



# Responsibility to Stakeholders

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# Responsibility to Stakeholders



## Customers

- ▶ [Product Quality and Safety](#)
- ▶ [Customer Satisfaction](#)
- ▶ [Protecting Customer Information](#)

### Daikin's main responsibilities

Daikin products such as air conditioners, fluorochemical products, and hydraulic equipment are used by families and industries around the world. We provide products and services that anticipate society's needs. We believe these products must satisfy customers with safety and high quality.

### Opportunities to express opinions and make requests

- Daikin Contact Center
- Customer satisfaction questionnaires
- Support seminars for dealers
- Service engineer offers helpful extra information during maintenance calls (the "five-minutes of extra care standard")



## Employees

- ▶ [Employee Evaluation and Treatment](#)
- ▶ [Workplace Diversity](#)
- ▶ [Work-Life Balance](#)
- ▶ [Labor Management Relations](#)
- ▶ [Occupational Safety and Health](#)
- ▶ [Fostering Human Resources](#)
- ▶ [Respect for Human Rights](#)

### Daikin's main responsibilities

Approximately 40,000 employees work at Daikin bases around the world. The growth of our employees—who sustain our business—is the growth of the Daikin Group. We stress fairness of opportunity and reward for all employees, regardless of age, sex, or nationality in order to make the most of their diverse abilities. We create an environment where they can work in safety and health, and consider their work-life balance.

### Opportunities to express opinions and make requests

- Interviews based on employee self-assessments
- Labor-management council meetings, labor union council meetings
- Group Management Meeting



## Business Partners

- ▶ [Philosophy on Suppliers](#)
- ▶ [Working Closely with Suppliers](#)
- ▶ [Green Procurement Guidelines](#)

### Daikin's main responsibilities

The supply chain is made up of not only suppliers from whom we directly procure raw materials and parts but also those suppliers further upstream. We build a relationship of mutual growth and prosperity by communicating frequently and continuously with suppliers in order to ensure product quality and safety. A prerequisite to this is fair and honest business dealings.

#### Opportunities to express opinions and make requests

- Meetings for suppliers
- Award ceremonies for suppliers
- Technology discussions, quality and safety gatherings
- Quality and environmental audits
- Help Line for Corporate Ethics



## Shareholders and Investors

- ▶ [For Shareholders](#)
- ▶ [Information Disclosure Policy](#)

### Daikin's main responsibilities

We operate on capital provided by approximately 40,000 shareholders. We make the best use of capital to achieve solid profitability and a firm financial base to maximize corporate value and meet shareholder and investor expectations with stable dividends. We provide the necessary information promptly and continuously interact with shareholders and investors.

#### Opportunities to express opinions and make requests

- Ordinary General Meeting of Shareholders
- Briefings on financial results, briefings for investors
- Annual Report, business reports
- Information on Web site
- Inquiries by telephone and Internet



## Communities

- ▶ [Promoting Art and Culture](#)
- ▶ [Promoting Sports](#)
- ▶ [Contributing to Education](#)
- ▶ [Environmental Contributions to Society](#)
- ▶ [A Good Corporate Citizen —Activities in Each Community](#)

### Daikin's main responsibilities

At bases in more than 38 countries, we have a strong desire to form lasting bonds with local communities and economies and make a positive contribution as good corporate citizens. We contribute to regional industry and economy through our business, and ensure that our bases are safe and open to local communities. We encourage each Daikin base to think and take action that contributes to the community.

#### Opportunities to express opinions and make requests

- Public liaison person at each Daikin base
- Informing local community of emergency disaster drills
- Factory tours for local citizens
- Participation in local groups
- Involvement in local events



## Environment

### Daikin's main responsibilities

We strive to reduce greenhouse gas emissions in all business activities to achieve our most important mission: curbing global warming. We are also promoting our "green heart" philosophy to communities and to future generations through environmental protection activities.

#### Opportunities to express opinions and make requests

- Environmental seminars, environmental exhibitions
- Various forms of environmental PR
- Environmental education
- Green procurement briefings



## Responsibility to: Customers



“ With the world's leading technologies in air conditioning and fluorochemicals, the Daikin Group meets society's needs for safe products that offer peace of mind. We also ensure customer satisfaction with advanced support systems. ”

### Product Quality and Safety

#### Strict Design Review Ensures Safety: Our Top Priority for Customers


Our responsibility goes beyond simply satisfying customers; we believe that we also have a duty to society to offer products and services that are safe, high quality, and environmentally conscious.

Quality is a top priority during the development and production stages in our Air Conditioning Manufacturing Division and Chemicals Division, both of which have obtained the ISO 9001 (quality management system) certification. We also provide customers with the information they need to use our products safely.

And we continue to gather information on products in use in the market so we can improve their quality.

[▶ Read more](#)

(See page 165)

- ▶ [Product Quality and Safety Policy](#)
- ▶ [Product Quality Management Structure](#)
  - [Quality Control System](#) 
  - [Quality Control Process](#) 
- ▶ [Cooperation with Suppliers](#)
- ▶ [Employee Education](#)
- ▶ [Improving Quality During Development](#)
  - [Development Process Raises Quality](#) 
- ▶ [Handling Product Accidents](#)
- ▶ [Product Safety Voluntary Action Guidelines](#)
- ▶ [Disclosing Product Information](#)
- ▶ [Introduction of Universal Design](#)
  - [Example of Universal Design](#) 

## Customer Satisfaction


### "Giving the Best Possible After Sales Service (Speed, Accuracy, and Friendliness)" is Our Basic Policy to Pursue Customer Satisfaction

The Daikin Contact Center is open 24 hours a day, every day of the year to take repair requests and offer technical advice. We are also rapidly working on further enhancement of after sales service around the world for handling customer inquiries and thus achieve a service system geared to customer needs.

The many opinions and requests received by the center are reflected in our product development and service so that we can stay one step ahead of customer needs.

[▶ Read more](#)

(See page 172)

- ▶ [Customer Satisfaction Policy](#)
- ▶ [Customer Response and Support System](#)
  - [Daikin Global Service Network](#) 
- ▶ [Conduct of Customer Surveys](#)
- ▶ [Using Customer Opinions](#)
  - [Number of Inquiries to the Contact Center \(Japan\)](#) 
- ▶ [Employee Education](#)
- ▶ [Support for Dealers](#)
- ▶ [Training for Distributors](#)

## Protecting Customer Information

### Protecting Customer Information in Every Way

We established the Personal Information Protection Rules and Guidelines to properly protect and manage the range of customer information that we gather through repair requests and other means. Each division and group company has a personal information manager and carries out a variety of employee education on personal information.

[▶ Read more](#)

(See page 178)



Customers

## Product Quality and Safety



### Product Quality and Safety Policy

#### We Operate under the Belief that Customers Are Buying Quality

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

Our quality control is based on the idea that the added value we give to products is quality, and that this quality is what customers are buying. And each Daikin employee constantly puts quality ahead of everything else.

#### ■ Daikin Group service quality policy

The ultimate in quality service through speed, accuracy, and good manners

1. Offer service that meets customer needs while complying with laws
2. Establish quality targets and revise these as necessary
3. Continuously improve the effectiveness of our quality management system

### Product Quality Management Structure

#### Establishing an ISO 9001-Compliant Quality Assurance System

Company divisions build ISO 9001-compliant quality assurance systems so that they can maintain our high levels of product quality and ensure proper management of each department, such as development, materials and parts procurement, and production. We are also improving quality at our contract manufacturers.

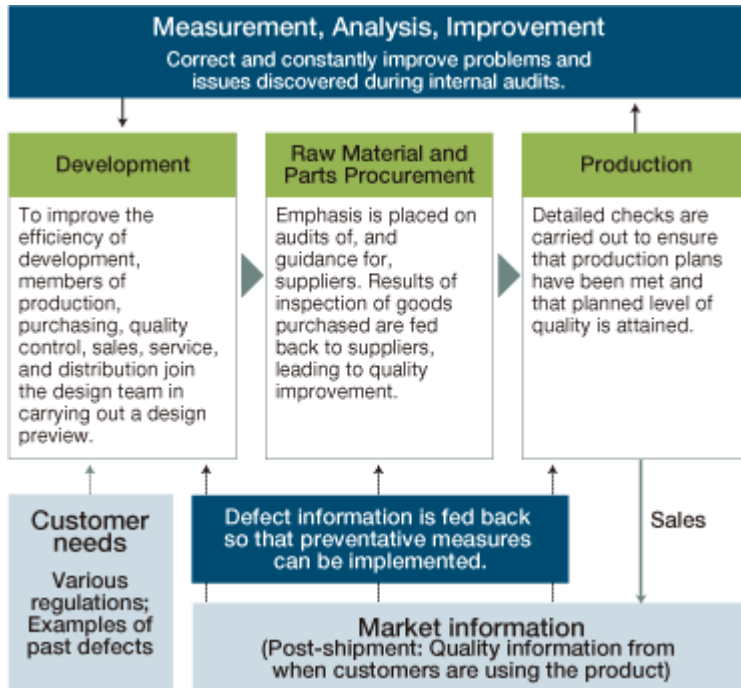
Each division is audited twice a year so that we can assess our quality situation and if necessary further improve it.

Based on our annual Daikin Group policy, each division formulates its key quality measures and targets, which are used to create a detailed quality program (fiscal year action plan) for all stages including design and development, materials and parts procurement, and production.

#### ■ Quality Control System



## Quality Control Process



## Cooperation with Suppliers

▶ [Efforts with Suppliers to Raise Product Quality and Safety \(Responsibility to Business Partners\)](#) (Page 207)

## Employee Education

### We Hold Daily Meetings to Raise Quality Awareness

The Daikin Group has numerous ways to educate employees in quality. Since 2004, the 19th of every month has been quality day, when each workplace in the Air Conditioning Manufacturing Division holds discussions on ways to improve quality.

Since November 2008, each division has held 10-minute daily quality meetings. These meetings are now an established way of keeping employees thinking of new ways to pursue quality and sharing up-to-date information of quality matters.

## Improving Quality During Development

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

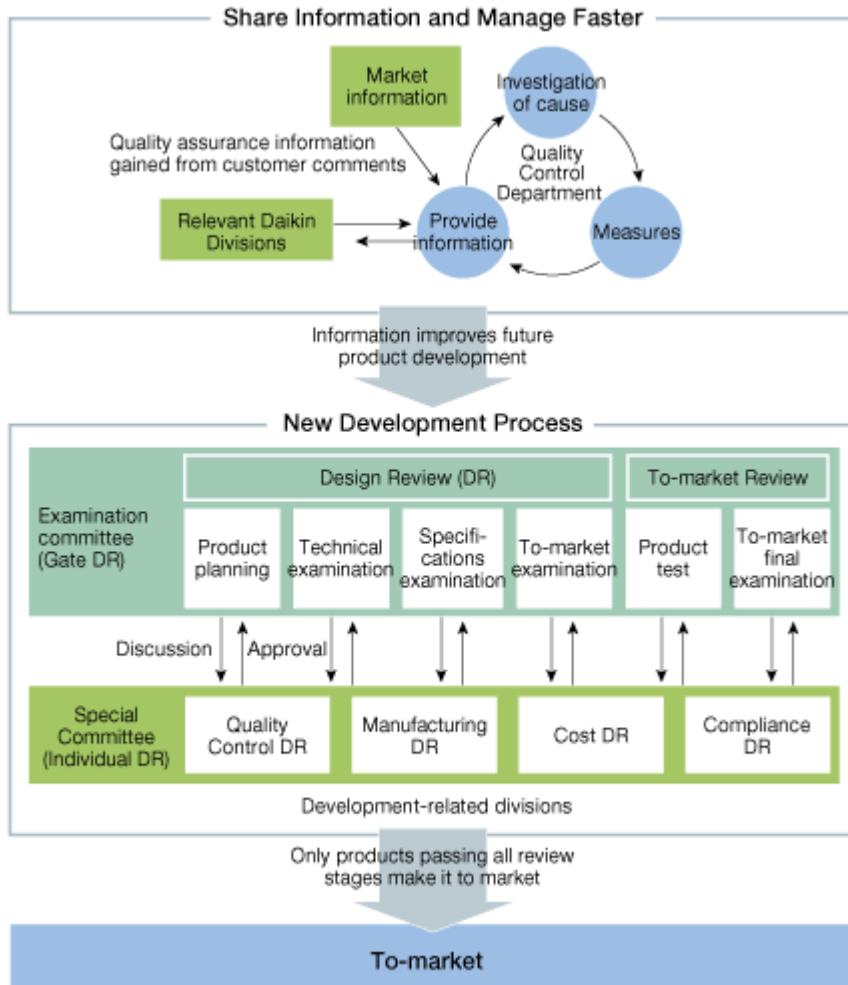
In fiscal 2005, the Air Conditioning Manufacturing Division reformed its development process with a stricter, more segmented design review (DR)\*. First, the personnel in charge of the relevant divisions inspect the proposed products for conformity to Daikin standards using the four criteria of an individual design review (DR): product quality, monotsukuri (the art of manufacturing), cost-effectiveness, and compliance. Products that pass the individual DR are then subject to a gate DR: six stages of design reviews and to-market reviews by top management. Only those that pass all reviews make it to market. In August 2006, we further raised our product safety standards and now conduct reviews to ensure that products are absolutely safe to use and problems with previous models have been fixed.

Our next goal is to make even safer and higher quality products by ensuring that our development process detects problems and solutions early on and helps us predict potential problems during product use.

**\* Design review:**

In a process involving the entire Daikin organization, products under development are assessed for quality of design and all other processes leading up to product realization. Only those that pass each stage can move forward.

**Development Process Raises Quality**



## Handling Product Accidents

### Protocol for Promptly Handling Product Accidents

Daikin products are designed based on quality standards and design standards that ensure that, even if users err in operating the machinery or use it beyond recommended limits, there is no danger for the users; and even if there is a product accident, the danger to the user is minimized.

In case of a product accident, we have systems in place that allow us to quickly relay the necessary information and handle the problem, and minimize the impact on the product users and the general public.

We also place top priority on detecting product problems before they lead to a major accident. When the cause of a minor accident is discovered, we determine whether this could also cause a major accident and we reflect this into the development of future products.

## Some Recalled Air Conditioner Had Not Been Inspected or Repaired

Daikin Industries recalled air conditioners manufactured between January 1995 and March 1998 (for free inspection and repair). But although the products had supposedly been inspected and repaired, there was fire damage inside one of the recalled outdoor air conditioner units in November 2009. An investigation into the cause revealed that a worker at a repair outlet labeled some units as repaired when in fact they had not been.

The products that had been in the care of this worker were once again inspected and repaired, and Daikin questioned all repair outlets to ensure there were no other such instances. As well, all repair staff were given exhaustive training in the repair work protocol and exactly what is involved in repair.

We will review our management systems so that we can offer customers an even higher quality of service.

▶ [See \(available in Japanese only\)](#)

(<http://www.daikin.co.jp/taisetsu/2010/100209/index.html>)

## Some Air Purifiers Recalled for Free Inspection and Repair

Three models of residential air purifiers manufactured by Daikin Industries between August 2006 and July 2009 presented the danger of giving off smoke or fire due to a problem with the electric dust collecting section. And air purifiers with humidifying and dehumidifying functions manufactured between August 2007 and January 22, 2010 could possibly give off extreme heat if foreign particles became attached to the dehumidifying element.

Daikin informed customers of the models in questions through press releases and announcements in the mass media, and Daikin engineers conducted inspections and repairs free of charge.

### Free Inspection and Repair

Customers owning the models in question should phone this number.

**0120-330-696** (24 hours a day, every day; toll free in Japan only)

▶ [For details on free inspections and repairs, see \(available in Japanese only\)](#)

(<http://www.daikin.co.jp/taisetsu/2010/100409/index.html>)

## 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 Law 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 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 in laws and regulations within the company on product safety. We also shall regularly monitor work to ensure product safety is being achieved.

## Disclosing Product Information

### **Air Conditioning Business: Providing Information that Prevents Accidents from Product Degradation**

The Consumer Product Safety Law 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 home page also provides consumers with information including product model numbers and 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.

In Japan, about one-third of the product accidents are the result of improper product operation. Therefore, to prevent accidents, we believe it is important to provide customers with accurate, easy-to-understand information on using products. The Air Conditioning Division conducts product labeling in compliance with industry guidelines, such as the Guidelines for Labeling Household Products for Safe Use (4th edition, revised March 2009), 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.

\* Failsafe:

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

## TOPICS

### The Eco-Cute "Easy User Guide Operation Manual" Won the Excellence Award in the Japan Manual Contest 2009

In the Japan Manual Contest 2009, the "Daikin Eco-Cute Easy Guide" won an Excellence Award in the Sheet Manuals/Package Manuals category.

#### Why the Eco-Cute Easy User Guide Won

- The guide uses illustrations of the actual operation panel so users know exactly what buttons to press.
- The simple color coding makes it easy for any family member to learn how to use the Eco-Cute in a hands-on manner.



## TOPICS

### Daikin Operation Manuals Have Been Recognized by STC

The operation manual for household room air conditioners made for use in other countries was recognized in the 2010 STC-ETC Technical Publication and Online Communication Competition for being easy to read and easy to understand.



Operation manual included with product

**Note:** STC = Society for Technical Communication; a global NGO for research into technical communications, established in 1953.

## Chemicals Business: Holding Workshops on Fluorochemical products

While the fluorochemical products produced by the Chemicals Division are highly advanced and highly functional materials, pressing 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 the guide them on the manufacturing process using the facilities and equipment available to the company.

Our website includes the material safety data sheet (MSDS) and technical documents, as well as information on how to spot imitation products and precautions regarding the return of high pressure gas cylinders.

### Developing Products that Anyone Can Use Easily

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

In fiscal 2007, we teamed up with NPO Universal Design of Citizen Network to offer training in universal design. In this training, engineers learn the principles of universal design through discussions with general customers and participation in activities mimicking the challenges facing the physically disabled.

In April 2009, our product developers held discussion sessions with NPO Universal Design of Citizen Network to discuss the Eco-Cute heat pump water heater, and the results of these talks are now reflected in new product development. Universal design is central to the concept of *monotsukuri* (the art of manufacturing), because it involves designing a product so that everyone, no matter what their age or physique, can use it with ease. We are continuing steady efforts in universal design training so that the concept becomes second nature to all engineers.

#### ■ Example of Universal Design

##### **Simpler Remote Controller Makes the Most of the Energy Efficiency of the Eco-Cute Heat Pump Water Heater**

Introduced in February 2010, the "Daikin Eco-Cute X-Series" has energy efficiency among the highest in the industry as well as an eco-confirmation function that helps users operate the product in the manner that is most energy efficient for their operating conditions. The display on the remote controller shows helpful advice and the effects of energy saving functions.

This remote controller boasts the industry's first full-color display, which enables any user to easily understand and operate the product. For example, when the Eco-Cute is dispensing hot water, red lettering warns users of this high temperature. This means users get both aural and visual information and are thus doubly safe in product use.



##### **Eco-Cute Remote Controller with Full-Color Display**

The industry's first full-color LCD display remote controller keeps users safe with both aural and visual warnings.

