



Key Activities

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Environment The Quest for Next-Generation Refrigerants

With Consideration for Environmental Performance, Safety, and Efficiency

Proposing Future Refrigerants in the International Forum



- ▶ **Background: Refrigerant, Indispensable for Air Conditioning, is a Significant Environmental Issue for the Air Conditioning Manufacturer**
- ▶ **International Treaties to Reduce the Environmental Impact from Refrigerants**
- ▶ **Daikin Provides Opportunities for Discussing Next-Generation Refrigerants**
- ▶ **Daikin Efforts to Reduce the Environmental Impact of Refrigerants**

Environment Solutions for Curbing Global Warming

Towards Net Zero Energy

Optimal Energy Management Solutions for Meeting Worldwide Customer Needs



- ▶ **Background: The world demands buildings with zero net energy consumption**
- ▶ **Providing Total Solutions for Achieving Comfort and Energy Efficiency**
- ▶ **In China: Use Heat Recovery of Unused Energy For Heating**
- ▶ **In Japan: Collective Management of Multiple Buildings to Comply with Revised Rationalization in Energy Use Law**
- ▶ **In the U.S.: Total Solution for Enhancing Energy-Efficiency Performance of a Data Center to Achieve Energy Saving in Society**

Quality and Customer Satisfaction Improving Quality

Using the Stress Strength Model (SSM)

All Employees Take Part in Passing on Knowledge to Continue Meeting Customers' Increasingly Advanced Needs



- ▶ **Background: Passing on Knowledge to the Next Generation is Crucial in Meeting Customers' High Expectations**
- ▶ **SSM Shares Individual Skills and Know-How**
- ▶ **Improving Techniques and Awareness of Young Employees to Meet Customers' Product Expectations**

Becoming a Truly Global and Excellent Company

Implement People-Centered Management to Become a Company Where Individuals Grow



- ▶ **Background: Group Philosophy and People-Centered Management (PCM) Are the Unifying Forces of the Daikin Group**
- ▶ **Implementing People-Centered Management (PCM)**
- ▶ **Making PCM an Integral Part of Worldwide Group Companies**

Environmental Education Program Developed for Elementary Schools

Opportunity to Raise Awareness among Both Children and Daikin Employees



- ▶ **Background: Providing Opportunities to Become Aware of the Relationship between Living Things and the Environment**
- ▶ **Circle of Life Program Focuses on Forest Issues**
- ▶ **Program Raises Awareness of Relationship between Environmental Issues and Daily Life**

The Quest for Next-Generation Refrigerants



Back ground

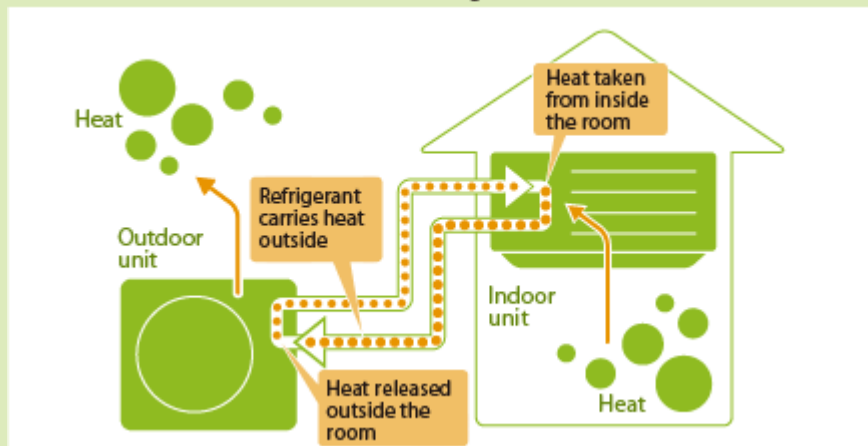
Refrigerant, Indispensable for Air Conditioning, is a Significant Environmental Issue for the Air Conditioning Manufacturer

Refrigerants are gases that are indispensable for cooling and warming the air. Because refrigerants have such a large impact on the environment, it is the duty of manufacturers to find refrigerants that exert minimal environmental impact and are safe, efficient, and economical.

Performance requirements of a refrigerant



How an air conditioner works (for cooling)



With Consideration for Environmental Performance, Safety, and Efficiency

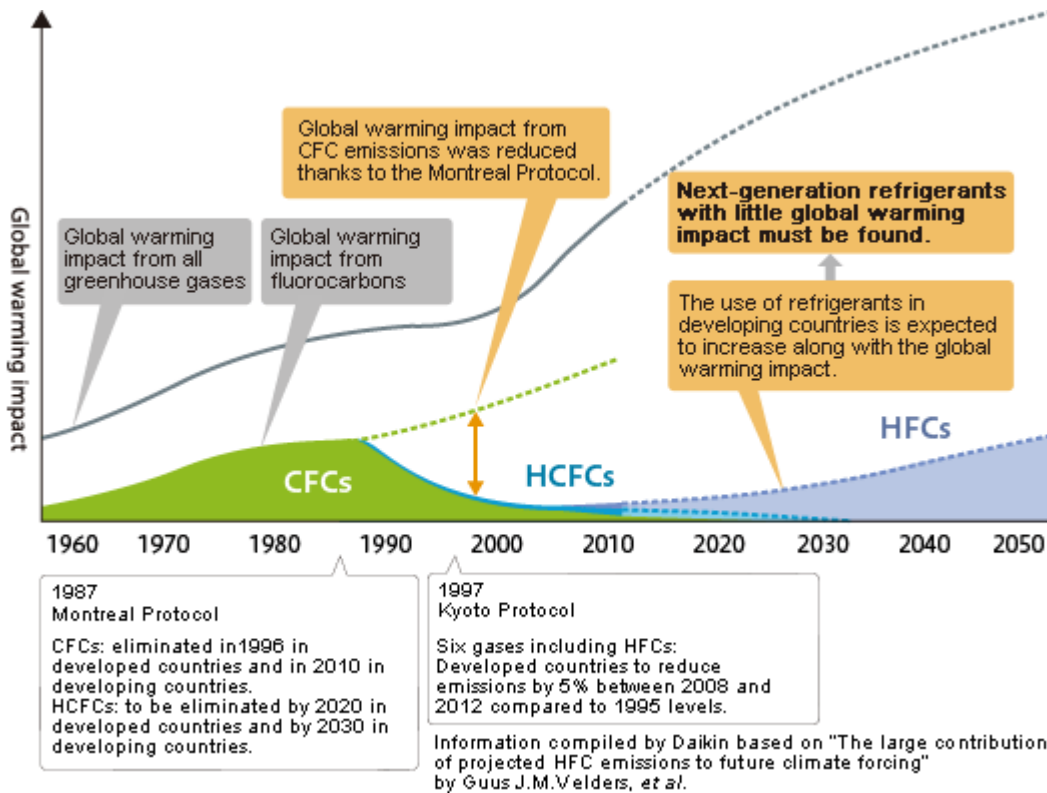


Proposing Future Refrigerants in the International Forum

Fluorocarbon Use and International Restrictions

Fluorocarbon is a general name for a compound containing carbon, hydrogen, fluorine, chlorine, and bromine. Not only was it used as a refrigerant in air conditioners, freezers, and refrigerators, it was also widely used in other ways, including as a foaming agent for insulation such as Styrofoam and a cleaning agent for precision electronic parts. It was discovered that certain substances in fluorocarbons had a negative impact on the environment, and so they became subject to international restrictions.

