental Laws and Regulations

In the execution of your business activities, observe environmental laws and regulations, reduce the environmental load of business activities, and take measures to prevent environmental pollution.

#### 2. Implement Measures to Protect the Environment in All Aspects of Business

Work with Daikin and other business partners and suppliers to carry out environmental protection activities in all aspects of your business operations, including manufacturing, distribution, sales, and after-sales service.

#### 3. Contribute to Environmental Preservation through Product Development and Technological Innovation

Pursue development and technological innovation of products (and parts) with superior environmental performance while having a firm, quantitative understanding, from the planning and design stages in product development, of the impact that your business has on the environment.

#### 4. Environmental Communication

Pursue honest and fair disclosure of information on your company's environmentally related efforts and successes. In addition, in your initiatives, utilize outside knowledge obtained through, for example, dialogue with stakeholders.

#### 5. Encourage Employees to Preserve the Environment Both in the Workplace and at Home

Contribute to local communities and society by increasing environmental knowledge and awareness among your employees 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.

#### 6. Prevent Environmental and Health Hazards in the Community

Be aware of the environmental impact that your business has on not only your factory but on its surroundings as well so that you do not cause environmental and health hazards in the community.

#### 7. Cooperate with Green Procurement Surveys and Strive to Improve Green Procurement

Cooperate in all aspects of Daikin's Green Procurement Surveys, and continuously strive to improve your company's Green Procurement Score on these surveys.

## 10. GUARANTEE OF SAFE OPERATIONS

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 you serve.

### Specific Guidelines

#### 1. Observe Safety-related Laws and Regulations and Establish and Observe Internal Standards to Ensure Safe Operations

Establish safety-related laws and regulations and internal company safety rules in response to experience and past failures, and observe these policies in the interests of safety. Observe society's safety-related laws and regulations, establish internal rules suitable to your company's business, constantly review these rules to make them appropriate, and strictly follow them in order to raise the level of safety.

#### 2. Take Precautions Based on the Likelihood of Danger

To ensure operational safety, determine the possible sources of hazards before an accident or disaster occurs, and take precautions to prevent such occurrences.

Together with near-miss training and danger prediction activities, examine possible causes of danger in the workplace through risk assessment, and draft countermeasures for risk and conduct PDCA in order to achieve "zero danger" in every aspect of your organization.

#### 3. Take Immediate Action in Response to an Accident or Disaster

1. In the event of an accident or disaster, rescue the victims and prevent the spread of the accident or disaster. If necessary, take prompt and speedy measures in the community by, for example, issuing an evacuation order for locals and leading them in the evacuation.
2. Have a business continuity plan (BCP) in place that includes measures such as quickly restoring equipment damaged in the disaster. If a disaster occurs, make every effort to minimize its impact.

# 11. RESPECT FOR HUMAN RIGHTS AND DIVERSITY, AND COMPLIANCE WITH LABOR-RELATED LAWS

Respect individual human rights, diverse values, and working philosophies, and strive to build a workplace where people feel safe and free to work in their own way. 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 minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

## Specific Guidelines

### 1. Respect Human Rights

Respect the human rights of each and every employee, both those of your own company and those working for companies you outsource to, without regard to nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Strive to ensure a pleasant working environment and good human relations in the workplace.

Do not engage in harassment, including sexual or power harassment or harassment relating to pregnancy, childbirth, or childcare leave, and make every effort to create a fair and positive workplace.

Furthermore, respect the human rights of people outside the company including your business partners and various stakeholders.

### 2. Respect Diversity

Pool the strength of all people concerned by respecting their diverse values and working philosophies and mutually accepting their differences, with the aim of building a workplace where you can maximize the talents of your human resources.

### 3. Observe Laws and Regulations Related to Labor Practices

Thoroughly comply with all labor laws and regulations (Labor Standards Law, the Industrial Safety and Health Law, the Labor Union Law, etc.,) and promote a relationship where "the company and the individuals who work there are drawn together by mutual preference," thus creating a workplace foundation that allows each and every employee to work with enthusiasm.

#### **4. Ensure Workplace Health and Safety**

Conduct daily inspections of workplaces for possible causes of disasters and implement disaster prevention measures so that you can create a work environment where disaster risk is minimized and where your employees can thus work in safety.

#### **5. Instill Pride in Your Employees**

Have all your employees act in awareness of their responsibility as members of society. Do not commit any anti-social or illegal acts, and do not get involved with any companies or individuals committing such acts.

In addition, observe your working regulations and internal company policies and do not commit any dishonest or unfaithful acts. Moreover, maintain internal order and public morals and work diligently and with sincerity.

#### **International norms:**

Universal Declaration of Human Rights, United Nations Global Compact, ILO Declaration on Fundamental Principles and Rights at Work

## 12. PROTECTION OF COMPANY ASSETS

Properly manage the tangible and intangible assets of your company to protect and effectively utilize these assets.

### Specific Guidelines

#### 1. Use Corporate Assets Only for Business Purposes

Establish and enforce internal rules in order to effectively utilize your company's assets and make them your own, and do not use these assets for any purpose other than company business.

#### 2. Protect Corporate Assets

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, make every effort for appropriate credit management to limit exposure and prevent the occurrence of uncollectible debts.

#### 3. Properly Manage Corporate Assets

Avoid speculative trading in the management of your company's corporate assets (real estate, securities, etc.).

#### 4. Conclude Appropriate Contracts

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

# 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.

## Specific Guidelines

### 1. Pay Expenses Properly

When paying expenses, use all possible means, including internal rules under which multiple people conduct checks, as part of strict measures to ensure the avoidance of unfair or improper expense payments.

### 2. Ensure Fair Accounting

Conduct accounting based on generally accepted corporate accounting principles in order to ensure the accuracy of your accounting and financial data. Likewise, build and maintain an appropriate internal control system to ensure the accuracy of financial reporting.

### 3. Observe Tax Laws

1. Pay taxes in accordance with relevant tax laws.
2. For overseas transactions, including transactions by companies in your corporate group, carefully check how tax laws apply in the countries of your group companies' and in the countries of the companies your group companies are dealing with.

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

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 invitation relating to your business. In particular, do not entertain, provide gifts of monetary value, or extend invitations to public officials in Japan or abroad that violate the applicable laws and regulations in each country and region.

## Specific Guidelines

### 1. Maintain Sound and Transparent Relationships with Government and Municipal Offices

1. Do not provide entertainment, gifts, or invitations to any public servants in government offices in accordance with laws such as Japan's National Public Service Ethics Act.
2. In striving to expand your global business, do not provide entertainment, gifts, or invitations to any public servants in overseas government offices in accordance with national or regional laws and regulations.

### 2. Observe Japan's Political Funds Control Law and Public Offices Election Law

Before making a political donation or contribution, whether to a candidate or a political party, thoroughly study and uphold laws such as Japan's Political Funds Control Law and Public Offices Election Law, and follow any relevant procedures that are specified.

### 3. Practice Moderation in Entertainment and Gift Exchanges with Business Partners

When entertaining, exchanging gifts with, or extending invitations to customers or business partners, 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.

# 15. FIRM STANCE TOWARD ANTI-SOCIAL BEHAVIOR

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

## Specific Guidelines

### 1. Prohibit the Giving of Material Benefits to any Person Regarding the Exercise of Shareholders' Rights

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

### 2. Prohibit Dealings with Anti-social Forces and Organizations

1. Do not take part in dealings that serve as supporting or providing illegal profit to any anti-social forces or organizations.
2. Do not enlist the support of anti-social forces or organizations in pursuit of business activities.

### 3. Institute Zero Tolerance of Anti-social Forces and Organizations

1. Do not meet any unjustified or unreasonable demands of any criminal groups or organizations.
2. If contacted by an anti-social force or organization, handle the matter on an organization basis, not an individual basis. Moreover, regularly work to build a specific link between law enforcement officers and outside specialists such as lawyers, and in the case of an emergency take appropriate measures through both civil and criminal legal channels in cooperation with outside specialists.

## 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.

### **Specific Guidelines**

We shall accurately comprehend and observe all business laws and regulations of each country and region applicable to our business activities.

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.

# 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.

## Specific Guidelines

### 1. Conduct Economic, Social, and Environmental Risk Management in Your Company's Business Activities

Always have a clear picture of your company's business risks and have a BCP in place by studying the economic, social, and environmental risks of your business and if necessary updating aspects of your company's risk management policy.

### 2. Formulate a BCP to Avoid Risk

With regards to the above-mentioned risks, be prepared for emergencies by having rules stipulating measures to take in case of emergencies (a BCP). In particular, strive to avoid risk by clearly stipulating action guidelines related to recent major problems such as global warming and water risk.

### 3. In Business Continuity Efforts, Have Company Executives Lead by Example on Key Governance Issues and Inform All Employees of these Issues

In the area of business continuity, have company executives lead by example and have rules covering the entire company. In addition, ensure each and every employee is thoroughly versed in these rules and have all employees work together to ensure the sustainability and continuity of business.

### 4. Disclose Information on BCP Initiatives

If requested, immediately inform Daikin of the details of your company's BCP.

### 5. Formulate a BCP that Covers Even Your Secondary and Tertiary Business Partners

Formulate a BCP that covers not just your own company but also the BCP efforts of your suppliers.

#### Documents required for submission:

- Documents (rules, procedures, etc.) detailing your company's internal standards for BCP management
- Risk management documents from your secondary and tertiary suppliers (factory locations, assessment data, etc.)

# WORKING CLOSELY WITH SUPPLIERS

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## 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.

## 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 138)

➤ [Green Procurement Guidelines](#) (Page 472)

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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 procurement, 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.

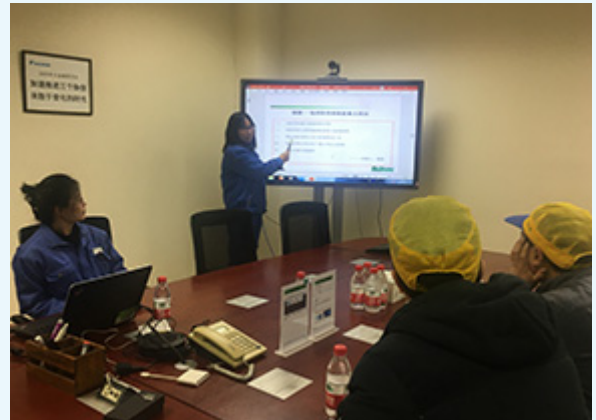
## Support provided to suppliers

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, but in fiscal 2020, it was held one time to prevent the spread of COVID-19, with a total of 123 companies taking part at different venues.)
Quality meetings	Quality training is implemented for suppliers in aiming to permeate understanding of Daikin's quality guidelines. (Every year, 279 companies took part in the two meetings held in fiscal 2020).
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 17 companies in fiscal 2018, four occasions for 30 companies in fiscal 2019, and one occasion for 17 companies in fiscal 2020 due to COVID-19. Meanwhile, quality improvement proposal meetings were held on 124 occasions for 11 companies in fiscal 2020.)
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 95 companies in fiscal 2018, 99 companies in fiscal 2019, and at only 44 companies in fiscal 2020 due to COVID-19) Suppliers of the chemicals divisions who provided defective products underwent audits based on ISO 9001. (Conducted at only four companies in fiscal 2020 due to COVID-19.)
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) In fiscal 2020, due to the COVID-19 pandemic, the forum's format was switched from an in-person meeting to information provision and survey for 77 companies.
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 conducted both in-person visits to suppliers and online meetings during COVID-19 to exchange information to propose new technology and innovative techniques. (15 companies took part in fiscal 2020).
Technical meetings	Information sessions on Daikin technology are held to provide a platform for making technical proposals between Daikin and its suppliers (50 companies took part online in fiscal 2020).

### Supporting Quality Improvement at Suppliers in China

In fiscal 2020, following feedback about defective quality from customers, McQuay China (Suzhou)'s air conditioning quality department worked alongside 11 suppliers to analyze the quality management system and manufacturing process. Areas for improvement were identified and fully addressed following training and instruction given to quality managers.

The company's compressor quality department also participated in quality meetings with suppliers, adding new items to audits and improving the production process. As a result, the defect rate of purchased products was reduced by around 2% compared to fiscal 2019.



Quality meeting with 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



# Business Partners and Staff of Outsourcing Partners Contribute to Plant Safety

## Providing Business Partners and Staff of Outsourcing Partners Working in Daikin Plants with Safety Information and Conducting On-Site Patrols

Daikin Industries, Ltd. asks for business partners and staff of outsourcing partners to cooperate in making plants safer.

### Assisting Business Partners and Staff of Outsourcing Partners 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, in fiscal 2020, seminars were held by distributing learning curriculum to prevent the spread of COVID-19. Approximately 400 drivers participated.)
Training for partner companies	<ul style="list-style-type: none"><li>• 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. In fiscal 2020, training was held in-person on one occasion with a limited number of participants and infection controls in place, including body temperature checks, due to COVID-19. (358 participated in the eight training sessions held in fiscal 2020).</li><li>• To stop the spread of COVID-19, changes were made to the traditional format of in-person training, with information provision on safe driving and survey provided to 262 companies.</li></ul>

#### Related information

➤ [Occupational Safety and Health](#) (Page 352)

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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 fiscal 2020, these visits were held online due to the impacts of COVID-19.

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. In fiscal 2020, we held information exchanges online on three occasions, as well as debated 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.

# GREEN PROCUREMENT GUIDELINES

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## 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](https://www.daikin.com/csr/supplier/guidelines_e.pdf)  (409KB)(Jun. 2020 revised)  
([https://www.daikin.com/csr/supplier/guidelines\\_e.pdf](https://www.daikin.com/csr/supplier/guidelines_e.pdf))
- [Green Procurement Inspection List PDF Data](https://www.daikin.com/csr/supplier/inspection.pdf)  (195KB)(Jun. 2020 revised)  
(<https://www.daikin.com/csr/supplier/inspection.pdf>)

# Stakeholder Engagement

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## 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 involve and continue to improve on dialogues and cooperation with national governments, international organizations and experts for the spread of air conditioning technology and improved environmental performance of our products and services.

## › Stakeholder Engagement

(Page 476)

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 478)

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 482)

To alleviate and solve society's problems, the Daikin Group actively pursues dialogue with concerned parties, offering proposals and calling for action.

# STAKEHOLDER ENGAGEMENT

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## Basic Policy

So that we can continue to contribute to society, the Daikin Group uses every means possible to gather the opinions of stakeholders, report these to company officers, and reflect them in our management, all with a focus on stakeholder engagement\*.

The Daikin Group's main stakeholders are the customers to whom we provide the Group's products and services, those directly affected by our business including shareholders, investors, employees, and business partners, as well as members of local communities, who are affected by our business activities. Moreover, the national and local governments of the countries where we do business, and those countries' industry groups, are connected to our efforts to improve environmental performance and disseminate environmental technologies. But no single group of stakeholders has priority over another; they are all important to the Daikin Group.

\* Stakeholder engagement

The process of being actively involved with one or more stakeholders through dialogue or other means, with the aim of achieving a mutually acceptable outcome, in the course of a corporation's integration of its social responsibility into day to day practice. (From the Keidanren's Charter of Corporate Behavior)

## Stakeholder Engagement Efforts

Stakeholders	Main dialogue methods and opportunities	Main dialogue representatives at Daikin
<p>➤ <b>Customer</b> (Page 298)</p>	<ul style="list-style-type: none"> <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>	<p>Sales divisions Service Division</p>
<p>➤ <b>Shareholders and investors</b> (Page 482)</p>	<ul style="list-style-type: none"> <li>• Shareholders' Meeting</li> <li>• Briefings for investors</li> <li>• Integrated Report, business reports</li> <li>• Information for investors on Website</li> </ul>	<p>General Affairs Department Corporate Communication Division</p>
<p>➤ <b>Procurement business partners</b> (Page 432)</p>	<ul style="list-style-type: none"> <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>	<p>Procurement Division</p>
<p>➤ <b>Employees</b> (Page 326)</p>	<ul style="list-style-type: none"> <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>	<p>Human Resources Division Corporate Planning Department</p>
<p>➤ <b>Communities</b> (Page 446)</p>	<ul style="list-style-type: none"> <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>	<p>Group companies Daikin bases CSR Division</p>
<p>➤ <b>NPOs, NGOs</b> (Page 478)</p>	<ul style="list-style-type: none"> <li>• Dialogue with NPOs and NGOs</li> </ul>	<p>CSR Division</p>
<p>➤ <b>National and local governments, industry, academia</b> (Page 478)</p>	<ul style="list-style-type: none"> <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>	<p>Group companies Daikin bases PR divisions CSR Division Research Department</p>

# DIALOGUE WITH SHAREHOLDERS AND INVESTORS

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## 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/)  (<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 120 analysts and institutional investors took part in the sustainability briefings held virtually in fiscal 2020. The briefings included explanations and discussions about Daikin's R&D efforts that support both the solution of social issues and business growth, while also touching on the concerns regarding air and ventilation in the COVID-19 pandemic. .

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.

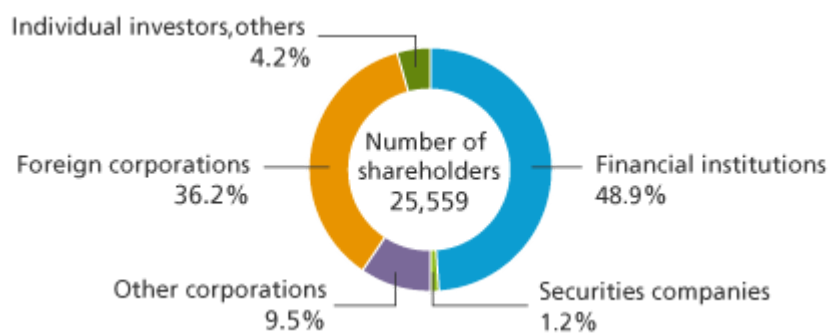
We strive to get as many shareholders as possible to exercise their voting rights by allowing voting over the Internet: those who cannot attend meetings in person can still exercise their voting rights by personal computer or smartphone. We have also adopted a platform for exercising voting rights, which makes it even easier for institutional investors to vote.

As a result of these efforts, the percentage of voting rights exercised reached 89.37% in the 118th Ordinary General Meeting of Shareholders held in June 2021. The number of votes cast over the Internet also increased to 1,884,731 (2,730 shareholders).

## Voting Rights Exercised

	The 114th Ordinary General Meeting of Shareholders (held in June 2017)	The 115th Ordinary General Meeting of Shareholders (held in June 2018)	The 116th Ordinary General Meeting of Shareholders (held in June 2019)	The 117th Ordinary General Meeting of Shareholders (held in June 2020)	The 118th Ordinary General Meeting of Shareholders (held in June 2021)
Voting rights exercised	86.75	89.53	87.41	89.20	89.37
Votes cast over the Internet	1,596,419	1,744,888	1,754,167	1,897,714	1,884,731
Shareholders voting online	921	1,020	1,290	1,826	2,730

## Breakdown of Shareholders (March 31, 2021)



# 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 2020, we held online Air Conditioner Forums (Konwakai) eight times in the five global regions of North America, Latin America, Europe, Asia/Oceania, with 90 participants from 22 countries, where participants conducted discussions on the theme focused on indoor air quality and ventilation that have garnered an increased interest.



Online Konwakai (Latin America)

## Fiscal 2020 Air Conditioner Forums (Konwakai)

Region	Meeting	Main discussion topics	Date	Location	External participants
North America	Discussion of main members in North America	Contributions through air conditioners in response to the social issue of the spread of infection	April	Online	3
North America	North American Mini Konwakai Series 1	Behavioral change in the U.S. and our technology and solution in response	September	Online	6
North America	North American Mini Konwakai Series 2	Impact and new business from measures to switch to electrical power and decarbonization in the U.S.	November	Online	6
North America	North American Mini Konwakai Series 3	Indoor air quality & COVID-19: Daikin's sustainability (postponed due to cold wave in Texas)	(February)	(Online)	(10 people scheduled)
Europe	The 12th European Konwakai	Market change and green recovery in the era of COVID-19	November	Online	23 x 2 days
Asia / Oceania	Oceania Mini Konwakai Expert Meeting Vol. 1	Environmental change and increased IAQ needs & ventilation in the Asian markets	November	Online	8
Latin America	The 4th Latin American Konwakai	Rapid rise of IAQ needs in the Latin American market, short- to medium-term market change and impact on the construction and AC industries	November	Online	6
Latin America	The 4th Latin American Konwakai Session 2	Post-COVID-19: initiatives in Latin America and the Caribbean to achieve a carbon neutral society	March	Online	15

## Opinion exchange and information sharing with industry groups

As part of its stakeholder engagement, Daikin participates in industry groups and actively engages in opinion exchange and information sharing.

For example, Daikin is a member of the Japan Refrigeration and Air Conditioning Industry Association (JRAIA). JRAIA has established committees, with expert members from its affiliated companies to conduct regular meetings for discussions and information sharing pertaining to the future of the refrigeration and air conditioning industry. As part of the activity, Daikin provides cooperation on the research and administrative measures on climate related issues, and conducts inspections and certifications on the environmental performance of refrigeration and air conditioning equipment and their test devices.

Multiple employees of Daikin are members of one of JRAIA's expert committees, the Environmental Planning Committee. The committee is involved in discussions such as improving energy efficiency of refrigeration and air conditioning equipment that also contributes to reduced impact on climate change, and the use, selection of, and policy on appropriate refrigerants.

In addition, Daikin is also involved in the operation of the International Symposium on New Refrigerants and Environmental Technology hosted by JRAIA once every two years. Most recently, Daikin participated as a technical session moderator and panelist in fiscal 2018, where it provided information on low GWP refrigerant, R-32, in aiming to promote understanding of the product.

## 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.

We are looking to increase the frequency of such information exchanges as we study the direction that Daikin's environmental actions should take.

