

Human Resources

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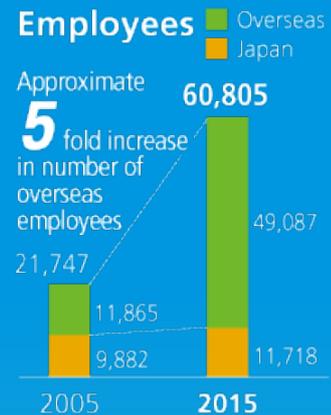
CSR for Value Provision Human Resources



Why is it Important ?

Responding to Rapid Globalization

The past 10 years have seen the rapid globalization of the Daikin Group, with the number of overseas employees today standing at five times that of a decade ago. These employees—our human resources—represent the most crucial factor in meeting the expectations of our various stakeholders in order to fully realize Daikin’s strengths in the fields of “environment,” “new value creation,” and “customer satisfaction.”



DAIKIN’S POLICY

Respecting Individual Personalities and Values, and Maximizing the Potential of Each Employee

The Daikin Group advocates people-centered management in the belief that people are the source of a company’s competitiveness. To leverage our strengths to contribute to society, we are creating an organization under which all of our worldwide employees can use their unique talents to the fullest.



> **Employee Evaluation and Treatment**

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.



> **Workplace Diversity, Equal Opportunity**

We strive for greater organizational strength by having a diverse range of employees—all genders, ages, nationalities, races, and levels of occupational experience—working to mutually understand one another's distinct values.



> **Work-Life Balance**

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



> **Labor Management Relations**

Because we believe that cooperative labor management relations are the foundation of company management, we place the utmost emphasis on equality of labor and management as well as mutual trust between both sides.



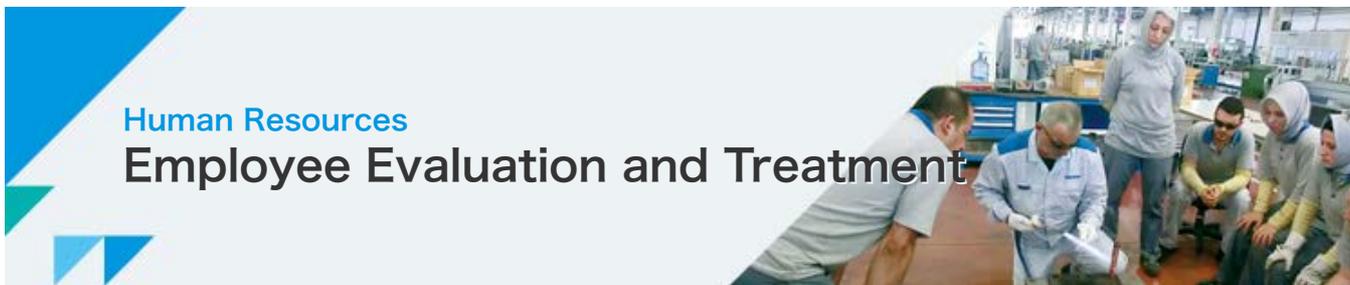
> **Occupational Safety and Health**

With the goal of achieving a "zero accident" workplace, we place top priority on ensuring a safe, healthy working environment where employees can work in peace of mind.



> **Fostering Human Resources**

Based on the belief that people grow through work experience, the Daikin Group develops employee capabilities through on-the-job training (OJT) and other efforts.



■ 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.

In fiscal 2011, we began formulating 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.

■ Job Placement

Creating Opportunities to Understand Employee Circumstances

Whenever possible, Daikin Industries, Ltd. asks employees where they want to work and if possible assigns them to the departments and sections of their choice. If new employees cannot be placed in the department or section of their desire due to personal aptitude and company needs, we do all we can to gain their understanding.

Every year, employees fill out their own record of work, which includes a column for free comments about health, family, and job positions desired. When we consider transferring an employee, we look at these comments and talk to them in efforts to ensure, whenever possible, that their job desires and spirit of challenge is reflected in the posts they are assigned to. For employees who wish to work overseas, we have established a practical training system to support employees in foreign positions.

We will continue to build rewarding workplaces for our employees by matching their dreams and goals with those of Daikin.

Human Resources

Workplace Diversity, Equal Opportunity



■ 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 working within an organization that is conducive to mutual understanding of one another's distinct values and that allows everyone to shoot for a lofty goal. Our Group Conduct Guidelines state that while respecting diverse values and approaches to work, we shall mutually accept our respective differences, act in harmony, gather the abilities we possess, and strive to be a Group in which each member expresses his or her ambitions and then takes bold actions with great passion and perseverance to realize those ambitions.