■ Global Warming Impact from Emission of Fluorocarbons



CFCs
Chlorofluorocarbons (CFC12)

Ozone depletion potential **1.0**
Global warming potential* **8,100**

* According to the Second Assessment Report of the IPCC

Designated under the Montreal Protocol as a specified fluorocarbon that is largely responsible for ozone layer depletion. Its production has been banned in developed countries.

HCFCs
Hydrochlorofluorocarbons (HCFC22)

Ozone depletion potential **0.055**
Global warming potential* **1,500**

* According to the Second Assessment Report of the IPCC

Although used as a substitute fluorocarbon, designated as a restricted substance due to its depletion of the ozone layer.

HFCs
Hydrofluorocarbons (HFC410A)

Ozone depletion potential **0**
Global warming potential* **1,725**

* According to the Second Assessment Report of the IPCC

Although in the process of replacing HCFC as a substitute fluorocarbon, it is a greenhouse gas. The Kyoto Protocol calls for its reduction.

International Treaties to Reduce the Environmental Impact from Refrigerants

Preventing Ozone Layer Depletion and the Effects of Global Warming

In 1987, the Montreal Protocol was adopted for restrictions on the production, use, and trading of substances believed to be responsible for ozone layer depletion. The protocol designated the CFCs conventionally used as refrigerants in air conditioners as specified fluorocarbons and called for the phasing-out of their production by the end of 1995 in developed countries.

CFCs were replaced by HCFCs, which have a relatively low impact on the ozone layer. HCFCs have since been designated under the Montreal Protocol and will cease being manufactured in developed countries by 2020 and in developing countries by 2030.

HCFCs began to be replaced in the developed countries by HFCs, which do not deplete the ozone layer. However, HFCs are also greenhouse gases, although they do not contribute to global warming as much as CFCs. The Kyoto Protocol, adopted in 1997, calls for reducing their emissions.

As Developing Countries Use More Refrigerants, the Time Comes for the Shift to Next-Generation Refrigerants

The World's Quest for Refrigerants to Replace HCFCs

With air conditioner use spreading throughout developing countries, the amount of refrigerants used is expected to rise. Under the Montreal Protocol, the elimination of HCFCs in developing countries is set for later than in developed countries, which means that even now in developing countries HCFC22, which has an impact on the ozone layer, is being used.

That being said, starting in 2013, HCFCs are slated to be gradually phased out in developing countries, so the time for a refrigerant switchover is approaching. Because the Kyoto Protocol calls for the reduction of HFC emissions, there is a rush to find the next refrigerant to enable developing countries to bypass HFCs altogether.

It will take international collaboration to decide which refrigerant should be adopted. This is because a switch to a new refrigerant will involve numerous issues: these include ISO standards, restrictions and standards in each country, standards governing equipment safety, methods of installation and maintenance, systems for supplying refrigerants, and methods for disposal of equipment. We are currently in a crucial period for the search for the refrigerant that will become the global standard for the next generation.



Daikin Provides Opportunities for Discussing Next-Generation Refrigerants

Decision on Refrigerant Must Take into Account Factors Including Environmental Performance, Safety, and Price

A number of substances are being considered as a next-generation refrigerant: HFC32, a type of HFC with a relatively low global warming potential; HFO refrigerants, which have a low global warming potential but stability and price issues; and natural substances such as CO₂ and propane, which have refrigerating characteristics. All of these must undergo an overall assessment that considers factors such as impact on global warming, safety factors like flammability and toxicity, and price. Besides the effect of the refrigerant when it is released into the atmosphere, one must also consider the energy efficiency of air conditioners that use it. Important in terms of cost is not just the price of the refrigerant itself but also factors like the cost of producing air conditioners that use the refrigerant.

The qualities sought for a residential air conditioner differ from those for a commercial air conditioner, and the performance sought for hot water and space heaters differs from that for freezing and refrigeration equipment. All this means that we must select the most adequate refrigerant for each case.

Frank Discussions with Relevant Parties Worldwide

Daikin is the only air conditioner manufacturer that also makes refrigerant, and we aid in the selection of appropriate refrigerants by creating opportunities for academic societies and industry organizations to gather and exchange ideas and opinions.

We take every opportunity to discuss the selection and application of next-generation refrigerants: at international conferences and exhibits in the vast market of China, as well as in Europe, the U.S., and around Asia, we discuss topics like refrigerant trends and efforts to reduce emissions with members of the United Nations and administrative organizations in countries around the world.



Lecture at an international conference



Exchanging opinions with academics

What Our Stakeholders Are Saying

Opinions from Participants at International Conferences

- The refrigerant with the lowest global warming potential is not necessarily the best. We have to make a choice based on a range of criteria including equipment efficiency and ease of use.
- HFO, HFC32, and propane all have differing flammability characteristics. We must consider safety measures appropriate to each type of refrigerant.
- Cost is important in developing countries. It would be difficult to use an expensive refrigerant, not just in terms of initial cost, but also in terms of running costs and the cost of equipment replacement.