## 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.

### 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 60)



## 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 53)

### 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 262)

### Japan Clean Ocean Material Alliance (CLOMA)

Japan Clean Ocean Material Alliance (CLOMA) is a platform for strengthening collaboration and accelerating innovation among a wide range of affiliated members that transcends industry types in order to address the issue of ocean plastic waste. Daikin has become a member of CLOMA since 2019.



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## Daikin Cooperates in Formation of Environmental Policy

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.

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

## Recent international initiatives (5-year period)

Fiscal 2016, 2017	-	Sri Lanka	Recovery and recycling	Worked on the development of a scheme for disseminating air conditioners using low-GWP refrigerants, as well as recovering, recycling, and destroying refrigerants as part of a jointed entrusted research project by the Ministry of the Environment aimed at supporting developing countries.
Fiscal 2018	-	Mexico	Energy conservation	Conducted the promotion of inverter air conditioners using R-32 refrigerant as part of the Collaboration Program with the Private Sector for Disseminating Japanese Technology under the Japan International Cooperation Agency (JICA).
Fiscal 2019	-	Mexico	Energy conservation	Continuing from fiscal 2019, provided ongoing support to promote switch to low GWP refrigerants and high efficiency air conditioners
	-	Brazil	Energy conservation	Embarked on the Collaboration Program with the Private Sector for Disseminating Japanese Technology under the Japan International Cooperation Agency (JICA), and implemented activities to promote inverter air conditioners through collaboration with international agencies
	-	Saudi Arabia	Energy conservation	Demonstration testing was conducted as part of the JCM Feasibility Study by the Ministry of Economy, Trade and Industry. Assistance was provided on implementing necessary international standards for the appropriate evaluation of inverter products.
	April	U.S.	Energy conservation	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.
	May	Global	Recovery and recycling	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)
	June	Global	Energy conservation	Display of actual model of R-32 and inverter at the exhibit adjacent of the G20 Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth.
	October	Brazil	Energy conservation	Invited government officials from Brazil to share our information on technology at the Technology and Innovation Center (TIC) and exchanged ideas with the Ministry of Economy, Trade and Industry and the Energy Conservation Center, Japan.
	November	Brazil	Energy conservation	Presentation on R-32 and invertors at the Manaus Environmental Fair following an invitation from the government of Brazil

Fiscal 2020	-	Global	Recovery and recycling	We declared our agreement to the initiative and declared our cooperation to the activities on fluorocarbon life cycle management as a private sector company that was promoted by Minister of the Environment Koizumi at COP25 in December 2019, endorsed by the Government of Japan and Ministry of the Environment
	-	UAE	Energy conservation	Provided assistance on adopting international standards necessary for appropriate evaluation of inverters.
	July	Brazil	Energy conservation	With past activities bearing fruit, the energy efficiency standards were amended in July 2020. We provided assistance on developing rules to appropriately evaluate the environmental performance of products.
	September	Tanzania	Energy conservation	We applied for and got accepted into JICA's SDGs Business Support Program in order to accelerate measures aimed at resolving issues such as health maintenance, enhancing productivity, human resource development and employment, and stable supply of electricity that are necessary for the develop of countries in which we aim to expand business through subscription service of high efficiency air conditioners. We are scheduled to start our activities within fiscal 2021.
	February	Latin Americas	Energy conservation	Presentation on our initiative on increasing the efficiency of air conditioners and adopting lower GWP refrigerants at the Super-efficient Equipment and Appliance Deployment (SEAD) Workshop targeting Latin America co-hosted by the International Energy Agency (IEA) and the government of the U.K. as the host country of COP26.
	March	Global	Energy conservation	At the 6th Annual Global Conference on Energy Efficiency hosted by the International Energy Agency (IEA), our Executive Officer in charge of Global Environment presented our energy conservation initiatives for air conditioners.

## Related information

- [Key Activities Fiscal 2020: Environment—Creating Standards for a Decarbonized Society Alongside Stakeholders](#) (Page 592)
- [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 of Fiscal 2019: New Value Creation—Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation](#) (<https://www.daikin.com/csr/feature2019/02.html>)

# 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?*

Daikin has 315 consolidated subsidiaries and maintains business operations in more than 160 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 while 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).

## › Daikin's Philosophy of Social Contribution

(Page 493)

We aim to be a company firmly rooted in the regions where we do business and we strive to contribute in ways that benefit each region.

## › Protecting the Environment

(Page 494)

The Daikin Group provides people around the world with a clean air environment, and we contribute to solving environmental problems on a global scale.

## › Supporting Education

(Page 500)

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 509)

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 531)

To achieve harmony with communities, we contribute to the promotion of the culture and art of each country and region.

## › Harmony with Communities —Contributing to Promotion of Sports

(Page 535)

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 540)

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/) (https://www.daikin.com/csr/report/site\_data/)
- ["Forests for the Air" Project](https://www.daikin.com/csr/forests/)  (https://www.daikin.com/csr/forests/)

# 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

	2016	2017	2018	2019	2020
Total (millions of yen)	1,548	1,623	1,415	1,477	1,292

# PROTECTING THE ENVIRONMENT

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## 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.

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## 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/)  (<https://www.daikin.com/csr/forests/>)

### 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 fiscal 2020, no employee volunteer was dispatched due to the COVID-19 pandemic. We will resume our activities after the pandemic comes to an end. 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.

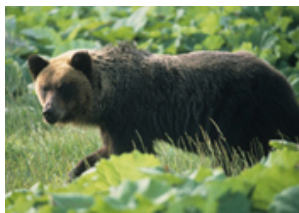


Daikin volunteers (September 2019)

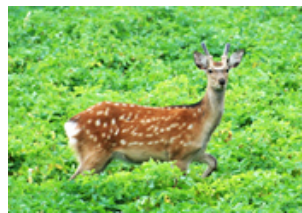


Daikin volunteers (February 2020)

## Wild animals in Shiretoko



Brown bears



Yezo deer



Steller's sea eagle



Pink salmon

### Related information

▶ [Protecting the Natural Environment of Shiretoko: People and Nature Living in Harmony](https://www.daikin.com/csr/shiretoko/) 

(<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.



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



Start of activities in 2008



Today

A decade of change at Gunung Gede Pangrango National Park

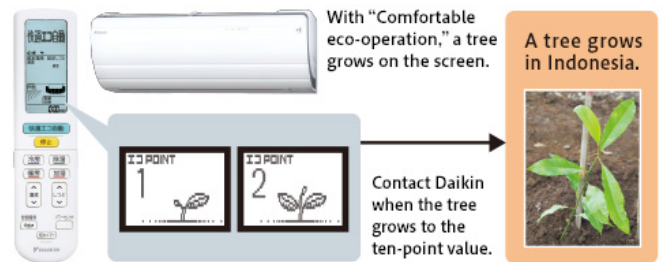
## The Reforestation Project in Indonesia Is a Joint Effort between Daikin and Customers Who Use Our Products

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.



The board shows the names of Daikin customers who support 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 255)
- ["Efforts at Bases" \(Protecting Biodiversity\)](#) (Page 251)

# SUPPORTING EDUCATION

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## 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. In fiscal 2020, approximately 700 students from eight schools took part in the program. Lessons taught by Daikin employees were cancelled due to the COVID-19 pandemic.

In fiscal 2014, for its Circle of Life education program, Daikin received the Award for Excellence at the Career Education Awards sponsored by the Ministry of Economy, Trade and Industry of Japan.



Students role-play in a forestry issues discussion



A Daikin Industries, Ltd. employee leads an environmental lesson at a school

#### Related information

➤ ["Circle of Life" Environmental Education program \(available in Japanese only\)](https://www.daikin.co.jp/csr/edu/) 

(<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. The event was not held in fiscal 2020 due to the COVID-19 pandemic.



Classroom science experiment using an air conditioner

## Science Classes at Junior High Schools

Since fiscal 2015, we have been collaborating with Osaka Prefecture University on a program to teach experiment-based science classes at junior high schools in Sakai City, Osaka Prefecture in order to foster the next generation of scientists 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. The event was not held in fiscal 2020 due to the COVID-19 pandemic.



Fostering the next generation of scientists and engineers

## 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.

The event was not held in fiscal 2020 due to the COVID-19 pandemic.



Daikin employees (from the Kashima Plant) lead an elementary school class

## Factory Tours for Elementary and Junior High School Students

We open our plants to the community by conducting tours for elementary and junior high school children.

The Yodogawa Plant did not host any factory tours in fiscal 2020 due to the COVID-19 pandemic. As a substitute, we hosted an interactive lecture via remote meetings to continue to provide opportunities for children to learn about Daikin, jobs, and work. We solicited response from students to questions such as "things you are wondering about," and "things you'd like to ask the employees," in advance and received 198 questions from 52 students. On the day of the lecture, we connected online the Yodogawa Plant with the school and answered questions such as "I'd like to see the interior of an air conditioner unit," "I'd like to know about the greatness of fluorine," "why do workers wear uniforms," "reason for starting the Bon dance festival," and "why are you cleaning the water canal," using animation and slides. This not only enhanced the interest in our business and products, but also gave a real sense of the interest and enthusiasm in community interaction. The lecture was garnered a great response from the students as they showed excitement to the responses with shouts and cheers.

At the Shiga Plant, tours were conducted for 545 students from six elementary schools in and around Kusatsu City in fiscal 2020 with strict adherence to social distancing, sanitization and ventilation. In addition to observing the residential air conditioner manufacturing process, the students also learned about the environment in a sit-down lecture.

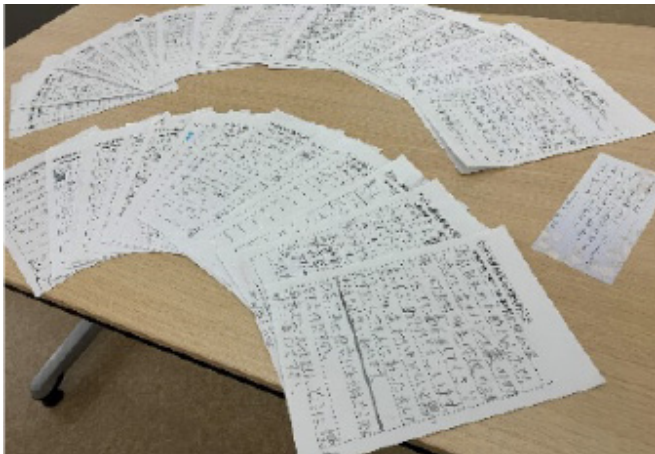
No events were held at the Rinkai Factory of Sakai Plant or Kashima Plant in fiscal 2020.



A factory tour at the Yodogawa Plant



Remote interactive lecture at Yodogawa Plant



198 questions received at Yodogawa Plant



A factory tour at the Sakai Plant



Experience our technology at TIC "Knowledge Forest"



Experience our technology at TIC "Knowledge Forest"

## Hands-On Events Foster Interest in Technology

Events such as science experiments for students and air conditioner disassembly for elementary school students are 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, we also host lectures by a weather forecaster on preparing for disasters caused by global warming.

The event at Fuha was not held in fiscal 2020 due to the COVID-19 pandemic. Instead, we launched an online event seminar for participation using the website. In January 2021, we hosted a webinar for CLUBDAIKIN members on the theme of "Great ventilation method in winter: residential edition," which saw approximately 200 participants.



Hands-on event at fuha:TOKYO

### Related information

➤ [fuha, Daikin's hands-on showrooms \(available in Japanese only\)](http://www.daikin.co.jp/fuha/) 

(<http://www.daikin.co.jp/fuha/>)

## Supporting Japanese Students Studying Overseas

At Daikin Industries, Ltd., each global base, TIC and the Global Operations Division work together to provide global internships for students as part of the comprehensive partnership agreement with the University of Tokyo. Around 50 students took part in fiscal 2019, the first year of the program. Around 22 bases partook in the internship program.

In fiscal 2020, due to the impacts of the COVID-19 pandemic, we did not dispatch any students overseas. As a replacement program, we hosted the Global Workshop, which enabled students to virtually interact with Daikin employees around the world online. The event was participated by over 100 students.

These programs will be continued from fiscal 2021 onward.

In addition, Daikin sponsors a program, run by the Ministry of Education, Culture, Sports, Science and Technology, to send Japanese high school and university students overseas. By providing this program through scholarships and other means, Daikin Industries, Ltd. is contributing to more opportunities for young Japanese to see the world and grow into global citizens who respect a wide range of values.



## Efforts Overseas

### Training Technical School Students in Emerging Countries

We offer scholarships and take in interns as part of efforts to provide technical school students in emerging countries with better employment opportunities. We also have tours of our worldwide factories to raise interest in technology among local students. 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 2020, nine 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 six EPIC participants work on the production floor.



Partnership with regional universities (Daikin America, Inc.)



Hosting of student interns majoring in applied construction and energy engineering (McQuay China [Wuhan])

#### Related information

- ["List of Support for Education" \(List of Daikin's Social Contribution Activities\)](#) (Page 540)
- [Report by Business Site](https://www.daikin.com/csr/report/site_data/) ([https://www.daikin.com/csr/report/site\\_data/](https://www.daikin.com/csr/report/site_data/))

# HARMONY WITH COMMUNITIES— STRENGTHENING BONDS

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## 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.

Despite a decline in in-person meetings and interactions due to the COVID-19 pandemic, we are continuing to foster connections by responding to needs of the community such as donation of masks to surrounding municipalities, provision of places of assembly, and donation of items such as masks and raincoats to large hospitals nearby.

## Correspondence between Company Sites and Local Community Members

Site	Type of Correspondence
Sakai Plant	<ul style="list-style-type: none"><li>• Group meeting with local community association (once yearly) *</li><li>• Community interactions via municipal government, police, fire departments, and labor standards office</li></ul>
Shiga Plant	<ul style="list-style-type: none"><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 style="list-style-type: none"><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 style="list-style-type: none"><li>• Administrative board factory tour</li><li>• Attendance at cordial gatherings meetings</li><li>• Attendance at regional meetings of the Japan Responsible Care Council</li></ul>
Soka Station	<ul style="list-style-type: none"><li>• Meetings and talks with municipal government and nearby neighborhood associations</li><li>• Participation in fire department, police, and industry associations</li></ul>

\* Cancelled due to the COVID-19 pandemic in fiscal 2020

## 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 whereabouts and safety of employees when disaster strikes.

### Related information

➤ [Safety and Disaster Prevention at Plants](#)  (Page 517)

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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

## 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. While the Bon dance festival had been held each year in major global production bases such in China and the U.S., the event was cancelled in these regions due to the COVID-19 pandemic in fiscal 2020.

Instead, the prizes of air conditioners and air purifiers normally provided at annual draws at Yodogawa Plant were donated to Settsu City. These products were installed at children's centers and after-school daycare centers at elementary schools, for which the Plant received joint letters of gratitude from the children.

Kashima Plant donated air purifiers to Kamisu City and local municipality near the factory. It received a letter of appreciation from Kamisu City.



The Bon dance at Daikin America, Inc. welcomed 20,000 locals



Letter of Appreciation from Kamisu City

## 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 since fiscal 2003.

In addition, Daikin employees also took part in a cleanup of the Ajifu canal around the 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. However, in fiscal 2020, these events were suspended due to the COVID-19 pandemic.

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. The cleanup activity around the perimeters of Kanaoka Factory was suspended in fiscal 2020.

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, we conduct monthly cleanups around the perimeter of the plant. From September to November, 350 employees worked to remove tree branches and leaves from along sidewalks and roadside ditches..

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.



Yodogawa Plant employees cleaning up a waterway



Letter of appreciation for waterway cleanup



Tokyo Office employees conduct a cleanup

## 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 Airconditioning India Pvt. Ltd.



We donated dried food kits, pre-cooked food packages, and hygiene products such as hand sanitizers, face masks, and hand washes for those who could not access food or resources amidst the COVID-19 pandemic. In addition, we donated two window air conditioning units to the COVID ward at the government hospital.

#### Daikin Turkey A.S.







Donations made promptly to victims of the Izmir earthquake that occurred in October 2020

#### Related information

- ["List of Activities for Local Citizens" \(List of Daikin's Social Contribution Activities\)](#) (Page 567)
- [Report by Business Site](https://www.daikin.com/csr/report/site_data/) ([https://www.daikin.com/csr/report/site\\_data/](https://www.daikin.com/csr/report/site_data/))

# Safety and Disaster Prevention at Plants

## Support for Firefighting

Site	Activity	Overview, results
Sakai Plant	Formation of in-house firefighting unit	<p>The plants formed an in-house firefighting headquarters team, and in each division a firefighting district unit was formed.</p> <p>During a large-scale 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 four times a year at Rinkai Factory, and twice a year at Kanaoka Factory. 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.</p> <p>The drills are conducted repeatedly to ensure that all employees can safely evacuate.</p>
Yodogawa Plant	<p>Joined the special firefighting team of Settsu City</p> 	<p>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.</p> <p>Yodogawa Plant firefighters took part in Settsu City's New Year's firefighting parade in January 2020. (Cancelled in January 2021 due to the impact of the COVID-19 pandemic.)</p>   

Site	Activity	Overview, results
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. Captains of each in-house firefighting district unit undergo the in-house firefighting training thoroughly. Conducts fire fighting drills twice a year (June, November) and comprehensive disaster prevention drill once a year (September).
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 style="list-style-type: none"> <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.


## Communication with Neighboring Companies and Residents

Site	Activity	Overview, results
Sakai Plant	Cooperation with neighboring companies	Both Rinkai Factory and Kanaoka Factory are registered as Firefighting Cooperating Office with the Sakai Firefighting Department. The factories conduct voluntary firefighting activities, such as fight extinguishing and life saving, in the time of a large-scale disaster as their community contribution activity. 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 style="list-style-type: none"> <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 &amp; 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	<p>In 2000, Soka Station, Soka City, and five neighboring communities signed an agreement to cooperate in preparing for natural disasters.</p> <p>These three groups have agreed to work together regularly on plans to implement after major earthquakes occur.</p> <p>An expert panel of the Central Disaster Management Council of the Cabinet Office recognized the Soka Station as an outstanding example of a corporation acting as a bridge between local citizens and local government in supporting disaster relief.</p>
	Regional joint disaster drill	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.





Site	Activity	Overview, results
Tsukuba Training Center	Cooperation with neighboring companies	The center is a member of an association of companies in the local industrial park, which shares information on topics like environmental promotion, disaster prevention, and blood donation activities.
Head Office	Cooperation with surrounding businesses	Participation in the disaster prevention training hosted by Umeda Center Building (spring/fall)
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.





## 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.
Sakai Plant	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.
	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.

Site	Activity	Overview, results
Shiga Plant	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 firefighting drill held (June, November); evacuation drill for earthquakes (September) held.
	Participation in the Fire Prevention Association	The Shiga Plant took part in a disaster prevention training rally in unison with the fire department.
	In-house firefighting unit takes part in a training rally	Cancelled in fiscal 2020 due to the COVID-19 pandemic.
Kashima Plant	Disaster prevention drill	Held disaster prevention 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). Cancelled in fiscal 2020 due to the COVID-19 pandemic.
		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. Cancelled in fiscal 2020.
	Safe driving course held	Participation in disaster training events with the fire department, labor board, and police department. Cancelled in fiscal 2020.  Police officers were invited to be instructors at a traffic safety training conference (once a year) to help drivers improve their road manners. The course was cancelled in fiscal 2020 due to the COVID-19 pandemic. We shared information with printed materials provided by the police department to notify everyone at the Plant.
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. The class was cancelled due to the COVID-19 pandemic in fiscal 2020. Instead, we raised awareness by distributing case studies of past disasters and accidents.
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.