## **T**OPICS

### **Braille Easy-Operation Guide**

So that the visually impaired can also use our air conditioning units, Daikin Industries has braille easy-operation guides explaining the basic points of operating our air conditioners, which we offer free of charge.

An audio version of this simple operation guide is also available on CD, and can be ordered through our website.



Customers

## Customer Satisfaction



### Customer Satisfaction Policy

#### Creating New Value by Anticipating the Future Needs of Customers

Our group philosophy states that 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 believe that providing high quality products, materials, and service will not only improve convenience and comfort for customers, but will also increase the level of customer satisfaction.

Based on these principles, each division of Daikin Group formulates its policies according to the particular needs and circumstances of customers in order to improve customer satisfaction.

The Air Conditioning Division's customers are end users and distributors. The division's basic policies for ensuring customer satisfaction are "stay ahead of customers' needs and present new products suggested by the sales division" for end user satisfaction, and "stay ahead of the times and one step ahead of our competitors by offering a tailored solution" for the satisfaction of distributors.

The After Sales Service Division of the Air Conditioning Division, which bears responsibility for product maintenance, has the basic policy of "the ultimate in quality service through speed, accuracy, and good manners" and is working to increase the skills of its service engineers and raise the level of their response to customers.

The Chemicals Division has identified "improvement of quality," "stable supply," "appropriate cost," and "response to needs (development of new products)" as the main points to increase customer satisfaction, and aims to gain greater trust and satisfaction from customers by continually assessing information regarding the level of customer satisfaction and making improvements accordingly.

### Customer Response and Support System

#### Air Conditioning Division: Building a Worldwide Customer Support System

The Daikin Contact Center is open 24 hours a day, every day of the year to take repair requests and offer technical advice to customers around the world. We are striving to enhance its service quality to ensure customers are satisfied with the responses they get from the Contact Center.



Shanghai Service Center

With more and more of Daikin's product sales occurring outside of Japan, we must offer top after-sales service capable of meeting the increasing demands of an ever widening customer base. That means taking our basic service quality policy—speed, accuracy, and good manners—to other countries by using the meticulous service know-how we have built up in Japan to satisfy the need for quality that is common to people around the world.

We have increased the number of service bases in countries like Spain, Singapore, and Italy through the integration of the service system of O.Y.L. Industries Bhd, which Daikin acquired in 2006. In North America and China, employees at O.Y.L. company McQuay International are trained in Daikin's service quality management system to ensure the highest level of quality.

In 2010, we established support systems in Brazil and Mexico.

We will continue to enhance customer satisfaction in after sales service by establishing customer contact centers at all service bases and offering local language support.

#### ■ Daikin Global Service Network



### Chemicals Division: Providing Information Through Various Forums

As the products of the Chemicals Division are materials from which the products of customer businesses are manufactured, inquiries about these chemical products come mainly from industry researchers and developers. Firstly, the sales representative of Daikin Industries acts as a contact and responds to inquiries in cooperation with the divisions of technical service, research and development, and quality assurance. To further strengthen trust between our company and customer businesses, we hold yearly exchange meetings between top-level personnel, such as the "Difreon Gas Meeting" and the "Gratitude-to-Customers Meeting".



Gratitude-to-Customers meeting

Also, to help our customers benefit more from the products and technology of Daikin Industries, we hold a twice-yearly study seminar on fluorochemical products directed toward media outlets, by which we provide information to our customers.

## Conduct of Customer Surveys

### Customer Surveys Go Towards Improving Products and Services

Daikin Group divisions conduct customer surveys to enhance customer satisfaction. By constantly surveying and analyzing the voice of customers, we can further boost the quality of our service.

The Air Conditioning Sales Division includes a questionnaire with products that allows us to determine customer needs and levels of satisfaction, and also includes a questionnaire on its home page to collect user opinions about our products.

The After Sales Service Division conducts annual surveys to determine the level of customer satisfaction with our after-sales service. As a result of efforts to complete repairs in a single visit, improve repair techniques through training, get better at dealing with customers and make other such improvements, all under our slogan of "Customer first," we have been able to gradually improve customer satisfaction since fiscal 2007.

In the Chemicals Division, we distribute questionnaires once a year that help us boost customer satisfaction. Customer opinions are analyzed and appropriate measures are created. The results of the fiscal 2010 survey showed that as customer demand for products picked up significantly, there was increased customer expectation regarding product delivery. Thus, we will continue to make a concerted effort to respond rapidly to inquiries regarding product delivery, to improve the level of customer satisfaction.

## TOPICS

### High Appraisal for Customer Satisfaction

- Daikin Third in 2010 Nikkei Business Ranking of After-Sales Service in Residential Air Conditioner Category
- Daikin Second in Ranking of Manufacturer Air Conditioner Repair During Summer Peak (according to RIC, publisher of home electronics magazines).
- Daikin Australia Awarded the Most Satisfied Customer Award in the 2010 Canster Blue air conditioner survey

## Using Customer Opinions

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

We have implemented a system for recording all telephone requests and complaints from customers 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 services.

The 500,000 or so technical inquiries that the Contact Center gets from customers each year enable us to make early detection of issues we face in the market and hold clues to product improvement. The information obtained from customer inquiries, including common key words and their frequency, are stored in a database that is shared with the relevant Daikin divisions and used to solve potential quality problems.

Information in the database is also used in the planning of new products. To stay one step ahead with products that meet customers' underlying needs, we explore new product concepts from customers.

#### Number of Inquiries to the Contact Center (Japan)



### Year-Long Training and Service Competitions Among Daikin Bases

The Daikin Group strives to improve the quality of service by teaching employees the necessary knowledge and techniques.

Besides basic training in service quality, a variety of training courses and license-certification course are offered to each management level and job description.

The After Sales Service Division has the year-long "Service University" training program. Just like in university, participants can choose the courses right for their job. They also have regular tests to ensure they are retaining what they have learned.

At service bases across Japan, teams are created that compete against each other in the annual Service League tournament. There, teams are quantitatively judged and awarded on the speed, accuracy, and good manners that constitute our after sales service policy. This makes for a fun way to raise our ability to offer customer satisfaction.

### Skills and Customer-interaction Training for Service Engineers

Service engineers' individual technical expertise is crucial to providing quality service.

Since fiscal 2006, we have been holding 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, since fiscal 2008 we have been holding training for chief engineers and we currently have 830 employees who have passed our chief engineer test. We also provide similar training for engineers at dealer ships.

To help service engineers better deal with customers, in fiscal 2007 we started working with outside experts to hold service etiquette classes.

We will continue to give our service engineers the technical skills and people skills they need to make Daikin No. 1 in service in the eyes of customers.

▶ [Training for Distributors](#) (Page 176)

### The Chemicals Division: Sharing Broad Knowledge About Product Features and Their Target Fields, Etc.

The sales representatives of the Chemicals Division need to listen to researchers and product developers of customer businesses 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 customer businesses, it is essential to have diverse knowledge of such things as processing methods, amount of additives, and temperatures.

For this purpose, the Chemicals Division holds regular meetings covering business, research, and manufacturing to share not only business information, but also knowledge regarding products. The Division also makes opportunities for the sharing of superior business skills within the Division, and makes use of the "Fluorine Classroom" customer education program as an opportunity for personnel to educate themselves and deepen their knowledge.

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

## Support for Dealers

### Providing Solution Sales Support for Distributors Via Our Website and Other Means

The Air Conditioning Division provides distributors with solution sales support. Through our website, distributors have constant access to technical information and 10 years of information on all products, as well as software for making product and service estimates and for making CO<sub>2</sub> reduction calculations and other energy- and cost-related calculations.

The site is also optimized for use with a mobile phone, so distributors can access it while they are out visiting a customer. They can also create proposals easily with their mobile phones.

We encourage distributors acquire the Eco Test certification (Certification Test for Environmental Specialist), as do members of Daikin's sales divisions. In this way, we help them become more eco-wise and strengthen their consulting ability.

We also publish information journals to provide specialists and dealerships with useful information such as company profiles, market trends, installation case studies, and explanations of industry laws.

In May 2009, we formed the existing technical support departments into the Customer Support Center. Our aim was to strengthen technical capabilities in solution sales by such efforts as development of various support software, support for development of environmental business, and energy solution sales support.

In April 2011, we made consolidations among our 20 sales companies throughout Japan to form 10 consolidated companies, and strengthened our distributor support system. The "Cyber Support System" of our Customer Support Center offers solution sales support for distributors 24 hours a day, 365 days a year.

## Training for Distributors

### 51 Courses Available for Acquiring Air Conditioning Skills

Daikin Industries has five training centers around Japan where we hold a variety of courses so that distributors can learn design, installation, and service techniques. The Tsukuba Training Center in Tsukuba City, Ibaraki Prefecture, also contains the Solution Plaza where distributors can first observe the latest models before undergoing the relevant training. With the goal of offering customers service that is practical, easy to understand, and pleasant, the center uses the latest simulation machinery to offer realistic practice, as well as electronic blackboards and videos teaching materials, along with a range of other state-of-the-art teaching aids.

Training for distributors includes systematic step-up training to improve trainees' levels, solution training that helps distributors meet their customers' needs, and certification classes. There are a total of 51 courses.

From fiscal 2011, we commenced the Service Diagnostics Advanced Course, and to meet the broad needs of our distributors, we also introduced two more new courses and renewed four previous courses.



Tsukuba Training Center



Electronic blackboards

## Environmental Solutions Training

To promote efforts in solving environmental problems, we are conducting five courses in environmental solutions.

Starting in fiscal 2008, we have been distributing eco-booklets to trainees in all courses. The eco-booklets contain general knowledge on global warming and ozone layer destruction, handling fluorocarbons, and steps to preventing global warming, which is expanded on in the courses to raise awareness of the importance of environmental protection.

In fiscal 2010, we conducted the Environmental Solutions Proposal Seminar for promotion of environmental business activities, through which we helped 3,098 personnel in the 931 distributor subsidiaries of our 20 sales companies to gain a deeper understanding of the revised Energy Saving Act law and subsidies.



eco-booklet



Customers

## Protecting Customer Information



### Protecting Customer Information

#### Personal Information Managers and Thorough Employee Education

The Daikin Group is entrusted with a range of customer information including data on repair requests. Because we consider it an important responsibility to protect this information, we have established the Personal Information Protection Rules and Guidelines, and each division and Group company has a personal information manager.

Our Compliance Action Guidelines state our policy of properly handling personal information, which we implement through company-wide education and training aimed at the highest level of personal information security.

The After Sales Service Division, in particular, takes extensive measures to prevent leakage of customer information, as it handles personal information, such as maintenance requests from customers, on a daily basis.

#### ■ Measures for Information Protection

FY	Approach
2005	<ul style="list-style-type: none"><li>• Encrypting of all information on PCs and recording media that is taken off company premises</li><li>• Locking of PCs in company offices</li></ul>
2006	<ul style="list-style-type: none"><li>• Special tools for employees to properly erase data on PCs that will be discarded</li><li>• Tools for encrypting all attachments to email going outside the company.</li></ul>
2008	<ul style="list-style-type: none"><li>• Remote locking function for mobile phones</li></ul>



## Responsibility to: Employees



“ The Daikin Group's management are people-centered in the belief that people are the source of a company's competitiveness. We believe in the unlimited potential of every person and that the sum of the potential and talent of our diverse people forms the pillars of our company operations. By integrating the characteristics and ideas of our diverse range of employees, we can energize our company and strengthen our competitiveness. The Daikin Group is striving to build new corporate value through a strategy of management diversity. ”

Please refer to collected performance data related to responsibility to employees.

▶ [Data](#) (Page 243)

## Employee Evaluation and Treatment

### Fairness of Opportunity and Reward

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.

▶ [Read more](#)

(See page 182)

- ▶ [Employee Evaluation and Treatment Policy](#)
- ▶ [Employee Evaluation and Treatment](#)
- ▶ [Job Placement](#)

## Workplace Diversity

### A Workplace Where Everyone Can Contribute



The Daikin Group believes it is our people who make us competitive. A company can only grow stronger by having a diverse range of employees—men and women of all ages, nationalities, races, and levels of occupational experience—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 Compliance 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.

▶ [Read more](#)

(See page 183)

- ▶ [Workplace Diversity Policy](#)
  - ▣ [Employee Composition \(Daikin Industries only\)](#)
  - ▶ [Putting More Women into Management Positions](#)
  - ▶ [Hiring Women](#)
    - ▣ [Number of Women Periodically Hired; Percentage of All Employees \(Daikin Industries only\)](#)
  - ▶ [Re-employment of Retired Employees](#)
    - ▣ [Number of Re-employed Workers & Rate of Re-employment \(Daikin Industries only\)](#)

- ▶ [Employment of People with Disabilities](#)
  - [Number of Disabled People Employed \(Daikin Industries and domestic group companies\)](#) 
  - [External Awards](#) 
- ▶ [Promotion of Local Personnel at Overseas Bases](#)
- ▶ [Diversity Education for Employees](#)

## Work-Life Balance






### Full Range of Childcare Leave and Childcare Support Systems

Daikin Industries stresses a work life balance for employees. We have a range of work systems that allow employees to work flexible duties and flexible schedules.

The company has established an action plan for helping employees with children continue both work and home duties with peace of mind and has been certified as a company complying with the Law for Measures to Support the Development of the Next Generation. We have been particularly active in urging male employees to take advantage of our systems for childcare leave and childcare support.

[▶ Read more](#)

(See page 189)

- ▶ [Work-Life Balance Policy](#)
- ▶ [Helping Employees Match Work Schedule with Lifestyle](#)
  - [Number of Employees Leaving, Employee Turnover \(Daikin Industries only\)](#) 
- ▶ [Support for Childcare](#)
  - [Number of Employees Taking Leave Before and After Child Birth and Number Taking Childcare Leave \(Daikin Industries only\)](#) 
  - [Details of Second Action Plan](#) 
- ▶ [Support for Family Care](#)
  - [Number Taking Family Care Leave \(Daikin Industries only\)](#) 
  - [Other Employee Benefit Systems \(some are abridged\)](#) 

## Labor Management Relations

### Frank Exchanges of Opinion Create Favorable Labor-Management Relations

Daikin Industries 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.

[▶ Read more](#)

(See page 192)

- ▶ [Labor Management Relations Policy](#)
- ▶ [Respecting the Rights of Workers](#)
- ▶ [Dialog with Employees](#)






## Occupational Safety and Health

### Keeping the Workplace Safe and Employees Physically and Mentally Fit

The Daikin Group's Group Compliance Guidelines state our top priority of ensuring a safe, healthy workplace where employees can work in peace of mind. 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.

[Read more](#)

(See page 193)

- ▶ [Occupational Safety and Health Policy](#)
  - [Frequency Rate, Severity Rate \(Daikin Industries only\)](#) 
  - [Number of Accidents Resulting in Time off Work \(Daikin Industries only\)](#) 
- ▶ [Occupational Safety and Health Management Structure](#)
  - [System for Occupational Safety and Health](#) 
- ▶ [Employee Education and Training](#)
- ▶ [Employee Health Management](#)
- ▶ [Mental Health](#)
- ▶ [Shortening Working Hours](#)
  - [Percentage of Employees Taking All Paid Leave \(Daikin Industries only\)](#) 
  - [Average Hours of Overtime per Employee \(Daikin Industries only\)](#) 



## Fostering Human Resources

### Training Employees to Take the World Stage

The Daikin Group philosophy states that the cumulative growth of all group members, regardless of nationality or company, serves the foundation for the group's development. Based on the belief that people grow through work experience, the Daikin Group develops employee capabilities through on-the-job training (OJT)<sup>\*1</sup>. We also supplement this with off-the-job training (Off JT)<sup>\*2</sup>, such as the Daikin Leadership Development Program for next generation executives, the Daikin Business School (D-BS) for executive management candidates of overseas bases. We also provide opportunities for independent learning through language training and correspondence courses.

[Read more](#)

(See page 198)

- ▶ [Philosophy](#)
- ▶ [Education Systems](#)
  - [Education System](#) 
- ▶ [Passing on Skills](#)
- ▶ [Passing on Skills at Overseas Bases](#)
- ▶ [Fostering Young Engineers and Technicians](#)
- ▶ [Spurring the Creation of Intellectual Property](#)
  - [Number of Patent Applications \(Daikin Industries only\)](#) 

\*1 OJT: Employees learn and acquire the skills, knowledge, and degree of commitment required of their positions while performing their jobs.

\*2 Off JT: Employees study outside of their workplaces in order to acquire the knowledge and skills needed for their jobs.

## Respect for Human Rights

### Basic Policy of Respect for Human Rights and Diversity, and Compliance with Labor Laws

Daikin Industries does all it can in educating employees about human rights so that we can establish a corporate group free of discrimination where everyone's rights are respected.

[Read more](#)

(See page 31)



Employees

## Employee Evaluation and Treatment



### Employee Evaluation and Treatment Policy

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.

### Employee Evaluation and Treatment

#### Pursuing Fairness of Opportunity and Reward

In fiscal 2001, we eliminated standardized wage scales based on age and seniority, along with uniform pay raises. Instead, we switched to a compensation system that rewards performance, not age or seniority.

Our performance evaluation focuses on how well employees improve their abilities. This evaluation also looks at job results in three categories called achievements, challenging spirit, and growth. To ensure even greater fairness of evaluation, managers evaluate their staff only after consulting with other managers. Employees are also evaluated based on their level of contribution to company successes and to the organization as a whole.

In 2002, this compensation system was extended to include Daikin Group companies in Japan. We are planning to create unified worldwide guidelines that cover our philosophy of performance-based pay and detail how job results should be reflected in pay. This will give the entire Group a fair, credible compensation system.

#### TOPICS

##### Daikin Europe Selected as a Top Employer

Daikin Europe N.V. was chosen one of the Top Employers\* of 2010 for its outstanding human resource systems. Recognized for its working conditions, evaluation systems, and programs for employee education and training, Daikin Europe received its sixth selection in a row.

\* Top Employer: An award sponsored by CRF International, a company conducting research into the best practices in human resources around the world.



Top Employers

### Job Placement

#### Creating Opportunities to Understand Employee Circumstances

Whenever possible, Daikin Industries talks with employees and assigns them to departments and sections where they want to work.

All new employees are interviewed to determine their hopes and desired area of work in order to ensure they are placed in the most appropriate jobs.

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.



## Workplace Diversity Policy

The Daikin Group believes it is our people who make us competitive. A company can only grow stronger by having a diverse range of employees—men and women of all ages, nationalities, races, and years of experience in the company—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 Compliance Guidelines state our aim of becoming a group is passionate, strong, and forward-thinking and in which there is respect for a diverse range of values and work philosophies, and in which employees respect their differences and cooperate to pool their strengths so that each person can achieve his or her dream.

The Daikin Group's employee make-up is becoming increasingly diverse, with a greater number of non-Japanese and women in our ranks. Since introducing our rehiring system in 1991, we have been making greater use of Daikin's experienced retirees.

