



Our Group Philosophy

Striving to Be a Group that Continuously Evolves

DAIKIN INDUSTRIES, LTD.

Our Core Values

Absolute Credibility

Enterprising Management

Harmonious Personal Relations

Our Group Philosophy

Striving to Be a Group that Continuously Evolves

Introductory Remarks

In order for our Daikin Group to accelerate the implementation of consolidated management and to dynamically expand the content and location of our business operations, it is increasingly important to clearly set forth this Group Philosophy and thoroughly promote its understanding. This understanding will also help build trustworthy relationships with our customers around the world and enable our employees worldwide to take pride in the organization they work for. Furthermore, as a source for decisive and cohesive action, the Group Philosophy will enable everyone in our Group to generate innovative ideas and proposals and take flexible actions based on them. This Group Philosophy was thus formulated as a fundamental mindset of our management for everyone in the Daikin Group to hold in common.

Future management policies and plans formulated by Daikin Industries or individual Group companies will be made in accordance with this Group Philosophy. At the same time, I would like all members of the Group to refer to this Group Philosophy as the basis for judgments or decisions in the course of their work.

When all Group members display their vibrant personalities and take flexible actions with this Group Philosophy in mind, I am confident that our valued tradition of Fast & Flat Management will be further enhanced, bringing us substantially closer to realizing our goal of becoming a Global and Truly First-Class Company.

With a foundation based on our three key corporate principles of “Absolute Credibility,” “Enterprising Management” and “Harmonious Personal Relations,” as well as this Group Philosophy, let us continue evolving both individually by challenging ourselves to accomplish our ambitious goals believing in our infinite potential, and together by striving to become an overwhelmingly first-class global corporate group—a Group in which employees can have pride and enthusiasm.

August 2002



Noriyuki Inoue
Chairman and CEO

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1 Create New Value by Anticipating the Future Needs of Customers

Our mission, and the essence of our existence, is to identify and realize our customers' future needs and dreams, even those that they themselves may not yet be aware of. We can accomplish this goal by paying careful attention to changes in social trends and conducting extensive marketing to win the hearts and minds of customers. It is essential that we offer customers optimum convenience and comfort that are always one step ahead of our competitors by providing customers with the highest quality products, materials, and services for which we, as a manufacturer, will be absolutely responsible. Moreover, we will continue offering products and services that provide customers with fresh excitement and continued enjoyment.

We furthermore believe that these activities are an important source of increased profit and business expansion for the Group.

2 Contribute to Society with World-Leading Technologies

In any era in any business field, a company can grow and develop only if it possesses world-leading technologies.

Along with increasing our market share and creating new markets, we must devote ourselves to strengthening our technological foundation since this enables us to continuously launch highly differentiated products, high value-added products, solutions-type products, and products with new applications through which we can make contributions to society.

While refining our core technologies to a level of dominant superiority, we must also adopt technologies that are cutting-edge, as well as of the highest world standard, and integrate them with Daikin's own technologies in order to establish the "Daikin Technology" recognized throughout the world.

3 Realize Future Dreams by Maximizing Corporate Value

We must strive to maximize our corporate value by thoroughly implementing management based on the mandates of capitalist philosophy.

Enhanced corporate value offers us a greater range of management options, enabling us to realize new growth and making possible the establishment of a stable yet flexible management foundation. Moreover, enhanced corporate value provides increased investment opportunities through which to realize our future dreams.

Enhanced corporate value unquestionably responds to the expectations held by our shareholders by providing them with stable dividends. It can also benefit other stakeholders not only by providing our customers with leading-edge products and solutions made possible through enriched research and development, but also by making contributions to the local communities in which we are based. We firmly believe that enhanced corporate value especially leads to our employees and their families enjoying more stable and fulfilling lives.

4 Think and Act Globally

Daikin's history has been one of continual global business expansion. As a multinational company group that is substantially expanding its operations in every region of the world, including Japan, we must propose, examine, and then implement strategies and policies from a global point of view.

Therefore, we aim to systematically foster human resources appropriate to the particular characteristics of each country and region; promote the appointment of local human resources who understand Daikin's philosophy, traditions and culture, and who can play a part in Group management; and promote exchanges of human resources regardless of company or country.

5 Be a Flexible and Dynamic Group

1 Flexible Group Harmony

By thoroughly promoting information sharing and the transfer of know-how throughout the Group, individual Group companies must strive to develop and expand their respective business operations, thereby enabling the entire Group to enjoy synergetic effects.