## Use Equipment during Disasters, and Secure Supplies for Emergencies

Site	Activity	Overview, results
Sakai Plant	Secure supplies for emergencies	<p>Secured emergency stockpiles of water, food, and disaster prevention equipment.</p> <p>Rinkai Factory stocks 3-day worth of emergency daily supplies for employee and guest use in the scenario of a tsunami or liquefaction.</p>    
	Lend equipment to disaster relief	<p>Daikin is registered as a corporate supporter of firefighting activities. (In times of emergency, Daikin dispatches personnel and lends equipment like forklifts to communities.)</p>


Site	Activity	Overview, results
Yodogawa Plant	<p>Use of equipment during disasters, and secure supplies for residents for emergencies</p>  <p>At a meeting during a factory tour, participants confirm that there are enough emergency supplies stored</p>	<ul style="list-style-type: none"> <li>The plant makes effective use of site equipment (fire engines, firefighting equipment; sends employees as well).</li> <li>Sufficient supplies have been set aside for all local residents in case of a major earthquake.</li> <li>Emergency materials and equipment are placed in all major buildings.</li> </ul> 
Shiga Plant	Secure supplies for emergencies	<p>Emergency supplies are stocked (emergency food, drinking water, flashlights, portable toilets, blankets, etc.).</p> <p>All employees are provided with a safety helmet.</p>
Kashima Plant	Secure emergency equipment and food	<p>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.</p>  

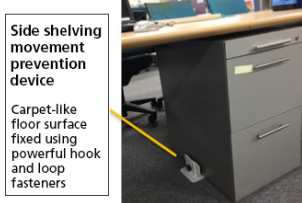
Site	Activity	Overview, results
Soka Station	<ul style="list-style-type: none"> <li>Secure supplies for emergencies</li> <li>Hosted general life-saving class</li> </ul>	<ul style="list-style-type: none"> <li>Stored water, food, emergency equipment, etc.</li> <li>Invited local fire department to hold 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.
	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	<p>Secure emergency supplies, ensure presence of registered AED personnel</p> 	<ul style="list-style-type: none"> <li>Emergency supplies (helmets, gloves, towels) loaned individually</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 550 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>Instructors were invited from the Tokyo Disaster Prevention and Emergency Medical Service Association to give a workshop on life-saving techniques (once a year).</li> <li>AEDs were installed in June 2014.</li> </ul>

## Earthquake Measures

Site	Activity	Overview, results
Sakai Plant	Measures against tsunami, tidal surge and liquefaction Seismic reinforcement and evacuation drills	<ul style="list-style-type: none"> <li>Established code of conduct for response to tsunami, tidal surge and liquefaction</li> <li>Secured stockpile of supplies.</li> <li>Reinforcement work is proceeding as planned in all buildings on-site for earthquake resistance.</li> <li>Conducted repeat drills four times in preparation for earthquake, tsunami, and liquefaction (measures for initial response, evacuation and search and rescue, response to evacuation life after isolation, and late-night disaster drills).</li> <li>Conduct continuous improvement to address issues that repeatedly come up during drills, such as through revision of evacuation route or evacuation site.</li> </ul> 

Site	Activity	Overview, results
Yodogawa Plant	Seismic measures and disaster prevention / evacuation drills	<p>Basic earthquake measures policy: Save people above all, ensure safety</p> <ul style="list-style-type: none"> <li>Measures for an earthquake with a seismic intensity of 6: Reinforcement work completed on main buildings under current earthquake-resistance standard (fiscal 2009).</li> <li>Measures for 2-meter flooding: Measures for loss of infrastructure such as power supply. <ol style="list-style-type: none"> <li>Complete emergency measures before flooding occurs (within 2 hours), ensure the chemical plant is safe, and evacuate employees to a high, safe place.</li> <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> </li> <li>Implement measures to prevent equipment and machinery, etc. from falling over, and measures to prevent fallen objects</li> <li>Revise the evacuation route and evacuation site for the entire Plant</li> <li>Disaster prevention drills (3 times a year) <ol style="list-style-type: none"> <li>Late-night drill with the scenario of leakage in the chemical plant</li> <li>Confirmation of evacuation route and site for each workplace, flood evacuation drill to an elevated ground</li> <li>Training session for chemical accidents <ul style="list-style-type: none"> <li>Ensure unified evacuation time and safety confirmation within 2 hours.</li> <li>Verify that disaster materials and equipment are usable and can be accessed quickly.</li> <li>Drills for emergency stoppage of equipment and machinery</li> </ul> </li> </ol> </li> </ul>
Shiga Plant	Seismic reinforcement and evacuation drills	<ul style="list-style-type: none"> <li>Earthquake reinforcement completed (cafeteria, No. 1 Factory, No. 2 Factory, product warehouse, parts warehouse, precision processing center).</li> <li>Measures against hanging objects that fall (No. 2 Factory).</li> <li>Evacuation drills were also held (Disaster drills once, fire fighting 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>

Site	Activity	Overview, results
Kashima Plant	Tsunami measures	<p>Established two new tsunami evacuation shelters in a high location to use in case of a large tsunami warning.</p>  <p>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.</p>
Soka Station	<ul style="list-style-type: none"> <li>• Revision of disaster drills at bases</li> <li>• Revision of product storage rules</li> <li>• Measures to prevent falling over of furniture and fixtures</li> </ul>	<ul style="list-style-type: none"> <li>• Changed assumptions (site of fire, evacuation route, failure of in-house 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	<p>Took measures to prevent equipment from falling over.</p> <p>Carried out comprehensive disaster drills in preparation for large-scale earthquake (a seismic intensity of 6).</p>
Head Office	Earthquake risk measures	<ul style="list-style-type: none"> <li>• Measures to prevent equipment and machinery from falling over</li> <li>• Ensure stocking of disaster supplies</li> <li>• Regular disaster prevention education for the in-house firefighting unit</li> </ul>

Site	Activity	Overview, results
Tokyo Office	Earthquake reinforcement, evacuation drills, measures for employees who cannot return home	<ul style="list-style-type: none"> <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> </ul> <div data-bbox="716 405 1019 607">  <p>Side shelving movement prevention device</p> <p>Carpet-like floor surface fixed using powerful hook and loop fasteners</p> </div> <ul style="list-style-type: none"> <li>Joined in disaster training sponsored by the fire and disaster prevention association of the JR Shinagawa East Building (September).</li> <li>Held drills in using satellite telephones (September).</li> <li>In case of a disaster occurring at night or on a holiday, appointed emergency staff to be dispatched to confirm the extent of damage at the JR Shinagawa East Building prior to setting up a disaster task force.</li> <li>Established guidelines outlining initial response in case of earthquake. The guidelines state that, as a rule, employees should wait inside the 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>

## Typhoon Measures

Site	Activity	Overview, results
Yodogawa Plant	Typhoon measures	Implement measures to prevent objects scattering as a typhoon approaches. Determine whether to shut down a chemical plant and switch to low-impact operations.
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.

## Safety Confirmation System Introduction

Site	Activity	Overview, results
Sakai Plant	Safety confirmation system	<p>Built a confirmation system that uses safety confirmation and broadcast services.</p> <p>Hold a response drill once a year.</p>
Yodogawa Plant	Safety confirmation system	<p>A system was established that can confirm the safety of employees approximately 20 minutes after a disaster occurs.</p> <p>Emergency materials and equipment for searching and restoration are placed in all major buildings.</p>
Shiga Plant	Safety confirmation system	<p>Established a system for confirming the safety of employees after a disaster occurs.</p> <p>Drills held in replying to this system (once every quarter); drills held since December 2013.</p>
Kashima Plant	Safety confirmation system	<p>Established a system for confirming the safety of employees after a disaster occurs.</p> <p>A Drill held in replying to this system (once a year).</p>
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).
Tokyo Office	Safety confirmation system	<p>Held communication drills to confirm a system for contacting employees to ensure they are safe following a disaster (twice a year, earthquake and typhoon scenarios). Also checked on those employees who did not respond when contacted during implementation of the safety confirmation system.</p> <p>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 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. Request for dispatch of emergency staff has been switched to contact via the chat tool. Drills are held in replying using the broadcast function (twice a year).</p>

# HARMONY WITH COMMUNITIES— CONTRIBUTING TO PROMOTION OF ART AND CULTURE

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## 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

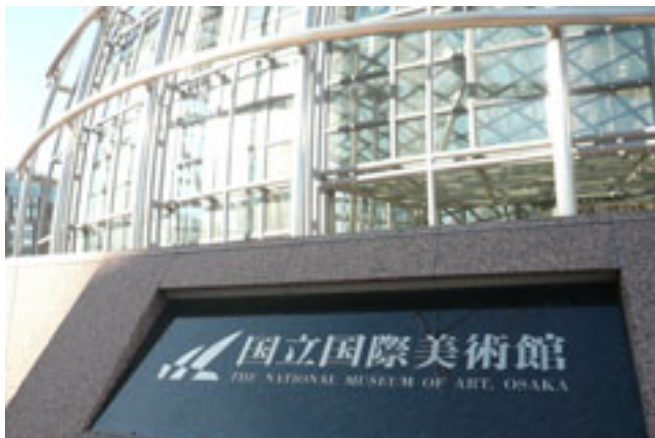
### The Daikin Foundation for Contemporary Arts

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.

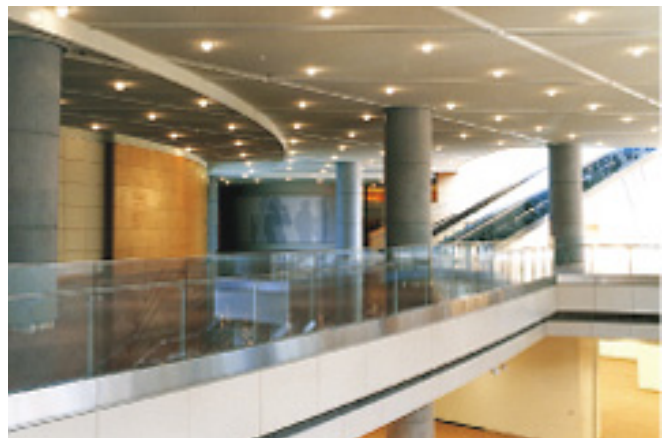
In March 1996, Daikin Industries, Ltd. established the Daikin Foundation for Contemporary Arts to mark the company's 70th anniversary on October 25, 1994. In the foundation's first year, Daikin Industries, Ltd. donated ¥200 million for the basic fund, followed by another ¥200 million after three years. 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.



The National Museum of Art, Osaka



The National Museum of Art, Osaka

#### Related information

➤ [NMAO](http://www.nmao.go.jp/en/)  (<http://www.nmao.go.jp/en/>)

## Daikin Supports the Kansai Philharmonic Orchestra

Daikin Industries, Ltd. supports the Osaka-based Kansai Philharmonic Orchestra. Formed in 1970, it became a specified nonprofit corporation in 2003. 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 \(available in Japanese only\)](http://kansaiphil.jp/)  (<http://kansaiphil.jp/>)

## 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 563)
- ▶ [Report by Business Site](https://www.daikin.com/csr/report/site_data/) ([https://www.daikin.com/csr/report/site\\_data/](https://www.daikin.com/csr/report/site_data/))

# HARMONY WITH COMMUNITIES— CONTRIBUTING TO PROMOTION OF SPORTS

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## Basic Policy

To promote sports, Daikin sponsors local sports teams and sporting competitions.

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## 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.

The 34th tournament was held in March 2021 with strict observation of infection control protocols and a limit of 1,000 spectators at the official tournament, while the festival on the eve before the event and Pro-Am were cancelled with due consideration for the COVID-19 pandemic.



Champion of the 34th Tournament, Sakura Koiwai.

#### Related information

➤ [Daikin Orchid \(available in Japanese only\)](http://www.daikin.co.jp/orchid/)  (<http://www.daikin.co.jp/orchid/>)

## **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. In 2019, the 30th Anniversary Roundtable was held for discussions on Okinawa's future vision.

## **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 since the program launched in 1997. We also had many volunteers helping at the 34th tournament held in March 2021.

## **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 2021, Orchid Bounty donated ¥7.3 million to a total of 11 organizations and individuals, bringing the contributions since 1995 to ¥166.2 million and total recipients of 246.



The Orchid Bounty donation ceremony

## **Local Junior High School Students Invited to Watch Tournament**

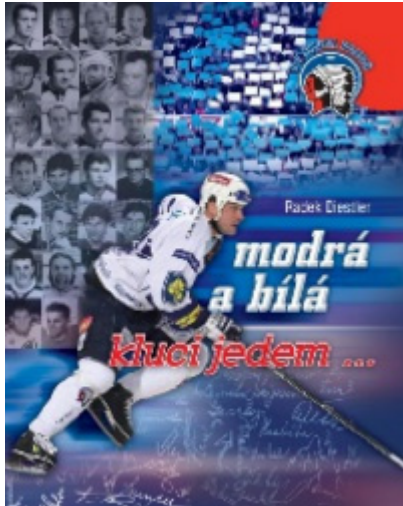
Every year, many of the students from the local Tamagusuku Junior High School are invited to watch the tournament. This gives the students a valuable opportunity to learn about and experience the joy of golf.

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.

## Efforts Overseas

Daikin also supports sports overseas.

To date, we have provided sponsorship and support to events such as soccer, volleyball and road bicycle racing in Europe. In recent years, we have expanded the horizon of our activities to include sponsorship of rugby games in Oceania, as well as supporting international speed skating tournaments in Europe.







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 565)
- › [Report by Business Site](https://www.daikin.com/csr/report/site_data/) ([https://www.daikin.com/csr/report/site\\_data/](https://www.daikin.com/csr/report/site_data/))





# LIST OF DAIKIN'S SOCIAL CONTRIBUTION ACTIVITIES

## List of Support for Environmental Protection












Base	Recipient of support, details of support
Daikin Industries, Ltd. (Japan)	<p>"Forests for the Air" project Forest protection in Indonesia</p>  <p>(C) Conservation International / Photo by Anton Ario</p>
	<p>Reforestation volunteer activities in Shiretoko</p> 
	<p>Rejuvenating a forest in Harashiroyama, Takatsuki City, Osaka Prefecture Rejuvenating a forest in Izuhara, Ibaraki City, Osaka Prefecture</p>
Daikin Europe N.V.	<p>Tree planting around the factory</p> 
Daikin Industries Czech Republic s.r.o.	<p>Supported the Oak Promenade Restoration project hosted by an environmental conservation organization</p> 
	<p>Donated to the Pilsen Zoo</p>





Base	Recipient of support, details of support
Daikin Device Czech Republic s.r.o.	Participated in Earth Hour (turned off unneeded lights for one specified hour) hosted by the World Wide Fund for Nature (WWF)
	<p>Hosted a contest for children to make Christmas ornaments using recycled materials</p> 
	<p>Hosted an event to reduce commuting by personal car among employees</p> 
	<p>Purchased nests for small insects and installed them on factory premises as an initiative to preserve biodiversity</p> 
	<p>Participated in garbage clean up event</p> 






Base	Recipient of support, details of support
Daikin Turkey A.S.	Held environmental problems seminar
	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 France S.A.S.	Recovered used paper for recycling, which contributed to earnings
	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.	<p>Conducted tree-planting inside industrial park</p> 
Daikin Air-conditioning (Suzhou) Co., Ltd.	<p>Cleanup activities around plant</p> 
Daikin Device (Suzhou) Co., Ltd.	<p>Tree-planting activities at a local school</p> 



Base	Recipient of support, details of support
Daikin Fluoro Coatings (Shanghai) Co., Ltd.	<p>Reusable bag created to help reduce plastic use</p> 
	<p>Participation in tree planting festival</p> 
McQuay Air-Conditioning & Refrigeration (Wuhan) Co. Ltd.	<p>Conducted event aimed at improving environmental awareness targeting employees</p> 
	<p>Garbage clean-up around Wuhan Yangtze River Bridge</p> 

Base	Recipient of support, details of support
Shenzhen McQuay Air Conditioning Co., Ltd.	<p>Outdoor group running event conducted to promote energy consumption and GHG emissions reduction among employees</p> 
	<p>Participation in World Car Free Day</p> 
McQuay China (Suzhou)	<p>Dongtaihu Eco-cycling event conducted to promote the use of bicycles and public transit</p> 
	<p>Environmental conservation hike for garbage clean-up</p> 



Base	Recipient of support, details of support
Daikin Malaysia Sdn. Bhd.	Participating in tree-planting and cleanup activities at Forest Research Institute Malaysia (FRIM)
	Tree planting in a peat swamp forest reserve 
Daikin Industries (Thailand) Ltd.	Planted 3,500 trees in a national park  
	Held beach cleanup activities in collaboration with government agencies   
	Coral replanting activity in the ocean  
	Tree planting activity at Boonyarasri Temple   





Base	Recipient of support, details of support
Daikin Compressor Industries, Ltd.	<p>Held mangrove rejuvenation activities</p> 
	<p>Conducted tree plating and fry releasing with local businesses and schools</p> 
Daikin Airconditioning India Pvt. Ltd.	<p>Tree planting around the factory</p> 
	<p>Construction of a water resource recovery facility and pond in a nearby village to help store rainwater</p> 
PT. Daikin Airconditioning Indonesia	<p>Replanting pine trees destroyed by fire</p>


Base	Recipient of support, details of support
Goodman Global Group, Inc.	<p>Participated in the Adopt-A-Country Mile (AACM) program (trash removal to maintain cleanliness on community roadways)</p> 
	<p>Held community cleanup activities</p>  
	<p>Hosted recycling event for electronics waste</p> 
	<p>Launched pilot project that promotes the switch from fuel burning space heating system to the latest air conditioning system</p>
Daikin America, Inc.	<p>Voluntary recovery of chemical substances and support to recycling</p>  <p>Environmental Media - Land City of Decatur Chemical Collection Day March 9, 2019</p>








Base	Recipient of support, details of support
Daikin Applied Americas Inc.	Participated in street cleanup program activities and environmental management system related volunteering
	Volunteered in tornado watch
	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 


## List of Support for Education




Base	Recipient of support, details of support
Daikin Industries, Ltd. (Japan)	<p>Held "Circle of Life" environmental education program for elementary schools</p> <p>Held science experiment classes at elementary schools</p> <p>Took part in program with Osaka Prefecture University to foster next generation of scientists</p>
Daikin Industries, Ltd. (Sakai Plant)	<p>Support for the Sakai Rugby School</p> <p>The Kanaoka Factory lends its field three times a month to the Sakai Rugby School</p> <p>Contributed to developing rugby players in kindergarten, elementary and junior high schools</p> <p>In fiscal 2017, 192 students took part</p> <p>In fiscal 2018, 183 students took part</p> <p>In fiscal 2019, 213 students took part</p> <p>In fiscal 2020, 222 students took part</p> <p>Factory tours to educate local elementary school students about working society</p> <p>In fiscal 2017, 218 students from three elementary schools took part</p> <p>In fiscal 2018, 266 students from three elementary schools took part</p> <p>In fiscal 2019, 455 students from four elementary schools took part</p> <p>In fiscal 2020, the event was cancelled due to the COVID-19 pandemic</p> 
Daikin Industries, Ltd. (Yodogawa Plant)	<p>Kendo Training Hall for Children</p> <p>Classes were held three times a week (Monday, Tuesday, Thursday), with 12 students each time</p> <p>In fiscal 2020, due to the COVID-19 pandemic, we had a practice session following our own guideline created based on the infection control guideline of the Osaka Kendo Federation</p> <p>We conducted an interactive lecture remotely by connecting the audio-visual room of a nearby elementary school to the reception room of the plant</p> <p>In fiscal 2020, 52 students from one school participated</p> 








Base	Recipient of support, details of support
<p>Daikin Industries, Ltd. (Shiga Plant)</p>	<p>Provided factory tours and environmental learning opportunity to elementary students in the city In fiscal 2020, 549 participants from six elementary schools and one group in Kusatsu City took part</p> <div data-bbox="454 324 1064 548">  </div> <p>Daikin field opened to the public Daikin opened up its field to the public to use for baseball, ground golf, softball, and other activities</p>
<p>Daikin Industries, Ltd. (Kashima Plant)</p>	<p>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 fiscal 2019 The event was cancelled in fiscal 2020 due to the COVID-19 pandemic</p> <div data-bbox="454 880 756 1104">  </div>
<p>Daikin Europe N.V.</p>	<p>Contributed products for practical training to technical schools</p> <div data-bbox="454 1160 756 1355">  </div> <p>Gave presentation on the impact of global warming and initiatives to prevent environmental destruction to local school students as environmental education</p> <div data-bbox="454 1444 756 1597">  </div>
<p>Daikin Airconditioning Belgium N.V.</p>	<p>Contributed products for practical training to technical schools</p>





Base	Recipient of support, details of support
Daikin Industries Czech Republic s.r.o.	Donated to local junior high schools and universities
	Donation of residential multi-split 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
	Cooperation with Pilsen University, including an annual donation of 200,000 CZK






Base	Recipient of support, details of support
Daikin Device Czech Republic s.r.o.	<p>Attended the Corporate Day event and presented our business activities to students studying mechanical engineering and business</p>
	<p>Invited students on factory tour in collaboration with Mechanical Engineering Department Energy Research Center of Brno University of Technology</p> <div data-bbox="454 347 758 533">  </div> <div data-bbox="762 347 1066 533">  </div> <div data-bbox="1070 347 1374 533">  </div>
	<p>Collaborated with the online new student event at Masaryk University</p> <div data-bbox="454 595 758 752">  </div>
	<p>Participated in summer school project for students of Nottingham Trent University, U.K.</p> <div data-bbox="454 810 758 1010">  </div> <div data-bbox="762 810 1066 1010">  </div>
	<p>Participation in JobChallenge, an online career fair for university students and graduates</p> <div data-bbox="454 1072 758 1386">  </div>
Daikin Applied (UK) Ltd.	<p>Hosted trainees via the apprenticeship program</p>
	<p>Conducted workplace experience tour for children of around 16 years of age</p>
	<p>Conducted graduate school program for university students</p>
	<p>Participated in a career fair hosted by a local university</p>















Base	Recipient of support, details of support
Daikin Applied Europe S.p.A.	<p>Sponsored recycling project hosted by the local community and schools for students and their families</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




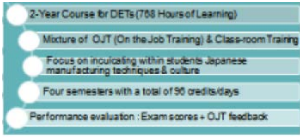
Base	Recipient of support, details of support
Daikin Turkey A.S.	Continued hosting the Clean Air Ambassador Program which aims to promote environmental conservation among children 
	Continued hosting seminars related to F-gas regulations and R-32 targeting the Ministry of Environment and Urban Planning, 12 universities, educators, combi boiler engineers, and others
	Supported vocational school students participating in a robotics contest  
	Conducted lecture during an online preparatory training for F-gas certification
DAIKIN Manufacturing Germany GmbH	Accepted children of employees for internship
Daikin McQuay Middle East FZE	Donated six air conditions to schools








Base	Recipient of support, details of support
McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.	<p>Received visitors and trainees from the welding department of Hunan Industrial Technicians College</p> 
	<p>Received visitors and trainees from schools of architectural environment and energy and power engineering of Huazhong University of Science and Technology</p>  
	<p>Hosted student training for mechanical and electrical engineering and molding students from Wuhan Technical College</p>  
Shenzhen McQuay Air Conditioning Co., Ltd	<p>Hosted the family eco-handmade creativity contest using eco-materials</p> 
McQuay China (Suzhou)	<p>Hosted visit from students of the construction environment and equipment engineering from Suzhou University of Science and Technology</p> 




Base	Recipient of support, details of support
Daikin Air-Conditioning (Shanghai) Co., Ltd.	Signed affiliation agreement with Information Engineering School
	Two affiliated schools received national recognition as experimental school for modern apprenticeship program
	Recruited students of Chongqing Institute of Technology and Pingliand Vocational Technical College for the new students of the Daikin Class to acquire the Daikin skills requires
Daikin Air-conditioning (Suzhou) Co., Ltd.	<p>Donated backpacks and stationery supplies to elementary schools</p> 
Daikin Device (Suzhou) Co., Ltd.	<p>Collaborated with local schools as an initiative to secure human resources and foster technicians</p> 
Daikin Fluoro Coatings (Shanghai) Co., Ltd.	Held factory tours and made monetary donation to elementary schools
	<p>Conducted training for employees of the section chief class</p> 
	<p>Conducted Japanese seminar for employees</p> 