Characteristics and Main Uses of Next-Generation Refrigerants that Substitute for HCFCs

	Characteristic	Main use	Spread	Potential to proliferate	
HFC410A	Because propane has no impact on the ozone layer and has the same global warming potential and efficiency as HCFC22, it is being adopted in developed countries.	Residential air conditioners	Commercial and VRV multi air conditioners	Commercial freezing and refrigeration equipment	Hot water and space heaters
HFO1234yf	No impact on the ozone layer and a low global warming potential. Low flammability. Safety and price issues.		Chillers		Automobile air conditioners
HFC32	No impact on the ozone layer, and one of the lowest global warming potentials among HFCs. Low flammability.	Residential air conditioners	Commercial and VRV multi air conditioners	Commercial freezing and refrigeration equipment	Hot water and space heaters
CO ₂	No impact on the ozone layer and low global warming potential. Low efficiency when used for air conditioning. Daikin uses it in products for water heating, for which it has the same performance as conventional refrigerants.		Commercial and VRV multi air conditioners	Commercial freezing and refrigeration equipment	Hot water and space heaters
Propane (hydrocarbons)	No impact on the ozone layer and low global warming potential. Good refrigerant characteristics; however, high flammability creates the danger of explosions.	Residential air conditioners		Residential refrigerators	

Comparison of Next-Generation Refrigerants that Will Take the Place of HCFCs

		Ozone depletion potential	Global warming potential ^{*2}	Flammability	Toxicity	Cost		Global warming impact ^{*1} (for residential air conditioners)	Impact	
						Refrigerant	Machinery		Impact from energy use during air conditioner operation	Impact from emission of refrigerants (tons-CO ₂)
Refrigerants used in developing countries	HCFC22	0.055	1,500	○	○	○	○	○	12	2.2
Refrigerants used in developed countries	HFC410A	0	1,725	○	○	○	○	○	12	2.02
Possible next-generation refrigerants	HFO1234yf	0	4	△	○	×	△	⊙	13	0.05
	HFC32	0	650	△	○	○	○	⊙	12	0.51
	CO ₂	0	1	○	○	○	×	×	15	0.01
	Propane ^{*3}	0	3	×	○	○	△	○	14	0.001

^{*1} Global warming impact: The impact from energy use during air conditioner operation plus the impact from emission of refrigerants (Direct emissions plus emissions from manufacturing refrigeration)
 Calculated for a 3.5-kW air conditioner in Europe under EuP standard conditions. CO₂ emission coefficient of 0.43 kg/kWh (Europe average), refrigerant recovery rate of 30%, leakage rate of 5%.

^{*2} Global warming potential is calculated using Second Assessment Report of the IPCC.

^{*3} According to IEC safety requirements with filling amount reduced.

Note: × indicates a condition not met. △ indicates a condition partially met. ○ indicates a condition met. ⊙ indicates a condition met very well.

Daikin Efforts to Reduce the Environmental Impact of Refrigerants

Promoting Research into the Practical Use of a Range of Next-Generation Refrigerants

Daikin is working to find and apply next-generation refrigerants. Our focus is on selecting the right refrigerants for the particular application. From natural refrigerants to HFCs with low global warming impact, we are aiming for application of the most adequate refrigerant for each case. Besides testing factors like energy efficiency and cost during refrigerant use, we are conducting exhaustive experiments into risks such as flammability to find the most appropriate next-generation refrigerant.

Daikin has its sights set on HFC32 as the next-generation refrigerant for residential and commercial air conditioners. A type of HFC, it has only about one-third the global warming potential of currently used HFCs, and it offers superb energy efficiency. It is also similar in price to current refrigerants. However, because it is mildly flammable, it has never been put to practical use. Lowering global warming potential inevitably raises flammability.

The ISO is currently revising its basic safety standards for refrigeration and air conditioning equipment. The revision relates to categories of flammability for refrigerants with the new category of mildly flammable being added. This would mean that a substance like HFC32 with a low flammability could be adopted as a refrigerant. Daikin is taking part in working groups and calling for the practical application of refrigerants with mild flammability.

▶ [Low-Impact Refrigerants](#) (Page 97)

Creating Ways to Prevent Refrigerants from Leaking

As well as conducting research into the practical application of next-generation refrigerants, Daikin is working to design air conditioners that emit as little refrigerant as possible into the atmosphere. For example, we are designing air conditioners that are easy to install and that have joints that prevent leaks even if the equipment is improperly installed. We are also working to make such joints the industry standard worldwide.

For the recovery of refrigerants, Europe already has a system for periodic inspection to ensure that no refrigerant has leaked from the equipment. The Japan Refrigeration and Air Conditioning Industry Association has begun creating industry guidelines, and Daikin is actively participating in this effort.

Daikin will continue to work towards the application of refrigerants that reduce environmental impact by seeking next-generation refrigerants for practical application and by creating ways to prevent refrigerants from leaking from equipment.

▶ [Recovering and Destroying Fluorocarbons from Customers' Air Conditioners](#) (Page 115)

Solutions for Curbing Global Warming

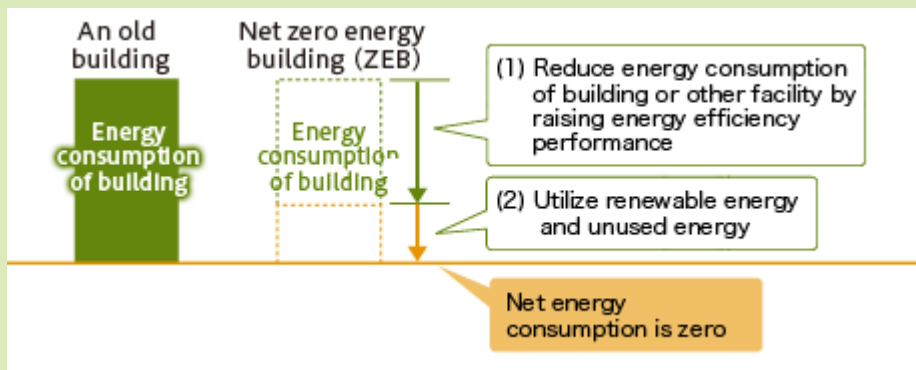


Back ground

The world demands buildings with zero net energy consumption

Like the name suggests, a net zero energy building or facility is one in which measures such as improved energy efficiency performance and the utilization of renewable energy and unused energy result in net energy consumption of zero.

Japan has set a goal of having all new buildings achieve zero net energy consumption by 2030. Other countries are looking into similar initiatives.