The specific roles of Daikin Industries and the individual Group companies are not fixed. These roles can be changed or adapted to flexibly respond to the particular circumstances of the times and the characteristics of the individual Group companies.

With this as a premise and the Group Philosophy and policies as a base, Group companies must contribute to the development of the entire Group by aligning their visions and enhancing their individual capabilities, while fulfilling their own roles and responsibilities and introducing new proposals.

Moreover, individual Group companies know best about the conditions particular to each country and region. Based on our fundamental Group policy, each Group company is expected to demonstrate autonomy and flexible action by promoting two-way communication between themselves and Daikin Industries through information sharing about their specific business fronts.

2

Build Friendly yet Competitive Relations with Our Business Partners to Achieve Mutual Benefit

We must build friendly yet tense competitive relations with all our business associates and alliance partners in all areas of management, including research, production, and sales.

Such relations involve a high degree of trust in which parties motivate each other toward improvement and, from within their own roles, fulfill each other's expectations so that all parties can grow and develop together.

6

Be a Company that Leads in Applying Environmentally Friendly Practices

As we continue developing our business operations in various fields, it is our mission to proactively develop initiatives to respond to environmental issues. Incorporating environmental initiatives throughout our management must be a priority for us.

In all aspects of our business operations, including product development, manufacturing and sales, we need to formulate initiatives that sustain and improve the environment. Meanwhile, we need to promote the development of new products and the innovation of technologies that will lead to a more environmentally healthy world.

Under the precept "environmental response is an important management resource," we must integrate environmental initiatives into our corporate management since they can lead to business expansion, improved business performance, and further enhancement of our credibility with outside parties. We intend to continue being a leading company in the practice of "environmental management," thus contributing to a healthier global environment as a good citizen of the earth.

7 With Our Relationship with Society in Mind, Take Action and Earn Society's Trust

1 Be Open, Fair, and Known to Society

In each country we operate, we must strive to respect its customs while transferring and establishing our Daikin know-how. In addition to observing all applicable laws and regulations in each country, we aim to take action based on a high standard of ethics and to conduct our business operations based on principles of fair competition. Moreover, we strive to enhance our accountability and the timely and appropriate disclosure of information.

Furthermore, we will actively disseminate outside the company information on our activities so that our management policies, positions, and corporate culture are fully understood, thereby enabling our Group to further earn society's respect.

2 Make Contributions that Are Unique to Daikin to Local Communities

Corporations bear a societal responsibility to contribute to the development of local industries and economies through the expansion of their business operations. This is a responsibility we take seriously and one that we intend to fulfill.

Moreover, we aim to make beneficial contributions that are unique to the Daikin Group to each community in which we are based by being highly receptive to its needs, thus further earning society's appreciation and affection.

8

The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Group

1

The Cumulative Growth of All Group Members Serves as the Foundation for the Group's Development

As we aim to develop globally, it is imperative that each member of the Group continues to develop his or her capabilities and qualities through individual effort and takes flexible actions based firmly on the principle of self-responsibility. All our members are expected to play leading roles in the course of their work.

Each Group company and the individuals who work there are drawn together by mutual preference. The relationship between the company and its employees involves both mutual trust and responsibility, in which the company offers individuals opportunities to develop professionally while individuals endeavor to fulfill their work responsibilities for the company. With this in mind, the kinds of individuals Daikin needs are those who display sound judgment and decision-making capabilities and are capable of proposing and carrying out creative ideas and measures irrespective of past successes or failures. These individuals shall be rewarded based on their performance through a compensation system based upon the principle of "fairness of opportunity and reward."

2

Pride and Loyalty

Because employees spend a large part of their lives at the company, having clear goals and the passion to apply themselves to their jobs are key factors for fulfillment in life. While respecting diverse personal values and work ethics, we must create a work environment that enables employees to feel both pride and enthusiasm toward their work.

Furthermore, as long as they are employees of the Daikin Group, individuals are required to display company loyalty by adhering to Group company policies and the Group Philosophy as well as by working together in pursuit of established goals. In turn, the company strives to provide stable employment for those employees who contribute to the company's growth and development and who wish to continue working for the company, as well as increased opportunities for those who wish to join us in working for Daikin.

3

Passion and Perseverance

However good a company's policy or strategy, ultimate success depends on taking action in a swift and timely manner, responding flexibly to change, and staying a half step ahead of society's advances.

A culture of "continuous action" must be fostered throughout the Group, where it is understood and accepted that policies and strategies must be turned into action plans that produce results within set time frames.

