

# Daikin Sustainability Toward 2020

In 2016, Daikin began its Fusion 20 strategic management plan targeting 2020. Under Fusion 20, we will increase demand mainly in emerging markets and seek solutions to numerous global challenges, such as climate change impact, through our business activities in order to help realize a sustainable society.

## External Factors

### Impact on Climate Change

- **Growing Worldwide Energy Demand**

Worldwide energy demand is expected to continue increasing in tandem with ongoing population and economic growth. Air conditioners consume large amounts of electricity and account for a major portion of society's power consumption.

Energy-induced CO<sub>2</sub> in 2030

**69%** increase compared to 2000 (IEA)

- **Environmental Impact of Refrigerants**

Fluorocarbons used as air conditioner refrigerants deplete the ozone layer and are greenhouse gases. Their use is coming under increasingly tough restrictions worldwide.

Global warming impact from fluorocarbons (HFCs) in 2030

**5** times compared to 2010 (Daikin forecast)

### Increase in Air Conditioner Demand

Demand is increasing in emerging markets such as China, India and countries in Latin America.

Air conditioner demand in 2020

**4** times compared to 2000 (Daikin forecast)

## Basic Management Policy

### Corporate Policies

1. Absolute Credibility
2. Enterprising Management
3. Harmonious Personal Relations

#### Our Group Philosophy

The basis for the shared thoughts and actions of all employees

#### People-Centered Management

The cumulative growth of all Group members serves as the foundation for the Group's development

## Management Strategy and CSR

### Fusion 20 Strategic Management Plan

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

#### Key Strategies

- **Strengthen Existing Businesses**

Air conditioning business in North America and Asia, chemicals, and filter businesses

- **New Business Domains and New Business Structure**

(Environment, Energy and Air Environment)

Businesses: Heating/water heaters, energy solutions, commercial refrigeration, refrigerants, air environment engineering

### Daikin Group CSR

- **Environment**

Introduce state-of-the-art technologies to the market in order to address environmental and energy issues

- **New Value Creation**

Share dreams and ambitions inside and outside Daikin to realize a healthy, comfortable lifestyle through air

- **Customer Satisfaction**

Provide peace of mind and reliability through a focus on customer orientation, experience, performance, and advanced technologies

- **Human Resources**

Respect individual personalities and values, and maximize the potential of each employee

## Environment Fields

- **Create More Sophisticated Technologies and Production Methods**

Create technologies and products that differentiate us and, improve manufacturing prowess

- **Create More Sophisticated Management Control**

Lean and competitive fixed-cost structure  
Optimal inventory aiming at cash flow maximization  
Financial operations standardization and IT integration

- **Implement a Unique Daikin Philosophy**

Enhanced human resources based on People-Centered Management

- **Corporate Governance**

Conduct corporate activities based on transparency and sincerity

- **Respect for Human Rights**

Ensure respect for basic human rights in accordance with all international norms

- **Supply Chain Management**

Fulfill corporate social responsibility through environmental impact reduction, quality assurance, and occupational safety and health, not just in the Daikin Group but throughout the entire supply chain

- **Stakeholder Engagement**

Engage in dialogue with all members of society and reflect outside opinions in our business, and continuously examine our actions to ensure that we meet society's demands and expectations

- **Communities**

Respect the culture and history of different countries and regions, and create strong bonds with communities as a good corporate citizen

### Goals for 2020

## Net Sales of 3 Trillion Yen, Operating Income Margin of 12%

- Enhance existing businesses (air conditioning, chemicals, filters)
- Expand new business (heating/water heater, energy solutions, commercial refrigeration, refrigerants, air environment engineering)

#### FY2018 Medium-Term Implementation Plan

Net Sales	<b>2.5</b> trillion yen
Operating Income	<b>270</b> billion yen
Operating Income Margin	<b>10.8</b> %

## Create New Solutions to Address the Challenges of Customers and Society in Order to Contribute to the Sustainable Development of Society

- Contribute to mitigating global warming

#### FY2020 Target

Contribution to Greenhouse Gas  
Emission Reductions

**60** million tons-CO<sub>2</sub>/year

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