Towards Net Zero Energy

Optimal Energy Management Solutions for Meeting Worldwide Customer Needs

Providing Total Solutions for Achieving Comfort and Energy Efficiency

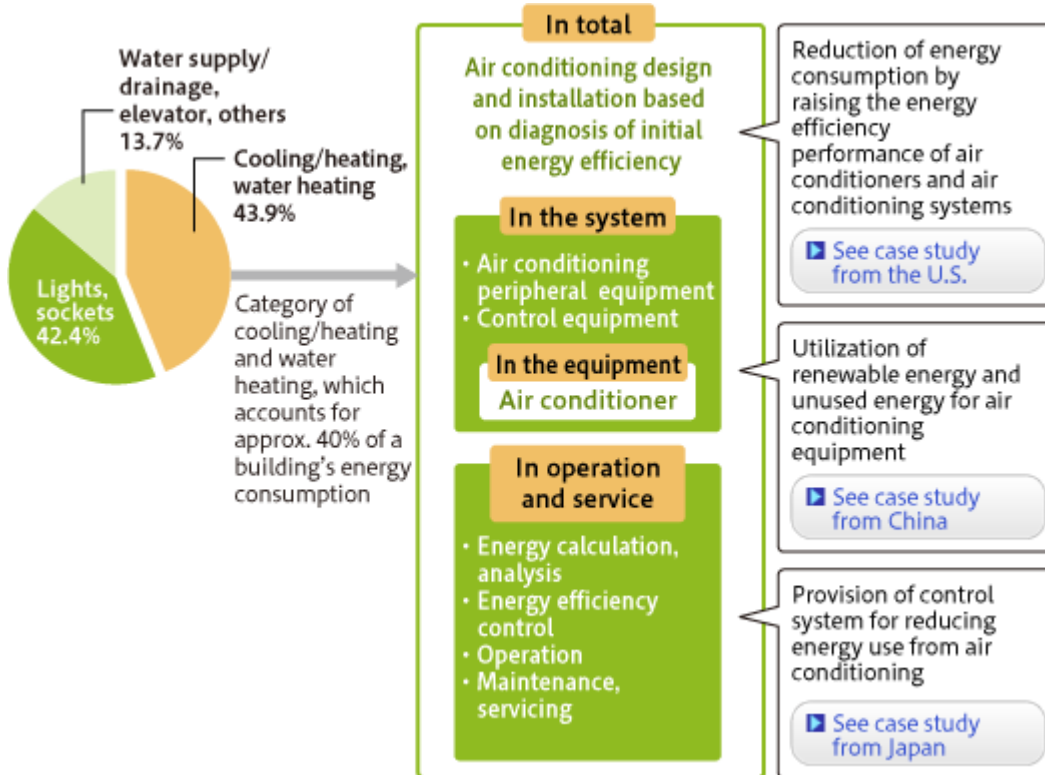
Aiming for Zero Energy Consumption in Buildings

Energy consumption has been on the rise in recent years in office buildings and other commercial facilities, creating a greater demand for energy-efficiency measures. Around the world, net zero energy buildings (ZEB) are being achieved through countermeasures for covering all on-site energy needs by increasing energy efficiency of buildings and facilities and by utilizing renewable energy.

To bring a building's net energy consumption down to zero, something must be done about air conditioning equipment, which accounts for about 40% of all energy consumption. And air conditioning is not just about temperature: it also serves the key functions of maintaining a comfortable indoor environment in terms of humidity and air quality.

To this end, the Daikin Group, in response to the various types of weather and customer needs around the world, provides versatile energy management that gives a comfortable room environment and a reduction in energy use. Through such solutions, we aim to contribute to the realization of net zero energy buildings.

Daikin's Solution



An Overall Solution towards the Net Zero Energy Building

Realization of the net zero energy building will require further technological development that covers maximum utilization of renewable energy, more efficient products and systems, and electricity control systems that can cope with the electricity demands of future smart grids. The Daikin Group has been developing technologies and creating solutions that will bring us closer to buildings with a net energy consumption of zero.

▶ [European Net Zero Energy Project Begins](#) (Page 91)

▶ [LEED® Gold Certification for Daikin-McQuay Applied Development Center in the United States](#) (Page 114)



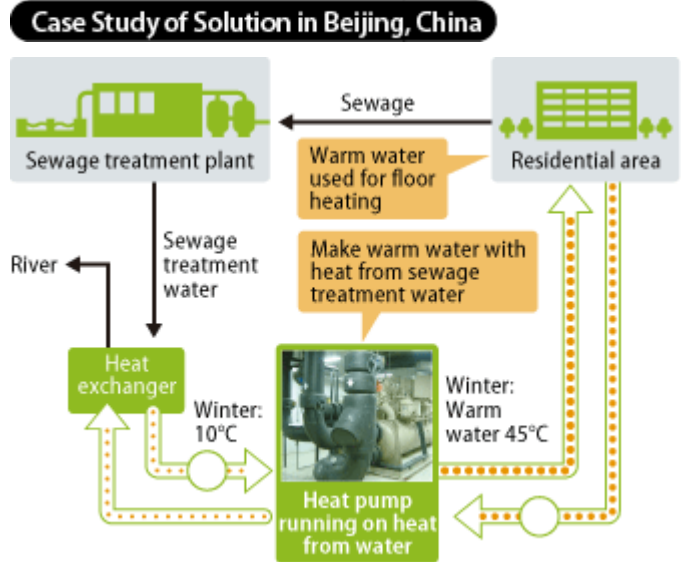
Case Study: Solution in China

Use Heat Recovery of Unused Energy for Heating

The utilization of renewable energy is indispensable for the realization of net zero energy buildings. Air conditioners use the heat from sources such as the outside air for room heating and cooling. But by also utilizing previously unused energy sources, such as heat from rivers, underground, and sewage, even more energy-efficient heating and cooling is possible.

For example, Daikin provided a large public housing district in Beijing, China, with a system that uses the heat from recycled urban water in a sewage treatment plant to make warm water that is used for floor heating. In this cold region, combustion-type heaters with high CO₂ emissions are common since they can quickly generate warmth. However, thanks to this system, using the sewage heat, which is warmer than the outside air, compensates for the lack of heat compared to combustion-type systems, and the result has been an annual reduction of 4,300 tons of CO₂ emissions compared to gas-combustion heating.

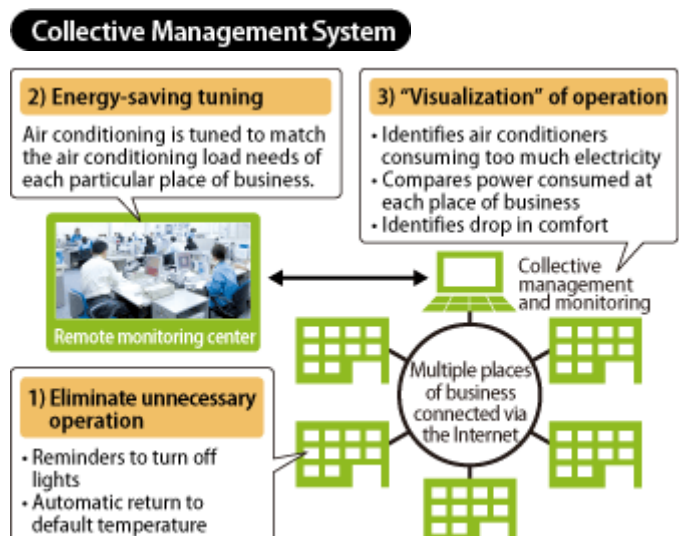
And at our worldwide R&D sites, such as the Applied Development Center, jointly established by Daikin and McQuay, and the Environment Research Center at Daikin Europe N.V., we are conducting R&D for new products and systems that use renewable energy and accelerate our energy efficiency efforts.