The capacity to take such bold actions comes from three sources: an ambition in one's work, the passion to realize that ambition, and the perseverance to succeed in the face of adversity. Therefore, we must 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.

9

Be Recognized Worldwide by Optimally Managing the Organization and its Human Resources, under Our Fast & Flat Management System

1

Participate, Understand, and Act

We aim to gather the wisdom of all Group members through timely information sharing and by holding vigorous discussions where people are able to openly express their opinions, thereby gaining an understanding of all aspects of a situation. After reaching a decision made by a leader, we then must strive as a team to accomplish the established goals.

To accomplish our objectives, at times we must display flexibility in creating optimal organizational structures, including the concept of "core person and supporters." Moreover, we must establish and implement our Fast & Flat Management system, in which employees not only take orders from superiors but also take flexible action themselves respective of their roles and responsibilities. Employees will then be able to maximize their potential to swiftly attain results by utilizing information independently gathered from their own established networks. We will continue comprehensively implementing this management style throughout the entire Group until it is recognized worldwide as one of Daikin's unique strengths.

2

Offer Increased Opportunities to Those who Take on Challenges

We will continue to be a Group that has a strong desire to take on new challenges.

These challenges include boldly establishing overwhelming advantages in our existing businesses, expanding into new business fields, and undertaking management reform. We strive to be a Group that eagerly takes on various challenges to achieve short-, medium-, and long-term growth in the form of new business opportunities and themes.

People experience growth when they continuously challenge themselves to accomplish ambitious and seemingly impossible goals without the fear of failure. We support employees who ambitiously take on challenges and offer increased opportunities to those who contribute to the company with their enthusiasm and professional skills.

3

Demonstrate Our Strength as a Team Composed of Diverse Professionals

We must establish an increasingly diversified employment system and actively recruit a variety of human resources from both inside and outside the company. Each employee strives to demonstrate his or her professional skills and expertise on the job. Through flexible management of the organization, such as workgroups that form and re-form as needed, these skills and expertise strengthen and unify the team to accomplish the established goals.

As a Group, we must display teamwork in challenging ourselves to accomplish our ambitious goals. By sharing in the joy and satisfaction of attaining these goals, we can then become a Group abundant in truly “harmonious personal relations.”

10 An Atmosphere of Freedom, Boldness, and “Best Practice, Our Way”

Daikin has many valued traditions and customs. These include an atmosphere in which people can freely express themselves, the boldness to take action in the face of adversity, the consideration we show our customers, and our unique customer-oriented management. We are also proud of our principle of “Best Practice, Our Way.” Through this principle we are able to develop flexibly structured measures that are one or even half a step ahead of society by perceiving changes in social trends to use our strengths and the particular circumstances to our advantage.

We will continue upholding our valued traditions and culture, refining them over time to be strengths recognized throughout the world. We intend to continue evolving as a dynamic Group that is trusted by customers around the world and where people are proud to work.

Basic Environmental Policy of the Daikin Group

■ Environmental Philosophy

Be a Company that Leads in Applying Environmentally Friendly Practices

As we continue developing our business operations in various fields, it is our mission to proactively develop initiatives to respond to environmental issues. Incorporating environmental initiatives throughout our management must be a priority for us.

In all aspects of our business operations, including product development, manufacturing and sales, we need to formulate initiatives that sustain and improve the environment. Meanwhile, we need to promote the development of new products and the innovation of technologies that will lead to a more environmentally healthy world.

Under the precept “environmental response is an important management resource,” we must integrate environmental initiatives into our corporate management since they can lead to business expansion, improved business performance, and further enhancement of our credibility with outside parties. We intend to continue being a leading company in the practice of “environmental management,” thus contributing to a healthier global environment as a good citizen of the earth.

■ Action Guidelines

1. Ensure that all members of the Group deepen our understanding of environmental issues and take responsibility for the impact our actions have on society in general.
2. Establish, promote, and continuously improve an Environmental Management System to actively and effectively implement Environmental Management as a Group.
3. Develop and implement environmental initiatives in all aspects of our business operations, including product development, production, sales, distribution, services, and recycling.
In particular, be a leader in society by developing products, technologies, and business opportunities that contribute to sustaining and improving our environment.
4. Implement environmental initiatives that are globally consistent as well as promote initiatives that respond to the particular circumstances of each country and region. Furthermore, actively promote cooperation and alliances with related companies, external organizations, and institutions.
5. Disclose environmentally related information in a truthful and fair manner. Listen to the views of people both inside and outside the company to continuously improve our environmental preservation efforts.