Base	Recipient of support, details of support
Daikin (CHINA) Investment Co., Ltd.	<p>Donated to the University Students Air Conditioning Knowledge Contest</p> <hr/> <p>Conducted the Air Conditioner Certified Technician (ACCT) Program to cultivate air conditioner installers</p> <div>   </div> <hr/> <p>Hosted trainees via the apprenticeship program</p> <div>  </div> <hr/> <p>Hosted students on a factory tour</p> <div>   </div>

Base	Recipient of support, details of support
Daikin Industries (Thailand) Ltd.	<p>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</p>   
	<p>Provided infrastructure support to three schools on their posts, flooring, tooth brushing area, and roofs</p>      
	<p>Donated air conditioners to a vocational school, and hosted a workshop on air conditioner installation for lecturers and students</p> 
	<p>Supported a school located in Chonburi province</p>
Daikin Compressor Industries, Ltd.	<p>Held factory tours for students</p> 
	<p>Participated in a student event and assembled bookshelves for the library</p>   

Base	Recipient of support, details of support
Daikin Airconditioning India Pvt. Ltd.	<p>Donated computers to schools</p> 
	<p>Established nine technical education centers</p> 
	<p>Established the Japan-India Institute for Manufacturing (JIM) with the aim of developing human resources in Japanese manufacturing processes</p> 
	<p>Established a library and athletic field at a public women's college</p>
Daikin Airconditioning India Pvt. Ltd.	<p>Established the Daikin Japanese Institute of Manufacturing Excellence (DJIME) to promote the positive aspects of Japanese manufacturing frontline among employees and foster outstanding human resources</p> 
Daikin Australia Pty., Ltd.	<p>Hosted interns</p>


Base	Recipient of support, details of support
Daikin America, Inc.	<p>Provided assistance to internship program in cooperation with universities</p> 
	<p>Held homestay program in Japan for American high school students</p> 
	<p>Supported the tour of chemistry major students at the Water Supply Environmental Training Center</p> 
	<p>Donated US\$175,000 to a local, non-profit museum of natural science</p>  
	<p>Donated school supplies and backpacks for 50 students and employees conducted science experiments with the students</p>  

Base	Recipient of support, details of support
Goodman Global Group, Inc.	<p>Held homestay program in Japan for American high school students Conducted a cultural program locally to enhance understanding of Japanese culture this fiscal year</p> 
	<p>Hosted an environmentally themed art contest for children</p> 
	<p>Provided scholarships to students</p>
Daikin Applied Americas Inc.	<p>Hosted safety camp</p>
	<p>Supported NGOs</p>
	<p>Participated in Worlds of Work program</p>
	<p>Cooperated with educational institutions in terms of technical school students' labor participation</p>
	<p>Conducted skill enhancement training for future employment of workers</p>  <p>Conducted guided tour for local schools</p>

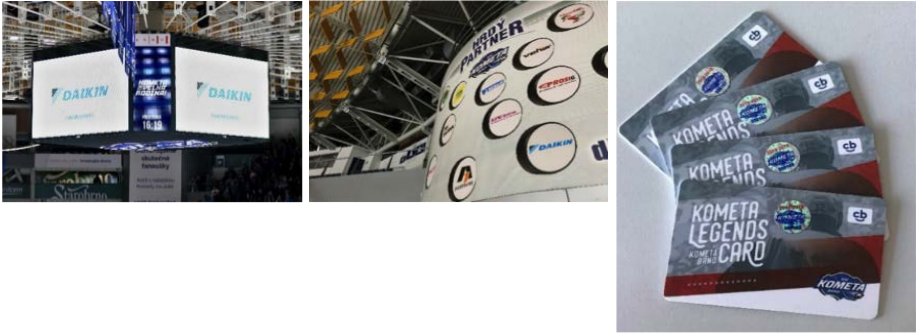
Base	Recipient of support, details of support
Daikin Air Conditioning (Vietnam) Joint Stock Company	<p data-bbox="451 181 1102 215">Implemented factory tour for elementary school students</p> 
	<p data-bbox="451 450 951 483">Hosted university students on a factory tour</p> 
Daikin Amazonas	<p data-bbox="451 678 932 712">Conducted the young apprentice program</p> 

# List of Support for Promotion of Arts and Culture

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Japan)	National Museum of Art, Osaka
	Mitsubishi Ichigokan Museum, Tokyo
	Kansai Philharmonic Orchestra
	Kansai Nikikai Public Interest Incorporated Association
	Osaka Philharmonic Orchestra
	Telemann Institute Japan Support Group
	Tokyo Nikikai Opera Foundation
	New Japan Philharmonic
	NHK Symphony Orchestra
	New National Theatre, Tokyo
	Association for Corporate Support of the Arts
	Kamigata Entertainment Culture Society
	National Museum of Art, Osaka Membership
	Takarazuka Review Supporters
	Osaka Nohgaku Youseikai Kouenkai
	Osaka Symphony Orchestra
	International Music Exchange Association
	Rekishu Kaido Promotional Council
	Dojima Yakushido
	Kaitokudo
	Ryozen Museum of History
	Amicale au Japon pour la Maison de la culture du Japon à Paris
	Japanese Red Cross Society, Osaka Chapter
	SHIKI THEATRE COMPANY
	27th EU-Japan Fest
	Daisho-ji Temple Cultural and Protection Association
	Donated to the Japan Association for the 2025 World Exposition
	90th anniversary commemorative project of Naritasan Osaka Betsuin

Base	Recipient of support, details of support
Daikin Industries Czech Republic s.r.o.	Sponsored international music festival Young Prague
	Sponsored the AMEROPA international indoor music festival
Daikin America, Inc.	Made donation to local theater 
	Lent support to a local art school
	Held art contest at a local elementary school
	Supported the Carnegie Art Center
Daikin (China) Investment Co., Ltd.	Hosted Daikin Concert at Shanghai Symphony Hall

## 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
Daikin Industries Czech Republic s.r.o.	Supported the Pilsen Half Marathon
	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 Turkey A.S.	Donated to a local soccer school
	Supported local billiard team activities
	Supported local amateur soccer team
Daikin Airconditioning France S.A.S.	Made monetary donation to support activities of the French national ice hockey team
Daikin Airconditioning Germany GmbH	Sponsored the BMW Open tennis tournament
	Sponsored the BTV Bayern tennis association


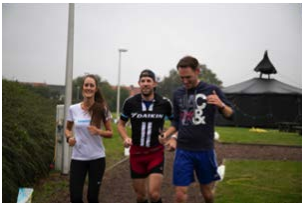


Base	Recipient of support, details of support
Daikin Fluorochemicals (China) Co., Ltd.	<p>Donated to international men's basketball game</p> 
Daikin Australia Pty. Ltd.	<p>Supported Port City Charity Golf Day</p>
Daikin America, Inc.	<p>Made donations to support construction of facilities for softball</p> 
	<p>Made donations to support construction of facilities for softball</p>




## List of Activities for Local Citizens






A portion of the events were cancelled in fiscal 2020 due to the COVID-19 pandemic.



Base	Recipient of support, details of support
Daikin Industries, Ltd. (Sakai Plant)	Holds annual summer festival
	<p>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</p> <p>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</p> <p>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</p> 
	<p>Employees patrolled the plant at morning and night to ensure there was no disturbing noise or vibration that would disturb nearby residents as part of the noise countermeasure</p> <p>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</p> <p>Soundproofing walls were put in to prevent sound leaking from equipment near the parameters (such as the cooling tower)</p>
Daikin Industries, Ltd. (Yodogawa Plant)	Holds annual Bon dance festival
	<p>Continued implementation of community cleanup activities</p> <p>Areas around the site cleaned up (once a month)</p> <p>Employees took part in cleanup of local waterways (twice a year)</p> <p>Area around main and west gates (near bus stops) was cleaned up (everyday)</p> 
	<p>Sponsored "Tulip Art in Settsu" for urban aesthetic development</p> <p>Participated in Settsu Green Curtain Contest and Settsu Environmental Festival as part of the environmental activities</p> <p>Sponsored the Settsu Festival and Settsu Fureai Marathon</p>






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 (once a year) 
	Participated in Lake Biwa clean up (once a year)  
Daikin Industries, Ltd. (Kashima Plant)	Holds a summer festival We received a thank you letter for the 10 units of air purifier donated to the City of Kamisu that are installed in locations that will serve as evacuation sites in the event of an emergency
	
	Cleanup around the plant conducted monthly Collected scattered leaves on roads and walkways and cleaned up drainage ditch to prevent road flooding from backed up drainage during the time of leaves falling 
	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 Holds blood donation drive


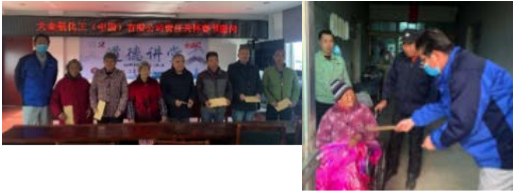



Base	Recipient of support, details of support
Daikin Industries, Ltd. (Soka Station)	Holds annual summer festival
	Cleanups of areas surrounding the site (twice a year)
	Holds blood donation drive
Daikin Applied Europe S.p.A.	Supported employees' health through the Better Health @ Work Award
	Participated in charity event Gung-Ho for autistic children
	Participated in March for Men campaign for prostate cancer
	Participated in a career fair held at a local university
	
Daikin Europe N.V.	Established a running team for employees
	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
	
	
	





Base	Recipient of support, details of support
Daikin Industries Czech Republic s.r.o.	<p>Held Family Day</p> 
	<p>Donated two units of air purifier for each of four orphanages</p> 
	<p>Helped collecting Christmas gifts to be delivered to children of an orphanage</p>
	<p>Sponsored the Wishing Tree Project established for children of orphanages</p>
	<p>Supported the "Strom splněných přání"/Tree of fulfilled wishes program that provides financial support to orphanages</p> 




Base	Recipient of support, details of support
Daikin Device Czech Republic, s.r.o.	<p>Jointly donated neonatal treatment equipment to St. Anne's University Hospital Brno with another company</p> 
	<p>Conducted a virtual charity run in order to donate to Hospic sv. Alžběty</p> 
	<p>Conducted woodwork workshop for employees with mental disabilities</p> 
	<p>Fiscal support to the summer festival of Brno-Slatina</p>
	<p>Visit to our factory by the Mayor of Brno</p> 
	<p>Donated 20,000 CZK to the city hall of Brno-Slatina for the mayor-hosted summer festival</p> 

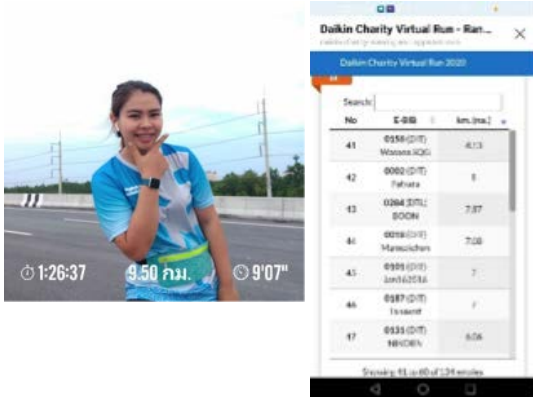



Base	Recipient of support, details of support
Daikin Chemical France S.A.S.	Hosted an open house day for employees and their families to tour the factory
	Donated to the volunteer firefighter training program targeting children 
DAIKIN Manufacturing Germany GmbH	Established a foundation for SLK children's hospital
	Supported an activity for eradicating blood cancer
Daikin Airconditioning Belgium N.V.	Engaged in various donation activities including contributions to cancer funds and barrier-free buildings
Daikin Airconditioning U.K., Ltd.	Supported a range of charity activities
Daikin AC Spain, S.A.	Support for charity and other groups
Daikin Turkey A.S.	Invited 12 children from "Protect the Children Association" to Family Day
	Supported various women's rights projects
	Supported high school blood donation campaign
	Blood donation 
	Donated to an animal shelter





Base	Recipient of support, details of support
Daikin Air-conditioning (Shanghai) Co., Ltd.	Holds annual Bon dance festival
	Held blood donation drive 
	Held traffic volunteer activity during rush hour 
	Installed the Free Cleaning Booth for Daikin Air Conditioners at the charity event hosted by the Cultural Office of Shanghai Xinzhuang Industrial Zone 
Daikin Device (Suzhou) Co., Ltd.	Cleanup activities 
	Blood donation drive 



Base	Recipient of support, details of support
Daikin Fluorochemicals (China) Co., Ltd.	<p>Visited to local fire department</p> 
	<p>Visited underprivileged residents of a village nearby the factory</p> 
	<p>Visited an orphanage and donated daily commodities for children</p> 
Daikin Fluoro Coatings (Shanghai) Co., Ltd.	<p>Cleaned up area around the factory</p>
	<p>Gave to charity for needy families</p>
	<p>Participated in the International Volunteer Day of the industrial zone</p> 
McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.	<p>Contributed to the World Cleanup Day activity with garbage cleanup</p> 





Base	Recipient of support, details of support
Shenzhen McQuay Air Conditioning Co., Ltd.	<p>Provided volunteers to direct traffic around school zone during commute hours</p> 
McQuay China (Suzhou)	<p>Dispatched employees as production volunteers at mask factories with a labor shortage</p> 
	<p>Participated in a corporate welfare society on Nursing Day and visited healthcare staff</p>  





Base	Recipient of support, details of support
Daikin Malaysia Sdn. Bhd.	<p>Donated daily necessities for underprivileged children</p> 
	<p>Donated 10 wheelchairs to the wheelchair support program of a Malaysian welfare association</p> 
	<p>Hosted DAMA Kaizen Award Year in order to enhance employees' motivation for improvement</p> 



Base	Recipient of support, details of support
Daikin Industries (Thailand) Ltd.	<p>Hosted Daikin Charity Run and supported Chonburi Cancer Hospital</p>  <p>The image shows a woman in a blue Daikin Charity Run shirt and a smartphone screen displaying the Daikin Charity Virtual Run 2020 results. The phone screen shows a list of participants with their names, IDs, and times. The woman's time is 1:26:37, and the average time is 9:50. The phone screen also shows a list of participants with their names, IDs, and times.</p>
	<p>Joined blood donor clinics for the Thai Red Cross</p>  <p>The image shows four photos of people donating blood at a Thai Red Cross clinic. The photos show people lying on red beds, with blood being drawn from their arms. The people are wearing masks and are being attended to by staff in white uniforms.</p>
Daikin Compressor, Industries Ltd.	<p>Conducted safety activity for passenger transport van at Wat Huai Prap School</p>  <p>The image shows two photos of a safety activity for a passenger transport van at Wat Huai Prap School. The photos show a group of people, including students and staff, standing in front of a white van. One photo shows the van with its doors open, and the other shows a group of people sitting on the ground in front of the van.</p>
	<p>Implemented recreation and reception at a labor rehabilitation center</p>  <p>The image shows a photo of a group of people at a labor rehabilitation center. The people are standing in a line, and some are holding up certificates or awards. They are all smiling and appear to be proud of their achievement.</p>




Base	Recipient of support, details of support
Daikin Airconditioning India Pvt. Ltd.	<p>Held blood donation drive</p> 
	<p>Distributed dried foods to underprivileged people and communities during the COVID-19 pandemic</p> 
Daikin Airconditioning India Pvt. Ltd.	<p>Distributed 10,000 pre-cooked food package to underprivileged people and communities during the COVID-19 pandemic</p> 
	<p>Donated sanitary products, including hand sanitizers, face masks, and hand wash to underprivileged people and communities and infected patients at the Neemrana Government Hospital during the COVID-19 pandemic</p> 






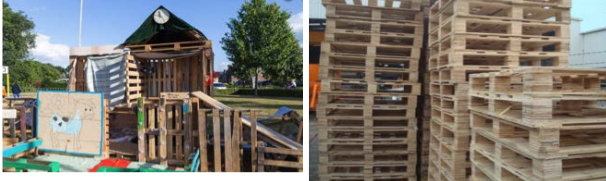
Base	Recipient of support, details of support
Daikin Australia Pty. Ltd.	Held a toy drive to donate to a shelter for children taken from homes experiencing domestic violence
	
	Supported families possessing customized houses for sick children
	Supported the Australian North Cyprus Friendship Association
	Supported South Brisbane Men's Shed
	Donated to hospitals, cancer associations and community events
	




Base	Recipient of support, details of support
	<p>Hosted a charity golf tournament and supported a charity organization</p> 
<p>Daikin America, Inc.</p>	<p>Donation made to local community as part of the commemorative events of the 25th anniversary of Daikin America's founding</p> 
	<p>Conducted volunteer yard work for local hospice patients</p> 
	<p>Built a barrier-free ramp for the community together with the volunteer center of Morgan County</p> 

Base	Recipient of support, details of support
Daikin America, Inc.	<p>Donated snack baskets to show appreciation for the dedicated staff of Decatur Morgan Hospital during the Covid-19 pandemic</p> 
	<p>Donated new clothes, shoes, and toys to children in poverty for Christmas</p> 
	<p>Donated new bicycles to children in poverty for Christmas</p> 
	<p>Donated toys to the Toys for Tots campaign, which distributes presents to children who cannot receive presents from their own parents for Christmas</p> 




Base	Recipient of support, details of support
Daikin Applied Americas Inc.	Hosted a charity marathon and donated all proceeds from registration to a cancer patient support organization
	Cooperated with local chamber of business to aid in local employment matching
	Cooperated with United Way, an NGO involved in improving education and health
	Donated to various organizations in the city from proceeds of unwanted items from the employees
	Held an in-house food drive for the local food bank
	Conducted Adopt-a-Family which provides presents to local struggling families
	Participated in a volunteer rescue team in cooperation with a local fire department
	Sponsored a youth sports program and scholarship fund
	
	Supported the construction of the Daikin Soccer Complex
	Provided economic assistance for local businesses affected by the COVID-19 pandemic
	Sponsored female businesspersons and local scholarships
	Sponsored the upgrade of camping gears for local youth
	Supported cancer eradication activity with Daikin Dash
	

Base	Recipient of support, details of support
Daikin Applied Americas Inc.	Sponsored local football and their advertising
	Supported Phoenix MCP, St. Mary Food Bank 
	Donated toys to children in poverty  <p>¡Gracias por tu apoyo en esta noble causa! 125 Juguetes, 125 sonrisas. ¡Gracias! DAIKIN clif</p>
	Donated foods to underprivileged areas 
	Blood donation
	Sponsored the Angel Tree
	Sponsored the Salvation Army
	Sponsored Reads Across America
	Built partnership to local industrial healthcare provider and enhanced response to injuries

Base	Recipient of support, details of support
Goodman Global Group, Inc.	<p>Donated air conditioners to the city of Waller for the new city hall</p> 
	<p>Established scholarships for science majors</p> 
	<p>Implemented company tour event for children of employees</p> 
	<p>Participated in the National Wear Red Day, a day for wearing red clothing to raise awareness against heart disease and stroke</p>
Daikin PT	<p>Sponsored dolphin watching tour</p>
Daikin Chemical Netherlands B.V.	<p>Collected bottle caps in support of dogs training centers and patients with various illnesses</p> 
	<p>Collected stamps in support of the Cystic Fibrosis Foundation of the Netherlands</p> 
	<p>Assembled an organization to help home alone children pass time by building cabins, having campfires, and playing games</p> 

Base	Recipient of support, details of support
Daikin Air Conditioning (Vietnam) Joint Stock Company	Donated generators and air conditioners to garbage processing plant
	<p>Presented gifts for underprivileged families, wounded veterans and war victims</p> 
	<p>Donated two industrial size washing machines to the Social Protection Center in Hung Yen Province</p> 
Daikin Amazonas	<p>Delivery of Christmas gift baskets to the local community</p> 

## List of Support for Disaster Victims

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Japan)	Made donations for the disaster of heavy rain occurred in July 2020
	Donated to the Kansai Novel Coronavirus Medical System Support Fund
Daikin Europe N.V.	Contributed to fund for victims of Houston hurricane 
Daikin Turkey A.S.	Donated to for Izmir Earthquake damage relief 
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 
Goodman Global Group, Inc	Established the Daikin Cares Fund to support employees affected by an unexpected natural disaster <b>DAIKIN CARES FUND</b> <small>Administered by Emergency Assistance Foundation, Inc.</small>

# Key Activities

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# KEY ACTIVITIES

## Environment

### Creating Standards for a Decarbonized Society Alongside Stakeholders

#### › *Why is it important?* (Page 592)

Appropriate Energy Efficiency Standards will Help to Reduce Electricity Consumption

#### › **DAIKIN'S APPROACH** (Page 593)

- Contributing to Establishing Energy Efficiency Standards in Emerging Countries with Growing Air Conditioning Demand

#### › **DAIKIN'S PERFORMANCE** (Page 594)

- Supported Brazil's New Energy Efficiency Standards and Solution to Energy Issues

#### › **NEXT CHALLENGE** (Page 595)

- Achieving a Decarbonized Society through Partnerships



## Providing Comfortable Air Environments Using the Best Format Possible, from Goods to Services

### › *Why is it important?* (Page 596)

Society Requires Air Environments Rather Than Air Conditioners

### › **DAIKIN'S APPROACH** (Page 597)

- Guaranteeing Comfortable Air Conditioner Operations with a One-Stop Service

### › **DAIKIN'S PERFORMANCE** (Page 598)

- Maximum Comfort and Peace of Mind from Minimized Electricity, Labor, and Other Costs

### › **NEXT CHALLENGE** (Page 599)

- Creating New Services Using Demonstration Testing



## Quickly Providing Air Purification Solutions as a Company that Provides Solutions with Air

### › *Why is it important?* (Page 600)

Growing Demand for Air Purification in All Settings

### › **DAIKIN'S APPROACH** (Page 601)

- Quickly Developing Products that Resolve Issues in Various Locations

### › **DAIKIN'S PERFORMANCE** (Page 602)

- Contributing to Infection Prevention in Response to Front-Line Feedback

### › **NEXT CHALLENGE** (Page 603)

- Providing New Solutions with Our Proprietary Technologies



## Enhancing Manufacturing Around the World by Training the Next Generation of Plant Operators

### › *Why is it important?* (Page 604)

Daikin Supplies Products Using the Optimal Formats Tailored to Markets Around the World

### › **DAIKIN'S APPROACH** (Page 605)

- Building a Mechanism for Developing the Next Generation of Plant Operators

### › **DAIKIN'S PERFORMANCE** (Page 606)

- Local Staff Quickly Added Capacity to Production Lines in Response to Growing Demand from the COVID-19 Pandemic

### › **NEXT CHALLENGE** (Page 607)

- Expanding Independence Initiatives to Production Bases Around the World





## Creating Standards for a Decarbonized Society Alongside Stakeholders

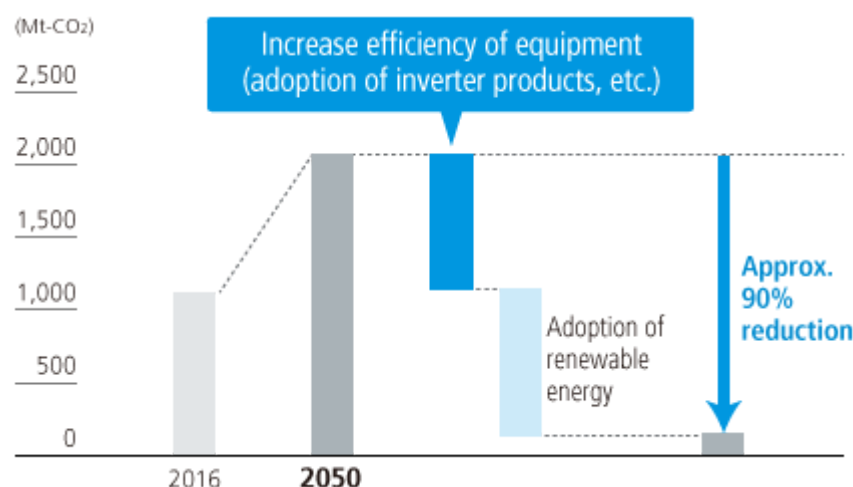
### *Why is it important?*

#### **Appropriate Energy Efficiency Standards will Help to Reduce Electricity Consumption**

In its May 2018 report *The Future of Cooling*, the International Energy Agency (IEA) pointed out that reducing CO<sub>2</sub> emissions derived from electricity use as demand for air conditioning rises will require not only the adoption of renewable energy, but also the adoption of energy efficient air conditioners.