Case Study: Solution in Japan

Collective Management of Multiple Buildings to Comply with Revised Rationalization in Energy Use Law

Daikin offers a total energy management service that covers energy efficiency and environmental consideration; a service solution in which, in addition to maintenance, we measure and analyze energy use and suggest ways to use energy optimally. For example, customers get maximum energy efficiency through measures such as reminders to turn off lights, the elimination of excessive cooling, and optimal control of air conditioning equipment according to the usage environment such as changes in temperature and humidity, and the intended use of the room.



In Japan, the revised Rationalization in Energy Use Law went into effect in April 2010, switching the energy management focus from individual places of business to entire companies. The revised law now covers entities such as companies possessing multiple stores using small amounts of energy and universities with multiple campuses.

The revised law provided an opportunity for Daikin's collective building energy management system centered around D-BIPS, a building integrated monitoring board. This system allows collective management of commercial air conditioning systems in multiple places of business, making possible reductions in air conditioning energy use of approximately 20%.



Remote monitoring center

Case Study: Solution in the U.S.

Total Solution for Enhancing Energy-Efficiency Performance of a Data Center to Achieve Energy Saving in Society

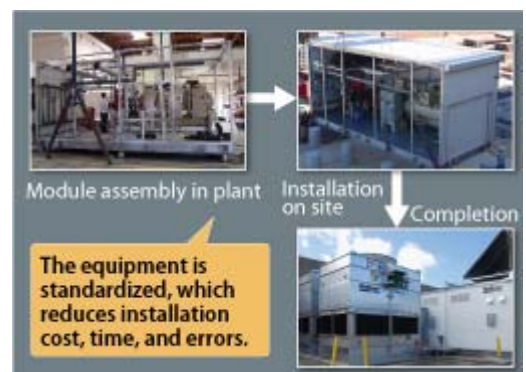
The widespread use of IT in today's society has created a new trend in which many companies' systems are outsourced to data centers. Whether it's a paperless office or an online store, IT has reduced the movement of people and the use of goods to reduce the environmental impact on society. On the other hand, data centers are taking up an increasing amount of energy, not just for the IT equipment itself, but for the air conditioning needed to keep the equipment cool and other devices such as uninterruptible power supply (UPS): these all need to be energy efficient.

Phoenix NAP, an industry-leading data center and network access point in Arizona, needed desperately to reduce its power consumption. In addition, it needed an air conditioning system that could provide stable cooling in case of a power failure or breakdown of air conditioning, as well as one whose cooling capacity could be easily increased when the data center expanded.

That's where Daikin came in with a solution for the design, installation, and operation of an air conditioning system. To meet every need of Phoenix NAP, Daikin proposed optimal energy-efficient equipment based on an energy diagnosis, and provided several redundancies and seamless connection with UPS system in case of breakdown or power failure.

The system was designed using Daikin's modular central plant system. This system standardizes units such as the air conditioner, Variable-Frequency Drive, and control devices into a module, which is assembled in a plant before going to the site. Because it can be easily expanded and moved, the system offers a flexible response to the needs of the data center for expansion, and it can be easily installed and tested for functions and operation.

Thanks to this system, installation at the Phoenix NAP data center took just two weeks, compared with the three to four months it would normally take to install a conventional system. The system also achieved 30% more energy efficiency than previous Daikin systems.

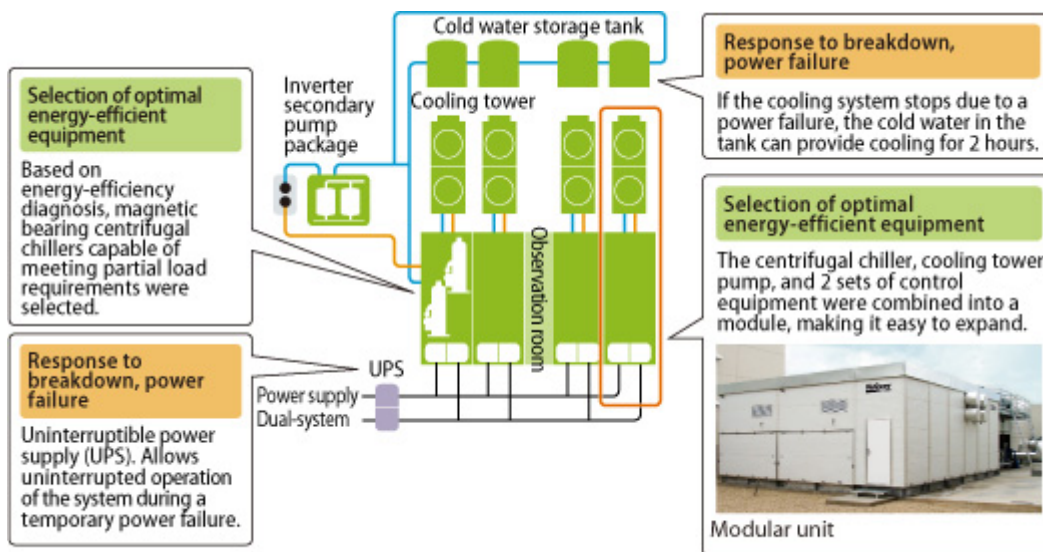


Module central system

Flow of Contracting Solution



Case Study: Solution at Phoenix NAP Data Center



What Our Stakeholders Are Saying

Looking Forward to Even Greater Energy-Efficiency Performance

Ian McClarty
President Phoenix NAP



A big requirement for us was to ensure that we had great power usage effectiveness (PUE) from our chiller systems, which account for a large amount of the power we consume. The Daikin systems are incredibly efficient, and air conditioning levels can be adjusted to meet the load requirements of the data center. We anticipate that Daikin will produce chillers that offer even better performance and service than offered now.