Based on this philosophy, we strive for diverse management in which we make the most of the talents of all genders, ages, nationalities, races, skin color, religions, physical abilities, sexual orientation and gender identity, and levels of occupational experience.

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 (Data for Daikin Industries, Ltd.)

	2011		2012		2013		2014		2015	
	Male	Female								
Number of employees	6,705	974	6,774	1,025	6,810	1,084	6,839	1,151	6,844	1,189
Average range of services (years)	16.8	10.5	16.5	10.4	16.4	10.3	16.6	10.3	16.7	10.5
Average age	41.2	34.3	41.7	35.1	41.6	34.6	41.5	34.5	41.3	33.8
Number of managers	933	21	939	21	951	22	957	29	984	36
Number of board members	45	1	47	1	47	1	46	1	48	1
Number of foreign nationals	34	21	38	20	38	20	47	29	52	21

Note: Includes employees on loan

■ Maximizing the Talents of Women

Accelerating Efforts to Maximize the Talents of Women in Japan

Daikin Industries, Ltd. has striven to maximize the talents of female employees to create identical working conditions for both men and women in order to reach our goal of using the talents of all employees to the fullest. By the end of fiscal 2020, our goal is to have at least one female officer and 100 female managers (10% of all managers; rate as of end of March 2016 was 3.5%). In fiscal 2015, we set aside management posts in each division as female management training positions and systematically trained candidates for these positions. We also launched our Young Female Employees Challenge Program for those hoping to become managers. We are also trialing a sponsor system, in which the immediate superiors of female candidates for officer and executive positions offer their support. Under our mentor system, we provide support to women through advice on matters such as their careers and workplace issues.

For these efforts, Daikin Industries, Ltd. was chosen for the New Diversity Management Selection 100, under which the Ministry of Economy, Trade and Industry (METI) commends enterprises selected as excellent in diversity management. It was also granted “Nadeshiko Brand” designation by METI and the Tokyo Stock Exchange (TSE) as a company that is exceptional in promoting women’s success in the workplace.

In August 2016, Japan’s Ministry of Health, Labour and Welfare (MHLW) awarded Daikin the highest level of certification (L-boshi certification) for being a company that shows excellence in promoting the talents of women in the workplace.



■ Hiring Women

Increasing Percentage of Female Employees

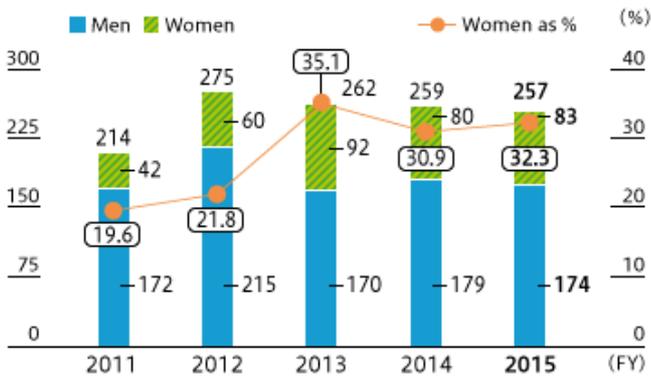
As of April 2016, women accounted for 15.4% of all employees of Daikin Industries, Ltd.

Starting in fiscal 2013, we began our policy of hiring more women for technical and skills positions. As a result, women periodically hired accounted for more than 30% of all new employees hired for the third consecutive year.

In fiscal 2015, we began collaborating with universities to hold lectures and round-table discussions that would help prepare women for careers, and we stepped up efforts to hire more women. Our goal is to take on 100 women a year through our periodic hiring and have women account for 17% of all employees, which exceeds the 15.5% average (fiscal 2013) for the manufacturing industry.

There were 85 women newly hired in April 2016, 31.1% of all those hired.

■ Number of People Periodically Hired and Women as Percentage of Total (Daikin Industries, Ltd. only)



■ Re-employment of Retired Employees

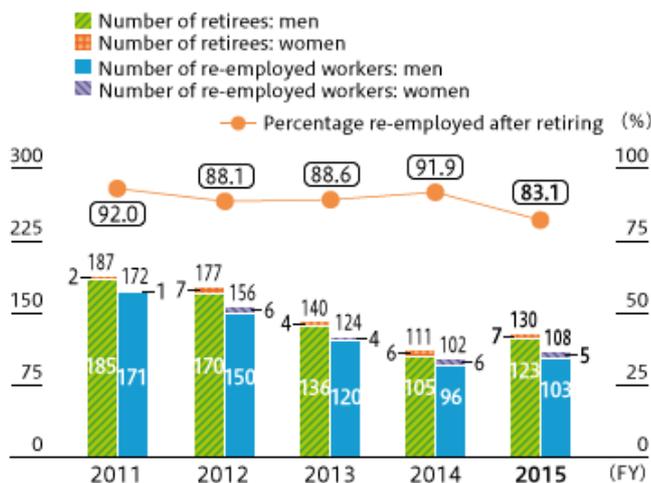
Re-employing More than 100 Veteran Workers Each Year