### Employee Composition (Daikin Industries only)

	The end of March 2007		The end of March 2008		The end of March 2009		The end of March 2010		The end of March 2011	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Number of employees	6,245	695	6,360	816	6,452	868	6,558	897	6,717	961
Average range of services (years)	19.0	12.0	19.0	12.0	18.9	12.0	17.9	10.8	17.1	9.96
Average age	42.2	34.3	41.9	32.9	41.6	32.8	41.8	33.6	41.8	34.2
Number of managers	958	9	969	12	925	13	886	14	936	16
Number of board members	41	1	41	1	47	1	45	1	44	1
Number of foreign nationals		27	28	12	28	12	27	16	30	21

Note: Number currently employed

## Putting More Women into Management Positions

### Steady Progress in Promoting Women to Managerial Positions

Daikin Industries strives to create identical working conditions for men and women because our goal is to use the talents of both sexes to the fullest. In 2001, we eliminated the barrier between general clerical work and management track jobs so that female employees have more career possibilities. We have also systematically increased the number of female managers from two in fiscal 2001 to 16 in fiscal 2010.

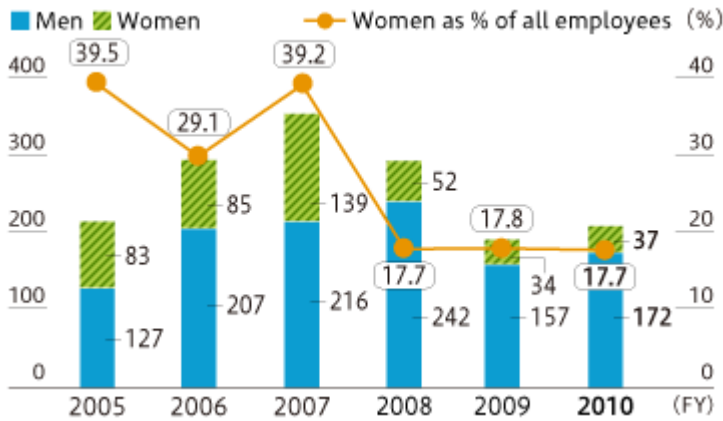
We will continue to take measures, such as changing workplace attitudes about women taking a key role in company management and formulating strategies to raise career awareness among female employees, so as to encourage more ambitious and talented women to play a bigger part in company management.

## Increasing Percentage of Female Employees

As of March 2011, women accounted for 12.5% of all employees of Daikin Industries, an increase of 0.5% over 2010.

In the past, job applicants for technical and skills positions were mostly men, which kept the ratio of female employees low. We therefore set a goal of achieving the national average, 12%, for female employees as a percentage of total by fiscal 2009. As a result of proactive efforts to hire women, we achieved this goal in 2008, a full year ahead of schedule.

■ Number of Women Periodically Hired; Percentage of All Employees (Daikin Industries only)



## TOPICS

### Hosting the 7th Women's Networking Forum

In August 2010, a total of eight companies, including Daikin Industries, hosted the 7th Women's Networking Forum. The purpose of the forum was to establish a women's network extending beyond our own company whereby women in the industry will be encouraged to be proactive in further advancing their personal skills and leadership abilities, which will also benefit the organizations they are a part of. There were approximately 500 attendees from 56 companies, including about 40 of our own personnel.

Following an interview-style key-note address entitled "Self-leadership: taking action for my organization's future and my own," participants then split into separate groups to discuss various topics of interest, such as "leadership that involves an organization," "off-site meetings for those with subordinates," and "considering the optimal balance between work and child-rearing." The participants were able to share their day-to-day concerns and strengthen connections through these workshops.



The Woman's Networking Forum

## Re-employment of Retired Employees

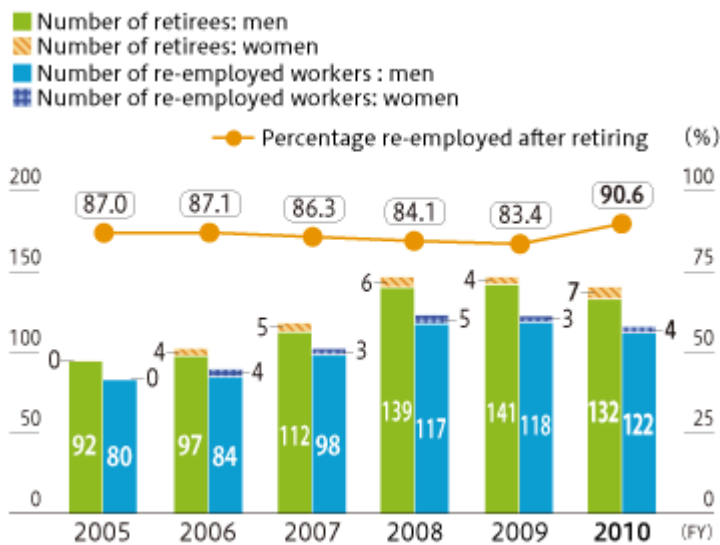
### Re-employment System Makes the Most of Experienced Employees

In 2001, Daikin became one of the first companies in Japan to introduce a re-employment system in which retirees wishing to participate can work until they are 65, thus providing an opportunity for them to make the most of their skills and knowledge. Since introducing this system, over 100 have been re-employed each year. In fiscal 2010, there were 535 retirees working under this system at Daikin. Fourteen of these re-employed veterans have been assigned to overseas posts so that they can impart their superior skills and know-how to our bases in other countries.

In fiscal 2006, all group companies in Japan introduced this re-employment system to comply with Japan's Revised Law Concerning Stabilization of Employment of Older Persons. Those applying for this system may work until they are 65, with their working hours and pay scale decided on by labor and management.

The contribution of these experienced workers is becoming more important with Japan's declining birthrate and aging population. We plan to place these workers in positions that are best for them by considering their requests and expertise and by having them consult with their superiors.

#### Number of Re-employed Workers & Rate of Re-employment (Daikin Industries only)



#### History of Daikin's Re-employment System

1979	Retirement age extended from 55 to 60.
1991	Introduction of re-employment system for employees up to 63.
2001	Age raised from 63 to 65.
2004	Senior Skill Specialist contract employee system introduced.
2005	Experience worker revitalization project started.
2006	System introduced at Daikin Group companies in Japan in 2006.

# Employment of People with Disabilities

## Hiring More People with Disabilities across the Entire Group

The Daikin Group strives to hire the disabled based on its policy of providing opportunities for disabled people to grow personally and make contributions to society through production activities.

In 1993, based on the Act on Employment Promotion etc. of Persons with Disabilities, Daikin Industries established Daikin Sunrise Settsu Co., Ltd., a cooperative venture with the Osaka Prefecture and Settsu City governments.

This venture gives people with disabilities greater opportunity to make the most of their skills at workplaces designed specifically with employment of the disabled in mind. Including the employment of disabled persons at many group companies and expanding employment of disabled persons at special subsidiary companies, we are increasing the disabled employment ratio for Daikin Group as a whole. In June 2009, Daikin Sunrise Settsu's new plant was established as another step in hiring more disabled. The duties of these employees have also expanded from the processing and assembly of machine parts and the manufacture of chemicals, to computer assisted design and the publication of documents.

Disabled persons form the nucleus of the workforce at the company, and as of March 2011, the company has 89 disabled employees who work side-by-side with able-bodied fellow workers.

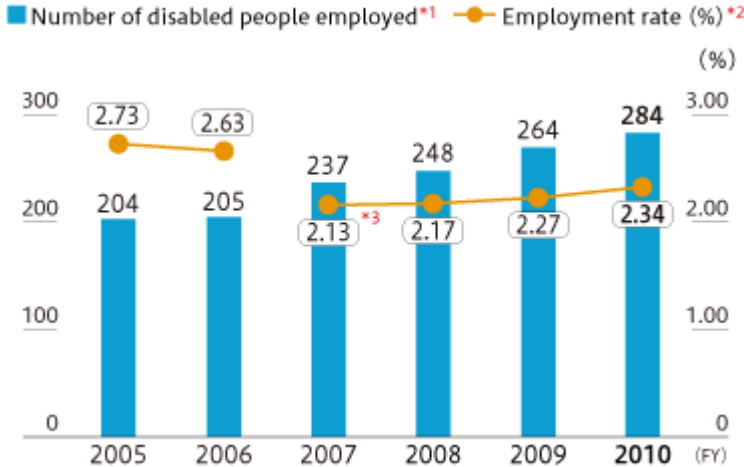


Daikin Sunrise Settsu (Japan)



New plant of Daikin Sunrise Settsu

### ■ Number of Disabled People Employed (Daikin Industries and domestic group companies<sup>\*3</sup>)



<sup>\*1</sup> Legally, 1 severely disabled person employed is counted as 2 disabled persons.

<sup>\*2</sup> Employment rate = number of disabled persons employed / number of persons employed.

<sup>\*3</sup> Disabled employment rate for only Daikin Industries until FY2006 and for the entire Daikin Group from FY2007.

### ■ The Slogans of Daikin Sunrise Settsu

1. Creating economic independence through individual effort and teamwork
2. Contributing to personal growth and community development through manufacturing
3. Creating a company in which employees, their families, and the region can take pride

- "Model Improved Workplace Employing People with Disabilities," sponsored by the Japan Organization for Employment of Persons with Disabilities with the support of the Ministry of Health Labour and Welfare First Place Award (Labour Minister's Award, 1998) Outstanding Achievement Award (2002, 2003) Encouragement Prize (2005)
- First Asahi Corporate Citizenship Award (2004)
- "Businesses and Individuals that Provide Employment Opportunities for People with Disabilities" Ministry of Health, Labour and Welfare Award (2009, 2010)

## TOPICS

### Daikin Sunrise Settsu Receives the Minister of Health, Labour and Welfare Award for the 2nd Time in Two Years

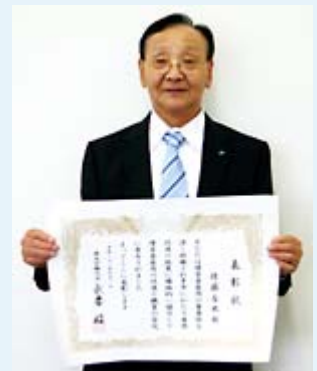
Kinmaru Goto, plant manager of Daikin Sunrise Settsu Co., Ltd. (in Osaka Prefecture), received the Fiscal 2010 Minister of Health, Labour and Welfare Award for "Businesses and Individuals that Provide Employment Opportunities for People with Disabilities".

The award is intended to arouse enthusiasm and an independent work spirit among disabled persons and also deepen the interest and understanding of businesses and the public in disabled employment. It is awarded to workplaces that actively hire a high number of disabled employees or individual disabled workers who demonstrate exemplary performance as professionals.

Plant Manager Goto was honored as an individual contributing to the advancement and stability of employment for the disabled. Besides efforts in hiring the disabled at Daikin Sunrise Settsu's Co., Ltd., the award was also the result of Goto's work educating the public about hiring the disabled. Following President Yoshio Ohtake's reception of the award last year, this is the second time in 2 years that Sunrise Settsu has been thus honored.

### Daikin Sunrise Settsu Certified as a Leading Company That Promotes the Employment of People with Disabilities by Japan's Health, Labour and Welfare Ministry

In March 2009, Daikin Sunrise Settsu Co., Ltd. was certified as a "Leading Company That Promotes the Employment of People with Disabilities" by Japan's Health, Labour and Welfare Ministry. This certification came after Daikin Sunrise Settsu passed minimum standards under a certification system for companies that are run by the Japan Association of Employers of persons with Severe Disabilities, which is under authorization of Japan's Health, Labour and Welfare Ministry. Certified companies may use the "Heartful Ribbon Mark" issued under this system.



Plant Manager Kinmaru Goto Receives the Minister of Health, Labour and Welfare Award



Heartful Ribbon Mark

## Daikin Named Certified Disabled Training Center in Shanghai

Using the experience of Daikin Sunrise Settsu Co., Ltd. in Japan, Daikin Air Conditioning Systems (Shanghai) Co., Ltd. has expanded its hiring of the disabled. Companies in Shanghai must have disabled account for at least 1.6% of their workforce. As of the end of March 2011, Daikin Shanghai had 63 disabled employees working on lines and in offices, accounting for 9.22% of all employees.

In July 2006, the Shanghai Federation for the Handicapped certified the company as a vocational training center for the handicapped.

In 2005, Daikin Shanghai established a product packaging assembly line operated by the many disabled the company hired that year. This line was separated from the current production line in order to ensure the safety of the workers. As the company improved its work environment and these employees gradually improved their skills, they began working more and more with other employees. And like all other employees, the disabled are compensated based on an evaluation of their performance.



Production line run by disabled employees at Daikin Air-Conditioning (Shanghai)

## Promotion of Local Personnel at Overseas Bases

### Promotion of Local Management at Overseas Bases

Daikin Group is pushing forward the localization of management at overseas bases and is actively encouraging the promotion of local personnel to managerial positions.

In 2004, we started the Daikin Business School (D-BS), a training seminar for cultivating personnel to take on the tasks of local management. In fiscal 2009, we formulated a training plan to identify and cultivate prospective managers throughout the entire Group, and have since been carrying out staff appointments and training on a carefully planned basis.

In fiscal 2010, we promoted 11 local personnel to executive positions in Europe, China, other parts of Asia, and Oceania.

## Diversity Education for Employees

### Training Japanese Employees for Work at Overseas Bases

Daikin Industries has a variety of training for Japanese employees who will be working at overseas bases so that they are able to respect the values of local employees and communicate with them properly.

This training has two goals. One is to improve understanding of the situation in the appointed region or country, the thinking and values of the people there, and the main considerations when doing business there. And because the Japanese employee will often be a manager, the other goal is to teach that person about Daikin's basic stance on personnel and labor matters, particularly cultural differences that could be important when evaluating employees.

In 2009, 21 Daikin employees bound for bases in the United States learned about current affairs and day-to-day personnel and labor matters in that country, while five Daikin employees appointed to bases in China learned the essentials of doing business in that country. In 2010, training is being held for 27 Daikin employees heading for Mexico, Brazil, and other Latin American countries so that they can understand the intricacies of the culture and customs of these countries.



## Work-Life Balance Policy

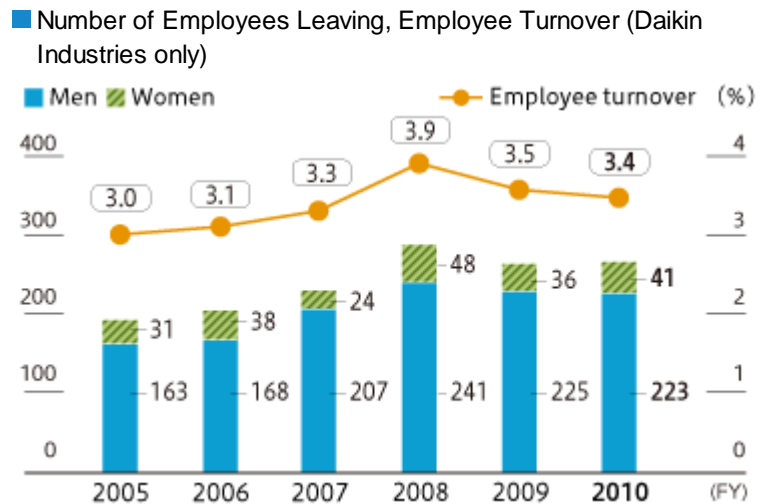
Daikin Industries stresses a work life balance for employees. We have a range of work systems that allow employees to work flexible duties and flexible schedules. The company has established an action plan for helping employees with children continue both work and home duties with peace of mind and has been certified as a company complying with the Law for Measures to Support the Development of the Next Generation. We have been particularly active in urging male employees to take advantage of our systems for childcare leave and childcare support.

## Helping Employees Match Work Schedule with Lifestyle

### Flex Time and Discretionary Work System Allow Employees to Continue Working

To allow this diverse range of employees to work under flexible conditions and working hours, we introduced the flex time system in 1991. In 2001, we introduced a discretionary work system in use in the R&D department and other company departments to accommodate the needs of employees with specialized duties such as those involved in planning, proposals, and surveys related to company operations.

Thanks to these efforts to give employees flexible working conditions and working hours, Daikin has an employee turnover of just 3.4% (including mandatory retirement age employees): this is far below the average of 16.4% for all industries in Japan (according to a 2009 survey by Japan's Ministry of Health, Labour and Welfare).



## Support for Childcare

### A Company Conducive to Both Working and Raising Children

Daikin Industries strives to create an environment where employees can continue their jobs even after having children.

In March 2007, we were certified for compliance with the Law for Measures to Support the Development of the Next Generation after reaching the targets of our first action plan. Our second action plan started in April 2007 with a number of support efforts.

One of these introduced in June 2007 was a childcare support system under which parents working overtime or taking business trips, or taking care of sick children, were eligible to receive financial aid from the company to cover part of the expenses such as babysitters. In fiscal 2010, 40 employees took advantage of this system.

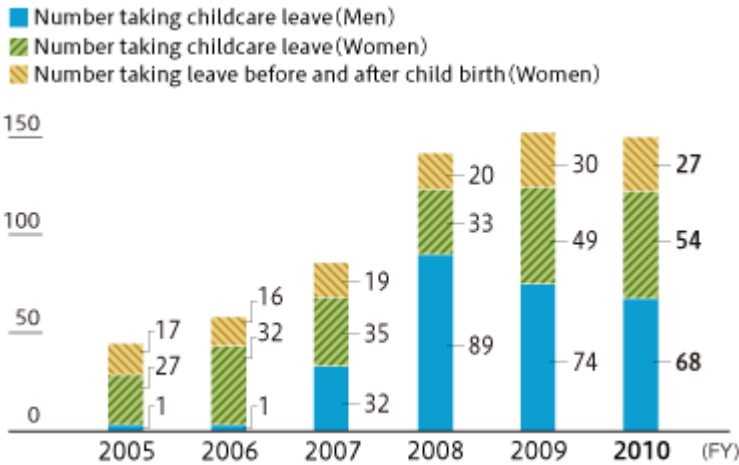
Daikin Group companies in Japan are also doing all they can to help employees raise their children. Daikin Group maintains a short-hours work system for employees with pre-school children, and many Group companies allow employees with pre-school children to choose from a variety of work systems such as a staggered or flexible work schedule or short hours.

## 68 Male Employees Take Childcare Leave

Daikin Industries encourages male employees to take extended leave for childcare and aims to create a work environment in which male employees feel comfortable taking childcare leave. We have revised our childcare leave systems so that more men could take childcare leave. This was an important part of the company's second action plan based on the Law for Measures to Support the Development of the Next Generation. The changes allow men with at-home spouses to take childcare leave until the child is 1 year old (compared to until eight weeks previously) and to take childcare leave twice (compared to once previously).

As a result of our efforts to promote awareness and use of the childcare leave system among our employees, 68 men took childcare leave in fiscal 2010.

### ■ Number of Employees Taking Leave Before and After Child Birth and Number Taking Childcare Leave (Daikin Industries only)



Daikin Industries achieved the targets of its first action plan based on the Law for Measures to Support the Development of the Next Generation. For this, the company was certified by the Osaka Labour Bureau.