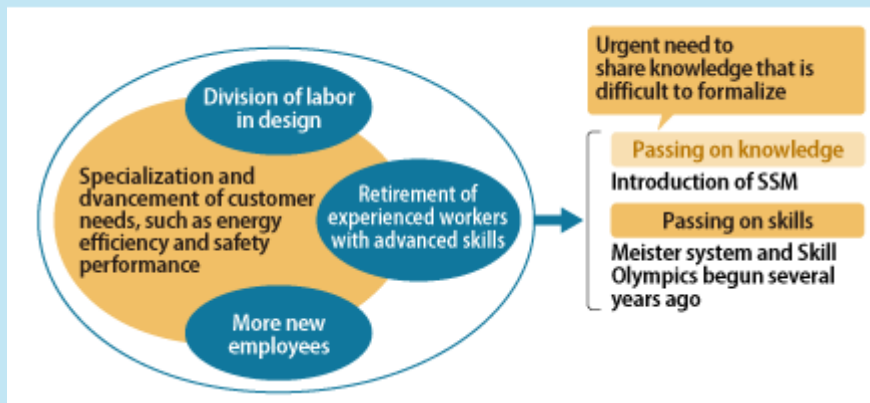


Back ground

Passing on Knowledge to the Next Generation is Crucial in Meeting Customers' High Expectations

Customers have increasingly advanced needs that must be met with expert knowledge and techniques in development and design. At the same time, division of labor is increasing in the design process, and highly experienced and skilled engineers are retiring. To meet customer expectations with superior products, for several years now we have been having our experienced engineers pass on not only their on-the-job skills to younger employees, but also their knowledge and know-how that is hard to put into words.

The Changes in the Social Environment Surrounding Daikin



Using the Stress Strength Model (SSM)

All Employees Take Part in Passing on Knowledge to Continue Meeting Customers' Increasingly Advanced Needs

SSM Shares Individual Skills and Know-How

Problems Segmented and Information Shared

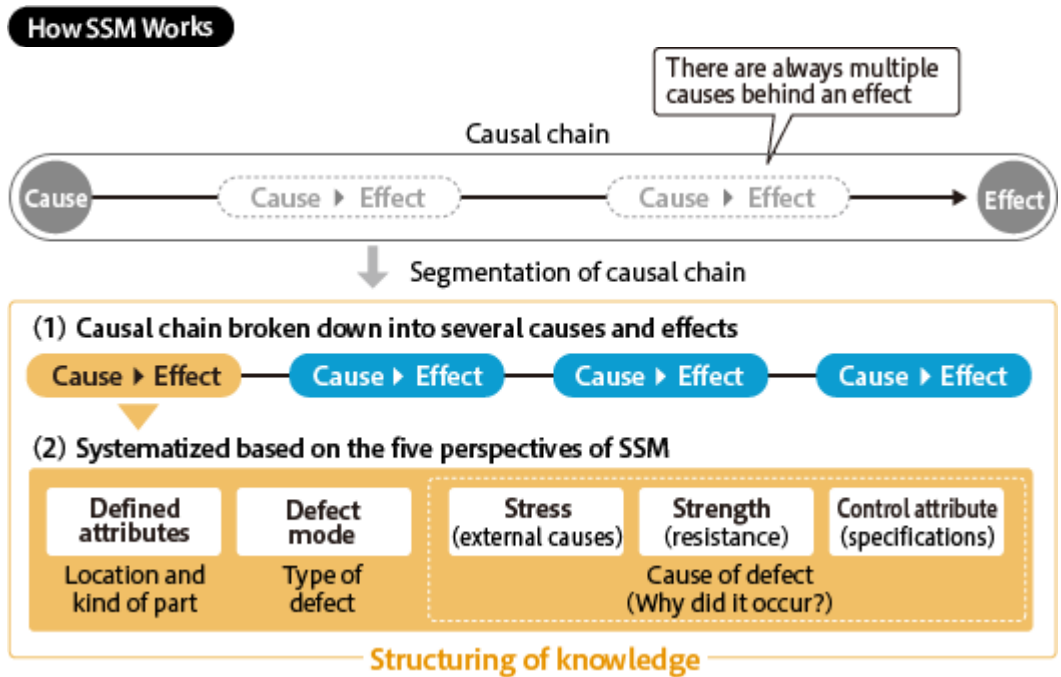
We introduced the Stress Strength Model (SSM) at the Shiga Plant in 2007, and have been using it to pass on knowledge, strengthen human resource capabilities, and provide better products.

SSM systematizes the knowledge related to the occurrence of problems that tend to occur in products and processes. It is a framework for predicting and preventing problems during design and planning. Problems are segmented into five perspectives based on their cause, and this information is compiled into a database. SSM thus makes it possible to systematize individual knowledge accumulated by an engineer over his or her career, including knowledge of problems and how to deal with them.



Accumulated knowledge shared on intranet

Normally in quality control using SSM, the accumulated knowledge is used to inspect for defects in the final stage of product design. But at Daikin Industries, it is used from the initial design stages to prevent wasted time and effort.



Improving Techniques and Awareness of Young Employees to Meet Customers' Product Expectations

Segmentation Process Contributes to Human Resource Development

In the process of the segmentation of problems, small groups of experienced and young employees brainstorm to determine the cause of problems. This creates an opportunity for human resource development by allowing young employees to sharpen their ability to understand the essence of problems.



Small group activity for segmentation

What Our Stakeholders Are Saying

Making a Habit of Questioning through Segmentation in Small-Group Activities

Hiroaki Nishino

Device Technology Product Development Group Air-Conditioner Manufacturing Division



At small-group activities for segmentation, experienced employees have younger staff think about why problems occur. This gets young staff in the habit of thinking about the mechanisms of problems. Experienced employees don't just lecture; rather, they let young staff think and speak up for themselves to gain a better understanding. This results in a team in which ideas come from the bottom up.

SSM Raises Everyone's Awareness

All employees in the design divisions use database information. It helps young employees detect problems and prevents defects caused from failure to notice or understand. It also helps young employees improve their techniques in a shorter time.

Daikin Industries takes a variety of measures to make SSM an integral part of the company at the earliest possible stage. For example, all employees take part in a monthly meeting at which effective case studies are shared, and the company has established an in-house SSM skills certification course. A three-level system for certification of employees' knowledge of both SSM theory and practical skills helps raise motivation. The result of these activities has been a dramatic improvement in quality, and in the awareness of the prevention of reoccurrences of problems.

Daikin Quality Control Method

1 Segmentation at small-group activities combining experienced and young workers

By having everyone brainstorm and share knowledge, think about causes of problems, and segment these causes, Daikin is training young workers who can determine exactly why something fails.

2 Information used in initial stages

Instead of simply doing a final check, workers use accumulated information for reference in the initial design stages to ensure there are no defects: this prevents problems from occurring in the first place.

3 All ideas shared at monthly meetings

At a monthly meeting, employees from all relevant divisions share examples of how accumulated information is being used effectively.

4 SSM skills certification boosts SSM user capabilities

There are three levels of SSM skills certification: novice, intermediate, and advanced. This certification system helps employees understand how much they know, boosts their motivation, and ensures that SSM gets used to maximum efficiency in Daikin work processes.

A Worldwide Effort—from Design through All Stages of Manufacturing

Provide High-Quality Products to Anywhere in the World

At the Shiga Plant, SSM is utilized not just in design but also in all divisions related to air conditioner manufacturing, from supplier auditing to maintenance of manufacturing facilities. In 2010, the Sakai Plant also introduced SSM.