In 2001, Daikin Industries, Ltd. became one of the first companies in Japan to introduce a re-employment system. Retirees wishing to continue working at Daikin following retirement can use their skill and knowledge in a flexible employment system that allows them to work reduced hours and on call. Since introducing this system, over 100 have been re-employed each year. In fiscal 2015, there were 596 retirees working under this system at Daikin. Eight 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. We are working to raise motivation among these re-employed veterans by giving bonuses to those demonstrating outstanding contribution to company performance.

All group companies in Japan have also had this re-employment system since fiscal 2006, when Japan put into effect the 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 and Rate of Re-employment (Daikin Industries, Ltd. 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.

Employment of People with Disabilities

Hiring More People with Disabilities across the Entire Group

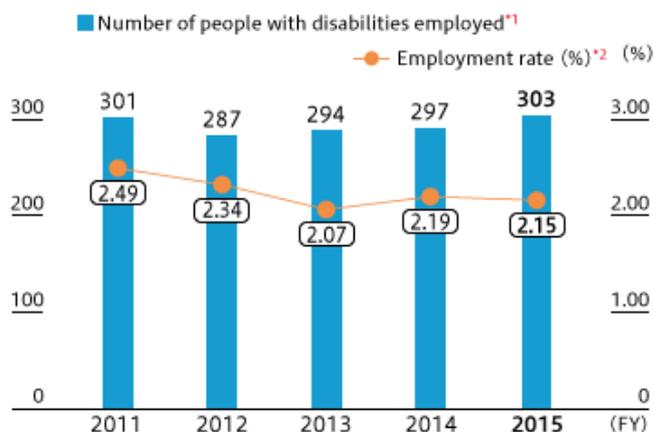
The Daikin Group strives to hire people with disabilities based on its policy of providing opportunities for them to grow personally and make contributions to society through production activities.

In 1993, based on the Act on Employment Promotion etc. of Persons with Disabilities, Daikin Industries, Ltd. 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 their employment in mind. Including the employment of people with disabilities at many group companies and expanding their employment at special subsidiary companies, we are increasing the disabled employment ratio for Daikin Group as a whole.

As of the end of fiscal 2015, 2.15% of workers in the Daikin Group are disabled, a percentage above the legal requirement.

Number of People with Disabilities Employed and Employment Rate (Group companies in Japan)



*1 Legally, one severely disabled person employed is counted as two people with disabilities.

*2 Employment rate = number of people with disabilities employed / number of people employed.



Daikin Sunrise Settsu (Japan)



New plant of Daikin Sunrise Settsu

Daikin Overseas Bases Hire Disabled Workers

Daikin Air-conditioning (Shanghai) Co., Ltd. has been doing all it can to hire people with disabilities and it currently has 67 disabled employees. In April 2014, the company was recognized by the government as an occupational training base for people with disabilities.

In July 2015, the company placed fifth in an exhibition celebrating the abilities of disabled persons from all over China. In November 2015, a group of disabled employees from Daikin Air-conditioning (Shanghai) Co., Ltd. took part in an exhibition of the achievements of educational groups in Shanghai City, winning an award for best teamwork. These are just a few examples of how disabled employees at Daikin in China are taking the initiative to make their mark in society.

Daikin Industries (Thailand) Ltd. has 22 disabled employees, and Daikin Compressor Industries Ltd. has 19 disabled employees.



Employees of Daikin Air-conditioning (Shanghai) Co., Ltd. at an exhibition of the achievements of educational groups in Shanghai City

■ Promotion of Local Personnel at Overseas Bases

Making Local Employees Leaders at Overseas Bases

As Daikin's business globalizes, we are trying to globalize our management as well by promoting more employees at overseas bases to managerial positions. We have the Global Daikin Leadership Development Program for locally hired managers at worldwide bases in order to give them the capabilities to run Daikin subsidiaries in their own countries.

As of the end of fiscal 2015, local nationals accounted for about 51% of the presidents at overseas Daikin bases and about 47% of the directors. Of Daikin's 20 European sales bases, 13 of them had local nationals as presidents.

■ Diversity Education for Employees

Training Japanese Employees for Work at Overseas Bases

Daikin Industries, Ltd. 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.