Symbol Showing Certification as a Company Supporting Employees Childcare Efforts

### ■ Details of Second Action Plan

- Childcare flextime system extended for longer period**  
 Flexible working hours may now be used by parents of children still in elementary school (previously only for parents of preschool children).
- New plan established to provide financial assistance for childcare expenses.**  
 Parents working overtime or taking business trips, or whose children are sick, can choose to receive childcare services, with each family eligible to receive up to 200,000 yen a year in financial aid.
- More men encouraged to take childcare leave.**  
 We publicized changes to the system that make it easier for men to take childcare leave.
- Conference held on best balance of work and family.**  
 Information exchange conference allowed participants to share how best to balance work and family.
- Efforts made to shorten working hours**  
 We obligated employees to leave work at closing time at least once a week and prohibited them from coming to work on their days off.

■ Support Systems for the Balance of Work and Family

1992	Introduction of childcare leave system and shortened working hours for parents.
2005	First action plan based on the Law for Measures to Support the Development of the Next Generation.
2007	Achievement of goals of first action plan. Creation of second action plan (implementation period: March 2007-March 2012).
2010	Reassessment of childcare leave and family care leave in accordance with the revised Child Care and Family Care Leave Act

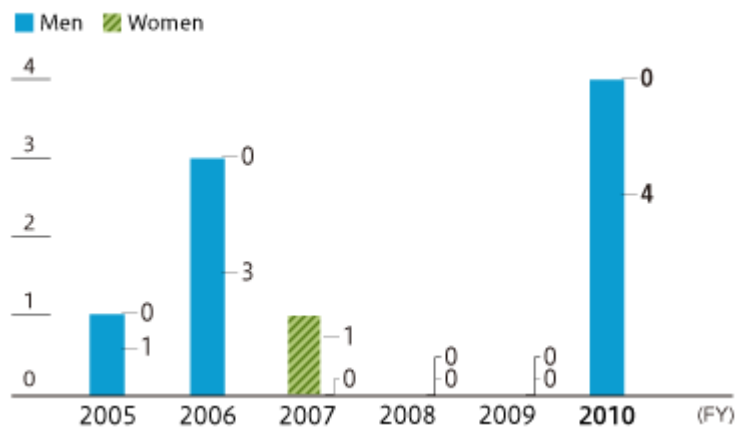
## Support for Family Care

### Family Care Leave and Shortened Working Hours

Daikin Industries is doing all it can so that employees can take leave to care for their family when necessary, with minimal stress, and therefore create an environment in which employees can continue working for Daikin under these circumstances.

Under our family care leave system, employees can take leave up to a maximum of 365 days for each family member who requires care, once for each time that member's condition becomes such as to require care. Under our system for adjustment of working hours for family care, employees can opt to work a staggered or flexible work schedule or shorter hours (six hours per day) up to a maximum of 365 days for each family member who requires care.

■ Number Taking Family Care Leave (Daikin Industries only)



In fiscal 2010, we reappraised the policy on child and family care leave in response to the revision of the Child Care and Family Care Leave Act in June, and included short-term care leave, whereby employees may take up to 5 days leave each year if needed to care for 1 family member, or up to 10 days leave for 2 or more family members.

■ 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.



## **Labor Management Relations Policy**

Daikin Industries 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 certain employees, everyone at Daikin Industries is a union member. The company holds frank discussions with the labor union. As soon as business plans are clarified, management holds a meeting where it explains these plans to the labor union. In fiscal 2010, there were 22 such meetings held at the head office. Branch office meetings are also held when necessary. Employee working conditions and status are matters discussed between labor and management, with results of these discussions promptly reported to employees of the various divisions.

## **Respecting the Rights of Workers**

### **Specification in Work Regulations and Agreements and Publicizing of Respect for Workers Rights**

At Daikin Industries, 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.

## **Dialog with Employees**

### **Hearings for Employees to Improve Working Conditions**

Daikin Industries has about 10 hearings a year with at least 2% of its employees (approximately 160 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 dialog 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.



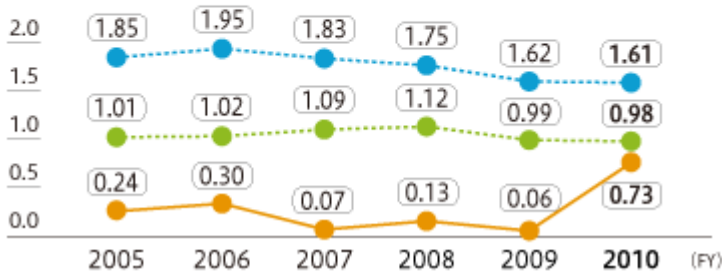
## Occupational Safety and Health Policy

The Daikin Group's Group Compliance Guidelines state our top priority of ensuring a safe, healthy workplace where employees can work in peace of mind. 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.

### Frequency Rate\*1 (Daikin Industries only)

- Daikin Industries
- National average for all industries
- National average for manufacturing industry

$$\text{Frequency rate} = \frac{\text{Number of calamities by industrial injuries}}{\text{Total actual working hours}} \times 1,000,000$$

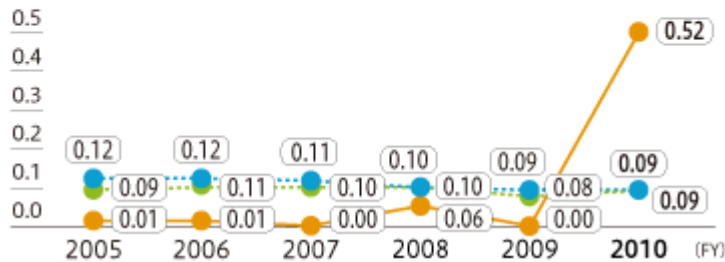


\*1: This shows the frequency of work-related calamities, expressed in number of casualties for every 1,000,000 working hours.

### Severity Rate\*2 (Daikin Industries only)

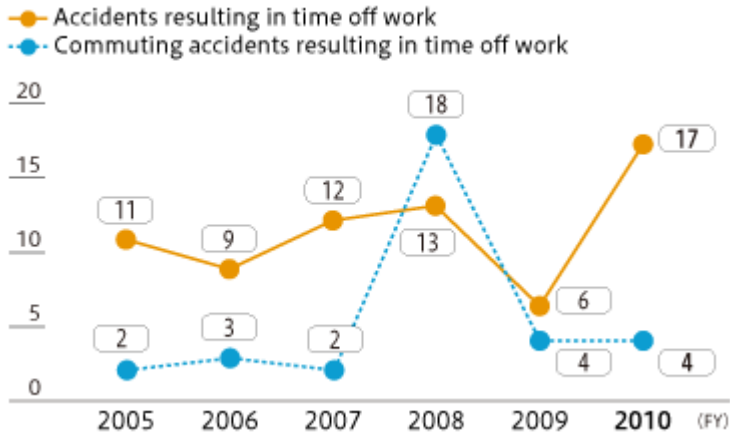
- Daikin Industries
- National average for all industries
- National average for manufacturing industry

$$\text{Severity rate} = \frac{\text{Total number of working days lost}}{\text{Total actual working hours}} \times 1,000$$



\*2: This shows the severity of the calamity, expressed in man-days lost per 1,000 hours worked.

■ Number of Accidents Resulting in Time off Work (Daikin Industries only)



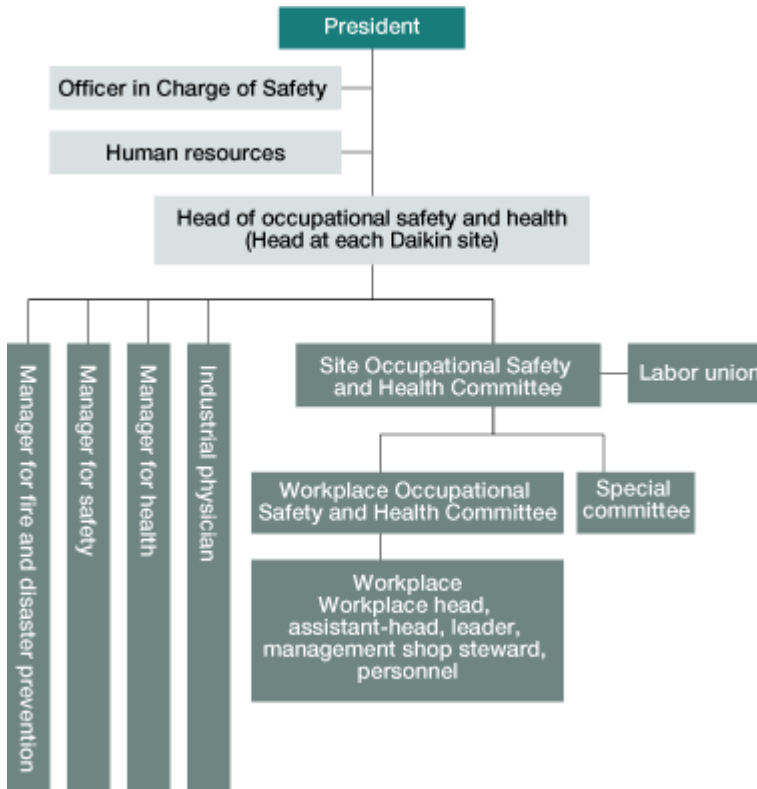
## Occupational Safety and Health Management Structure

### Occupational Safety and Health Committee at Each Daikin Site Leads Safety and Accident-Prevention Efforts

The chart below shows the Daikin Group's system for occupational safety and health and security. An Occupational Safety and Health Committee at each Daikin site leads efforts through the creation of voluntary annual policies and slogans.

These committees also ensure the safety of facilities and prevent accidents through risk assessments, conduct site patrols to make sure rules are being followed, and raise employee safety awareness through hand-on workshops. The committees also send members to other sites to exchange safety information with committee members there.

■ System for Occupational Safety and Health



## Employee Education and Training

### Raising Safety Awareness through Danger Prediction Drills

Each site of Daikin Industries conducts courses and training in occupational safety and health.

Special training is offered to licensed operators of equipment such as presses and forklifts. We also have danger prediction drills for all employees as well as employees of on-site partner companies with the aim of eliminating human error.

We also carry out near-miss educational activities to prevent accidents during work commutes and raise traffic safety within the premises.

▶ [Ensuring Plant Safety for Business Partners \(Responsibility to Business Partners\)](#) (Page 208)

#### TOPICS

##### Daikin Airconditioning Singapore Given High Appraisal for Occupational Health and Safety Activities

In September 2010, Daikin Airconditioning (Singapore) Pte. Ltd. was awarded a 5-star rating, the highest possible, in the Singapore government's BizSAFE program for promoting health and safety in the workplace. Under this program, a business must first obtain approval according to both the local safety standards (SS506) and the international standards (ISO18001) and is then ranked according to the level of implementation of occupational health and safety measures and risk management.



bizSAFE

Daikin Airconditioning (Singapore) Pte. Ltd. organized a safety committee that meets monthly to discuss and solve occupational health and safety issues. In fiscal 2010, the company held its first safety exhibition, which was attended by approximately 90 employees and 58 subcontracting service companies.

## Employee Health Management

### Supporting Employee Health through Checkups and Counseling

Daikin Industries 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.

Employees who are found to have problems are put under the direct guidance of the company health clinic, while employees with lifestyle-related diseases are taken care of by a public health nurse and nutritionist. We are trying to provide more opportunities for the employees themselves to use this health and nutrition advice for their own self improvement.

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.

We also work to increase employees' health awareness by holding seminars on preventing metabolic syndrome and lifestyle-related diseases, and providing information designed to reduce smoking among employees.

## Mental Health

### Awareness of Individuals and Organizations Dealing with Mental Health Issues and Provision of Specialist Care

Daikin Industries 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 health care measures are implemented at all bases: self-care, care by managers, care by dedicated in-house staff, and care by dedicated outside staff.

Specialized staff work closely with each workplace to create a working environment conducive to mental and physical well-being. Industrial physicians provide mental health checkups to employees who are transferred and to newly hired employees after three months, as well as to employees who questionnaires have showed are facing problems. We also have once-a-year mental health lectures for managers.

## Shortening Working Hours

### Shortening Work Hours by Obligating Employees to Leave at Closing Time and by Boosting Work Efficiency

Since fiscal 2003, as an initiative to eliminate long working hours, Daikin Industries has obligated employees to leave the office at closing time once a week and prohibited employees from coming to work on their days off (unless absolutely necessary and approved by the department head).

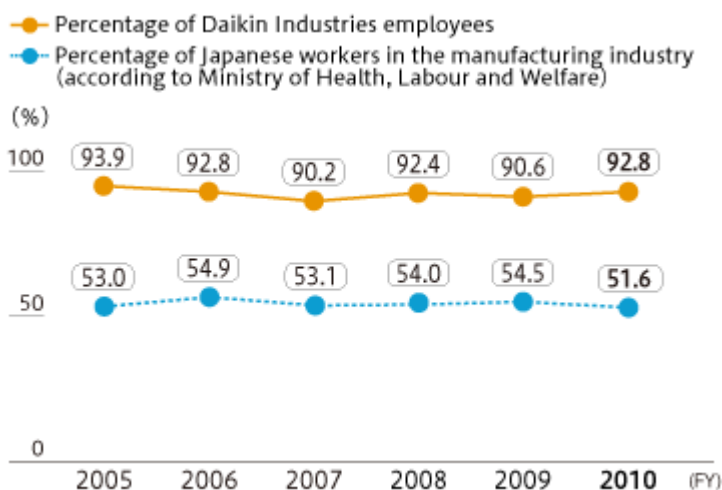
In this way, we are making a concerted effort to improve both work rule compliance and work efficiency. Yearly plans are made for each employee's duties and working hours, and to ensure that work and personnel management are in line with the plans, checklists are filled out to manage daily work.

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.

In fiscal 2009, we introduced a work attendance tracking system that enables us to easily comprehend the day-to-day circumstances of employee overtime and paid leave use. This system has advanced employee workload control by managers and boosted the use of paid leave among employees.

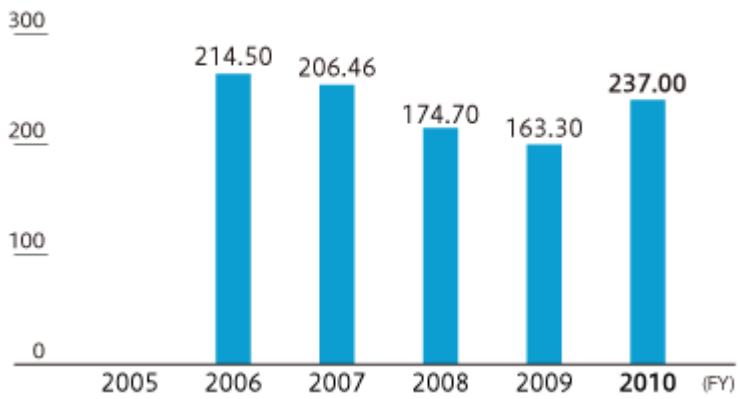
We will continue to do everything we can to shorten working hours and boost work efficiency.

#### ■ Percentage of Employees Taking All Paid Leave (Daikin Industries only)



■ Average Hours of Overtime per Employee (Daikin Industries only)

(hours)



■ 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**



## Philosophy

The Daikin Group believes that practicing the principle of "People-centered Management" is essential to the growth of the group. Our philosophy states that the cumulative growth of all group members, regardless of nationality or company, serves as the foundation for the group's development. Based on the belief that people grow through work experience, the Daikin Group develops employee capabilities through on-the-job training (OJT)<sup>\*1</sup>.

We also supplement this with off-the-job training (Off JT)<sup>\*2</sup>, such as the Daikin Leadership Development Program for training executives who can work at the front line of global business operations, the Daikin Business School for executive management of overseas bases. We offer provide opportunities for independent learning through language training and correspondence courses.

\*1 OJT: Employees learn and acquire the skills, knowledge, and degree of commitment required of their positions while performing their jobs.

\*2 OFF-JT: Employees study outside of their workplaces in order to acquire the knowledge and skills needed for their jobs.

## Education Systems

### Raising up Personnel through Work Experience to Take the World Stage

With the Daikin Group's business spreading worldwide, it is crucial that we train people to be leaders with the management skills to guide employees with a diverse range of values in a common direction. To this end, in May 2008, we established the Daikin Ales Aoya Global Training Center in Tottori Prefecture, Japan. Here, new intensive courses for all worldwide Daikin employees are geared to the changing needs of the times, such as Skills Leader Training for people leading our overseas production bases, and Bridge Person Training for people who will promote understanding and practice of the Group Philosophy worldwide. In fiscal 2010, over 10,000 employees made use of the training center.

Starting from fiscal 2011, under the "FUSION 15" strategic management plan for 2015, we are implementing a variety of measures to boost human resources and facilitate mutual communications between the headquarters and branch offices, such as greater global recruitment, career path structuring, inter-regional and international deployments, and creation of competitive assessment and reward systems.

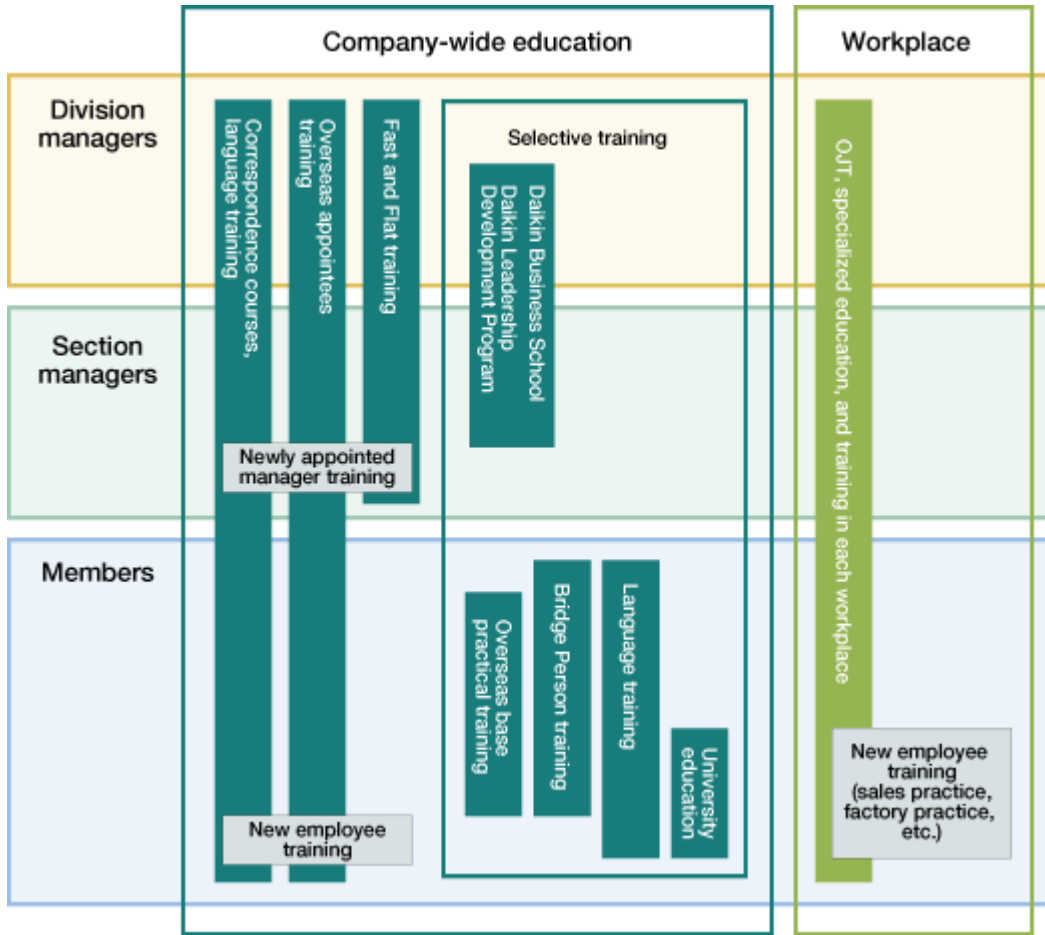


Daikin Ales Aoya Global Training Center



Bridge Person Training

■ Education System



**New Employee Training**

The goal of new employee training is to foster business people capable of frankly expressing their own opinions and communicating with people with differing opinions. Trainees learn what it takes to be a company employee, and about the past, present, and future direction of the Daikin Group. There are also five days of English-language training as part of efforts to help new employees become global citizens and understand other cultures.