As Daikin establishes plants around the world, it is crucial that we are able to provide customers, wherever they are, with the same consistently high quality. We will continue spreading the use of this system, at bases in China and India, and at our suppliers, so that we can offer customers quality that satisfies their needs.



Back ground

Group Philosophy and People-Centered Management (PCM) Are the Unifying Forces of the Daikin Group

In the Daikin Group, we believe that by having employees act based on our group philosophy and by building an environment where employees can grow by implementing People-Centered Management, we can achieve sustainable development and growth. As we accelerate business expansion on a global scale, we will have a greater number of employees of differing nationalities and values, and we will have more locally-hired management members. Against this background, we will implement our group philosophy and People-Centered Management and coordinate the direction of our worldwide Group companies so that we can become a truly global and excellent company.

Basic Management Philosophy of the Daikin Group



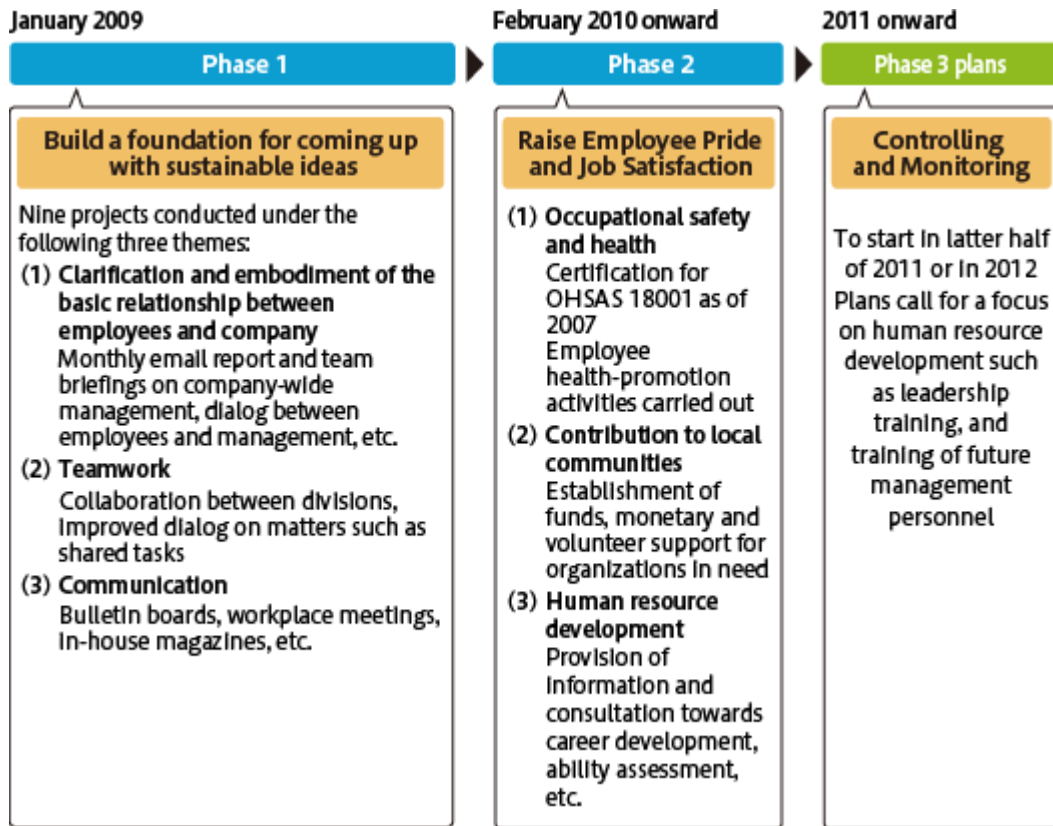
Becoming a Truly Global and Excellent Company
Implement People-Centered Management to Become a Company Where Individuals Grow

Implementing People-Centered Management (PCM)

AAF of the U.K. Starts PCM Activities

American Air Filter International (AAF) of the United Kingdom is a member of the OYL Group, which joined the Daikin Group in 2006. In January 2009, the company started a PCM (People-Centered Management) initiative with the full support of Daikin and OYL. In this model case for the Daikin Group, ten project members from various divisions lead the implementation of People-Centered Management through organizational reform involving all employees.

Flow of PCM (People-Centered Management) at AAF



Stimulate Both Vertical and Lateral Communication

The focus of the phase one of PCM activities is communication between employees and management and between employees of different departments. Management personnel strive to provide information on business policy and the current state of management. In response, employees give their opinions, which are reflected in company management, creating a virtuous cycle that helps the company grow and allow employees to raise job satisfaction.

More active dialog was realized through an in-house newsletter and workplace discussion, and this created greater individual enthusiasm and consent. A questionnaire showed that 94% of employees feel that their opinions are being reflected in company business, and employees are now more eager to take action to contribute to the company.



A range of established activities promote in-house communication

Step up CSR to Raise Employee Pride and Job Satisfaction

The phase two of PCM activities began in February 2010 and involved reforming the development system in order to raise employee pride and job satisfaction. For employees who wanted to make greater contributions, the company offered measures that included recognition of individual talent and career paths in line with this talent. It also created an occupational safety and health system and stepped up community service activities. As a result of these efforts, employees felt more a part of the company, and AAF successfully realigned its organization so that employees were eager to solve problems.

These efforts were recognized in November 2010 by the Chartered Institute of Personnel and Development (CIPD), which awarded AAF with the Investors in People (IIP) Silver standard to honor outstanding human resource development. In April 2011, AAF was awarded the Investors in People Gold standard and soon after the company was invited to become the Investors in People Champion organization.

What Our Stakeholders Are Saying

Helping Employees Want to Get Involved

Lynne Jackson
Strategic Planning Associate AAF



A key to the success of the PCM activities is having employees and management engage in frequent and earnest dialog to understand each other's desires. AAF has striven to raise employee motivation to get involved by ensuring that everyone understands the significance, goals, and merits of PCM activities. I believe that it is precisely because of the participation of all employees that AAF was awarded the IIP Silver, Gold and Champion standards.

A Complete Foundation for Implementing People- Centered Management

Ryan Noble
Project Manager AAF



Employee participation is crucial to the success of PCM activities. Over the past two and a half years, we have built a complete foundation for implementing People-Centered Management by having employees think, speak up, and act on their own initiative. We plan to continue making PCM an even more integral part of the corporate climate of AAF.