The goal of this training is to help the appointees adapt as smoothly as possible to their new country by boosting their knowledge of things like its current affairs, people's thinking and values, and the main considerations when doing business there, as well as by deepening their understanding of Our Group Philosophy, which is the unifying force for all group employees. Some of the appointees will take language training if necessary. About 95 Daikin Industries, Ltd. employees took part in this training in fiscal 2015.



■ **Work-Life Balance Policy**

Daikin Industries, Ltd. stresses a work life balance for employees. We have a range of systems and measures that allow us to make use of a diverse range of human resources.

The company has established an action plan that is already underway for helping employees with children continue both work and home duties with peace of mind. We have 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 both childcare leave and childcare support.

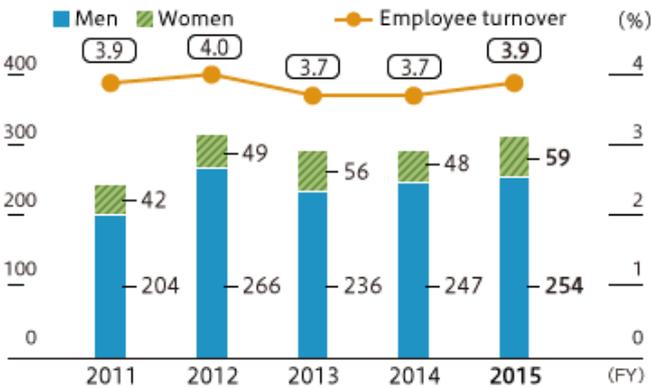
■ **Helping Employees Match Work Schedule with Lifestyle**

Employing Flexible Work Systems such as Flex Time and Discretionary Work System

To allow this diverse range of employees to work under flexible conditions and working hours, we use the flex time system. We also have a discretionary work system that can be taken advantage of by not just the R&D department but also by employees in other company departments conducting duties such as planning, proposals, and surveys related to company operations.

Thanks to these efforts to give employees flexible working conditions and working hours, Daikin had an employee turnover of just 3.9% (including mandatory retirement age employees) in fiscal 2014: this is far below the average of 15.5% for all industries in Japan (according to a 2014 survey by Japan's Ministry of Health, Labour and Welfare).

■ **Number of Employees Leaving, Employee Turnover (Daikin Industries, Ltd. only)**



Creating a Workplace Where Employees Can Balance Their Jobs and Childcare

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

In fiscal 2013, we began offering the full support of outside specialists to employees searching for nursery schools for their children. Besides providing information on nursery schools and how to go about finding a suitable one, this service offers advice and counseling for everyone from pregnant mothers to those ready to put their children in a nursery school. This service is used by employees taking childcare leave.

In April 2014, we implemented our fourth action plan based on the Law for Measures to Support the Development of the Next Generation. Under this action plan, we introduced more flexible work options for employees making an early return from childcare leave, improved the childcare support cafeteria plan* and gave employees more choices under this plan, and for employees making an early return to the workplace increased the amount of subsidies from the company, to a maximum of 600,000 yen, to pay for childcare services.

In January 2016, Daikin introduced a work-at-home system to give employees the chance to work at home yet still continue to take on the challenges of their jobs. This system provides three choices: full-time employees can work up to once a week at home; employees returning to the workplace less than six months after starting childcare leave can work up to four times a week at home; and employees can have more freedom in choosing when and where they work. We will continue to help employees achieve an ideal balance of work and childcare while also using their talents to the fullest.

*Childcare support cafeteria plan: A system under which Daikin provides subsidies for childcare service fees incurred by employees with children whose spouse is also working. Fees may be daycare fees incurred when the employee is working overtime or on a business trip, or hospital bills when the child is sick.

128 Male Employees Take Childcare Leave

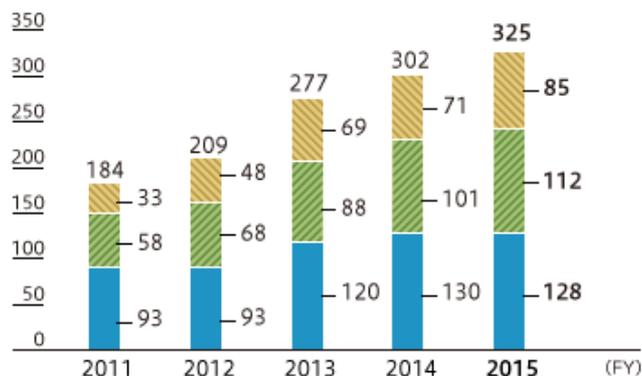
Daikin Industries, Ltd. encourages male employees to take extended leave for childcare and aims to create a work environment in which male employees feel comfortable taking childcare leave. We are revising company systems to stay ahead of revisions to relevant Japanese laws; for example, we lifted restrictions on childcare leave for men with at-home spouses, and male employees are allowed to take childcare leave twice as compared to only once previously. We are also thoroughly publicizing these systems and encouraging male employees to take childcare leave.