Therefore, both development of energy efficient products and appropriate energy efficiency standards are essential for consumers to select energy efficient products more easily.

#### **Forecast of CO<sub>2</sub> Emissions from Space Cooling in 2050**



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

### **Contributing to Establishing Energy Efficiency Standards in Emerging Countries with Growing Air Conditioning Demand**

From before the IEA's recommendation, Daikin has proposed highly energy efficient inverter air conditioners in emerging countries such as India and ASEAN where demand for electricity is predicted to rise.

We are also working to develop standards for promoting energy efficiency together with various stakeholders. This is because some emerging countries still need to improve energy efficiency standards. Many air conditioners that consume large amounts of electricity during operation are sold in such countries, becoming a factor for energy issues.

As one example, in India, Daikin provided technical assistance for the calculation method of seasonal energy efficiency ratio to government institutions, which led to the introduction of an energy labeling system. As a result, consumers became aware of the energy efficiency performance of inverter air conditioners with optimal operation based on ambient temperature, which has helped to reduce electricity demand.

### Supported Brazil's New Energy Efficiency Standards and Solution to Energy Issues

In July 2020, energy efficiency standards for air conditioners were revised in Brazil. This was the result of a taskforce collaboration among JICA, local universities, Daikin and other organizations.

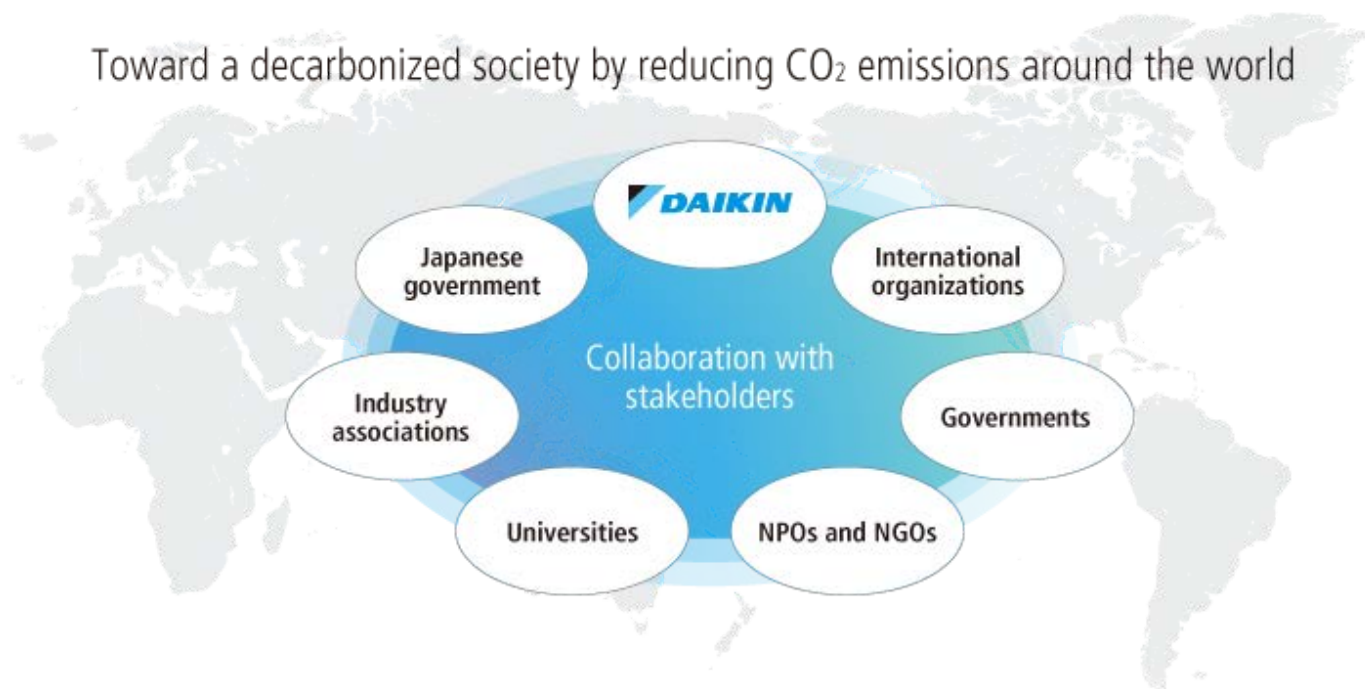
Despite concerns over electricity shortages caused by economic growth, air conditioners that are inexpensive and consume large amounts of electricity are popular in Brazil. This is because it was practically impossible for consumers to tell the difference between the superiority or inferiority of energy efficiency performance under the conventional standard. Some 90% of the products on the market were categorized as the highest ranking under the country's energy efficiency standards, which had not been revised in many years.

In January 2018, Daikin, together with local universities and NGOs, commenced a demonstration test in order to identify the differences in performance. The results showed that inverter air conditioners can lower energy consumption by around 60%.

In March 2018, the Japan International Cooperation Agency (JICA) adopted this project as a Public-Private Partnership Program, opening the door to collaboration with the government of Japan. Daikin approached the government of Brazil about the need to revise its standards together with the Embassy of Japan in Brazil and the Ministry of Economy, Trade and Industry, and other actors, presenting the results of the demonstration test. This project included visits to Japan and technical instruction. Repeated workshops for discussions on issues and countermeasures were also organized. These activities, which lasted around two years, resulted in the introduction of new energy labels by the government of Brazil.

#### Collaboration with Stakeholders to Promote Energy Efficiency

Toward a decarbonized society by reducing CO<sub>2</sub> emissions around the world



### Achieving a Decarbonized Society through Partnerships

Air conditioners are vital to the lives of many people around the world, but they also impact climate change because they consume a large amount of electricity. This is why Daikin is addressing the development and adoption of energy efficient products around the world. It is important that we aim to reach our goal in our Environmental Vision of reducing greenhouse gas emissions to net zero by 2050.

Looking ahead, Daikin will continue to provide information and technical assistance around the world utilizing its expertise. We will work with various stakeholders to build sustainable systems not only for our own company but for markets and the environment to contribute to the realization of a decarbonized society.

#### Voice

##### International Collaboration Encourages Energy Conservation

The JICA project in Brazil was key for the recent improvements promoted in energy efficiency policies. The project organized a technical visit to Japan, as well as demonstration testing to identify the significant energy efficiency of inverter and low GWP refrigerants air conditioners. These made the difference for public policies improvement in Brazil.



**Kamyla Borges**  
Energy Efficiency Initiative  
Coordinator Institute for Climate  
and Society (ICS)



## Providing Comfortable Air Environments Using the Best Format Possible, from Goods to Services

### *Why is it important?*

#### **Society Requires Air Environments Rather Than Air Conditioners**

It was once said, "People don't want to buy a quarter-inch drill. They want a quarter-inch hole!" Similarly, people, who buy an air conditioner, want a comfortable air environment for as long as possible. To satisfy this want, instead of simply selling air conditioners, Daikin needs to identify and provide methods by which consumers can use the functions of its products in the best way possible. That is, we need to change our approach from goods to experiences to deliver services with the most optimal approach to using air conditioning for customers, users and the environment.

#### **True Needs in Commercial Air Conditioning**



### Guaranteeing Comfortable Air Conditioner Operations with a One-Stop Service

Daikin has developed a new PaaS\* service called Air as a Service (AaaS) together with Mitsui & Co., Ltd. AaaS provides Daikin's business resources of air conditioner development and operation along with maintenance services as a package. AaaS is a monthly subscription-based air conditioning service that eliminates the need to purchase air conditioners. Under this service, Daikin provides everything from air conditioner selection and installation to optimal operation, energy management and maintenance as a one-stop service. During the term of the contract, Daikin guarantees the stable operation of its air conditioners using preventive maintenance based on detection of breakdowns. There are no repair costs should a breakdown occur, and all statutory inspections are conducted by Daikin.

AaaS can lower a customer's overhead and workforce in terms of upfront installation of air conditioners, electricity consumption, and operations management. Air conditioners never sell out and we provide support up to operation, enabling us to provide comfortable air environments closely in tune with customer needs.

\* PaaS: An acronym for Product as a Service.

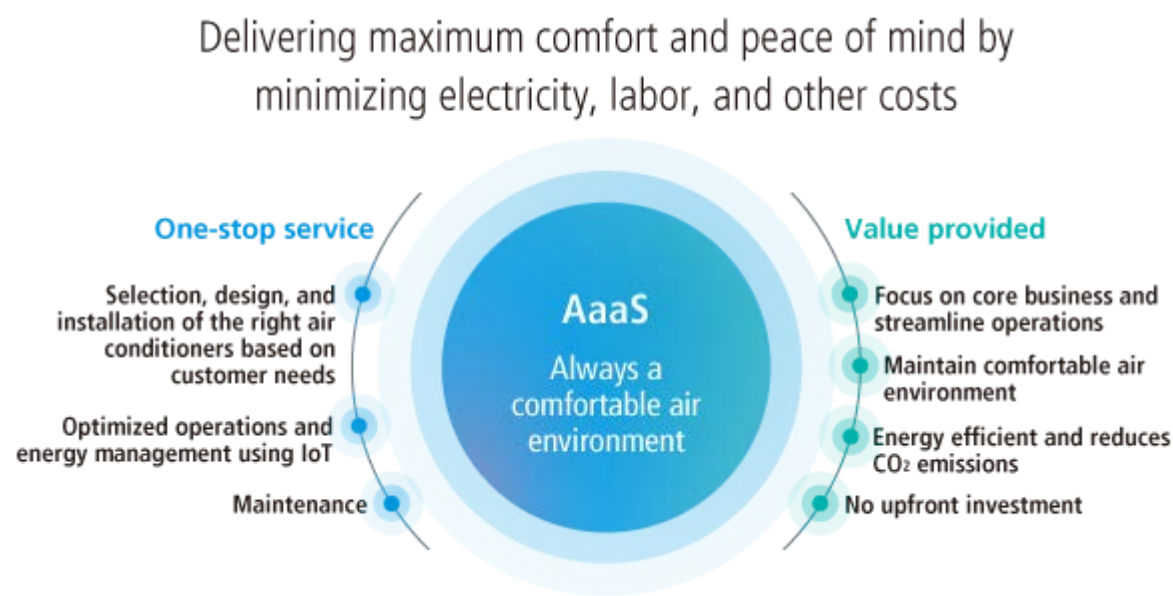
Maximum Comfort and Peace of Mind from Minimized Electricity, Labor, and Other Costs

By introducing AaaS, users can focus on their core operations without having to worry about air conditioning. This is especially important at hospitals, which must provide stable operation of air conditioning as an essential service. If problems were to arise, this could negatively impact not only patient conditions, but also precision medical devices and information systems. With healthcare duties piling up, the bother of setting air conditioning temperature and maintenance is a cause of stress for nurses and staff. Hospitals stand to benefit greatly from being able to maintain a comfortable air environment. In terms of spending, sudden expenditures due to breakdowns are no longer needed.

Daikin has concluded AaaS contracts with 25 customers over the past three years since 2018. Uegahara Hospital in Hyogo Prefecture is one of these customers. It has been able to reduce electricity consumption from air conditioning by 36.8% over two years compared to before. In addition, staff members are able to focus on their work and a comfortable air environment is maintained for patients. This service won the Chairman Prize of Energy Conservation Center, Japan, at the fiscal 2020 Energy Conservation Grand Prize.

In addition to hospitals and nursing care facilities, AaaS is being adopted rapidly by buildings and plants owned by companies. In addition to lowering labor costs related to air conditioner upkeep, companies can benefit from improved cash flow as upfront investments are no longer needed since air conditioning equipment is no longer as a company asset.

Value provided by AaaS



### Creating New Services Using Demonstration Testing

Daikin is conducting various trials at point 0 marunouchi, a demonstration site, for continually providing a comfortable air environment to customers using the best format possible. In December 2020, we launched the Air as Ventilation service validated here that visualizes confinement and ventilates accordingly. This is a monthly subscription service that provides a comfortable, safe, and secure air environment to spaces where an unspecified large number of people gather, such as shared offices.

We will continue to pursue solutions that address the true needs of air in the future.

#### Voice

##### No Longer Have to Worry About Air Conditioning

Since introducing AaaS, we no longer worry about cooling or heating. It's really encouraging because we can change our energy management settings with a single telephone call. Proposals based on actual operating data are very effective and the reduction of our electricity bill has been greater than expected. This fixed subscription air conditioning service that doesn't require ownership of equipment is a very reasonable solution.



**Yokiko Oe**  
President  
Uegahara Hospital



## Quickly Providing Air Purification Solutions as a Company that Provides Solutions with Air

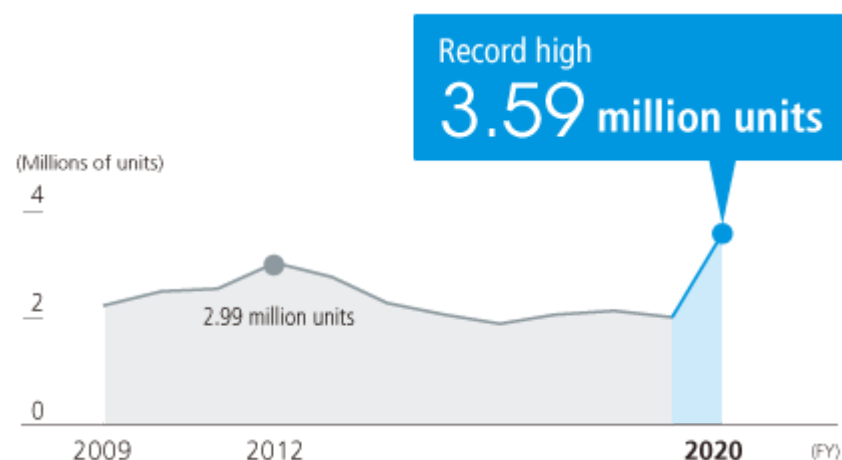
### *Why is it important?*

#### Growing Demand for Air Purification in All Settings

There is a growing need for air purification in all types of settings including offices, homes, restaurants, and hospitals as one way to prevent the spread of COVID-19. Similar to 2012 when the fine particulate matter (PM2.5) problem garnered worldwide attention, demand for air purifiers grew substantially in 2020.

As a company that provides solutions with air, Daikin finds that its support for customer comfort based on setting and purpose through the collective strengths of the Group is in demand.

#### Shipments of Air Purifiers (Japan)



Source: The Japan Electrical Manufacturers' Association

### Quickly Developing Products that Resolve Issues in Various Locations

Daikin was among the first in the industry to provide various air purification solutions. We offer an expansive lineup of air conditioners with ventilation functions, and we commercialized a commercial ventilation unit that can reclaim heat from inside a room. We have also been disseminating various forms of information since April 2020 such as accepting telephone inquiries and setting up a consultation window on our website to address concerns regarding air and ventilation.

In May 2020, we launched two negative pressure products that address the urgent requirements of healthcare facilities. Group company Nippon Muki Co., Ltd. developed these products in just one month using its proprietary HEPA filter technology.

A negative pressure device creates a negative pressure environment with lower air pressure than the surroundings to control the flow of air in one direction. It helps to prevent the spread of viruses in the air by isolating infected persons in a negative pressure space. In addition, high performance HEPA filters used in negative pressure clean rooms for precision equipment effectively traps viruses in the air.

Contributing to Infection Prevention in Response to Front-Line Feedback

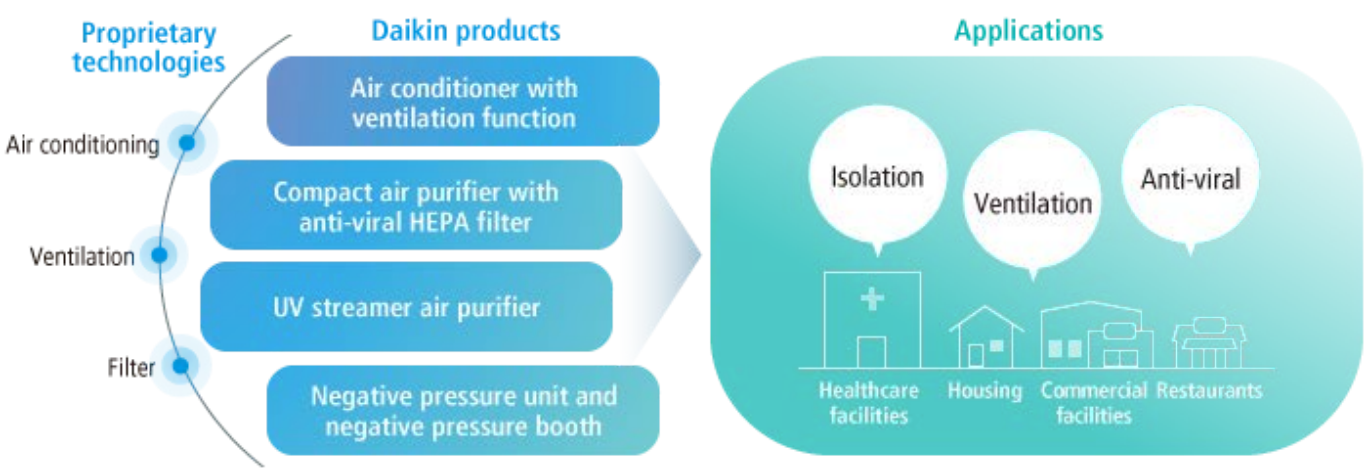
The unique aspect of these two newly developed negative pressure devices is that they can create a negative pressure room without having to undergo large-scale renovation work inside a building. Both the moveable negative pressure exhaust unit, which uses a window as an exhaust port, and the assembled negative pressure booth, which creates a temporary isolation booth inside a room, reduce the burden of healthcare institutions.

Following these, in August 2020, we launched a collapsible negative pressure booth featuring a lightweight aluminum frame. This product, which addresses feedback from medical professionals, can be assembled in around 10 minutes when needed, and then stored compactly when not in use. It can also be used at small clinics without the space required for an isolation area or people's movements. Facilities for seniors have praised the product saying it provides a peace of mind because it is the same equipment used in hospitals. As of March 31, 2021, we have supplied around 2,000 of these booths to more than 500 facilities.

The moveable negative pressure exhaust unit can also be used as a high-performance air purifier with a HEPA filter. It addresses the needs of infection control in spaces where large numbers of people come and go, such as restaurants, gyms, and funeral parlors. In November 2020, this unit was deployed at an international gymnastics meet held at Yoyogi National Gymnasium in Tokyo.

Daikin's Products Address Various Air Purification Needs

Quickly supplying products required by society using our proprietary technologies



## NEXT CHALLENGE

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### Providing New Solutions with Our Proprietary Technologies

With demand rising for air purifiers that can be effective against microscopic viruses in many places, Daikin is addressing this demand with various solutions. One example is that we launched a compact air purifier featuring an anti-viral HEPA filter with powerful ventilation function for commercial facilities in December 2020.