New employees also spend five nights and six days at the Daikin Ales Aoya global training center in Tottori Prefecture, Japan. There, hands-on, participatory training has new employees holding discussions and practicing concepts focusing on Daikin's People-centered Management and how to become an ideal employee.

**Fast and Flat Training**

This training focuses on improving the levels of leadership demonstrated by managers based on Daikin's concept of People-centered management. It is to facilitate Fast and Flat management of people and organization appropriate to each workplace.

**Overseas Base Practical Training**

To ensure we have internationally minded employees who can lead our global business in future, we send young employees (who have been with Daikin between two and nine years) to work at overseas bases for two years. Unlike other Daikin employees working overseas, these people make the most of their time in a foreign country, as they learn the practical side of all aspects of business by working with local dealers, suppliers, business partners, and universities, and acquiring firsthand the job skills and knowledge they need and learning about local cultures.

This program started in 1999 and as of the end of fiscal 2010, 93 employees had taken part.

### Bridge Person Training

This training gives participants the work knowledge, experience, and networking and people skills that will make them a bridge between overseas bases and their Daikin divisions in Japan. Trainees learn to improve communication skills in English, and to gain a deeper understanding of foreign culture and Daikin Group's Philosophy.

This training began in 2008 and by the end of fiscal 2010, 51 employees had completed it.

### Study Trips in Japan

Daikin sends young employees in Japan to universities such as Toyota Technological Institute and the International University of Japan in order to improve their technological skills, widen their perspective, and build human resource networks. There are currently six Daikin employees studying at Toyota Technological Institute.

### Daikin Leadership Development Program, Daikin Business School

Both the Daikin Leadership Development Program and the Daikin Business School foster the next generation of Daikin Executives; the former is for managers in Japan while the latter is for local nationals who are managers at Daikin's overseas bases. Centered on Our Group Philosophy, the program turns out executives who can lead and manage their company for the common good of the entire Daikin Group.

## Passing on Skills

### Meister and Expert Systems Foster a New Generation

In 2001, Daikin Industries 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 "Meisters". As of March 2011, there are 18 designated "Meisters" in the skill areas of brazing, lathing, sheet metal working, arc welding, die making, and tooling. These Meisters teach their skills at Daikin bases worldwide, thus fostering future engineers and technical leaders.

The Chemicals Division has since 2006 had a system to designate Experts, who pass their advanced skills on to others. As of March 2011, there are five designated Experts working in plant operations.

## Passing on Skills at Overseas Bases

### Fostering Global Trainers to Play Active Roles Around the World

Starting in 2002, Daikin Industries began designating distinguished veteran technicians as "Meisters" and sending them overseas to help raise the skill levels at overseas Group production bases. However, due to a lack of personnel to provide technical support for manufacturing at overseas bases, in April 2010 we established a new trainer system to foster future Meisters. Under this system, there are 3 categories of trainer—global trainers, regional trainers, and base trainers—and there are currently nine personnel undergoing this training.



Global skills training

In fiscal 2009, we started the Global Trainer Program in which foreign employees assigned to take up technical leader posts at their bases receive technical training in Japan from Meisters. Under this system, participants who have obtained technical skills return to the Daikin base in their own countries to provide technical leadership for their colleagues. As of fiscal 2010, a total of 16 technicians from foreign bases have participated in the Global Trainer Program.

We will strengthen technical support at foreign bases by advancing personnel training and increasing the number of qualified trainers to achieve globally consistent quality at the increasing and expanding bases in developing countries.

## Fostering Young Engineers and Technicians

### Experienced Workers Pass On Techniques and Skills

Since 1994, the Shiga Plant of Daikin Industries 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. The system began with training for mid-level employees but now focuses on passing on skills and techniques to young employees. As of fiscal 2010, a total of 96 employees have taken this training.

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.

While young workers pick up technical knowledge, they get a chance to interact with experienced workers, which help young workers develop a sense of professionalism.

### TOPICS

#### Daikin Airconditioning Singapore Becomes an Approved Training Organization

In August 2010, Daikin Airconditioning (Singapore) Pte. Ltd. established a framework agreement with the Singapore government's Workforce Development Agency (WDA) for conducting a training program as an Approved Training Organization (ATO). A budget has been set aside for the company's government-approved training program that includes government grants for administrative costs and tuition for two years.

Daikin Airconditioning (Singapore) Pte. Ltd. will conduct vocational education, as the only government-approved training facility in the process industry.



Explanatory pamphlet for government-approved courses

## Spurring the Creation of Intellectual Property

### Two Systems Stimulate Creation of Intellectual Property

Daikin Industries 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 2010, Daikin compensated employees for 1,095 patent applications (submitted before the end of March 2010) and 467 successful uses of the patent (investigated in fiscal 2009 and paid in fiscal 2010). The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. In fiscal 2010, we awarded incentive bonuses to the creators of 84 patents.

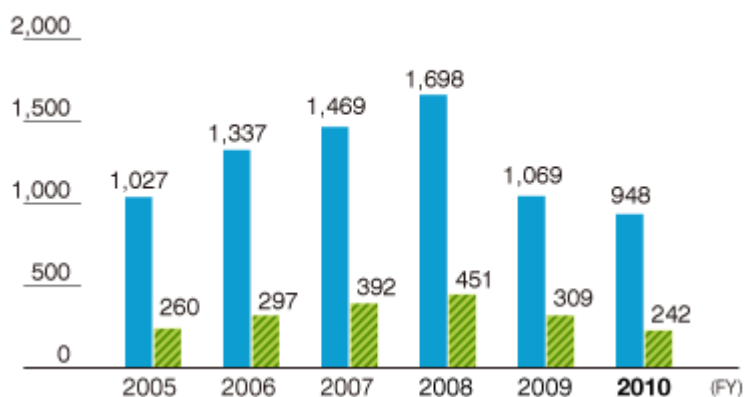
These systems have been gradually taking root and employees are increasingly interested in discoveries and patents. However, we cannot say that there has been an increase in number of patent applications or the number of patents in force (early incentive bonuses). In fiscal 2010, due to the decrease in air conditioning patent applications in fiscal 2009, development leaders and members of the Intellectual Property Department got together to follow-up on the progress of key development themes on a monthly basis and promptly submit new ideas.

We will strive to enhance intellectual property management in order to increase both the number and quality of patent application, and we aim to devise ways to stimulate enthusiasm for inventions in a wider range of fields, as well as create a system of rewards that appropriately compensate employees for their success.

We are also addressing possible incentives for outstanding activities such as the building up of patent portfolios and for outstanding inventions produced at overseas bases.

■ Number of Patent Applications (Daikin Industries only)

■ Japanese applications ■ Overseas applications





## Responsibility to: Business Partners



“ The Daikin Group strives to build a relationship of trust with its suppliers. Through a synergistic relationship, both sides seek to meet each other's expectations for the sake of mutual growth and progress. To achieve this, we do our utmost to conduct fair and open dealings, and we constantly communicate with suppliers to ensure ever-improved quality and safety. ”

### Philosophy on Suppliers

#### Open to All Suppliers of Any Nationality, Size, and Experience

In choosing our suppliers, we have an open-door policy, based on our Purchasing Policy, in which potential business partners, whatever their nationality, can view our requirements for quality, cost, and delivery on our website before submitting a bid.

[Read more](#)

(See page 204)

- ▶ [Philosophy on Fair Dealings](#)
- ▶ [Purchasing Philosophy and Purchasing Policy](#)
- ▶ [Fair Dealings Management Structure](#)

### Working Closely with Suppliers

#### Growing and Evolving with Suppliers

We take every opportunity for communicating with suppliers so that we can develop a relationship of mutual understanding and trust.

In order to grow and evolve with suppliers, we help them build management systems offering better product quality and safety, hold meetings jointly with suppliers where both sides can solve key problems, and offer training for employees of distributors.

[Read more](#)

(See page 206)

- ▶ [Ensuring Legal Compliance in the Entire Supply Chain](#)
- ▶ [Helping Suppliers Build Quality Management Systems](#)
- ▶ [Raising Product Quality and Ensuring Safety Together with Suppliers](#)
  - ▶ [Helping Suppliers Improve Quality](#)
  - ▶ [ZD Activities with Suppliers](#)
- ▶ [Business Partners Contribute to Plant Safety](#)
- ▶ [Building a Relationship of Growth](#)

### Green Procurement Guidelines

#### Guidelines Require Suppliers to Carry Out Environmental Management and Chemical Substances Management

Daikin's Green Procurement Guidelines went into effect in fiscal 2000 to help our suppliers procure green parts and materials. These guidelines are consulted during the procurement stage in Japan, China and Southeast Asia, and the EU.

[Read more](#)

(See page 209)



### Philosophy on Fair Dealings

#### Dealings Based on Our Purchasing Policy

The Daikin Group has a Purchasing Policy that is the basis for fair dealings with suppliers.

##### ■ Purchasing Philosophy and Purchasing Policy

###### **Purchasing Philosophy:**

"Respect Independence" and "Cooperation and Competition"

###### **Purchasing Policy:**

- **Fair relations based on an open-door policy**  
Provide open, equal, and fair opportunities for all companies, regardless of their locality, size, and sales results.
- **Mutual growth through mutual trust**  
Create open conditions for business dealings and respect free competition.
- **Look for good partners**  
In procuring from overseas, look for companies to share common profit and offer society useful products.
- **Observe laws, and maintain confidentiality**  
Observe laws on business dealings and respect the spirit of these laws.

### Fair Dealings Management Structure

#### Giving All Suppliers an Equal Opportunity through an Open Door Policy

The Daikin Group has an open door policy on choosing suppliers in which we welcome bids from any company, regardless of nationality, size, or years in business.

In our air conditioning business, information on product specs, desired quality and cost, and delivery times is posted on our website in order to achieve equality of opportunity. All companies satisfying our criteria become eligible to do business with us.

In our chemicals business as well, we do business with any supplier meeting our criteria for quality, price, and delivery time.

#### Regular Assessment of Suppliers to Review Business Relationship

Before starting business dealings in the Daikin Group, 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 business, before we start transactions with new suppliers, we use the Supplier Assessment Standard Sheet to judge companies based on their administration, quality, price, delivery, and environmental measures. Besides ensuring that suppliers are in compliance with laws, we assess them in CSR aspects such as voluntary efforts to improve labor and environmental matters. Suppliers continue to be assessed every year based on our Assessment System for Continuation of Business. We also create standards and rules for qualitative assessment criteria so that we are able to make quantitative judgments. The assessment criteria themselves are also reviewed to keep up with the changing times.

In the chemicals business, we assess new and existing suppliers based on ISO 9001, and we use as many criteria as possible in order to evaluate our suppliers fairly: this includes discussing business with the supplier using multiple Daikin representatives, and making regular visits to the supplier.

Based on such assessments, in fiscal 2010 we began dealings with 20 new suppliers in the chemicals business.



## Ensuring Legal Compliance in the Entire Supply Chain

### Helping Suppliers Achieve Compliance

The Daikin Group strives to achieve legal compliance throughout the supply chain by helping suppliers abide by laws.

In the air conditioning business, we raise supplier awareness through written requests for legal compliance and meetings five times a year at which we introduce case studies. When renewing agreements with suppliers, those that fail to meet our standards are asked to write up plans for improvement, which we follow up on. We believe it is important to constantly assess suppliers throughout the year to ensure that they are making improvements.

We also provide environmental support information on a special website for suppliers.

In the chemicals business, we carry out surprise spot audits. We know that we must continue to work with suppliers in order to further eliminate excessive and unfair labor and to ensure human rights are respected.

### Ensuring Compliance with the Subcontract Act

Japan's Subcontract Act covers about 3,000 Daikin Industries' suppliers and subcontractors.

Our Subcontract Act Compliance Guidelines ensure that all Daikin divisions are in compliance with the Act in respect to matters such as prompt payment. All divisions are made constantly aware 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 Quality Management Systems

### Helping Suppliers Obtain ISO Certification

Daikin Industries' Green Procurement Guidelines state that suppliers must be ISO 14001 certified. And to promote more complete quality management systems, we provide the latest information on environment-related laws, and we request our primary suppliers, as well as their suppliers, to conduct green procurement and build a chemical management system.

The Chemicals Division requests that its suppliers obtain ISO 14001 certification, and it offers a range of advice on building quality management systems, improving production processes, and streamlining the organization so that suppliers can also obtain ISO 9001 certification.

▶ See [Green Procurement \(Low-Impact Production\)](#) (Page 119)

▶ See [Green Procurement Guidelines](#) (Page 209)

## Raising Product Quality and Ensuring Safety Together with Suppliers

### Suppliers Take Part in Quality Improvement Conferences, Receive Quality Guidance

Suppliers are indispensable to our goal of providing customers with reliable products. Daikin strives to raise quality by working closely with its suppliers.

In our air conditioning business, we hold briefings to enlist the help of suppliers in improving quality and achieving zero defects. To this end, the Air Conditioning Manufacturing Division and the Global Procurement Division hold the monthly Supplier Quality Conference, where we assess and analyze the quality of parts we purchase and, when necessary, request that suppliers report on improvement efforts at quality improvement announcement meetings and quality improvement proposal meetings. We even go so far as to visit their factories to offer assistance.

In our chemicals business, we hold an annual quality forum for sharing Daikin quality policies and giving suppliers a chance to report on their quality improvement activities. We also conduct quality audits at suppliers to ensure they are conducting measures to maintain and improve quality. And we hold technical exchange meetings, where Daikin and engineers at our suppliers work to jointly solve quality issues.

We will continue to strengthen communication with suppliers to ensure our products are of the highest quality.



Supplier Quality Conference



Annual Quality Forum

#### ■ Helping Suppliers Improve Quality

##### Air Conditioning Division

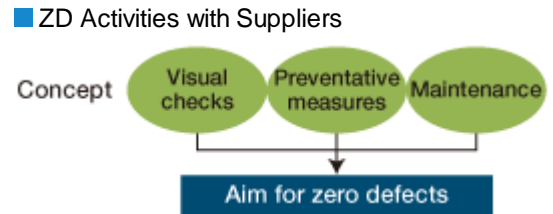
Supplier meetings	Daikin Industries' policy and progress are explained and legal compliance is stressed through model examples. (4-5 times/year)
Supplier Quality Conference	Parts we purchased are inspected each month for defects and quality improvement measures carried out. (Each month)
Quality improvement announcement meetings, quality improvement proposal meetings	Suppliers with quality problems must report on improvement measures. (In fiscal 2010, five quality improvement announcement meetings were held for a total of 53 companies and 12 quality improvement proposal meetings were held for 113 companies.)
Quality audits	Auditing institution conducts regular external audit, and internal audit are conducted jointly in the Air Conditioning Manufacturing Division and at suppliers.
Visits to suppliers	Purchasing managers and officers, and executives visit suppliers.

##### Chemicals Division

Quality Forum	Introduction of Daikin Industries' quality policy, defect rate and quality cost of purchased goods, quality differences among companies, and activities aimed at improving quality. (Once a year, approx. 60 companies took part.)
Technical exchange meeting	Daikin Industries and engineers at suppliers work together to solve quality issues. (Two companies took part.)
Quality audits	Suppliers who provided defective products underwent audits based on ISO 9001. (Conducted at 25 companies.)
Other	Distribution of in-house magazine, holding of workshops on methods for analyzing quality improvement.

## Aiming for Zero Defects through ZD Activities

Since fiscal 2007, the Air Conditioning Division has been working with suppliers taking part in the Supplier Quality Conference in an initiative called ZD (zero defect) activities. The goal is to achieve zero defects through 3S (visual checks), preventative measures (look for potential problems in production processes), and prevention of reoccurring problems (through regular maintenance). In fiscal 2010, we expanded the ZD initiative to include overseas companies.



As of fiscal 2010, 18 suppliers were taking part in ZD activities, which, combined with the Supplier Quality Conference, contributed to an approximately 60% drop in defects between fiscal 2005 and 2010.

## Business Partners Contribute to Plant Safety

### Providing Business Partners Working in Daikin Plants with Safety Information and Conducting On-Site Patrols

Daikin Industries asks for business partners' cooperation in making plants safer.

There are many employees of business partners working in Daikin plants, so it is essential we provide them with information and guidance on safe work practices and conduct safety patrols of the plants.

With so many vehicles entering and exiting plants, safe driving is crucial. At the Yodogawa Plant and Kashima Plant, for example, an accident with the chemicals produced there could mean disaster. That's why we hold regular driving safety seminars for delivery vehicle drivers to teach them traffic rules and promote safe driving.

In fiscal 2010, the Air Conditioning Division held two supplier meetings for raising awareness of safety. In the Chemicals Division, we held safety workshops attended by approximately 400 drivers.

## Building a Relationship of Growth

### Communication is Key to Building Understanding and Trust

The Daikin Group takes every possible opportunity to communicate with suppliers and promote mutual understanding and trust.

In the Air Conditioning Division, global purchasing officers, the head of the Global Procurement Division, and managers regularly visit suppliers for exchanges with their counterparts. Other ways we promote communication include supplier meetings, goodwill gatherings, and award ceremonies to recognize supplier achievements.

The Chemicals Division fosters good relations through the Quality Forum. It also has employees in charge of dealing with suppliers in five areas: main raw materials and auxiliary materials, packaging materials, equipment, outsourcing, and general purchasing. These employees work regularly and closely with suppliers to gather information and exchange opinions on issues including technology, quality, and price. As a result of this dialog, we have succeeded in achieving stable procurement of key material such as hydrogen fluoride, and solved the problem of defects occurring during polyethylene molding.



Workshop for dealers of the Oil Hydraulics Division



Quality Forum sponsored by the Chemicals Division



## Green Procurement Guidelines

### Helping Suppliers be Legally Compliant


In fiscal 2000, the Daikin Group 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.

At our major manufacturing bases in Japan, China, and Southeast Asia, we help suppliers abide by the Green Procurement Guidelines and inspect products from our suppliers to determine the chemical substances they contain.

To help suppliers comply with laws and regulations, we hold meetings to explain environmentally related laws and how the Daikin Group abides by these, and release information on our Web site.

In October 2009, we published the 5th edition of the Green Procurement Guidelines, which includes an updated list of restricted chemical substances.