As a result of our efforts to promote awareness and use of the childcare leave system among our employees, 128 men took childcare leave in fiscal 2015. Men were able to take childcare leave by timing it with the birth of their children and taking it before their spouses returned to the workplace from childcare leave.

We will continue to help men play a greater role in childcare by building an environment where both men and women can balance work and childcare while also using their talents to the fullest.

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

- Number taking childcare leave (Men)
- Number taking childcare leave (Women)
- Number of taking leave before and after child birth (Women)



Daikin Industries, Ltd. 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 (Ministry of Health, Labour, and Welfare).



Symbol Showing Certification as a Company Supporting Employees Childcare Efforts

■ 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. Introduction of childcare cafeteria plan.
2010	Reassessment of childcare leave and family care leave in accordance with the revised Child Care and Family Care Leave Act.
2012	Achievement of goals of second action plan. Creation of third action plan (implementation period: April 2012 to March 2014). Revision of childcare cafeteria plan.
2013	Introduction of nursery school assistance service.
2014	Creation of fourth action plan (April 2014 –March 2019). Revisions to childcare cafeteria plan. Introduced flexible working conditions and subsidies for childcare service fees to help workers making early return to work from childcare leave. Trial system for allowing employees to work up to once a week at home.
2016	Introduction of work-at-home system.

■ Support for Family Care

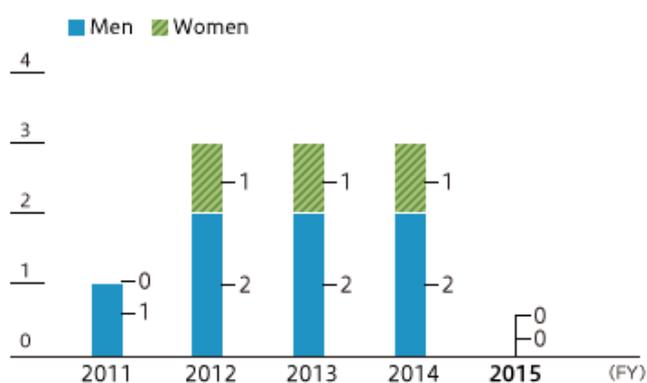
Family Care Leave and Shortened Working Hours

Daikin Industries, Ltd. 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.

Short family care leave is also possible, 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.

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



■ Other Employee Benefit Systems (some are abridged)

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



■ Labor Management Relations Policy

Daikin Industries, Ltd. believes that cooperative labor management relations are the foundation of company management. We therefore place the utmost emphasis on equality of labor and management, as well as mutual trust between both sides. Our stance has, and always will be, to face the truth in solving all problems, and to speak frankly and draw clear lines between what is and what is not possible.

Except for managers and some contract employees, everyone at Daikin Industries, Ltd. 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 2015, there were 22 such meetings held at the head office. Participants discussed topics including boosting efforts to improve the quality of work and efforts toward the establishment of a Technology and Innovation Center. Meetings were held at branches as needed.

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, Ltd., we believe that the company should respect its employees as individuals and strive to improve their welfare, and that employees should fulfill their duties as workers. The principle of respect for the rights of the worker is specified in work regulations and labor agreements.

To ensure understanding of workers' rights, we give a thorough explanation of the work regulations and labor agreement to new employees when they join the company, and the labor union also conducts similar education of employees.

Hearings for Employees to Improve Working Conditions

Daikin Industries, Ltd. has about 10 hearings a year with at least 3% of its employees (approximately 240 employees). Salary negotiations are held between labor and management with consideration for factors including company performance, operational issues, world trends, and the work of the labor union. Interviewing each employee based on these factors results in that person receiving a salary that both sides agree is fair under the circumstances.

Besides salary, employees are also given hearings when there are matters to report from the company, such as new fiscal year policies, budget and performance reports, and a message from the president at bonus time. Other ways that we hold dialogue with employees include meetings between managers and their workers during announcement of annual targets and employee evaluations. Listening to frank employee opinions ensures that we can continuously improve labor-management relations.



■ Occupational Safety and Health Policy

The Daikin Group's Group Conduct Guidelines state that besides ensuring a safe workplace, we will gain the trust of the community through a policy of safety first in which we are constantly aware of and taking action on the safe operation of our factories. 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.