Looking ahead, Daikin will create new products using its air conditioning, ventilation, and filter technologies to continually provide optimal solutions to people who require air purification.

#### Voice

##### Using Daikin's Solutions to Address Rising Number of Patients

NCGM is a designated medical institution for specified infectious diseases that actively accepts COVID-19 patients. We needed to quickly ramp up preparations for accepting the rising number of seriously ill COVID-19 patients, so we decided to purchase Daikin's collapsible negative pressure booths. This has allowed us to easily create a reliable negative pressure environment and our medical professionals to treat patients with peace of mind.



**Miho Takahashi**  
HCU Head Nurse  
National Center for Global  
Health and Medicine (NCGM)



## Enhancing Manufacturing Around the World by Training the Next Generation of Plant Operators

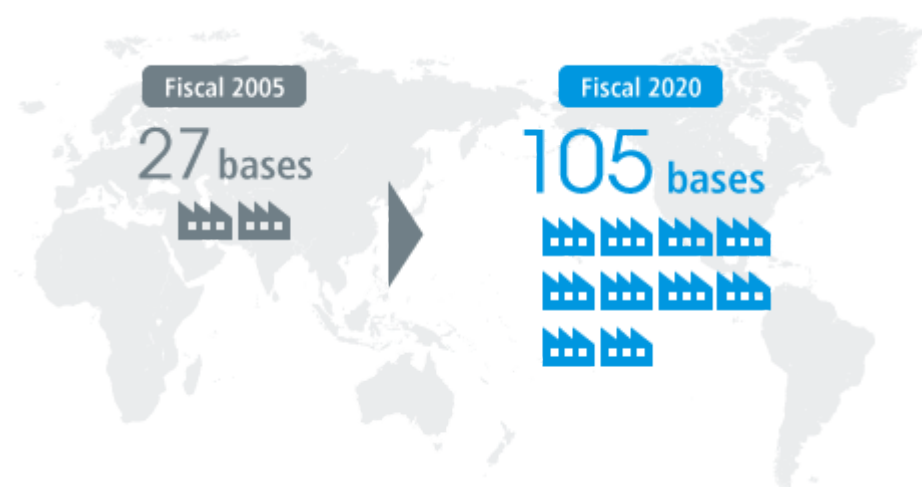
### *Why is it important?*

### **Daikin Supplies Products Using the Optimal Formats Tailored to Markets Around the World**

With its business operations expanding globally, Daikin is promoting market-localized manufacturing where products are made according to local needs, in order to provide solutions in tune with market needs at the right prices.

To achieve this, it is important that we expand the Production of Daikin System (PDS), which encapsulates our basic approach to manufacturing, and increase the autonomy of each production base. We are encouraging production bases to develop human resources who are resourceful, take action, and make their own decisions based on market trends.

### **Increasing Number of Production Bases**



### Building a Mechanism for Developing the Next Generation of Plant Operators

Traditionally, Daikin has operated its production bases around the world using Japanese expatriate employees dispatched locally to manage operations. Following the expansion of our overseas network of production bases, however, we are now developing local human resources at each of our production bases who will lead optimal production tailored to local region and market. The advanced nature of plant operation skills for overseas production bases varies widely depending on such factors as facilities and the period since establishment. We are implementing two measures to raise the bar of operations at each of our production bases.

First is plant diagnostics that helps to improve the ability to detect issues. Using a tool that evaluates the operation level of each production base according to the same standards, we measure capabilities for individual categories including technological capabilities, quality, safety, cost control, and environment. This enables us to foster a mindset among the heads of production bases and management supervisors to strategically enhance their respective production base's strengths, find issues, and make improvements. Second is W-MIPS\*, a site for sharing examples of improvement good practices that promotes continuous improvement at our plants. Each production base submits videos of their improvement activities. The solutions in these videos are then incorporated by other production bases as good practices. This encourages the mindset of sharing positive outcomes with other production bases. The number of video submissions has exceeded 260, with this site now actively used as a place for exchanging information between production bases.

These measures have increased recommendations on approaches to manufacturing and improvement good practices from the heads of production bases and management supervisors. As a result, we are steadily enhancing the skills of human resources responsible for plant operations at our production bases.

\* An acronym that stands for World, Wisdom, Monozukuri, Improvement cases, Providing site.

## Local Staff Quickly Added Capacity to Production Lines in Response to Growing Demand from the COVID-19 Pandemic

In 2020, Daikin Malaysia Sdn. Bhd. quickly established a new production line for air purifiers to capture increased demand worldwide from the COVID-19 pandemic.

Due to travel restrictions, on-the-job training typically provided by Japanese national employees in-person and on-site was switched to a remote environment. Local staff took the lead in all aspects of production line establishment, from process design to prototypes, facility procurement, installation work management, and operations. Despite this being their first time, the local staff successfully launched mass production at the end of December 2020 as planned.

These experiences are helping to further increase Daikin Malaysia Sdn. Bhd.'s autonomy and speeding up its efforts to improve operations.

### Human Resource Development Encouraging Production Base Independence



### Expanding Independence Initiatives to Production Bases Around the World

Looking ahead, our regional primary bases will be used as a focal point for entrenching plant diagnostics, W-MIPS, and remote training globally while working closely with staff in Japan.

Through these measures, we will continue to foster human resources at each production base who understand the foundation of PDS, which involves planning and executing improvement measures after identifying issues and can continually implement the PDCA cycle.

#### Voice

##### **A New Experience Beneficial to Career Advancement**

This marked the first time that Daikin Malaysia Sdn. Bhd. built a production line for air purifiers mainly on its own. We repeatedly gathered information, researched processes, and explored designs, with the aim to make this the best production line possible. In the end, we were able to live up to expectations. I hope to use the new and exciting knowledge I gained from this experience to advance my career in the future.



**Khong Chun Fei**  
Senior Manager  
Production Engineering  
Daikin Malaysia Sdn. Bhd.



# Sustainability Report

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# 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.

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## Data Covered by Verification

### Environmental Impact Data on Business Operations in FY2020

- 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 44 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 2020.
- Contribution to CO<sub>2</sub> emission reductions through the use of air conditioners sold in Japan, Europe, North America and China in fiscal 2020.
- Contribution to greenhouse gas emission reductions through fiscal 2020 worldwide sales of air conditioners that use R-32 low global warming potential refrigerant.

▶ [Calculation Method](#) (Page 612)

## 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 2021 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2020 through March 31, 2021 (the 'Selected Information'):

- 1) The following data through business operations of four production bases of Daikin, eight production subsidiaries within Japan and 44 production subsidiaries overseas
  - CO<sub>2</sub> emissions from energy use
  - HFCs and PFCs emissions
  - Water intake and Wastewater
  - Recycled materials and Waste
  - VOC emissions
- 2) 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
  - CO<sub>2</sub> emissions from non-energy use
  - CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub> and NF<sub>3</sub> emissions
- 4) 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 2021 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2020 through March 31, 2021 (the 'Selected Information'):

- 1) The amount of contribution to CO<sub>2</sub> emission reduction through the use of inverter air conditioners sold for emerging countries in FY2020
- 2) The amount of contribution to CO<sub>2</sub> emission reduction through the use of air conditioners sold for advanced countries and China in FY2020
- 3) 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 FY2020

### 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.



### Summary of work performed

As part of our independent verification, our work included:

1. 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;
3. 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 four physical site visits and five remote audits, selected on a risk based bases at the following locations:
  - [Physical site visits]
    - Daikin Yodogawa Plant
    - McQuay Air Conditioning & Refrigeration (Suzhou) Co., Ltd
    - McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.
    - Shenzhen McQuay Air Conditioning Co., Ltd.
  - [Remote audits]
    - Daikin Refrigeration Malaysia Sdn.Bhd.
    - Daikin Isitma Ve Sogutma Sistemleri San. Tic. A.S
    - Goodman Manufacturing Company, L.P., DTTP
    - Daikin Applied Americas, Staunton Facility
    - Daikin Head Office
6. Reproducing a selection of aggregation calculations of the Selected Information;
7. 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.

We accepted the following measures for preventing the spread of COVID-19 based on Daikin's request.

- Carrying out remote audit through video conferencing as a substitute for physical site visit at Daikin Head Office initially planned

### 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]	Boundary
Scope 1	602,203	•CO <sub>2</sub> from energy use, HFCs and PFCs: GHG emissions through business operations of four production bases of Daikin, eight production subsidiaries within Japan and 44 overseas production subsidiaries •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> : GHG emissions through business operations of four production bases of Daikin
Scope 2 (location-based)	527,190	
Scope 2 (market-based)	484,214	
Scope 3 (Category 1, 11 and 12)	282,942,540	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: 2,890,212 t-CO<sub>2</sub>e | Category 11: 235,338,292 t-CO<sub>2</sub>e | Category 12: 44,714,036 t-CO<sub>2</sub>e

### 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  
June 28, 2021



# 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

Scope 1

- 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.

#### (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.

## (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 3

- Scope of calculation covers refrigerant leakage during use of refrigeration and air conditioning equipment sold in Japan, ASEAN, China, Hong Kong, Taiwan, Australia, the EU, 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.

## (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.

# HONORS FOR DAIKIN

## 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)

**2021 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)**

THE USE BY Daikin Industries, LTD. OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF Daikin Industries, LTD. BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

- [MSCI ESG Research website](https://www.msci.com/esg-integration)   
(<https://www.msci.com/esg-integration>)

- Chosen for inclusion in the MSCI Japan ESG Select Leaders Index


**2021 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.

- [FTSE Russell website](https://www.ftserussell.com/products/indices/blossom-japan)   
(<https://www.ftserussell.com/products/indices/blossom-japan>)

- Awarded 4-star rating (total score of between 60 and 64) in the Nikkei SDGs Management Survey conducted by Nikkei Inc.

- Won the Minister of the Environment Award (Silver)



- Won the IR Grand Prix from the Japan Investor Relations Association



- Chosen for inclusion in the SOMPO (Sompo Japan Nipponkoa Asset Management Co., Ltd. ) Sustainability Index.



- Recognized as a Sustainability Yearbook Member by S&P Global in The Sustainability Yearbook 2021



## Daikin Europe N.V.

- Obtained SDG Pioneer certificate from the United Nations Institute for Training and Research (UNITAR)

### Daikin Industries, Ltd.

#### ■ Won FY2020 Energy Conservation Grand Prize

- Received the Chairman Prize of Energy Conservation Center, Japan, in the Energy Conservation Category for our ZEB intended for existing tenanted buildings developed based on energy conservation diagnosis.
- Received the Chairman Prize of Energy Conservation Center, Japan, in the Product/Business Model Category for our product as a service business providing an energy efficient and comfortable air environment.
- Received the Chairman Prize of Energy Conservation Center, Japan, in the Energy Conservation Category (small group activities) for our energy conservation practices by improving the operation of welfare facilities for the elderly.
- Received the Chairman Prize of Energy Conservation Center, Japan, in the Product/Business Model Category for our energy recovery ventilation system (VAH250HS).



■ Received the ranking of A- in surveys on climate change and water resource management conducted by CDP

■ Daikin's open and closed strategy for intellectual properties on R-32 air conditioners was recognized with the Minister of Economy, Trade and Industry Award at the Intellectual Property Achievement Awards organized by the Ministry of Economy, Trade and Industry and the Patent Office.



## New Value Creation Honors

### Daikin Industries, Ltd.

- Won the Clarivate Top 100 Global Innovators 2021 Award for our IP activities. This marks the seventh consecutive year and eighth time overall that Daikin has been recognized with this award.



- Point 0 marunouchi, a co-working space operated by point 0, a company funded by Daikin Industries, received gold level WELL Certification which is a performance verification system for office spaces.



## Customer Satisfaction Honors

### Daikin Industries, Ltd.

- Three of Daikin's products including a cooling only cassette air conditioner for Southeast Asia and portable air conditioner Carrime won a Good Design Award for fiscal 2020.



**GOOD  
DESIGN**

- Urusara X won the Nikkei Superior Products and Services Award 2020 recognizing excellent new products and services.

## Human Resource Honors

### Daikin Industries, Ltd.

- NIKKEI Smart Work Awards 2021 Innovation Prize and Awarded the highest rating, 5 stars, in the 4rd NIKKEI Smart Work survey conducted by Nikkei Inc., which assesses companies based on the adoption of diverse, flexible work practices



- Granted Nadeshiko Brand designation for the eighth time over seven consecutive years, by the Ministry of Economy, Trade and Industry



## Newspaper and Magazine Rankings

### Daikin Industries, Ltd.

- CSR Rankings **15th**  
(Toyo Keizai Inc.)
- Best Japan Brands 2021 **26th**  
(Interbrand)
- ROESG ranking **10th**  
(The Nikkei and QUICK Corp ESG Research Center)
- Nikkei ESG Brand Index Ranking **46th**  
(Nikkei Business Publications, Inc.)

# Search for CSR Contents

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# 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 Including group in Japan JG

Overseas group companies only OG

Including group companies in Japan and overseas OJG

Data verified by a third party. Verified

# Environment

## GHG emissions in the value chain (Scope 1, 2, 3)

OJG

(Thousand tons-CO<sub>2</sub>)

Scope and Category			Assessment method	2020
Scope1		Use of fuel and fluorocarbon Verified	➤ <a href="#">Method of Calculating Greenhouse Gas Emissions Data</a> (Page 612)	600
Scope 2 (market-based)* <sup>1</sup>		Use of electricity and steam Verified	➤ <a href="#">Method of Calculating Greenhouse Gas Emissions Data</a> (Page 612)	484
Scope 2 (location-based)* <sup>2</sup>		Use of electricity and steam Verified	➤ <a href="#">Method of Calculating Greenhouse Gas Emissions Data</a> (Page 612)	527
Scope3	Category 1	Purchased goods and services Verified	Volume of purchased materials x emission coefficient	2,890
	Category 2	Capital goods	Capital investment amount x emission coefficient	393
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	Purchased electricity, steam, and fuel x emission coefficient for each type	92
	Category 4* <sup>3</sup>	Upstream transport and delivery	Transport weight x transport distance x emission coefficient for each type	27
	Category 5	Waste generated in operations	Waste volume x emission coefficient for each type	26
	Category 6* <sup>3</sup>	Business travel	Travel expenses x emission coefficient	7
	Category 7* <sup>3</sup>	Employee commuting	Number of employees x emission coefficient	3
	Category 8	Leased assets (upstream)	-	N/A (includes Scope 1 and Scope 2)
	Category 9* <sup>3</sup>	Downstream transportation and delivery	Transport volume x emission coefficient	7
	Category 10* <sup>3</sup>	Processing of sold products	Weight of manufactured intermediate products x emission coefficient	15

Scope and Category			Assessment method	2020
Scope3	Category 11	CO <sub>2</sub> from use of Daikin's air conditioners in the market Verified	▶ <a href="#">Method of Calculating</a> (Page 612) <a href="#">Greenhouse Gas Emissions Data</a>	235,340
		CO <sub>2</sub> from use of other Daikin products <sup>*4</sup> in the market	▶ <a href="#">Method of Calculating</a> (Page 612) <a href="#">Greenhouse Gas Emissions Data</a>	19,580
	Category 12 <sup>*5</sup>	Fluorocarbon at time of disposal of Daikin's air conditioners Verified	▶ <a href="#">Method of Calculating</a> (Page 612) <a href="#">Greenhouse Gas Emissions Data</a>	44,710
		Fluorocarbon at time of disposal of other Daikin products <sup>*4</sup>	▶ <a href="#">Method of Calculating</a> (Page 612) <a href="#">Greenhouse Gas Emissions Data</a>	1,410
	Category 13	Downstream leased assets	-	N/A
	Category 14	Franchises	-	N/A
	Category 15	Investments	Emissions of investment target companies x ownership percentage	110
	Total			304,610
Comprehensive total				306,220

\*1 Location-based is the calculation of Scope 2 emissions based on the average emission coefficient for electricity of a specific location.

\*2 Market-based is the calculation of Scope 2 emissions reflecting contracts for purchased electricity.

\*3 Category 4, Category 6, Category 7, Category 9 and Category 10 cover Japan only.

\*4 Non-air conditioner data indicates air purifiers and refrigeration/hydraulic/specialty equipment products.

\*5 Calculated with fluorocarbon recovery rate as 0%.

## Environmentally Conscious Products\* as Percentage of Sales Volume (Residential Air Conditioners)

OJG

(%)

	2017	2018	2019	2020
Environmentally Conscious Products	83	93	97	98
Super Green Products	47	51	60	69
Green Products	36	42	36	29
Other products	17	7	3	2

\* 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 148)

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

OJG

(Thousand tons-CO<sub>2</sub>)

	2017	2018	2019	2020
Contribution to Greenhouse Gas Emission Reductions from Daikin Air Conditioners on the Market	54,000	67,000	68,000	70,000

- \* • Difference between emissions from all Daikin environmentally conscious products sold and emissions from non-inverter products, air conditioners using conventional refrigerants, and gas-combustion space heaters and hot water heaters.
- Reviewed by a third-party.

Related Page: [▶ Promoting the Use of Inverter Products](#) (Page 174)

[▶ Promoting the Use of Heat-Pump Type Space and Hot Water Heaters](#) (Page 177)

[▶ Developing and Promoting Products and Services That Reduce Environmental Impact](#)  
(Page 148)

		2020
Amount of contribution to emission reduction*	Contribution to greenhouse gas emission reduction through the spread of air conditioners and heat pumps, hot water supply systems and refrigeration systems with lower emissions	1,500
	Contribution to greenhouse gas emission reduction due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to the patents, technical support, etc.	9,200
Amount of refrigerant recovery and recycling from market	Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group(in CO <sub>2</sub> equivalent)	4,600

\* Calculated with F-gas recovery rate as 0%.

Note: Reviewed by the third-party.

## Green Procurement Rate by Region\*

	2016	2017	2018	2019	2020
Japan	91	92	90	93	95
China	96	92	90	93	94
Thailand	95	97	97	97	95
Other countries in Asia and Oceania	58	84	80	74	79
Europe	93	95	95	97	98
North America	30	30	32	32	35
South America	97	94	100	100	100
All regions	74	76	80	80	80

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

Related Page: [Green Procurement](#) (Page 138)

		2020
Japan	Iron	63
	Copper	14
	Aluminium	14
	Other metals	2
	Plastics	20
	Chemicals (PRTR-designated)	132
	Glass	0.4
Overseas	Iron	465
	Copper	73
	Aluminium	69
	Other metals	2
	Plastics	81
	Chemicals (PRTR-designated)	127

## Recycling of Residential Air Conditioners

		2016	2017	2018	2019	2020
Residential air conditioners collected by Daikin (units: thousand)		280	320	390	410	460
Weight of products recycled or reused (tons)		11,165	13,000	15,990	17,197	18,527
Amount recycled (tons)		10,116	11,768	14,634	15,672	16,862
Recycling ratio (%)		90	90	91	91	91
(Breakdown) (%)	Iron	36	41	34	33	31
	Copper	8	8	7	7	8
	Aluminium	4	5	2	2	2
	Mixture of non-ferrous and iron composite materials	36	43	40	41	41
	CFCs	0.5	1.0	1.5	1.6	1.6
	Other valuable materials	16	18	16	16	16
Fluorocarbons recovered (CO <sub>2</sub> -equivalent)(Thousand tons-CO <sub>2</sub> )		280	400	490	530	590

Related Page: [Home Appliance Recycling Results](#) (Page 224)

[Effective Use of Resources in Products](#) (Page 213)

## Amount of Fluorocarbons Recovered JG

(Thousand tons-CO<sub>2</sub>)

	2016	2017	2018	2019	2020
Electric appliances recycling	280	400	490	530	590
Fluorocarbon Recovery and Destruction	840	770	760	830	740

Related Page: [Home Appliance Recycling Results](#) (Page 224)

[Recovery, Recycle and Destruction of Fluorocarbons](#) (Page 200)

## Greenhouse Gas Emissions (Development and Production)\*

OJG

Verified

(Thousand tons-CO<sub>2</sub>)

	2016	2017	2018	2019	2020
Energy-induced CO <sub>2</sub>	780	810	830	820	690
(Scope1)	220	220	220	220	210
(Scope2)	560	590	620	600	480
HFC (Scope1)	360	250	180	160	150
PFC (Scope1)	430	290	290	300	240
Total	1,570	1,350	1,310	1,280	1,080

Related Page: [Reducing Greenhouse Gases during Development, Production and Transportation](#) (Page 186)

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

OJG

		Standard value (average for fiscal 2013-2015)	2016	2017	2018	2019	2020
Emissions (Thousand tons-CO <sub>2</sub> )	Japan	160	160	160	170	160	150
	Overseas	500	510	530	560	520	510
	Total	670	670	690	720	680	660
Unit with standard value set at 100 (%)	Japan	100	970	95	94	93	94
	Overseas	100	920	91	87	81	84
	Total	100	930	92	88	84	86

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 186)

## CO<sub>2</sub> Emissions per Sales from Transportation (Air-conditioning)

D

(%)

	2016	2017	2018	2019	2020
Per unit of production (fiscal 2001 is set at 100)	62	61	61	61	59

Related Page: [Reducing Greenhouse Gases during Development, Production and Transportation](#) (Page 186)

## Energy Consumption

OJG

	2016	2017	2018	2019	2020
Electricity (GJ)	8,271,671	8,681,423	9,108,896	9,116,537	8,538,470
Renewable Energy generated (GJ)	198	209	276	434	548
City Gas (GJ)	4,464,912	4,343,569	4,345,872	4,407,257	4,267,236
LPG (GJ)	190,076	263,520	181,340	197,277	156,834
Steam (GJ)	1,017,117	1,384,817	1,371,033	1,221,504	1,094,880
Petroleum (GJ)	239,119	64,968	72,628	48,538	50,699
Total (GJ)	14,182,895	14,738,297	15,079,769	14,991,148	14,108,119

Related Page: [Overview of Environmental Impact](#) (Page 114)

## Water Intake / per Unit of Production\*

OJG

		Standard value (average for fiscal 2013-2015)	2016	2017	2018	2019	2020
Water Intake (Thousand m <sup>3</sup> )	Japan	1,850	1,790	1,860	1,890	1,760	1,670
	Overseas	4,430	4,720	4,740	4,760	4,470	4,080
	Total	6,280	6,510	6,600	6,650	6,230	5,750
Unit with standard value set at 100 (%)	Japan	100	94	94	93	88	92
	Overseas	100	97	91	85	83	84
	Total	100	96	92	87	84	86

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 227)

**Water Intake and Discharge Amounts\***

OJG

Verified

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

	2016	2017	2018	2019	2020
Water Intake	10,930	11,690	12,330	11,580	9,560
Water discharge	9,260	9,980	10,420	9,670	8,320
Sewerage	4,480	4,370	4,310	3,930	3,880
Released into ocean/river	4,780	5,610	6,110	5,740	4,440

Related Page: [▶ Water Resource Reduction](#) (Page 227)**Water Intake and Discharge Amounts in Water-stressed Regions (India and China)**(Thousand m<sup>3</sup>)

		2016	2017	2018	2019	2020
India	Water intake	59	60	59	58	50
	Water discharge	59	60	59	58	37
China	Water intake	23	26	26	25	26
	Water discharge	18	21	21	25	21

Related Page: [▶ Water Resource Reduction](#) (Page 227)**COD emissions**

OJG

(tons)

	2017	2018	2019	2020
Emissions	890	510	1,592	1,764

Note: Daikin changed its measurement method in fiscal 2020. This new measurement method has been used to retroactively revise the figures for fiscal 2019.