### Overview of the Green Procurement Guidelines (PDF file)

▶ [Guidelines PDF Data \(150KB\)](http://www.daikin.com/csr/social/supplier/guidelines.pdf)  (Oct.2009 revised)  
(<http://www.daikin.com/csr/social/supplier/guidelines.pdf>)

▶ [Green Procurement Inspection List PDF Data \(55KB\)](http://www.daikin.com/csr/social/supplier/inspection.pdf)   
(<http://www.daikin.com/csr/social/supplier/inspection.pdf>)



You need the Adobe Reader application, offered by Adobe Systems Incorporated, to read PDF files. If it is not installed in your computer, please download an appropriate version of the application according to the model and specifications of your computer.

▶ [Download Adobe Reader](#)



## Responsibility to: Shareholders and Investors



“ Besides stressing CSR as part of its management, the Daikin Group strives to improve financial performance to maximize corporate value. Raising corporate value helps us meet shareholder and investor expectations and leads to further growth for our company. ”

### For Shareholders

#### DOE of Plus 2.0% Means Stable Dividends

To offer shareholders and investors higher stock prices and stable dividends, we strive to make the best use of capital to achieve solid profitability and a firm financial base.

[▶ Read more](#)

(See page 211)

- ▶ [Maximizing Corporate Value](#)
  - ↳ [Fiscal Year End Stock Prices](#)
  - ↳ [Operating Income Margin](#)
  - ↳ [Daikin Included in SRI Fund Indexes](#)
- ▶ [Distribution of Profit](#)
  - ↳ [Dividends](#)
  - ↳ [Dividends to Shareholders Equity](#)
- ▶ [Respect for Exercising Voting Rights](#)
  - ↳ [Voting Rights Exercised](#)
  - ↳ [Breakdown of Shareholders](#)

### Information Disclosure Policy

#### Constant Efforts to Disclose Information, Including 300 Seminars a Year

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.

[▶ Read more](#)

(See page 214)

- ▶ [Philosophy](#)
- ▶ [Disclosing Information in a Fair and Timely Manner](#)



## Maximizing Corporate Value

### Aiming for Increased Income and Profit Despite the Cloudy Economic Outlook

The Daikin Group works to boost business performance and raise corporate value in order to meet the expectations of shareholders, investors, and other stakeholders. To this end, we stress free cash flow (a management indicator that can be said to be the source of corporate value), boost earnings, and reduce accounts receivable and inventory.

With the world economy on the road to modest recovery in fiscal 2010, Daikin worked to expand business in China and other emerging countries, increase sales of energy-efficient products a step ahead of the competition in Europe and North America, and maximize advantages in Japan such as the hot summer and the eco-point system for appliance purchases. Meanwhile, we offset disadvantages, like increasing raw materials costs and an unfavorable exchange rate due to a strong Japanese yen, by strengthening our management structure through overall cost-cutting. As a result, net sales were 1.603 trillion yen, up 13%, and group operating income was 75.5 billion, up 71%.

The economic outlook for fiscal 2011 is cloudy, what with high raw material costs, an unfavorable exchange rate due to the strong yen, power shortages due to the Great East Japan Earthquake, and sluggish consumer spending. However, we plan to start full-fledged entry into the mass consumer markets in emerging countries, step up environmentally related business, and come out with more energy-efficient products and services to help reduce energy consumption in response to the power shortages following the earthquake. In all, through the revamping of fixed costs and other measures we aim to continue boosting profitability so that we can increase income and profit. We believe that this year will take us further along the path to sustainable growth. It will be a year that the entire Daikin Group comes together to accelerate efforts to success as we start the FUSION 15 strategic management plan.

#### Fiscal Year End Stock Prices



#### Operating Income Margin



**Daikin Included in SRI Fund\* Indexes**

Daikin Industries has been selected for the ninth year in a row for inclusion in the Dow Jones Sustainability Indexes, which comprise approximately 300 leading companies worldwide selected through evaluation based on economic, environmental, and social criteria.

Daikin has also been selected for the Morningstar and other SRI\* (socially responsible investing) funds.

\* SRI Fund: SRI funds are made up of companies that, in addition to being rated as financially sound, demonstrate outstanding environmental protection and social responsibility in areas such as legal compliance and the promotion of human rights.



**Silver Class Rating for Daikin in SAM's Corporate Sustainability Assessment**

Daikin Industries underwent a corporate sustainability assessment conducted by Sustainable Asset Management (SAM), a Swiss asset management company, and was given a Silver Class rating. SAM ranks companies into Gold Class, Silver Class, or Bronze Class based on criteria including economic, environmental, and social sustainability.

In fiscal 2010, SAM evaluated 2,500 companies in 58 sectors, with 272 selected (including 41 Japanese companies). In the Industrial Engineering sector, in which Daikin is classified, seven companies achieved the Silver Class and eight companies achieved the Bronze Class. Daikin Industries was the only Japanese company among these 15.

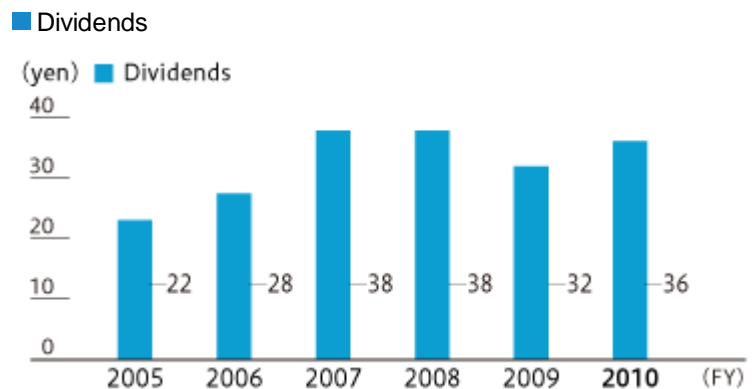


**Distribution of Profit**

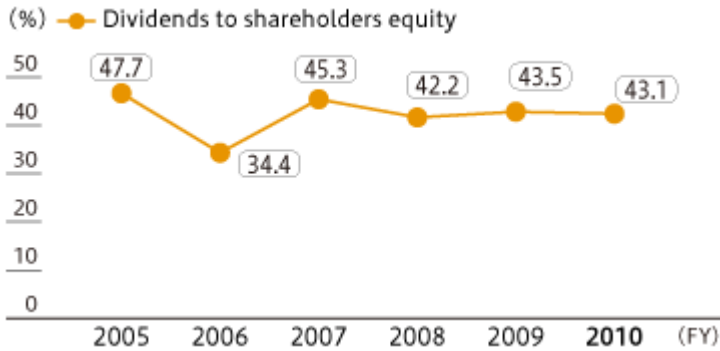
**Deciding Dividends according to Profits Based on Stability**

By setting a target of maintaining at least a 2.0% ratio of dividends to shareholders equity, we strive to pay stable dividends that take into account a range of factors including consolidated performance, financial situations, and capital needs. The dividend for fiscal 2010 is expected to be 36 yen, up 4 yen from the previous fiscal year.

With regard to internal reserves, we will allot them to strategic investments aimed at strengthening the management structure, accelerating the development of global business, promoting the development of environmentally conscious products, achieving business expansion, and improving competitiveness.



## Dividends to Shareholders Equity



## 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 a week earlier than is legally required. 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, and we have an English version of our website.

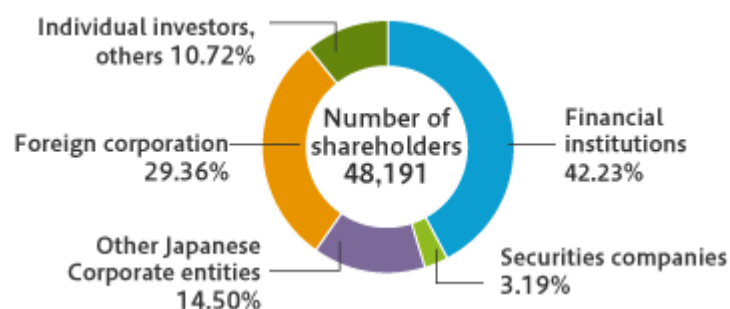
Since fiscal 2003, we have striven to get as many shareholders as possible to exercise their voting rights by allowing voting over the Internet. This means that those who cannot attend meetings in person can still exercise their voting rights by personal computer or mobile phone. In fiscal 2006, we adopted a platform for exercising voting rights, which made it even easier for institutional investors to vote.

As a result of these efforts, the percentage of voting rights exercised reached 79.49% in fiscal 2010. The number of votes cast over the Internet also increased to 1,012,927 in fiscal 2010 (998 shareholders).

### Voting Rights Exercised

	Voting rights exercised	Votes cast over the Internet	Shareholders voting online
FY2007	81.72%	903,216	691
FY2008	85.43%	864,879	926
FY2009	81.50%	897,490	779
FY2010	79.49	1,012,927	998

### Breakdown of Shareholders (March 31, 2011)





## Philosophy

Daikin Industries places the utmost importance on its responsibility of providing stakeholders with timely, proper information disclosure. In particular, we believe it is our duty to raise management transparency by disclosing information to shareholders and investors in every possible way. To this end, we have a Disclosure Policy that stipulates standards and methods for information disclosure.

In accordance with our Disclosure Policy and the Tokyo Stock Exchange's standards for timely information disclosure, we use our website, news organizations, and the TD-NET online system provided by the Tokyo Stock Exchange to disclose information on recalls, the occurrence of loss on valuation of securities, and decisions such as the establishment of sales companies. As well, for product, technical, and other information that we decide must be made public, we do so after consultation between the relevant company divisions.

## Disclosing Information in a Fair and Timely Manner

### Maximizing Information Disclosure through Briefings and Our Website

Daikin Industries 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. As well, we visit and hold talks with institutional investors in Japan and other countries. In fiscal 2010, we spoke with investors on nearly 300 occasions through business briefings, factory tours, and face-to-face meetings.



End-of-year financial performance briefing for analysts and institutional investors

We try to provide a wealth of information on the IR site of our home page and disclose information—including documents required by law such as securities reports and documents related to our business performance—in a prompt, fair, and timely manner. Our top executives also strive to relay firsthand company philosophy and direction in as many ways as possible.

The opinions from shareholders and investors are reflected in our management.

In fiscal 2010, the Tokyo Branch appointed an IR manager in charge of media relations, and this allowed us to better meet the information needs of institutional investors.

We will continue to conduct dialog with all investors, and we are planning to provide personal investors with IR information through more comprehensive website pages specifically for shareholders and investors.



## Responsibility to: Communities



“ Employees are front and center in community service that covers arts and culture, human resource development, and environmental protection. We strive to provide each region with the support it needs. ”

### Promoting Art and Culture

#### Daikin Supports National Museum of Art

Established to promote art and culture, the Daikin Industries Foundation to Promote Modern Art supports a wide range of activities including exhibitions by the National Museum of Art, lectures, academic research, and publications. Overseas as well, we support local culture through the sponsorship of music festivals and other events.

[▶ Read more](#)

(See page 217)

- ▶ [Policy on Contributing to Furthering Art and Culture](#)
- ▶ [Supporting Art and Music](#)
  - [National Museum of Art, Osaka](#)
  - [Daikin Supports the Kansai Philharmonic Orchestra](#)
  - [Other Organizations Supported by Daikin Industries](#)

### Promoting Sports

#### Daikin Employees Run Golf Tournament and Foster Future Golfers

With the aim of deepening relations between Okinawa and mainland Japan, every spring we sponsor the Daikin Orchid Ladies' Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour.

Held in conjunction with the tournament is the Orchid Bounty Foundation, which collects donations to support local arts, culture, and education.

[▶ Read more](#)

(See page 219)

- ▶ [Policy on Promoting Sports](#)
- ▶ [Daikin Orchid Ladies' Golf Tournament](#)

### Contributing to Education

#### Support Education for Youth

The Daikin Group, through its local companies, supports education for youth by donating financial aid and offering technical courses.

[▶ Read more](#)

(See page 221)

- ▶ [Policy on Contributing to Education](#)
- ▶ [Efforts in Japan](#)
  - [Other Educational Activities in Japan](#)
- ▶ [Efforts Overseas](#)
  - [Other Education Efforts Overseas](#)

## Environmental Contributions to Society

### Employees Worldwide Volunteer to Plant Trees

Daikin Industries works with the NGO Conservation International in a new reforestation project in Indonesia. Daikin overseas group companies also conduct their own tree-planting activities in efforts to contribute to the absorption of CO<sub>2</sub>.

[▶ Read more](#)

(See page 225)

- ▶ [Policy on Environmental Protection](#)
- ▶ [Efforts in Japan](#)
- ▶ [Efforts Overseas](#)
  - [Other Tree-Planting Activities Overseas](#)

## A Good Corporate Citizen—Activities in Each Community

### Employees Will Continue to Be Front and Center by Listening to the Needs of the Community

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.

[▶ Read more](#)

(See page 227)

- ▶ [Philosophy](#)
- ▶ [Supporting Employment of People with Disabilities](#)
- ▶ [Building Trust with Communities](#)
  - [Correspondence between Company Sites and Local Community Members](#)
  - [Safety and Disaster Prevention at Plants \(Japan\)](#)
  - [Contributing to Local Safety \(Japan\)](#)
- ▶ [Interactions with Local Communities \(Japan\)](#)
  - [Local Cleanup Activities \(Japan\)](#)
- ▶ [Interactions with Local Communities \(Overseas\)](#)
  - [Aiming to Take Root in China](#)
  - [Regional Independent Activities \(Overseas\)](#)
- ▶ [Charitable Activities](#)
  - [Donations in FY2010 \(Daikin Industries only\)](#)
  - [Aid for Victims of Natural Disasters in FY2010](#)
  - [Helping the Needy](#)



## Policy on Contributing to Furthering Art and Culture

Established to promote art and culture, the Daikin Industries Foundation to Promote Modern Art supports a wide range of activities including exhibitions by the National Museum of Art, lectures, academic research, and publications. Overseas as well, we support local culture through the sponsorship of music festivals and other events.

## Supporting Art and Music

### The Daikin Industries Foundation to Promote Modern Art

The world's outstanding artistic and cultural works transcend national borders. Daikin 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 established the Daikin Industries Foundation to Promote Modern Art to mark the company's 70th anniversary on October 25, 1994. In the foundation's first year, Daikin Industries 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 yen.

The foundation supports a wide range of projects designed to teach art appreciation, such as exhibitions at the National Museum of Art, Osaka (NMAO), lectures, publications, surveys, and research. Our goal is to contribute to the revitalization of culture and art in our home territory of Osaka by promoting museum activities.

#### ■ National Museum of Art, Osaka (4 Nakanoshima, Kita-ku, Osaka, Japan Museum director: Toshio Yamanashi)

Established in 1977 in Expo Park, Suita, NMAO was established to collect, preserve, and research works of art in order to contribute to Japanese art and spotlight its relationship to art worldwide.

Beloved as Osaka's only national museum, the NMAO was relocated to Nakanoshima in November 2004 due to aging of its former facilities. All the exhibition halls are located below ground in a temperature- and humidity-controlled environment. The new museum contains 13,487 square meters of floor space.

The museum strives to represent new artistic trends by presenting exhibits focusing on modern art. In recent years, it has hosted a wide range of educational projects for both adults and children. It clearly plays an important role in promoting the Japanese art world.



## Daikin Supports the Kansai Philharmonic Orchestra

Daikin Industries supports the Osaka-based Kansai Philharmonic Orchestra. Formed in 1970, it became a specified nonprofit corporation in 2003. The orchestra is an integral member of local society, giving community concerts at its practice hall and hiring as many local musicians as possible.

Daikin has supported the Kansai Philharmonic Orchestra and since 2007 Daikin CEO Noriyuki Inoue has been a director on the orchestra's committee.



Kansai Philharmonic Orchestra

### ■ Other Organizations Supported by Daikin Industries

- New National Theatre, Tokyo
- National Museum of Ethnology
- Kaitokudo
- Kyoto National Museum
- Osaka Wasso Cultural Exchange Association
- EU-Japan Fest
- Keio University 150th Anniversary Commemorative Ceremony
- Ogura Hyakunin Isshu Project
- Osaka City Dome Co., Ltd. (contribution)
- Kansai Science City and Higashiosaka-Osaka Yumehanna Cooperative Project
- Musée d'Orsay, Royal Museums of Fine Arts of Belgium, and Shōsōin Exhibitions
- Takarazuka Vega Music Competition
- Japanese Red Cross Society, Osaka Chapter
- Midosuji Illumination



## Policy on Promoting Sports

With the aim of deepening relations between Okinawa and mainland Japan, every spring we sponsor the Daikin Orchid Ladies' Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour.

## Daikin Orchid Ladies' Golf Tournament

### Daikin Hosts the "Ever Onward With Okinawa" Tournament with the Vision of Boldly Taking on the Future, Together With Okinawa

In order to expand the circle of interaction among people through sports, Daikin Industries sponsors the Daikin Orchid Ladies' Golf Tournament, a pro event. Our hope is that our promotion of sports will contribute to the advancement of life in Okinawa.

The Daikin Orchid Ladies' Golf Tournament was inaugurated in 1988 as the opening round of the Japan Ladies' Pro Golf Tour. As its sponsor, Daikin contributed the slogan "Ever Onward With Okinawa," indicating our desire to join with Okinawa in boldly addressing the challenges of the future.



A number of participants in the amateur tournament have gone on to take part in the pro tour

### Local Amateur Golfers Invited to Participate in Daikin Orchid Ladies' Golf Tournament

The Daikin Orchid Ladies' Golf Tournament was created to help develop and revitalize the Okinawa golf scene. It has been an open tournament since 1997, giving Okinawa's amateur golfers the chance to compete with top professional players. Those aspiring to play in the tournament proper must first qualify in the Daikin Orchid Ladies' Amateur Golf Championship, which has been the proving ground for many professional female golfers active today such as Ai Miyazato, Shinobu Moromizato (Daikin Industries' pro), and Mika Miyazato.



InBee Park was the winner of the tournament's 24th edition

### Bridging Okinawa and the Mainland

The pro and amateur tournaments and the pre-tournament festival enable representatives of local and mainland businesses to interact in an informal setting and gain a better understanding of each other's perspectives. This has led to the emergence of the Okinawa Konwakai, an organization created to consider future development in Okinawa. The association organizes a variety of vibrant activities that include forums and presentations on how to promote and develop Okinawa.

### 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. Launched in 1997, the volunteer program now brings together more than 400 local volunteers every year. In appreciation of their efforts, Daikin donates books to the local Tamashiro Junior High School every year.

## **The Orchid Bounty Foundation Supports the Culture and Sports of Okinawa**

All competitors in the professional and amateur tournaments provide their assistance by raising money through the "Orchid Bounty" fundraiser. 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 2011, Orchid Bounty donated ¥6 million to a total of 12 organizations and individuals, bringing the total contributions since 1995 to ¥97.4 million.

## **Local Junior High School Students Invited to Watch Tournament**

Many students from the local Tamashiro Junior High School are invited to watch the tournament every year. This gives the students a valuable opportunity to learn about and experience the joy of golf. Japan LPGA Chairperson Hisako Higuchi gives a briefing to the students before the event. By getting a close-up look at the demanding world of the professional golfer and seeing how a professional tournament is run, the students get a firsthand view of the amazing world of professional sports.



## Policy on Contributing to Education

The Daikin Group, through its local companies, supports education for youth. By donating financial aid, offering technical courses, and conducting grass-roots activities, we seek to cooperate with and gain the trust of local communities.