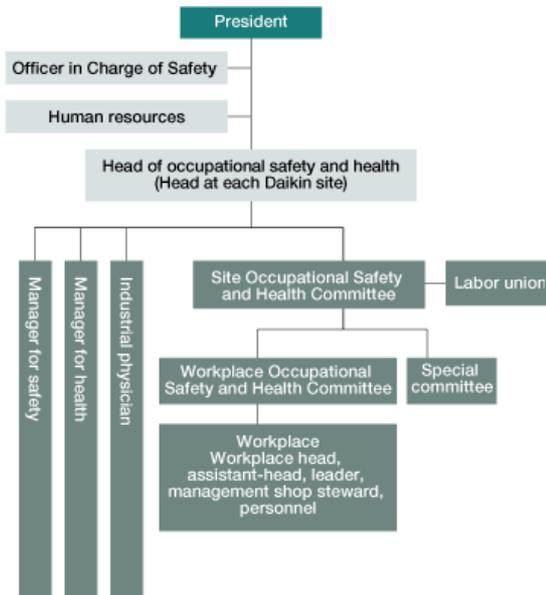
■ Occupational Safety and Health Management Structure

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 slogans, proposals for occupational safety and health plans, and the implementation of the PDCA cycle for safety activities.

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

■ System for Occupational Safety and Health



■ Occupational Safety and Health Management System

24 Bases Certified for OHSAS 18001 and Other Standards

The Daikin Group has production bases around the world and we ensure safe plant operation and worker safety through the creation of occupational safety and health management systems (OHSAS) at each base, as well as certification for international standards such as OHSAS 18001. Under this system, we use risk assessment to reduce the risk of health and safety problems, and we ensure that we are continuously in compliance with laws and regulations.

As of the end of fiscal 2015, there were three Daikin plants in Japan and 21 Daikin Group companies overseas certified for OHSAS 18001.

■ Daikin Bases Certified for OHSAS (Japan)

Date	Certification	Base certified
Sep. 2006	JISHA OSHMS	Kashima Plant, Daikin Industries, Ltd.
Aug. 2012	OHSAS 18001	Sakai Plant, Daikin Industries, Ltd.
Dec. 2012	OHSAS 18001	Shiga Plant, Daikin Industries, Ltd.

■ Daikin Bases Certified for OHSAS (Overseas)

Date	Certification	Subsidiary certified
Nov. 2002	OHSAS 18001	Daikin Industries (Thailand) Ltd.
May 2007	OHSAS 18001	Daikin Device (Suzhou) Co., Ltd.
Mar. 2009	OHSAS 18001	Daikin Fluorochemicals (China) Co., Ltd.
Aug. 2009	OHSAS 18001	Daikin Motor (Suzhou) Co., Ltd.
Oct. 2009	OHSAS 18001	Daikin Industries Czech Republic s.r.o.
Mar. 2010	OHSAS 18001	Daikin Device Czech Republic s.r.o.
May 2010	OHSAS 18001	Daikin Air-Conditioning (Shanghai) Co., Ltd.
Jun. 2010	OHSAS 18001	Daikin Turkey A.S.
Jun. 2010	OHSAS 18001	Daikin Refrigeration (Suzhou) Co., Ltd.
Apr. 2010	OHSAS 18001	McQuay Air Conditioning & Refrigeration (Suzhou) Co., Ltd.
Jan. 2011	OHSAS 18001	Daikin Europe N.V.
Jan. 2011	OHSAS 18001	Daikin Malaysia Sdn. Bhd.
Mar. 2011	OHSAS18001	Xi'an Daikin Qing'an Compressor Co., Ltd.
Feb. 2012	OHSAS18001	Daikin Applied Europe S.p.A.
Feb. 2012	OHSAS18001	Daikin Compressor Industries Ltd.
Mar. 2012	AS/NZS 4801:2001 certification	Daikin Australia Pty., Ltd.
Mar. 2013	OHSAS18001	Daikin Airconditioning India Pvt. Ltd.
Oct. 2013	OHSAS18001	Daikin Air-conditioning (Suzhou) Co., Ltd.
Dec. 2013	OHSAS18001	Daikin Hydraulics (Suzhou) Co., Ltd.
Jan. 2013	OHSAS18001	Daikin Chemical Netherlands B.V.
Mar. 2015	OHSAS18001	AAF (Suzhou) Co., Ltd.