## Chemical Emissions (total of PRTR Substances and VOCs) / per Unit of Production\*

OJG

		Standard value (average for fiscal 2013-2015)	2016	2017	2018	2019	2020
Emissions (tons)	Japan	479	510	520	537	521	454
	Overseas	1,125	1,428	1,489	1,618	1,779	1,510
	Total	1,603	1,938	2,010	2,155	2,300	1,964
Unit with standard value set at 100 (%)	Japan	100	91	89	91	90	79
	Overseas	100	103	98	88	85	76
	Total	100	98	95	89	86	77

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 233)

## Air Pollutant Emissions

OJG

(tons)

	2016	2017	2018	2019	2020
NO <sub>x</sub>	113	139	146	205	119
SO <sub>x</sub>	14	20	8	8	5
Dust	-	-	56	70	45

Related Page: [▶ Overview of Environmental Impact](#) (Page 114)

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

JG

(tons)

Substance name	2020				
	Amount emitted			Amount transported	
	Air	Public waterways	Soil	Waste	Sewage
Chlorodifluoromethane; HCFC-22	46.80	0.00	0.00	0.00	0.00
Dichloromethane; methylene dichloride	11.05	0.00	0.00	1.40	0.00
1-chloro-1,1-difluoroethane; HCFC-142b	7.20	0.00	0.00	0.00	0.00
Toluene	2.87	0.02	0.00	0.43	0.00
2-chloro-1,1,1,2-tetrafluoroethane; HCFC-124	1.40	0.00	0.00	0.00	0.00
Chloroform	0.75	0.00	0.00	3.90	0.00
Phenol	0.73	0.00	0.00	0.74	0.00
Xylene	0.63	0.00	0.00	0.05	0.00
Ethylbenzene	0.46	0.00	0.00	0.08	0.00
Formaldehyde	0.38	0.62	0.00	0.27	0.00
n-hexane	0.22	0.00	0.00	0.33	0.00
Hydrogen fluoride and its water-soluble salts	0.21	0.00	0.00	95.01	0.00
1,3,5-trimethylbenzene	0.05	0.00	0.00	0.00	0.00
Poly(oxyethylene)alkyl ether(alkyl C=12-15)	0.04	0.02	0.00	41.00	0.24
N,N-dimethylacetamide	0.02	0.00	0.00	0.27	0.00
1,2,4-trimethylbenzene	0.02	0.00	0.00	0.00	0.00
Methylenebis(4,1-phenylene)diisocyanate	0.01	0.00	0.00	0.05	0.00
N,N-dimethylformamide	0.01	0.00	0.00	5.20	0.00
Acetonitrile	0.00	0.00	0.00	2.10	0.03
Boron compounds	0.00	0.40	0.00	0.53	0.00
Antimony and its compounds	0.00	0.00	0.00	17.00	0.00
ferric chloride	0.00	0.00	0.00	10.27	0.00
copper salts (water-soluble, except complex salts)	0.00	0.00	0.00	0.31	0.00

Substance name	2020				
	Amount emitted			Amount transported	
	Air	Public waterways	Soil	Waste	Sewage
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
Water-soluble salts of peroxodisulfuric acid	0.00	0.00	0.00	0.00	0.00
tetrachloromethane	0.00	0.00	0.00	0.00	0.00
Allyl alcohol	0.00	0.00	0.00	0.00	0.00
styrene	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 239)

## Amount of Waste and Recycled Materials\*

OJG

Verified

(tons)

		2017	2018	2019	2020
Japan	Amount of Waste	2,965	3,401	3,274	3,650
	Amount of Recycle	28,196	28,345	27,523	25,191
	Out of the above amount, hazardous waste	21,128	21,273	20,994	19,455
Overseas	Amount of Waste	24,228	32,897	27,463	28,654
	Amount of Recycle	114,612	111,693	118,383	111,896
	Out of the above amount, hazardous waste	42,367	43,985	44,062	43,221
Entire Group	Amount of Waste	27,193	36,298	37,198	32,304
	Amount of Recycle	142,808	140,038	145,906	137,088
	Out of the above amount, hazardous waste	63,495	65,258	65,258	62,676

Related Page: [Effective Use of Resources in Products](#) (Page 213)

[Waste Reduction in Production Processes](#) (Page 223)

## Emissions / per Unit of Production\*

OJG

		Standard value (average for fiscal 2013- 2015)	2017	2018	2019	2020
Emissions (tons)	Japan	30,100	28,900	30,400	28,400	26,800
	Overseas	84,700	98,400	109,300	103,200	103,100
	Total	114,800	127,300	139,700	131,600	129,900
Unit with standard value set at 100 (%)	Japan	100	88	86	84	84
	Overseas	100	95	93	88	89
	Total	100	93	92	87	88

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 223)

## Amount of Packaging Used per Product (Wood, Cardboard, Styrofoam, etc.)\*

D

(%)

	2016	2017	2018	2019	2020
Amount of Packaging Used Per Product with FY2010 set as 100%	93	92	91	90	89

\* Covers residential air conditioners for the Japanese market.

Related Page: [Effective Use of Resources in Products](#) (Page 213)

## Report from Audits

JG

(cases)

	2016		2017		2018		
	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	Problems found from internal environmental audits
Major non-conformance	2	0	3	0	1	0	
Minor non-conformance	13	0	28	0	28	0	
Items improved	130	9	149	13	160	9	

Related Page: [Environmental Management System](#) (Page 126)

## Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification

OJG

(%)

	2016	2017	2018	2019	2020
Japan	100	100	100	100	100
Overseas	96	96	95	94	93

[Click here](#)  for Daikin Bases Certified for ISO 14001 (43KB/4P)  
([https://www.daikin.com/csr/environment/management/ems\\_data.pdf](https://www.daikin.com/csr/environment/management/ems_data.pdf))

Related Page: [Environmental Audits](#) (Page 129)

	2020
Gold	7
Silver	16
Bronze	16
Total	39

\* 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 131)

## New Value Creation

### Research and Development Expenses OJG

(billion yen)

	2016	2017	2018	2019	2020
Research and Development Expenses	53.9	62.1	65.2	68.0	71.7

### Number of Patent Applications D

(cases)

	2015	2016	2017	2018	2019
Japanese applications	787	780	904	957	1,076
Overseas applications	329	352	434	513	467

Related Page: [▶ Management Structure](#) (Page 268)

# Customer Satisfaction

## Improvement in Customer Satisfaction\*

	(Base year)	2016	2017	2018	2019	2020
Japan	(FY2015)	1.07	1.11	1.13	1.14	1.14
China	(FY2018)	-	-	1.00	1.04	1.04
India	(FY2016)	1.00	1.06	1.09	1.13	1.15
Indonesia	(FY2017)	-	1.00	1.03	1.03	1.10
Singapore	(FY2015)	1.01	1.00	1.00	1.00	1.01
Vietnam	(FY2015)	1.02	1.04	1.09	1.11	1.17
Australia	(FY2015)	1.00	1.00	1.00	1.00	1.00

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

Related Page: [Customer Satisfaction](#) (Page 311)

## Customer Satisfaction with After-sales Service\*

D

	2016	2017	2018	2019	2020
Overall satisfaction	4.34	4.49	4.56	4.63	4.60

\* 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.

Related Page: [Customer Satisfaction](#) (Page 311)

## Number of Inquiries to the Contact Center JG

(thousands)

	2016	2017	2018	2019	2020
Repair inquiries	771	765	799	919	800
Technical advice	723	796	707	758	789
Parts inquiries	323	295	393	311	254
Others	39	18	19	29	14
Total	1,856	1,874	1,918	2,017	1,858

Related Page: [Customer Satisfaction](#) (Page 311)

## Number of Inquiries to the Contact Center China

(thousands)

	2016	2017	2018	2019	2020
Repair inquiries	764	815	765	689	788
Technical advice	50	69	51	32	31
Parts inquiries	127	139	145	106	104
Total	941	1,024	962	828	923

Related Page: [Customer Satisfaction](#) (Page 311)

# Human Resources

## Employees

### Employee Composition\*

D

	2016		2017		2018		2019		2020	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of employees	6,896	1,232	7,002	1,286	7,180	1,368	7,352	1,440	7,458	1,527
Average range of services (years)	16.9	10.8	17.3	11.3	17.9	11.9	16.9	11.0	16.8	10.9
Average age	41.0	34.1	42.2	35.1	42.6	35.2	42.4	35.2	42.4	35.2
Number of managers	1,013	47	1,030	53	1,063	59	1,100	63	1,110	71
Number of board members	49	1	48	1	47	1	48	1	52	1
Number of foreign nationals	48	25	52	28	54	30	62	31	64	33

\* Includes employees on loan.

Note: Figures as of fiscal year-end.

Related Page: [Workplace Diversity](#) (Page 340)

## Employee Make-up by Region\*

OJG

	2016		2017		2018		2019	
	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees
Daikin Industries, Ltd. (Only)	1	6,891	1	7,036	1	7,254	1	7,499
Domestic Group (Excluding Daikin Industries, Ltd.)	27	4,843	28	4,976	30	5,243	29	5,380
U.S.	49	14,065	51	14,798	55	16,686	58	17,497
China	33	19,391	32	18,599	33	19,194	36	18,996
Europe	65	6,991	68	7,580	80	9,034	78	9,407
Asia,Oceania	39	12,208	49	14,250	50	15,686	51	16,456
Others (Latin America,Middle East,Africa, e.t.c)	32	2,647	41	3,024	43	3,387	61	5,134
Total	246	67,036	270	70,263	292	76,484	314	80,369

\* Figures as of fiscal year-end.

## Number of Employees by Gender and Employment Rate of Women

OJG

	2018	2019	2020
Man	55,415	58,229	61,046
Woman	21,069	22,140	23,824
Total	76,484	80,369	84,870
Women as % of all employees	28%	28%	28%

## Number of Employees Leaving, Employee Turnover

D

	2016	2017	2018	2019	2020
Men	245	246	265	272	369
Women	50	68	78	69	57
Total	295	314	343	341	426
Employee turnover	3.6%	3.8%	4.0%	3.9%	3.7%

Related Page: [Work-Life Balance](#) (Page 366)

## Number of New Employees Hired; Women as Percentage of All New Employees Hired\*

D

	2016	2017	2018	2019	2020
Men	187	181	298	308	303
Women	86	97	131	123	118
Total	273	278	429	431	421
Women as % of all new employees	31.5%	34.9%	30.5%	28.5%	28.0%

\* Number of people joining the company on April 1.

Related Page: [Workplace Diversity](#) (Page 340)

## Development of Human Resources

### Human Resources Development of Manufacturing

D

	2016	2017	2018	2019	2020
The ratio of Excellent or Advanced Skilled Engineers* <sup>1</sup> in Manufacturing (%)	28.0	29.5	34.7	31.6	30.3
Ratio* <sup>2</sup>	1 in 3.6 employees	1 in 3.4 employees	1 in 2.9 employees	1 in 3.2 employees	1 in 3.3 employees

\*1 High-skilled engineers with knowledge and leadership.

\*2 One out of every-employees is Excellent or Advanced Skilled Engineer.

Related Page: [Fostering Human Resources](#) (Page 329)

## Workplace Diversity

### Number and Percentage of Women in Management Positions

D

	2016	2017	2018	2019	2020
Number of Female Managers	47	53	59	63	71
Females as Percentage of all managers	4.4%	4.9%	5.3%	5.4%	6.0%

Related Page: [Workplace Diversity](#) (Page 340)

### Number of Overseas Bases Where Local Nationals are Presidents and Executives

OG

	2016	2017	2018	2019	2020
Number of Bases Where Local Nationals are Presidents and Executives	46	46	42	48	43
Number of Overseas Bases Where Local Nationals are President	33	32	32	32	30
Number of Overseas Bases Where Local Nationals are Executives	71	67	64	68	68

Related Page: [Workplace Diversity](#) (Page 340)

### Percentage of Overseas Bases Where Local Nationals are President and Executives

OG

(%)

	2016	2017	2018	2019	2020
Percentage of Overseas Bases Where Local Nationals are President	52.4	46.4	46.4	47.1	42.9
Percentage of Overseas Bases Where Local Nationals are Executives	50.0	47.9	43.0	48.6	48.2

Related Page: [Workplace Diversity](#) (Page 340)

### Number of Re-employed Workers and Percentage of Re-employed after Retiring

D

	2016		2017		2018		2019		2020	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of retirees	97	3	100	2	104	2	127	7	142	8
Number of re-employed workers	88	3	88	2	90	2	115	7	121	7
Percentage re-employed after retiring	91.0%		88.2%		86.8%		91.0%		85.3%	

Related Page: [Workplace Diversity](#) (Page 340)

## Number of People with Disabilities Employed and Employment Rate

JG

	2016	2017	2018	2019	2020
Number of people with disabilities employed <sup>*1</sup>	308	327	359	369	390
Employment rate of people with disabilities <sup>*2</sup>	2.19%	2.28%	2.42%	2.44%	2.55%

\*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.

Related Page: [Workplace Diversity](#) (Page 340)

## Occupational Safety and Health

### Number of Sites that Obtained Occupational Safety and Health Management System Certification (fiscal 2019)

OJG

	2020		
	Air Conditioning	Chemicals	Total
Japan	2	1	3
China	15	3	18
Asia and Oceania	12	0	12
Europe	17	3	20
Americas	2	1	3
Total	48	8	56

\* Acquired by approximately 50% of all manufacturing bases

Related Page: [Occupational Safety and Health](#) (Page 352)

## Frequency Rate\*1 OJG

	2016	2017	2018	2019	2020
Daikin Group (Including Overseas)	1.50	1.33	1.38	1.26	1.01
Japan (Manufacturing Industry Average)	1.63	1.66	1.83	1.80	1.95
U.S. (Average for All Industries)*2	14.5	14.0	14.0	14.0	-

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

Frequency rate = Number of calamities by industrial injuries / Total actual working hours × 1,000,000.

\*2 Calculated based on information from U.S. Bureau of Labor Statistics (November 2020).

No data was released for the U.S. in fiscal 2020 (As of end of May 2021) .

Related Page: [Occupational Safety and Health](#) (Page 352)

## Severity Rate OJG

	2016	2017	2018	2019	2020
Daikin Group (Including Overseas)	0.04	0.04	0.03	0.04	0.03
Japan (Manufacturing Industry Average)	0.10	0.09	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 × 1,000.

## Occupational disease frequency rate\*1 D

	2018	2019	2020
Emissions*2	0	0	0

\*1 Occupational disease frequency rate = (Number of occupational disease / Total working hours) × 1,000,000.

\*2 Sakai Plant, Yodogawa Plant, Shiga Plant, and Kashima Plant of Daikin Industries.

## Work-Life Balance

### Number of Employees Taking Childcare Leave D

		2016	2017	2018	2019	2020
Number taking childcare leave	Men	178	257	274	337	327
	Women	136	131	140	145	173
	Total	314	388	414	482	500

Note: Number of employees taking childcare leave each fiscal year.

Related Page: [▶ Work-Life Balance](#) (Page 366)

### Number Taking Family Care Leave D

		2016	2017	2018	2019	2020
Number taking family care leave	Men	1	2	0	4	3
	Women	0	2	3	1	1
Total		1	4	3	5	4

Related Page: [▶ Work-Life Balance](#) (Page 366)

### Percentage of Employees Taking All Paid Leave D

(%)

	2016	2017	2018	2019	2020
Percentage of Daikin Industries, Ltd. employees	96.7	93.5	94.8	95.7	91.5
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	55.4	59.9	58.4	52.4	56.3

Related Page: [▶ Occupational Safety and Health](#) (Page 352)

### Average Hours of Overtime per Employee D

(hours)

	2016	2017	2018	2019	2020
Hours	205.40	209.70	217.10	207.80	193.00

Related Page: [▶ Occupational Safety and Health](#) (Page 352)

## Periodic Health Checkup Results **D**

(%)

	2016	2017	2018	2019	2020
Percentage of employees taking checkup	99	99	99	94	99
Percentage of employees requiring treatment	69	53	56	69	59

Related Page: [Occupational Safety and Health](#) (Page 352)

## Labor-Management Relations

### Ratio of Union Member **D**

(%)

	2016	2017	2018	2019	2020
Percentage of Employees in Union	87	86	86	87	87

---

## Supply Chain Management

### CSR Procurement Implementation Rate\*

OJG

(%)

	2019	2020
Japan	97	99
Overseas	99	99
Entire Group	99	99

\* procurement value from suppliers that satisfy Daikin's standards of total procurement value.

Related Page: [▶ Philosophy on Suppliers](#) (Page 435)

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## Communities

### Expenditure for Social Contribution Activities

OJG

(million yen)

	2016	2017	2018	2019	2020
Total	1,548	1,623	1,415	1,477	1,292

Related Page: [▶ Daikin's Philosophy of Social Contribution](#) (Page 493)

# Shareholders and Investors

## Consolidated Sales by Business Segments (Consolidated)

(%)

	2016	2017	2018	2019	2020
Air Conditioning	89.8	89.6	89.6	90.5	91.2
Chemicals	7.7	8.0	8.1	7.1	6.6
Oil Hydraulics, Defense Systems, and Electronics	2.5	2.4	2.3	2.4	2.2

## Consolidated Sales by Region (Consolidated)

(billion yen)

	2016	2017	2018	2019	2020
Japan	518.45	542.73	585.11	596.98	585.57
U.S.	503.49	551.82	625.04	666.31	641.30
Europe	274.05	332.96	366.67	405.61	417.23
Asia and Oceania	303.42	349.19	387.09	395.46	351.04
China	329.25	381.67	379.63	341.28	369.82
Others	115.31	132.20	137.57	144.67	128.43
Total	2,043.97	2,290.56	2,481.11	2,550.31	2,493.39

## Net Sales

(billion yen)

	2016	2017	2018	2019	2020
Consolidated	2,044.0	2,290.6	2,481.1	2,550.3	2,493.4
Non-consolidated	505.6	527.8	570.2	588.3	563.2

## Total Assets

(billion yen)

	2016	2017	2018	2019	2020
Consolidated	2,356.1	2,475.7	2,700.9	2,667.5	3,239.7
Non-consolidated	1,363.9	1,440.9	1,430.9	1,420.5	1,683.0

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.