## Efforts in Japan

### Participation in Local Education Programs

From fiscal 2010, the Daikin Industries Kashima plant has been conducting educational presentations at local elementary schools. By demonstrating chemical experiments using fluorine for senior students, the instructors help the children to appreciate the enjoyment of chemistry and how technological advances benefit their daily lives.

Other Daikin production bases around Japan, meanwhile, invite elementary school students for factory tours, which are highly rated by both the school children and their teachers.

▶ [Environmental Education and Awareness Activities](#) (Page 150)

### Daikin Develops the "Circle of Life" Free Environmental Education Program on Biodiversity for Elementary School Children

Daikin Industries, in cooperation with NGO Conservation International, our partner in reforestation activities in Indonesia, has developed an environmental education program called "Circle of Life," to teach elementary school children about biodiversity.

Circle of Life is a partner program to the Children's Eco-Club, an initiative of Japan's Ministry of the Environment. The basic program consists of four lessons given by a school teacher, but if the school desires, Daikin also sends one of its employees to provide additional education.



Classroom lesson from Daikin employee

Starting in April 2010, elementary schools across Japan receive free learning materials for this program. By the end of March 2011, 34 schools had participated in the program, and we had sent educational speakers to 10 schools.

▶ See Key Activities of Fiscal 2010: [Raising Environmental Awareness](#) (Page 59)

▶ ["Circle of Life" Environmental Education program \(Japanese version only\)](#)

(<http://www.daikin.co.jp/csr/edu/index.html>)

■ Other Educational Activities in Japan

Site	Activity	Overview, results
Sakai Plant	Support for the Sakai Rugby School 	The Kanaoka Factory lends its field three times a month to the Sakai Rugby School. In fiscal 2010, about 130 elementary and junior high school rugby players took part.
	Factory tours to educate local elementary school students about working society 	In fiscal 2010, 364 students from three schools took tours.
Shiga Plant	Factory tours to educate elementary schools in the city about local industry 	In fiscal 2010, 156 students from one school took tours.
	Daikin field opened to the public	Daikin opened up its field to the public to use for baseball, pitch-and-putt golf, softball, and other activities.
	Others	Daikin invited children from day care centers to see the cherry blossoms in the plant's front garden. The tennis courts and other facilities were opened to the public.
Yodogawa Plant	Kendo Training Hall for Children	Classes were held three times a week, with 10 students each time.
	Factory tours for local elementary schools 	In fiscal 2010, 148 students from two schools took tours.
	Yodogawa Plant field opened to the public (Contract with governments of Osaka Prefecture and Settsu City)	On weekends, the field was opened for the general public to use. The new field was open for use by the sports clubs of Osaka Prefectural Settsu High School.
Kashima Plant	Daikin employees give lessons at local elementary schools	In the autumn of 2010, students in the upper grades did experiments on fluorochemicals.
Soka Station	Activities plaza of the field opened to the public	On weekends and holidays, children and teenagers used the field for sports, while the activities plaza was used for pitch-and-putt golf.
Tsukuba Training Center	Support for junior high school field trips 	Daikin gave lessons at schools focusing on how air conditioners cool the air and the effect that substances have on global warming. In fiscal 2010, 25 students from one school took lessons.

### Daikin Supports Air Conditioner Technical Training in Singapore

Daikin Air Conditioning (Singapore) Pte. and the Singapore government jointly developed a training program for the air conditioning industry and has been certified by the government as the training institute at which the program will be run.

Because Singapore previously had no government-certified, licensed programs for the air conditioning industry, Daikin Industries developed and implemented the framework and training program for such certification, in the process helping both the government and industry.

### Providing Thai Students with Education and Job Prospects

Daikin Industries (Thailand) Ltd. runs a program in which outstanding students from impoverished regions who cannot afford to attend university receive two years of education at a junior college of technology and, for those interested, a guaranteed job with Daikin upon completion. So far, 38 have completed the program and are working mainly at manufacturing jobs.

Also under this program, young employees of Daikin Industries (Thailand) Ltd. eager to gain new knowledge are given the chance to take two years off work to get an education.



Lecture for students



Practicing on a production line



Graduation ceremony

### Co-sponsorship of Air Conditioning Technology Contest in China



Starting in fiscal 2010, Daikin (China) Investment Co., Ltd. now co-sponsors the "Daikin Air Conditioning Cup" Chinese Air Conditioning University Student Contest. The purpose of the contest is to foster the human resources who will carry the future of the air conditioning industry in China.

In fiscal 2010, over 700 students submitted essays and other works on the theme of CO<sub>2</sub> reduction and eco-technology. The company's deputy managing director Akitada Kudo, acted as a judge in the competition finals, and technicians from the company's R&D center presented lectures on the latest energy-efficient environmental technology.



University students who participated

■ Other Education Efforts Overseas

Managed by	Activity name	Overview	No. of participants	Duration
Daikin Europe N.V. (DENV)	Internship program	DENV sponsored internships in human resources, sales, and IT-related divisions for graduate students in economics and engineering.	27 per year (average)	
Daikin Device Czech Republic, s.r.o. (DDC)	Factory tours	Under the 'My choice, my future' program supported by the European Social Fund, DDC gave factory tours for 45 students.	45	Jan. 2011 - June 2012
	Overseas internship program	Accepted two foreign students under an international internship program run by the NPO AIESEC.	2	Sept. - Nov. 2011
Daikin Industries (Thailand) Ltd. (DIT)	Scholarships 	DIT has a training program for its employees and students of technical high schools in northeast Thailand.	16 (1 employee, 15 students)	May 2008 - May 2010
	Children's Day 	Every year on Children's Day (second Saturday of January), DIT invites local children to an event at the company.	2,570	Jan. 8, 2011
Daikin Compressor Industries Ltd. (DCI)	Long-term internship program	In 2007, DCI signed an agreement with a technical high school for long-term internships in the northeast of the country, where job opportunities are few. The students took a 8-month course to help them become machine engineers.	70	8 months
Daikin (China) Investment Co., Ltd. (DIC)	4th Daikin Air Conditioning Cup student technical contest	Cooperated in a contest for university students sponsored by the China Refrigeration and Air-Conditioning Industry Association.	More than 700	July 2010
O.Y.L. Manufacturing Company Sdn. Bhd. (OYLM)	Internship program	Took in local students on internship program.	35 in 2010, 7 in 2011 (as of April)	3 - 5 months
McQuay International	Internship program	Offered a four-year technical internship program.	2	

## Policy on Environmental Protection

Daikin Industries works with the NGO Conservation International in a new reforestation project in Indonesia. Daikin overseas group companies also conduct their own tree-planting activities in efforts to contribute to the absorption of CO<sub>2</sub>.

## Efforts in Japan

### Sakai Plant in Tree-Planting at Forest of Coexistence

On reclaimed land in District No. 7-3 of Sakai City, Osaka Prefecture, about 100 hectares of forest have been planted for the Forest of Coexistence, an effort to renew forest land and create a habitat for a variety of life. As of the end of March 2010, about 12,000 seedlings had been planted in an approximately 18,000m<sup>2</sup> area.

The goal is to take this reclaimed land—built from a bitter legacy of 30 years of industrial waste—and give it life by making it into an urban environment where a range of life forms can thrive. In April 2009, the first Forest Day was held with participation from citizens of Osaka Prefecture.

A number of employees from Daikin Industries' Sakai Plant took part as volunteers, and the company received a letter of thanks from the Sakai municipal government.



Certificate of appreciation from Sakai City

Sakai's "Cool City Sakai" initiative is its proclamation to create a low-carbon metropolis, and Daikin has been on the executive committee since 2009. Our goal is to work with local NPOs, citizens' groups, and the government as a good corporate citizen of Sakai.

## Efforts Overseas

### Indonesia: Promoting Reforestation (Re: AIRCON Project)

Daikin Industries works with the Indonesia Ministry of Forestry and the NGO Conservation International in a reforestation project in which seedlings are raised and planted in a national park in Indonesia.

▶ [Daikin Air Conditioning Reforestation Project \(Re: AIRCON Project\)](http://www.daikin.com/csr/environment/reforestation/index.html)

(<http://www.daikin.com/csr/environment/reforestation/index.html>)

### Italy: Tree-Planting to Absorb CO<sub>2</sub> from Business Activities

Daikin Airconditioning Italy S.p.A (DACI) has taken part in the Impatto Zero Project since 2005. The project calls on Italian companies and organizations (over 500 are taking part so far) to plant enough trees to absorb the CO<sub>2</sub> that they emit through their business activities.

Since 2005, DACI has planted trees in national parks in Costa Rica and Italy over an area of approximately 2.3 km<sup>2</sup>.

DACI took this project one step further in fiscal 2007 by pledging to plant enough trees to absorb the CO<sub>2</sub> emitted as a result of using the Ururu Sarara residential air conditioners purchased by DACI customers in Italy.



## Thailand: Planting Mangrove Trees

Daikin Compressor Industries Ltd. (DCI) plants mangrove trees. Mangroves prevent shoreline erosion and coastal flooding, purify the seawater, and provide a home to a variety of marine life and thus protect biodiversity of the ocean. But mangroves around the world have been cut down in recent years to make way for human development. DCI has been planting mangrove trees since 2007 and in fiscal 2010 planted more than 8,000 trees.

In DCI's home of Amata City, the company has been striving to reduce the environmental impact of its plant operations by taking part in city-sponsored tree-planting projects as well as tree-planting projects on Mother's Day and Father's Day.



## Thailand: Planting Endangered Tree Species

From fiscal 2009, Daikin Industries (Thailand) Ltd. has been planting endangered species of trees on the grounds of the Kaset Suwan Temple (Wat Kaset Suwan) about 100 km away from the company plant. In fiscal 2010, approximately 250 trees were planted, making about 700 in total since the project began.

This new forest will be used as a nature classroom for children and as a meditation spot for the monks.



Planting endangered species of trees

### ■ Other Tree-Planting Activities Overseas



Protecting coral reefs (Siam Daikin Sales Co., Ltd.)



Planting trees (Daikin Trading [Thailand] Ltd.)



Planting trees (OYL Manufacturing)



## Philosophy

We want to be a good corporate citizen by being keen to the problems of the communities we operate in and conducting activities that lead to solutions.

Employees at regional Daikin bases have planned ways to interact with local communities. Employees will continue to be front and center by listening to the needs of the community: this will make Daikin a known and trusted member of local society.

## Supporting Employment of People with Disabilities

### Promoting Employment of People with Disabilities across the Entire Group

The Daikin Group strives to hire the disabled based on its policy of providing opportunities for disabled people to grow personally and make contributions to society through production activities.

In 1993, Daikin Industries established Daikin Sunrise Settsu Co., Ltd., a cooperative venture with the Osaka Prefecture and Settsu City governments. Disabled persons form the nucleus of the workforce and the company has operated profitably.

▶ For more information, please see [Employment of People with Disabilities \(Responsibility to Employees\)](#) (Page 186)

## 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.

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.

## ■ 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> <li>• Participation in the Sakai City environmental executive committee</li> <li>• Hosting "Senboku Shodo Network" ("Shodo Osaka" regional division) community cleanup projects and co-sponsoring area-adoption 10th anniversary event</li> </ul>
Shiga Plant:	<ul style="list-style-type: none"> <li>• Local community association board factory tour</li> <li>• Visits to local businesses and neighboring community association boards</li> <li>• Interactions with relevant public offices and affiliated organizations (attendance at general meetings and board meetings with the municipal office, police, fire departments, and other related departments)</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 (4 times a year)</li> <li>• Topic-based group meetings 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>• Community residents &amp; administrative board factory tour</li> <li>• Attendance at enterprise association administrative board meetings</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 the Soka City Environmental Committee</li> <li>• Participation in fire department, police, and industry associations</li> </ul>

## 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.

In particular, we make safety a top priority at the Yodogawa Plant, a chemical production facility located in a residential area. Through efforts such as risk assessment and near-miss training, we strive to eliminate the potential causes of disasters and accidents. We hold disaster prevention drills three times a year in cooperation with local authorities, and we have protocols for informing the authorities of any emergencies.

At the Sakai Plant, in addition to talks with the local community association once a year, we are in close contact with the municipal government, police, fire fighting bureau, and labor standards office to maintain interactions with the local community and establish the Sakai Plant as a safe factory.

At the Kashima Plant, which is located within an industrial complex, we engage in emergency drills and disaster prevention workshops together with other companies within the industrial complex.

At the Soka Station, Daikin works towards safety and peace of mind for residents through activities with the local traffic safety association and crime prevention association.

The Shiga Plant conducts regular emergency drills within the plant and also participates in the regional Fire-fighting Games and Comprehensive Disaster Management Training Corporate Games.

## Disaster Preparedness and Disaster Prevention Drills

The Daikin Group has measures in place should there ever be a natural disaster. Besides providing its factories as evacuation shelters in the event of a disaster, Daikin companies have supplies of food, water, and emergency equipment. Also, Daikin factory employees participate in joint emergency training activities with local fire departments, police, and industry groups.

At the Sakai Plant, which is located by the sea, we have established codes of practice in case of tidal waves and tsunamis. Furthermore, the plant has conducted nighttime drills in emergency contact, early response, and evacuation for night-shift work stations.

The Shiga Plant has entered an agreement with the local government to provide aid such as participating in fire-fighting operations should a disaster occur. In the event of a disaster, the plant will dispatch its industrial medics and its fire brigade and will open its factory grounds as evacuation sites.

At the Yodogawa Plant, we reinforced buildings to withstand a magnitude 6 earthquake and secured factory shelving and other furnishings to prevent overturning, thereby protecting employees and minimizing the impact damaged facilities would have on surrounding residents. We also have safety confirmation systems that can confirm the whereabouts and safety of all employees on-site within 20 minutes. At the Kashima Plant, a typhoon measures conference meets when storms are approaching to come up with ways to ensure safe plant operation and temporary shut-down.

The Soka Station, Soka City, and five neighboring communities signed an agreement to cooperate in preparing for natural disasters, in which all parties come up with measures to implement immediately following a major earthquake. An expert panel of the Central Disaster Management Council of the Japanese government's 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. The Soka Station was also cited as an outstanding example at a United Nations conference on international disaster strategy in fiscal 2008.

▶ [Donations for the Great East Japan Earthquake](#) (Page 36)

## Participation in Volunteer Fire Fighting and Organizing a Regional Emergency Response Fire Brigade to Respond to Disasters by (Yodogawa Plant)

Thirteen employees at the Yodogawa Plant are taking part in fire-fighting activities as volunteer fire fighters for Settsu City, comprising a "special firefighting team". Unlike full-time firefighters who are on call all day, every day in case of fires, members of the Settsu City volunteer fire unit are locals who have other jobs. This means these people cannot always get away from their day jobs to fight fires. In response, Settsu City introduced fire departments with separate functions so that more personnel would be available on weekdays. Daikin and two other companies in Settsu with fire engines are taking part.



Joined the special firefighting team of Settsu City

As of January 2010, in the event of a major fire outbreak within the Setsu region, Daikin fire fighters drive fire engines to the scene and provide support under the direction of the Settsu City Fire Department. This is the first time in Japan that a corporate fire fighting unit is using its fire engines to help fight fires nearby, and it is drawing the attention of other local governments around the country.

Also, Daikin has organized a regional emergency response fire brigade to be ready to respond in the event of a disaster. There are 140 local employees enrolled in this volunteer fire brigade, and in the event of an emergency, those who are at their residences or at work or otherwise available can form a response team as occasion demands.

▶ [Safety and Disaster Prevention at Plants \(Japan\)](#) (Page 234)

▶ [Contributing to Local Safety \(Japan\)](#) (Page 236)

### Deepening Interactions with Local Communities

Daikin realizes the importance of interacting with local residents as a member of the community. In 1973, Daikin 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. The Local Community Section has now been constructively dissolved, and instead, 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 enrich 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.

### Deepening Community Relations at the Summer Bon Dance Festival

The Daikin-sponsored traditional Bon dance festival is a major event attracting large crowds of locals every summer. Employees make the most of this chance to bring joy to citizens in this corporate-sponsored traditional Japanese event. It has become such a successful example of corporate citizenship that it has been reported in news around the world.



Daikin Festival (Daikin America)

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. Today, the event attracts 25,000 participants and has evolved into one of Japan's largest corporate-sponsored Bon dance events. It is now established as a much-anticipated major summer event in the region. The 39th Yodogawa Plant Bon dance festival in fiscal 2010 was an enjoyable event for employees and local community members, with such highlights as an eco-candle display created by neighborhood children's groups, and hip-hop dance routines performed by neighborhood children.

Special Guests, Setsu City Mayor Kazumasa Moriyama and Osaka City Mayor Kunio Hiramatsu, applauded the festival as an event that links community and industry.

Bon dance community festivals are held at all Daikin bases in Japan. At the event at the Sakai Plant, local citizens' groups have stalls selling food and other goods. Locals take center stage as performances by high school brass bands and elementary school traditional dance troupes liven the proceedings. At the Shiga Plant, 7,800 local residents and industry associates participated in the festival. At the Kashima Plant, local taiko (Japanese drum) groups perform to help keep this traditional art alive. At the Soka Station, approximately 4,000 residents participate in the festival every year. Employees within the Tokyo Branch area apply to work at the Bon dance festival and gain valuable experience in dealing with the public.

The Bon dance has also spread to Daikin's overseas bases: employees at our bases in the United States (Daikin America), China (Daikin Shanghai), and Belgium (Daikin Europe) organize Bon dance events for locals.

At Daikin Europe, local members of the taiko (Japanese drum) team delighted about 2,000 locals with a spirited performance of this traditional art. The Decatur Plant of Daikin America in Alabama holds a festival intended to introduce more people to Japanese culture. For this event, the plant distributes specially designed traditional Japanese happi coats (anglicized as "happy coats"). Participants also enjoy the food stalls selling delicacies such as yakisoba and takoyaki. Now a major event attracting 10,000 visitors, the festival gains in popularity every year thanks to its friendly, welcoming atmosphere.

By introducing people to Bon dance and other interesting and fun aspects of Japanese culture, such events help residents near Daikin bases understand our corporate culture and philosophy.

## Support for Rugby School

"All for one, and one for all." This indomitable spirit, typical of rugby players, carries lessons that Daikin seeks to impart to children. With this in mind, Daikin, the City of Sakai, the Sakai Higashi Police Department, Seikeikai Hospital, and Nippon Steel collaborated in 1987 to launch Sakai Rugby School. Daikin supports the rugby school's activities through provision of a playing field and other means.

At the three monthly practices at the Kanaoka playing field, the children's cheering reflects discipline combined with fun. The Sakai Rugby School is among the toughest competitors in its games against other schools.



## Kendo Training Hall for Children

The Kendo Training Hall for Children opened in 1975 for elementary school children living near the Yodogawa Plant. The goal of the school is to promote health through the martial art of kendo. Daikin employees who hold kendo rankings (dan) provide the instruction. When the school opened, expectations were exceeded when 108 children applied. Clearly, the school has been well received by local residents.

In 1983, a new school—more than double the size of the original—was completed. Named "Yushinkan" by then-president Minoru Yamada, the school has since helped many young local kendo enthusiasts gain skills in this outstanding sport. Excited young voices can often be heard within its walls.