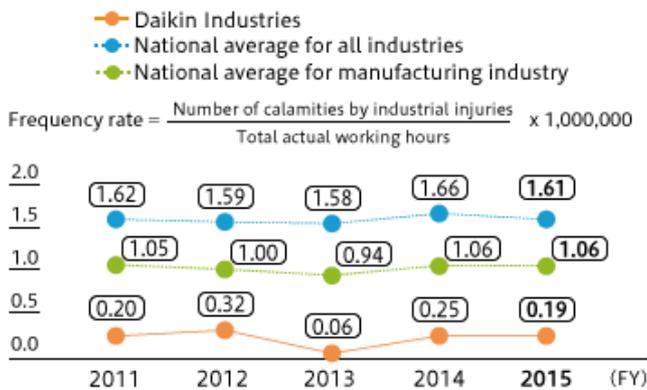
■ Occurrence of Labor Accidents

Entire Daikin Group Aims to be “Zero Accident” Workplace

The Daikin Group aims for a “zero accident” workplace through a range of safety and health efforts. Joint safety and security meetings are held twice a year to share information in order to raise safety levels throughout the Daikin Group. Daikin bases around the world carry out their own safety activities, such as education and safety patrols, aimed at achieving a “zero accident” workplace.

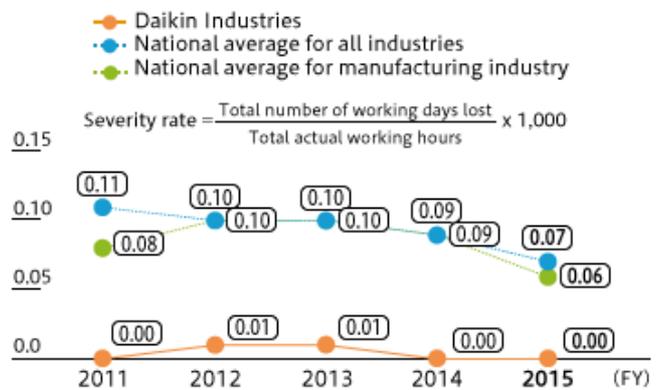
Both the ratio of occupational accidents and the severity rate at Daikin Industries, Ltd. continue to be far below the average for the manufacturing industry in Japan.

■ Frequency Rate*1 (Daikin Industries, Ltd. only)



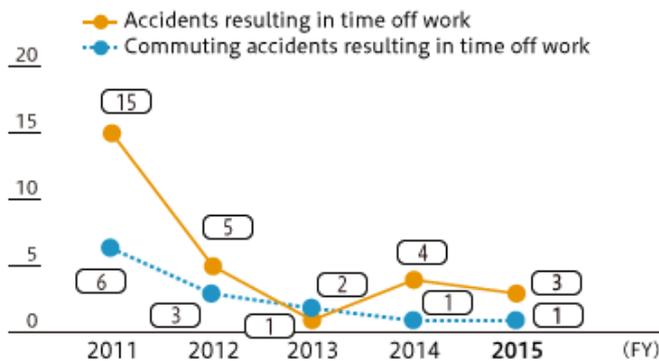
*1 This shows the frequency of work-related calamities, expressed in number of casualties for every 1,000,000 working hours.

■ Severity Rate*2 (Daikin Industries, Ltd. only)



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

■ Number of Workplace Accidents Resulting in Time off Work (Daikin Industries, Ltd. only)



■ Employee Education and Training

Hands-On Training Raises Safety Awareness at Daikin Worldwide

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

An important focus in recent years has been hands-on training that simulates situations where certain actions or situations could invite danger. Using specially made devices and machines, employees take part in hands-on training in which they experience what it is like to be caught in or trapped by machinery in the equipment manufacturing industry, where such accidents are common; and where they see firsthand the danger of fire and pressure caused by chemical reactions common in the chemicals manufacturing industry. Combined with theoretical learning in the classroom, the hands-on training makes for an effective program.

In fiscal 2014 at the Yodogawa Plant, emergency shut-down simulation training was held in which participants could experience what it would be like if the plant had to halt operations in a crisis. Making use of behavioral data on past malfunctions or abnormalities, and the knowledge of experts, a virtual emergency shut-down was implemented so that participants could take part in drills to figure out what measures would need to be taken.

We also aim for zero workplace accidents at overseas bases through efforts such as safety education and safety patrols. For example, at O.Y.L. Manufacturing Company Sdn. Bhd. in fiscal 2014, 1,329 employees took part in training in which models and other methods were used to experience possible crises arising on the job.

> [Business Partners Contribute to Plant Safety \(Supply Chain Management\)](#) (Page 265)

■ Employee Health Management

Supporting Employee Health through Checkups and Counseling

Daikin Industries, Ltd. strives to maintain employees' health by providing all employees with semi-annual health checkups, as well as semi-annual special checkups for those engaged in specialized work, as required by health and safety laws.