## Ordinary Profit

(billion yen)

	2016	2017	2018	2019	2020
Consolidated	231.0	255.0	277.1	269.0	240.2
Non-consolidated	141.5	135.6	141.6	153.3	100.7

## Fiscal Year End Stock Prices

(yen)

	2016	2017	2018	2019	2020
Fiscal year end stock prices	11,185	11,735	12,970	13,170	22,320

## Operating Income Margin (Consolidated)

(%)

	2016	2017	2018	2019	2020
Profit rate	11.3	11.1	11.1	10.4	9.6

## Dividends

(yen)

	2016	2017	2018	2019	2020
Dividends	130	140	160	160	160

## Breakdown of Shareholders

	2016			2017		
	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	136,770,197	46.7	173	139,226,030	47.5
Securities companies	68	5,602,113	1.9	63	3,043,818	1.0
Other corporations	490	29,974,441	10.2	514	29,224,321	10.0
Foreign corporation	828	106,279,164	36.3	885	107,016,161	36.5
Individuals, other	22,608	14,488,058	5.0	25,000	14,603,643	5.0
Total	24,146	293,113,973	100.0	26,635	293,113,973	100.0

	2018			2019		
	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	164	1,457,398	49.7	161	143,889,230	49.1
Securities companies	58	65,611	2.2	63	2,830,929	1.0
Other corporations	537	287,069	9.8	536	28,440,782	9.7
Foreign corporation	909	981,968	33.5	1,012	104,420,628	35.6
Individuals, other	24,975	138,140	4.7	25,256	13,532,404	4.4
Total	26,643	2,930,456	100.0	27,028	293,113,973	100.0

	2020		
	Number of voters	Shares held	As Percentage of all shareholders
Government and local public bodies	0	0	0
Financial institutions	166	143,393,230	48.9
Securities companies	74	3,535,464	1.2
Other corporations	543	27,773,805	9.5
Foreign corporation	1,080	106,104,014	36.2
Individuals, other	23,696	12,307,460	4.2
Total	25,559	293,113,973	100.0

Related Page: [Dialogue with Shareholders and Investors](#) (Page 478)

## Voting Rights Exercised

	The 114th Ordinary General Meeting of Shareholders (held in June 2017)	The 115th Ordinary General Meeting of Shareholders (held in June 2018)	The 116th Ordinary General Meeting of Shareholders (held in June 2019)	The 117th Ordinary General Meeting of Shareholders (held in June 2020)	The 118th Ordinary General Meeting of Shareholders (held in June 2021)
Voting rights exercised (%)	86.75	89.53	87.41	89.20	89.37
Votes cast over the Internet	1,596,419	1,744,888	1,754,167	1,897,714	1,884,731
Shareholders voting online	921	1,020	1,290	1,826	2,730

Related Page: [Dialogue with Shareholders and Investors](#) (Page 478)

## Number of the Company Shares Held by Directors and Audit & Supervisory Board Members (fiscal 2020)

D

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)	Tatsuo Kawada	-
Member of the Board (external)	Akiji Makino	2
Member of the Board (external)	Shingo Torii	1
Member of the Board (external)	Yuko Arai	-
Representative Director	Ken Tayano	5
Member of the Board	Masatsugu Minaka	10
Member of the Board	Takashi Matsuzaki	8
Member of the Board	Yoshihiro Mineno	6
Member of the Board (non-resident)	Kanwal Jeet Jawa	-
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		119

Name of Individual or Company	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of shares issued (excl. treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,334	13.78
Custody Bank of Japan, Ltd. (Trust Account)	19,595	6.70
Sumitomo Mitsui Banking Corporation	9,000	3.08
Custody Bank of Japan, Ltd. (Trust Account 7)	5,953	2.03
Custody Bank of Japan, Ltd. Retirement Benefit Trust Account for The Norinchukin Bank	4,999	1.71
MUFG Bank, Ltd.	4,900	1.67
Custody Bank of Japan, Ltd. (Trust Account 4)	4,612	1.58
Government of Norway	4,559	1.56
SSBTC CLIENT OMNIBUS ACCOUNT	4,112	1.41
Custody Bank of Japan, Ltd. (Trust Account 5)	3,906	1.33
Total	101,974	34.85

Note: Of the above shares held, 40,334 thousands shares of The Master Trust Bank of Japan, Ltd. and 19,595 thousand, 5,953 thousands, 4,999 thousands, 4,612 thousands and 3,906 thousands shares of Japan Trustee Services Bank, Ltd. relate to trust operations.

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, etc.)	Ordinary shares – Treasury shares 464,700	-	-
	Ordinary shares – Reciprocal holding 9,500	-	-
Shares with voting rights (other)	Ordinary shares 292,564,500	2,925,645	-
Shares less than one unit	Ordinary shares 75,273	-	Shares less than one unit (100 shares)
Number of issued and outstanding shares	293,113,973	-	-
Total number of voting rights	-	2,925,645	-

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.

## Business / Financial Data (Consolidated)

	2016	2017	2018	2019	2020
	Years ended March31, 2017	Years ended March31, 2018	Years ended March31, 2019	Years ended March31, 2020	Years ended March31, 2021
Net Sales (billion yen)	2,044.0	2,290.6	2,481.1	2,550.3	2,493.4
Operating Income (billion yen)	230.8	253.7	276.3	265.5	238.6
Ordinary Income (billion yen)	231.0	255.0	277.1	269.0	240.2
Net Income (billion yen)	153.9	189.1	189.0	170.7	156.2
Earnings Per Share (yen)	526.81	646.53	646.39	583.61	533.97
Overseas Business Ratio (%)	75	76	76	77	77
Free Cash Flow (billion yen)	52.3	51.2	▲9.8	125.6	123.5
Return on Assets (%)	6.8	7.8	7.3	6.4	5.3
Return on Equity (%)	14.5	15.7	13.9	12.0	10.1
Shareholders' Equity Ratio (%)	47.2	52.1	52.4	53.8	51.4
Plant-and- Equipment Investment (billion yen)	90.3	96.6	87.2	132.0	137.0
Research & Development Costs (billion yen)	53.9	62.1	65.2	68.0	71.7
Liability with Interest Ratio (%)	25.9	22.3	21.7	20.8	23.2

## Governance

### Number of Executives and Breakdown\*

D

			2019	2020	2021
Executives	Internal	Men	7 (non-Japanese 2)	7 (non-Japanese 1)	7 (non-Japanese 1)
		Women	0	0	0
	External	Men	2	3	3
		Women	1	1	1
	Total		10	11	11

\* Current as of June 2021.

Related Page: [Corporate Governance](#) (Page 378)

### Number of Auditors and Breakdown\*

D

			2019	2020	2021
Auditors	Internal	Men	2	2	2
		Women	0	0	0
	External	Men	2	2	2
		Women	0	0	0
	Total		4	4	4

\* Current as of June 2021.

Related Page: [Corporate Governance](#) (Page 378)

### Number of Board of Directors' Meetings and Average Attendance

D

	2018	2019	2020
Number of meetings	15	15	15
Average attendance of Board of Directors' meetings (%)	91	94	97

Related Page: [Corporate Governance](#) (Page 378)

## Average Appointment Term for Directors D

	2019	2020
Average appointment term	11 years	9 years

Related Page: [Corporate Governance](#) (Page 378)

## Make-up of Human Resources Advisory Committee and Compensation Advisory Committee\*

D

			2019	2020	2021
Human Resources Advisory Committee and Compensation Advisory Committee	Internal directors	Men	1	1	1
		Women	0	0	0
	External directors	Men	2	3	3
		Women	1	1	1
	Executive officers	Men	1	1	1
		Women	0	0	0

\* Current as of July 2021.

Related Page: [Corporate Governance](#) (Page 378)

## 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
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Related Page: [Corporate Governance](#) (Page 378)

		2016	2017	2018	2019	2020
Directors	Number	15	11	12	12	12
	Amount of compensation (million yen)	1,262	1,298	1,183	1,186	1,281
Audit & Supervisory Board Member	Number	5	4	4	5	4
	Amount of compensation (million yen)	94	93	98	99	99
Total	Number	20	15	16	17	16
	Amount of compensation (million yen)	1,356	1,391	1,281	1,285	1,380

\* About compensation amounts

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.

For fiscal 2020, the compensation amount for the term of office of one director who retired is included.

Related Page: [Corporate Governance](#) (Page 378)

## Corporate Officers with Compensation Over 100 Million Yen (Fiscal 2020)

D

Name	Total consolidated compensation (million yen)	Category	Company	Total consolidated compensation by type (million yen)		
				Fixed compensation	Stock options	Performance-linked compensation
Noriyuki Inoue	412	Director	Daikin Industries, Ltd.	189	42	181
Masanori Togawa	281	Director	Daikin Industries, Ltd.	123	42	115
Ken Tayano	168	Director	Daikin Industries, Ltd.	89	20	48
		President	Daikin (CHINA) Investment Co., Ltd. (Consolidated subsidiary)	10	-	-
Masatsugu Minaka	138	Director	Daikin Industries, Ltd.	3	20	35
		Director	Daikin Europe N.V. (Consolidated subsidiary)	72	-	6
Jiro Tomita	152	Director	Daikin Industries, Ltd.	59	20	72
Takashi Matsuzaki	118	Director	Daikin Industries, Ltd.	43	20	54
Kanwal Jeet Jawa	114	Director	Daikin Industries, Ltd.	14	11	-
		Director	Daikin Airconditioning India Pvt. Ltd.	54	-	33

Related Page: [Corporate Governance](#) (Page 378)

## Accounting Auditor Compensation

D

(million yen)

	2020
Auditing expenses	250

Related Page: [Corporate Governance](#) (Page 378)

**Starting Salary\***

D

(yen)

	2017	2018	2019	2020	2021
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

\* Figures are those during April of each year.

**Major Legal Violations**

OJG

(cases)

	2018	2019	2020
Number of Major Legal Violations	0	0	0

Related Page: [Compliance](#) (Page 391)

# SEARCH BY GUIDELINES

Fiscal 2020 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 622)

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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	➤ <a href="#">Management Structure</a> (Page 118)
b) Management Role within the assessment and management of climate-related risks and opportunities	➤ <a href="#">Management Structure</a> (Page 118)
Strategy	
Actual and potential impact of climate-related risks and opportunities on business, strategy and financial planning	
a) Details of climate-related risks and opportunities over the short-, medium- and long-term	➤ <a href="#">Environmental Risks and Opportunities</a> (Page 120)
b) Impact of climate-related risks and opportunities on organization business, strategy and financial planning	➤ <a href="#">Environmental Risks and Opportunities</a> (Page 120)
c) Strategic resilience in light of considerations based on climate related scenarios including scenarios where temperatures rise by 2 degrees or lower	➤ <a href="#">Long-Term Outlook Policy</a> (Page 47) <a href="#">(Environmental Vision 2050)</a>
Risk Management	
Process for identifying assessing and managing climate-related risks	
a) Process for specifying and assessing climate-relate risks	➤ <a href="#">Environmental Risks and Opportunities</a> (Page 120)
b) Process for managing climate-relate risks	➤ <a href="#">Environmental Risks and Opportunities</a> (Page 120)
c) Specification, assessment and management process integration of climate-related risks for comprehensive risk management	➤ <a href="#">Environmental Risks and Opportunities</a> (Page 120)
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	➤ <a href="#">Environmental Action Plan</a> (Page 123)
b) Scope 1–3 greenhouse gas emissions volume and related risks	➤ <a href="#">Overview of Environmental Impact</a> (Page 114)
	➤ <a href="#">Search ESG Data</a> (Page 622)
c) Targets and achievements for managing climate-related risks and opportunities	➤ <a href="#">Environmental Action Plan</a> (Page 123)
	➤ <a href="#">Search ESG Data</a> (Page 622)

# GRI Standard Comparison Table

This comparison table indicates standard disclosure items in accordance with the GRI Sustainability Reporting Standards.

## General Disclosures

Disclosure		WEB
Organizational Profile		
102-1	Name of the organization	<a href="https://www.daikin.com/corporate/overview/">Corporate Information</a> (https://www.daikin.com/corporate/overview/)
102-2	Activities, brands, products, and services	
102-3	Location of headquarters	
102-4	Location of operations	
102-5	Ownership and legal form	
102-6	Markets served	
102-7	Scale of the organization	
102-8	Information on employees and other workers	<a href="#">Workplace Diversity</a> (Page 340)
102-9	Supply chain	<a href="#">Key Themes of CSR and Management Strategy</a> (Page 88)
102-10	Significant changes to the organization and its supply chain	-
102-11	Precautionary Principle or approach	<a href="#">Risk Management</a> (Page 386)
102-12	External initiatives	<a href="#">Participation in the Global Compact</a> (Page 60) <a href="#">Dialogue with Government and Industry Groups (Initiatives and Groups We Participate In)</a> (Page 484)
102-13	Membership of associations	-
Strategy		
102-14	Statement from senior decision-maker	<a href="#">Message from the President</a> (Page 18)
102-15	Key impacts, risks, and opportunities	
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	<a href="#">CSR Philosophy</a> (Page 64)
102-17	Mechanisms for advice and concerns about ethics	<a href="#">Compliance</a> (Page 391)

Disclosure		WEB	
Governance			
102-18	Governance structure	» Corporate Governance	(Page 378)
102-19	Delegating authority	-	
102-20	Executive-level responsibility for economic, environmental, and social topics	» CSR Management Structure	(Page 95)
		» Corporate Governance	(Page 378)
102-21	Consulting stakeholders on economic, environmental, and social topics	» Key Themes of CSR and Management Strategy	(Page 88)
102-22	Composition of the highest governance body and its committees (https://www.daikin.com/corporate/overview/summary/directors/)	» Management	
102-23	Chair of the highest governance body	» Corporate Governance	(Page 378)
102-24	Nominating and selecting the highest governance body	» Corporate Governance	(Page 378)
102-25	Conflicts of interest	-	
102-26	Role of highest governance body in setting purpose, values, and strategy	» CSR Management Structure	(Page 95)
		» Corporate Governance	(Page 378)
102-27	Collective knowledge of highest governance body	-	
102-28	Evaluating the highest governance body’s performance	» Corporate Governance	(Page 378)
102-29	Identifying and managing economic, environmental, and social impacts	» Key Themes of CSR and Management Strategy	(Page 88)
		» Risk Management	(Page 386)
102-30	Effectiveness of risk management processes	» Risk Management	(Page 386)
102-31	Review of economic, environmental, and social topics		
102-32	Highest governance body’s role in sustainability reporting	» CSR Management Structure	(Page 95)
102-33	Communicating critical concerns	» Risk Management	(Page 386)
		» Corporate Governance	(Page 378)
102-34	Nature and total number of critical concerns	-	
102-35	Remuneration policies	» Corporate Governance	(Page 378)
102-36	Process for determining remuneration		
102-37	Stakeholders’ involvement in remuneration	-	
102-38	Annual total compensation ratio	-	
102-39	Percentage increase in annual total compensation ratio	-	

Disclosure		WEB	
Stakeholder Engagement			
102-40	List of stakeholder groups	➤ <a href="#">Stakeholder Engagement</a>	(Page 476)
102-41	Collective bargaining agreements	➤ <a href="#">Labor Management Relations</a>	(Page 373)
102-42	Identifying and selecting stakeholders	➤ <a href="#">Stakeholder Engagement</a>	(Page 476)
102-43	Approach to stakeholder engagement	➤ <a href="#">Stakeholder Engagement</a>	(Page 476)
102-44	Key topics and concerns raised		
Reporting Practice			
102-45	Entities included in the consolidated financial statements	➤ <a href="#">Editorial Policy</a>	(Page 4)
102-46	Defining report content and topic Boundaries		
102-47	List of material topics	➤ <a href="#">Key Themes of CSR and Management Strategy</a>	(Page 88)
102-48	Restatements of information	-	
102-49	Changes in reporting	-	
102-50	Reporting period	➤ <a href="#">Editorial Policy</a>	(Page 4)
102-51	Date of most recent report		
102-52	Reporting cycle		
102-53	Contact point for questions regarding the report	➤ <a href="#">Sustainability Report Questionnaire</a>	
102-54	Claims of reporting in accordance with the GRI Standards	(https://www.daikin.com/contact/csr/agree.php)	
102-55	GRI content index	➤ <a href="#">Search by Guidelines</a>	(Page 661)
102-56	External assurance	➤ <a href="#">Third-Party Verification</a>	(Page 612)
Management Approach			
103-1	Explanation of the material topic and its Boundary	➤ <a href="#">CSR Management Structure</a>	(Page 95)
		➤ <a href="#">CSR Action Plan 2020</a>	(Page 98)
103-2	The management approach and its components	➤ <a href="#">CSR Management</a>	(Page 95)
		➤ <a href="#">CSR Action Plan 2020</a>	(Page 98)
103-3	Evaluation of the management approach	➤ <a href="#">CSR Action Plan 2020</a>	(Page 98)

## Economic

Disclosure		WEB
Economic Performance		
201-1	Direct economic value generated and distributed	➤ <a href="#">Social Contribution Expenses</a> (Page 493)
201-2	Financial implications and other risks and opportunities due to climate change	➤ <a href="#">Information Disclosure based on the TCFD Framework</a> (Page 53)
201-3	Defined benefit plan obligations and other retirement plans	-
201-4	Financial assistance received from government	-
Market Presence		
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	➤ <a href="#">Workplace Diversity</a> (Page 340)
Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	-
203-2	Significant indirect economic impacts	-
Procurement Practices		
204-1	Proportion of spending on local suppliers	-
Anti-corruption		
205-1	Operations assessed for risks related to corruption	➤ <a href="#">Compliance</a> (Page 391)
		➤ <a href="#">Risk Management</a> (Page 386)
205-2	Communication and training about anti-corruption policies and procedures	➤ <a href="#">Compliance</a> (Page 391)
		➤ <a href="#">Prohibiting Bribery and Corruption</a> (Page 400)
205-3	Confirmed incidents of corruption and actions taken	-
Anti-competitive Behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	➤ <a href="#">Compliance</a> (Page 391)
		➤ <a href="#">Free Competition and Fair Business Dealings</a> (Page 397)
Tax		
207-1	Approach to tax	➤ <a href="#">Tax Compliance</a> (Page 418)
207-2	Tax governance, control, and risk management	
207-3	Stakeholder engagement and management of concerns related to tax	
207-4	Country-by-country reporting	-

## Environmental

Disclosure		WEB
Materials		
301-1	Materials used by weight or volume	➤ <a href="#">Overview of Environmental Impact</a> (Page 114)
301-2	Recycled input materials used	-
301-3	Reclaimed products and their packaging materials	➤ <a href="#">Effective Use of Resources in Products</a> (Page 213)
Energy		
302-1	Energy consumption within the organization	➤ <a href="#">Overview of Environmental Impact</a> (Page 114)
302-2	Energy consumption outside of the organization	
302-3	Energy intensity	➤ <a href="#">Reducing Greenhouse Gases during Development, Production and Transportation</a> (Page 186)
302-4	Reduction of energy consumption	➤ <a href="#">Reducing Greenhouse Gases during Development, Production and Transportation</a> (Page 186) ➤ <a href="#">Overview of Environmental Impact</a> (Page 114)
302-5	Reduction in energy requirements of products and services	➤ <a href="#">Reducing Greenhouse Gases during Development, Production and Transportation</a> (Page 186) ➤ <a href="#">Environmental Action Plan</a> (Page 123)
Water		
303-1	Interactions with water as a shared resource	➤ <a href="#">Water Resource Reduction</a> (Page 223)
303-2	Management of water discharge-related impacts	-
303-3	Water withdrawal	➤ <a href="#">Water Resource Reduction</a> (Page 223)
303-4	Water discharge	
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	➤ <a href="#">Protecting Biodiversity</a> (Page 248)
304-3	Habitats protected or restored	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-

Disclosure		WEB
Emissions		
305-1	Direct (Scope 1) GHG emissions	<a href="#">➤ Overview of Environmental Impact</a> (Page 114) <a href="#">➤ Reducing Greenhouse Gases during Development, Production and Transportation</a> (Page 186)
305-2	Energy indirect (Scope 2) GHG emissions	
305-3	Other indirect (Scope 3) GHG emissions	
305-4	GHG emissions intensity	<a href="#">➤ Reducing Greenhouse Gases during Development, Production and Transportation</a> (Page 186)
305-5	Reduction of GHG emissions	
305-6	Emissions of ozone-depleting substances (ODS)	<a href="#">➤ Low Environmental Impact Refrigerants</a> (Page 162)
		<a href="#">➤ Recovery, Recycle and Destruction of Fluorocarbons</a> (Page 177)
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	<a href="#">➤ Preventing Pollution</a> (Page 243)
Waste		
306-1	Waste generation and significant waste-related impacts	<a href="#">➤ Overview of Environmental Impact</a> (Page 114) <a href="#">➤ Waste Reduction in Production Processes</a> (Page 223)
306-2	Management of significant waste-related impacts	
306-3	Waste generated	<a href="#">➤ Search by ESG Data</a> (Page 622)
306-4	Waste diverted from disposal	
306-5	Waste directed to disposal	
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	<a href="#">➤ Major Legal Violations in Daikin in Fiscal 2020</a> (Page 396)
Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	<a href="#">➤ Supply Chain Management</a> (Page 432) <a href="#">➤ Green Procurement</a> (Page 138)
308-2	Negative environmental impacts in the supply chain and actions taken	

Disclosure		WEB	
Employment			
401-1	New employee hires and employee turnover	➤ Workplace Diversity (Page 340)	
		➤ Work-Life Balance (Page 366)	
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 366)	
Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	-	
Occupational Health and Safety			
403-1	Occupational health and safety management system	➤ Occupational Safety and Health (Page 352)	
403-2	Hazard identification, risk assessment, and incident investigation	➤ Occupational Safety and Health (Page 352)	
		➤ Compliance (Page 391)	
403-3	Occupational health services	-	
403-4	Worker participation, consultation, and communication on occupational health and safety	➤ Occupational Safety and Health (Page 352)	
403-5	Worker training on occupational health and safety	➤ Occupational Safety and Health (Page 352)	
403-6	Promotion of worker health	➤ Occupational Safety and Health (Page 352)	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	➤ Occupational Safety and Health (Page 352)	
		➤ Working Closely with Suppliers (Page 465)	
403-8	Workers covered by an occupational health and safety management system	➤ Occupational Safety and Health (Page 352)	
403-9	Work-related injuries		
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 329)	
404-3	Percentage of employees receiving regular performance and career development reviews	➤ Employee Evaluation and Treatment (Page 371)	

Disclosure		WEB
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	➤ <a href="#">Corporate Governance</a> (Page 378)
		➤ <a href="#">Workplace Diversity</a> (Page 340)
405-2	Ratio of basic salary and remuneration of women to men	-
Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	-
Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	➤ <a href="#">Labor Management Relations</a> (Page 373)
Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	➤ <a href="#">Respect for Human Rights</a> (Page 424)
Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	➤ <a href="#">Respect for Human Rights</a> (Page 424)
Security Practices		
410-1	Security personnel trained in human rights policies or procedures	-
Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	-
Human Rights 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	➤ <a href="#">Respect for Human Rights</a> (Page 424)
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-
Local Communities		
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	-

Disclosure		WEB
Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	<a href="#">▶ Supply Chain Management</a> (Page 432)
414-2	Negative social impacts in the supply chain and actions taken	-
Public Policy		
415-1	Political contributions	-
Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	<a href="#">▶ Product Quality and Safety</a> (Page 302)
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	<a href="#">▶ Efforts to Ensure Safety</a> (Page 310)
417-2	Incidents of non-compliance concerning product and service information and labeling	-
417-3	Incidents of non-compliance concerning marketing communications	-
Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-
Socioeconom Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	<a href="#">▶ Major Legal Violations in Daikin in Fiscal 2020</a> (Page 396)