## Conducting Neighborhood Cleanup and Tree-planting Activities

Employees at the Daikin plants in Yodogawa, Shiga, Sakai, and Kashima regularly pick up litter and pull up weeds in the surrounding areas.

The Yodogawa Plant has a monthly litter pickup involving approximately 100 employees, and approximately 30 employees takes part in a yearly cleanup of local ditches in efforts to beautify the area around the plant. At the Shiga Plant, employees join in local neighborhood cleanups four times a year, and in fiscal 2010, employees planted 40 cherry trees within the factory grounds. The plant also donated six mature cherry trees to Kusatsu City. Through these activities, the plant is helping to create a greener environment.



Daikin Industries (Thailand) Ltd. beach cleanup activity

At Daikin Industries (Thailand) Ltd., 42 employees participated in a beach cleanup activity in December 2010.

▶ [Local Cleanup Activities \(Japan\)](#) (Page 238)

## Conducting Factory tours

We open our plants to the community by conducting tours for the local community association and elementary school children.

In fiscal 2010, Sakai Plant conducted factory tours for 364 students of three elementary schools. The Yodogawa Plant conducted factory tours for 148 students of two elementary schools, which were extolled by the teachers, who remarked that the children were delighted to see a model car running on fuel-cell batteries and an experiment in which a liquid substance transform into a white powder. The Shiga Plant also conducted tours for 156 students of one elementary school in Kusatsu city, for which the students sent letters of appreciation.

We will continue to conduct such tours at each of our factories.

## Interactions with Local Communities (Overseas)

### Aiming to Take Root in China

On the occasion of the Daikin Group's 10th anniversary of business in China in 2005, full-fledged social contribution activities were begun in earnest with the aim of making Daikin a locally rooted company. Daikin aims to contribute in the three areas of social welfare, education, and environment.

#### Examples of Contributions

1. Social welfare contributions

Established a division in the plant in Shanghai to employ mainly people with disabilities for the purpose of furthering employment of the disabled.

2. Education contributions

Created the Daikin Future Air Grand Prize to further air-conditioning technology and foster human resources in China.

3. Environmental contributions

As a dedicated air-conditioner manufacturer, Daikin is active in creating standards related to the environment, energy conservation, and air-conditioners

#### Other Regional Independent Activities



A factory tour for high school students (Daikin Industries Czech Republic s.r.o.)



A factory tour (Daikin Compressor Industries, Ltd.)

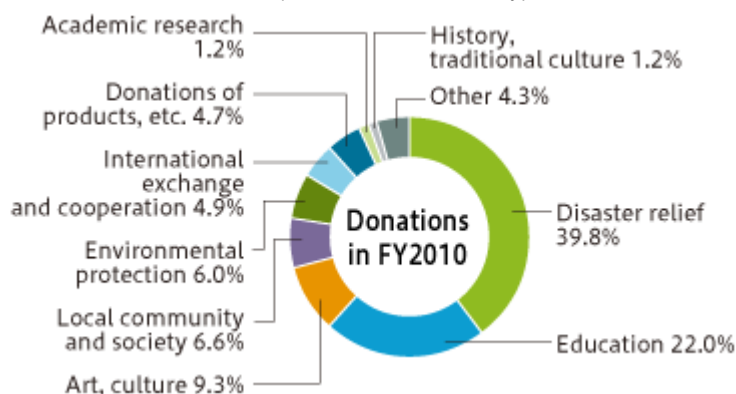
▶ [Regional Independent Activities \(Overseas\)](#) (Page 240)

## Charitable Activities

### Donating to a Range of Causes: Art, Culture, Sport, Education, Etc.

The Daikin Group donates money to numerous arts, culture, sports, and educational programs as part of its social contribution efforts. Besides donating on a regular basis for the promotion of culture and sports in Okinawa and the Daikin Industries Foundation to Promote Modern Art, we have in recent years been giving more to international exchange and cooperation causes as we strive to contribute to societies around the world.

#### Donations in FY2010 (Daikin Industries only)



## Daikin Aids Victims of Natural Disaster

Daikin Group gives donations to help victims and contribute to restoration following earthquakes and other natural disasters.

### ■ Aid for Victims of Natural Disasters in FY2010

#### Quinhai Earthquake in China

In April 2010, the Daikin Group (Daikin Industries, along with group companies in China including Daikin [China] Investment Co., Ltd. and McQuay Air Conditioning) donated a total of 1.25 million yuan (approximately \$184,500) to earthquake relief through the Shanghai Red Cross and other organizations.

#### Thailand Northeast and Central Floods

In October 2010, Daikin Compressor Industries, Ltd. and Daikin Trading Thailand, Ltd. donated aid supplies to areas affected by flooding and water damage due to torrential rainfall in northeast and central Thailand.



#### New Zealand Christchurch Earthquake

In March 2011, Daikin Industries and Daikin Australia, Ltd. donated a total of ¥15 million through the Japanese Red Cross and Australian Red Cross.

#### Great East Japan Earthquake

In March 2011, Daikin Group donated ¥100 million and aid supplies (600 industrial air purifiers, 500 far-infrared heaters) (total value: ¥300 million), and assisted in environmental improvements at evacuation shelters and medical facilities, etc.

Daikin also delivered donations from employees to the disaster areas.

## Helping the Needy

McQuay International (U.S.) has a charity program in which employees and their families make donations to the needy in their communities.






Over 200 employees and their family members took part in a program to donate Christmas presents to the needy.





Donating food for needy families. Food items donated by employees were distributed to more than 1,000 people.



■ Safety and Disaster Prevention Activities at Plants (Japan)

Site		Activity	Overview, results
Support for firefighting	Sakai Plant	Formation of in-house firefighting unit	The plants formed an in-house firefighting division, and in each division a firefighting unit was formed.
	Shiga Plant	Formation of in-house firefighting unit	The plants formed an in-house firefighting division, and in each division a firefighting unit was formed.
	Yodogawa Plant	Joined the special firefighting team of Settsu City 	Thirteen employees from the Yodogawa Plant joined the special firefighting team of Settsu City, which is the first of its kind in Japan. Since January 2010, in the case of a large fire in the Settsu area, the Yodogawa Plant firefighters drive their fire engine to the scene and help under the guidance of the Settsu City Fire Department.
	Tokyo Office	Formation of in-house firefighting unit	A firefighting unit was formed in each division, and these are overseen by the Health and Safety Committee.
Communication with neighboring companies and residents	Sakai Plant	Cooperation with neighboring companies	The Sakai Plant is a member of an association of 17 companies in the Sakai and Senboku waterfront areas for disaster prevention. The association has an emergency communication network and meets regularly for various drills.
	Shiga Plant	Formation of a rescue support system for local disaster victims	Daikin helps the local government to rescue disaster victims. The plant is provided for use as an emergency shelter for nearby residents (for example, the field is opened up to the public).
	Yodogawa Plant	An emergency rescue team was formed	There are 140 employees living nearby who are registered. When necessary, a team is gathered by rounding up employees either from their homes or workplace.
	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	Regional disaster agreement	An agreement for made between the Soka Station, Soka City, and five neighboring towns. These three groups have agreed to work together regularly on plans to implement after major earthquakes occur.
	Tsukuba Training Center	Cooperation with neighboring companies	The center is a member of an association of companies in the local industrial park, which shares information on topics like environmental promotion, fire prevention, and blood donation activities.






Site		Activity	Overview, results
Use equipment during disasters, and secure supplies for emergencies	Sakai Plant	Secure supplies for emergencies	Secured emergency supplies such as water, food, and fire prevention equipment.
		Lend equipment to disaster relief	Daikin is registered as a corporate supporter of firefighting activities. (In emergencies, Daikin lends equipment like forklifts.)
		Evacuation training drills	Employees working night shifts conduct drills in emergency communication, initial response, and evacuation.
	Yodogawa Plant	Use of equipment during disasters, and secure supplies for residents for emergencies 	The plant makes effective use of site equipment (fire engines, firefighting equipment; sends employees as well). Sufficient supplies have been set aside for all local residents in case of a major earthquake. Emergency materials and equipment are placed in all major buildings. 
	Shiga Plant	Secure supplies for emergencies	Emergency supplies are stocked (megaphones, flashlights, food and water, etc.).
Tokyo Office	Secure emergency supplies, hold evacuation training drills	Emergency supplies are stocked (megaphones, flashlights, food and water, etc.); these are inspected regularly.  At a meeting during a factory tour, participants confirm that there are enough emergency supplies stored	
Earthquake measures	Sakai Plant	Measures against tidal wave and tsunami Earthquake reinforcement and evacuation training drills	Established code of conduct for tsunami disaster response, and secured emergency supplies. All buildings on-site have been inspected for earthquake resistance. Reinforcement work is proceeding as planned. Evacuation training drills were held.
	Shiga Plant	Make buildings earthquake-proof, hold evacuation drills	All buildings on-site have been inspected for earthquake resistance. Building structures are being reinforced. Fiscal 2009 drills were held in June, September, and November. Evacuation training drills were also held.
	Yodogawa Plant	Make buildings earthquake-proof	In fiscal 2009, buildings were reinforced to withstand a magnitude 6 earthquake, which can endanger employees and nearby residents. Shelves in the factory were secured to prevent them from falling over.
Typhoon measures	Kashima Plant	Meeting on typhoon measures	A meeting was held to examine measures to take in case of a typhoon. Preventative measures were drawn up for safe operation or stoppage of machinery.
Safety confirmation system	Yodogawa Plant	Safety confirmation system	A system was established that can confirm the safety of employees approximately 20 minutes after a disaster occurs. Emergency materials and equipment for searching and restoration are placed in all major buildings.
	Tokyo Office	Safety confirmation system	Established a system for confirming the safety of employees after a disaster occurs.


■ Contributing to local safety (Japan)

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.
Sakai Plant	Support for local safety activities	Daikin took part in the North Sakai Police Crime Prevention Committee and the North/West Sakai Traffic Safety Association.
	Children's protection shelter	The Sakai Plant is registered as a place children can take sanctuary from threats.
	Disaster training	Took part in disaster prevention drills sponsored by an association of companies in the Sakai and Senboku waterfront areas for disaster prevention.
Shiga Plant	Disaster training	Disaster training was held once a year for the plant grounds and employee dormitory; fire hydrant usage competition held (July); plant disaster training held (June, November); evacuation training for earthquakes held.
	Participation in the Fire Prevention Association	The Shiga Plant took part in a disaster prevention training convention in unison with the fire department.
	Participation in local safety activities 	In October, the Shiga Plant took part in a firefighting competition. In November, it took part in joint disaster training for private companies.
	Letter of agreement signed for support of fire prevention in case of disaster	Under this agreement, the Shiga Plant will dispatch industrial physicians and its in-house fire-fighting unit, and offer the plant as an evacuation shelter.
Yodogawa Plant	Special firefighting team of Settsu City	Thirteen employees from the Yodogawa Plant joined the special firefighting team of Settsu City, which is the first of its kind in Japan. Since January 2010, in the case of a large fire in the Settsu area, the Yodogawa Plant firefighters drive their fire engine to the scene and help under the guidance of the Settsu City Fire Department.
	Joint disaster training held (with participation of local fire and police departments) 	Control damage, confirm people's safety (evacuation), hold earthquake training, hold disaster training (3 times a year) Installed breathing apparatus, held fire hydrant usage competition (once a year).
	Participation in local safety activities	Participated in disaster training held by Osaka Prefecture and Settsu City (once a year). Took part in 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
Kashima Plant	Disaster training	Held disaster training (twice a year), joined fire hydrant usage training (once a year)
	Participation in local safety events 	<p>Joint disaster training was held with the fire department as part of cooperation among companies in the industrial park (once a year).</p> <p>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.</p>  <p>Rescue training</p>
		Participation in disaster training events with the fire department, labor board, and police department.
	Safe driving course held	Police officers were invited to be instructors at a traffic safety training conference (once a year) to help drivers improve their road manners.
	Campaign to stop drunk driving over the winter season.	Traffic safety committee members handed out drunk driving leaflets urging people to follow the rules.
Held Safe Work Environment Day	Activities were held to raise awareness about safe driving and operation of forklifts and company cars (May 2009).	
Soka Station	Contest to prevent accidents and abide by rules of the road	The Soka Plant took part in a rules-of-the-road contest held annually by the Police Department. (August 2009 - January 2010).
	Disaster training	Held disaster training with five neighborhood associations. (April 2010; approx. 500 participants)
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, as well as responded to various requests.
	Participation in local disaster training	Joined in planning and implementation of disaster training sponsored by the fire and disaster prevention association of the JR Shinagawa East Building.

Local Cleanup Activities (Japan)




Site	Activity	Overview, results
Sakai Plant	<p>Continued participation in "Adopt a Road" cleanup initiative</p> 	<p>Under Sakai City's public cleanup campaign, employees took turns cleaning up the streets once a month. The area around the plant and nearby sidewalks were cleaned.</p> <p>At the Kanaoka Plant, employees planted greenery nearby and cleaned up the streets, and employees of the waterfront plants picked up litter on the median dividing the main street.</p>
	<p>Use of E3 bio-gasoline</p> 	<p>Company cars were used in a trial sponsored by Osaka Prefecture.</p>
	<p>Anti-noise measures</p>	<p>Employees patrolled the plant at night to ensure there was no disturbing noise or vibration that would disturb nearby residents.</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>Tree-planting</p>	<p>Employees took part in tree-planting in a seaside district to plant 10,000 trees in the Forest of Coexistence.</p>
	<p>Aesthetic measures</p>	<p>To improve the view from the adjacent high-rise apartment building, the plant roof had its rust removed and was painted.</p>
Shiga Plant	<p>Weeding and cleanup</p>	<p>Employees removed weeds that had spread to adjoining public roads and picked up litter.</p>
	<p>Cleanup</p> 	<p>Litter was picked up around the plant (4 times a year).</p>
	<p>Greenery enhancement</p> 	<p>Weeding, flower planting, and care for the cherry trees was carried out.</p> <p>To mark the Shiga Plant's 40th anniversary, in fiscal 2010, 40 cherry trees were planted on the premises and cherry trees were donated to Kusatsu City.</p>
Yodogawa Plant	<p>Cleanup</p> 	<p>Areas around the site cleaned up (once a month).</p> <p>Employees took part in cleanup of local waterways (once a year).</p> <p>Area around main and west gates (near bus stops) was cleaned up (everyday).</p>
	<p>Aesthetic improvement of urban area</p>	<p>Sponsored a 'tulip art' event in Settsu.</p>




Site	Activity	Overview, results
Kashima Plant	Cleanup around the plant 	Cleanup staff were sent out (twice a month), cleanup days of plant held (once a month), meeting of activity managers held (once a year).
	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.
Soka Station	Was Yashio City representative at Soka City environmental conference	


■ Regional Independent Activities (Overseas)

Overseas bases in the United States, China (Shanghai), and Belgium are carrying on the tradition of Daikin in Japan by holding a bon dance festival. Employees plan and run the entire event, and participants include not only employees and their families but customers of affiliates and local residents. Besides strengthening bonds among employees, the bon dance festival brings Daikin closer to its affiliates and the local community.

Each Daikin base also conducts its own unique social contribution activities and community exchange initiatives.

Site	Activity	Overview, results
Daikin Europe N.V.	Donation for Great East Japan Earthquake	50,000 euros was donated through the International Red Cross in March 2011.
	Donation for folded cranes	Employees and their families made origami folded paper cranes and donated 1 euro for each crane.
Daikin Industries Czech republic s.r.o. (DICz)	Blood donation activities	DICz employees gave blood a total of 80 times in 2010 and for this company was recognized by the city of Pilsen.
	Family Day 	To recognize employee efforts and strengthen relationships, employees' families and friends were invited for a factory tour and other attractions.
Daikin Australia Pty. Ltd. (DAS)	Donations for Christchurch earthquake and Queensland flood	In January 2011, employees and the company made a monetary donation.
	Collecting donations	DAS took part in charity events (Morning Tea, Movember, and Jeans for Genes) supporting cancer and gene research, and patients.
	Sponsorship of local events	Support for sports promotion event, 'Smiling for Smiddy'; camp for children with cancer, 'Camp Quality'; and children's hospital through Cancer Council of Australia.
Daikin Device Czech Republic, s.r.o. (DDC)	Donation of used PCs	Donated 26 PCs to six schools in Brno City.
	Sponsorship of local events	Made donations to cultural events and festivals in Brno City.
Daikin Industries (Thailand) Ltd. (DIT)	Blood donation activities 	Took part in two blood donor clinics a year to support the Red Cross.
Daikin Fluorochemicals (China) Co., Ltd. (DCC)	Donations to charity	Donated 200,000 won to local disabled groups.
Daikin (China) Investment Co., Ltd. (DIC)	Concert held at Shanghai Expo 	In October 2010, Daikin Week was held at the Japan Industry Pavilion: a concert was held that brought together talented young musicians from Japan and China. An audience of about 8,000 attended.

Site		Activity	Overview, results
Daikin Chemical Europe GmbH (DCE)		Sports promotion 	Made donations to local school sports activities.
Daikin Chemical Netherlands B.V. (DCN)		Support for health activities	Sponsored a quarterly publication on rheumatism, donated coloring books to a children's hospital.
O.Y.L. Manufacturing Company Sdn. Bhd. (OYLM)		Open house 	In October 2010, the company held an open house with events for 1,700 guests including employees, their families, and orphans. A donation was made to an orphanage.
McQuay International	Owatonna Plant	Supported kid's safety camp	Donation to camp at which children learn bicycle safety, how to prevent injuries, and how to safely use electricity, fire, and water. Employees volunteered as camp coordinators. In June 2010, 50 employees took part.
	Faribault Plant	Provided operational funds to the River Bend Nature Center.	Donation to youth program at the River Bend Nature Center in Minnesota. The money is used for education on environmental protection and for facilities operation. In March 2011, \$250 was donated.
	Staunton Plant	Took part in the Heart Walk.	In September 2010, 20 employees took part in this event sponsored by the American Heart Association to support research into heart disease.
		Took part in the Salvation Army Angel Tree Program.	Similar to Toys for Tots, this program provides needy families with Christmas presents.
	Plymouth Office	Volunteered for People Serving People. 	McQuay employees volunteered for People Serving People, a program for assisting homeless families.
	Service Division	Conducted maintenance of appliances.	In September 2010, low-income seniors and the disabled were provided with free cleaning, inspection, and maintenance of their appliances.
		Made donation to a charity organization.	A total of \$5,600 was donated to hospitals, schools, and other institutions.

Site	Activity	Overview, results	
McQuay International	Owatonna Plant, Faribault Plant	<p>Took part in Toys for Tots.</p> 	<p>Employees took part in Toys for Tots, a nationwide program sponsored by the U.S. Navy in which presents are given to children whose families cannot afford Christmas presents. Employees donated \$355 and dolls.</p>
	Faribault Plant, Staunton Plant, Service Division	Made donation to food bank.	<p>Employees donated to a range of food bank programs, which support needy families with food donations.</p>
	Faribault Plant, Staunton Plant	Took part in blood donor clinic.	<p>Employees donated blood at blood donor clinics.</p>