Making PCM an Integral Part of Worldwide Group Companies

Putting Individual Philosophy into Action Leads to Company Growth

Based on the AAF model, Daikin's worldwide Group companies are putting into action the Daikin group philosophy and People-Centered Management, and at the March 2011 Group Management Conference, worldwide companies agreed to work towards this goal. Under the strategic management plan FUSION 15 beginning in fiscal 2011, one of the key themes is to further instill our group philosophy in the global group. Plans call for having management of Daikin bases develop a greater understanding of the group philosophy, holding training for leaders, and equipping companies with tools such as case study collections and training videos.

By having employees implement group philosophy and by creating an atmosphere conducive to employee growth through rewarding work, we strive to become a truly global and excellent company.

Raising Environmental Awareness



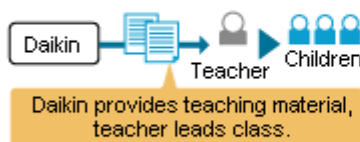
Back ground

Providing Opportunities to Become Aware of the Relationship between Living Things and the Environment

The Circle of Life is a Daikin environmental education program that gives children the chance to become aware of and think about the relationship between living things and the environment, and between global environmental issues and the daily life of people in Japan. In addition to four lessons (five classes) led by the elementary school teachers, there are practical environmental lessons led by Daikin employees in response to school requests.

Overview of Circle of Life Program

Lessons 1 to 4 (5 classes) Lessons on the theme of forest issues to make students aware of the relationship between environmental issues and their daily lives.



- Children**
- Learn connection between people and nature and think about importance of environmental protection
 - Become aware of relationship between countries of the world and one's own life
 - Think about what individuals can do for the environment



Practical lessons (optional) Learn what companies are doing in their business to protect the environment



- Children**
- Think about what individuals can do in their daily lives; learn that little efforts add up to big results

- Employees**
- Gain a deeper understanding of Daikin environmental activities, take pride in the company, and become more motivated
 - Learn communication skills by speaking simply to the children



Environmental Education Program Developed for Elementary Schools Opportunity to Raise Awareness among Both Children and Daikin Employees

Circle of Life Program Focuses on Forest Issues

On the Theme of Forest Issues in Indonesia

Daikin Industries developed the Circle of Life environmental education program on the theme of biodiversity and began implementing it on a voluntary basis in elementary schools in Japan in April 2010. As of March 2011, 34 schools had participated in the program.

This program follows the subject of a reforestation project that Daikin undertook together with an international NGO starting in June 2008 in Java, Indonesia. The program gives children the chance to become aware of the relationship between living things and the environment, and how people's lives would be affected in case of damage to ecosystems of which humans are a part, as well as the intricate connection between their daily lives and forest issues in Indonesia.

▶ [The Circle Of Life \(available in Japanese only\)](http://www.daikin.co.jp/csr/edu/index.html) (<http://www.daikin.co.jp/csr/edu/index.html>)

Program Raises Awareness of Relationship between Environmental Issues and Daily Life

Children Learn Connection between Environment and Living Things

In the program, children do role-plays that make them think about the issue of cutting down trees in the forest from the perspectives of various people. Children learn that their plentiful lives in Japan are partly responsible for environmental destruction in other parts of the world, and they cultivate the ability to develop a solution while understanding that all players in an issue have differing viewpoints.

In a post-program survey of children, more than 90% responded that they would like to do whatever they can to solve environmental problems, and their comments included the following: "The world is more connected than I thought" and "I'm more interested in the environment and I want to save the Earth." This program has been successful in getting children to think of ways to earnestly tackle environmental problems on their own.

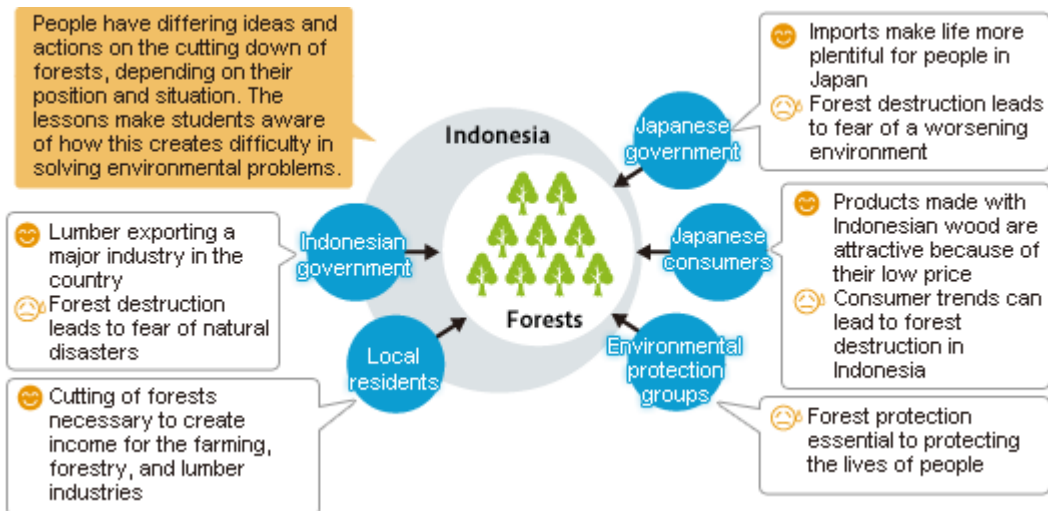


Worksheets like this raise children's environmental awareness



Daikin provides a variety of teaching materials using photos, graphs, and other visual aids

Circle of Life Examines Differing Viewpoints in Forest Issues in Indonesia



What Our Stakeholders Are Saying

Message to Children from Global Corporation Daikin

Ryuichi Wada

Principal Mito Elementary School, Higashi-Osaka

It's impossible to be a global company these days without taking a global view and working to protect the environment. This program is opening the hearts and minds of today's children—those who will build the next generation—to the world around them. I really felt that these hands-on lessons inspired the children to take action. I am deeply grateful to Daikin.



Practical Lessons Raise Daikin Employees' Awareness

In addition to lessons taught by the school teachers, Daikin employees lead classes on request by the schools. The Daikin instructors apply for this job in-house and undergo training. Since the instructors are not environmental specialists but rather employees from marketing, production, and other departments, these teaching duties give them a chance to think about how their own jobs relate to the environment.

Daikin's next aim is to make an even more valuable program based on comments gathered from school teachers, students, and the Daikin instructors to help both children and employees raise awareness and take action.

What Our Stakeholders Are Saying

Through Teaching, We Learn

Tsutomu Yunoki

Osaka Service Station West Japan Service Department, After Sales Service Division

I taught the children that it is important to be motivated about the many things that they can do close to home to help protect the environment. I was extremely pleased when the children commented that it is important to care for the Earth. This program raised my own environmental awareness as well, and now in my daily work the environment has become a one of the central topics.