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

In fiscal 2015, all employees in the Chemicals Division took their regular health checkups, with 46% having problems that needed attending to, a decrease over the previous year. In response, we are continuing to work on primary prevention measures. In order to improve employee health at the Yodogawa Plant, employees are being encouraged to take part in a walking program sponsored by the public health insurance association, in which they aim to walk 10,000 steps a day for 106 consecutive days. The program was joined by over 2,000 employees, over half of whom walked more than 10,000 steps a day. We are also striving to raise awareness of health among employees through, for example, talks given twice a year by an industrial physician on the dangers of smoking, and seminars held three times with the cooperation of Kagome Co., Ltd. and Yakult Honsha Co., Ltd. on the topic of food and health.

In the air conditioning divisions, bases hold annual sporting events with the aim of improving health and facilitating good relations among employees. At the Sakai Plant, over 1,000 employees take part in these events every year.

■ Mental Health

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

Daikin Industries, Ltd. strives to maintain the physical and mental health of employees.

Based on guidelines from the Ministry of Health, Labour and Welfare, four types of mental health care measures, such as self-care and care by dedicated outside staff, are planned and implemented at all bases depending on the needs of each base.

For example, Industrial physicians provide mental health checkups to employees who are transferred and to newly hired employees after three months, as well as to employees who questionnaires have showed are facing problems. There are also mental health lectures.

At Daikin bases in countries like the U.S., Thailand, and Australia, there are mental health counselors and help lines to ensure that employees enjoy a pleasant workplace.

■ Shortening Working Hours

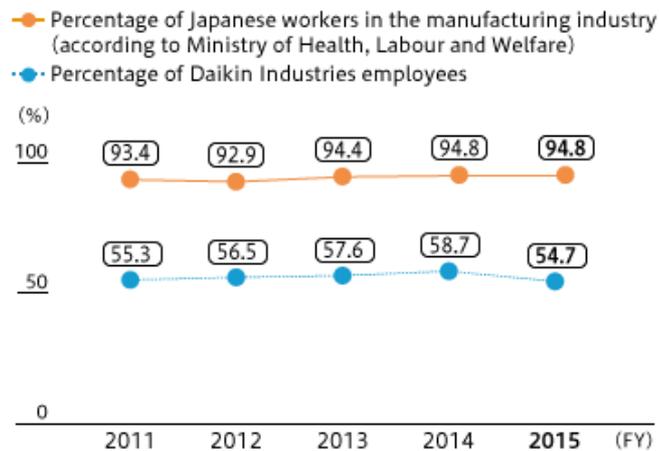
Eliminating Long Working Hours by Obligating Employees to Leave at Closing Time and Boosting Work Efficiency

Daikin Industries, Ltd. strives to eliminate long working hours through measures such as obligating employees to leave the office at closing time once a week and prohibiting employees from coming to work on their days off (unless absolutely necessary and approved by the department head).

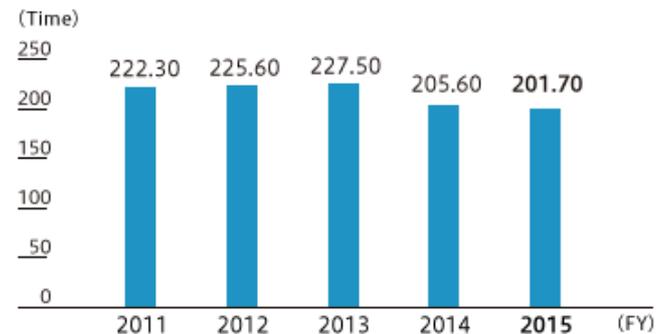
In this way, we are making a concerted effort to improve both work rule compliance and work efficiency. Yearly plans are made for each employee's duties and working hours, and to ensure that work and personnel management are in line with the plans, checklists are filled out to manage daily work.

Furthermore, by implementing a planned 5-day paid work leave system and establishing 3 days of general paid leave, we aim to promote respect for work-life balance and a more vibrant work environment.

■ Percentage of Employees Taking All Paid Leave (Daikin Industries, Ltd. only)



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



■ Measures to reduce working hours

1. **Daily management of operations**

Self-checks and mutual-checks using checklists.

2. **Raising awareness and changing company culture**

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

3. **The 5 Rules**

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

4. **Clarify management of operations**

Implement a work attendance system.

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

Human Resources

Fostering Human Resources



■ Philosophy

The Daikin Group believes that practicing the principle of Our Group Philosophy and "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 training opportunities that include on-the-job training (OJT)*¹ in which each person is given the job most suitable to using unique talent and fostering individual growth.

Since fiscal 2015, we have been operating the Global Daikin Leadership Development Program to foster local nationals who work in group management or who are managers at Daikin's overseas bases. The program is divided into two sections: for those who are currently managers, and for those who are manager candidates. This training program teaches participants things like Daikin's corporate culture and the group's unique management philosophy.

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

*² Off-JT: Employees study outside of their current 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 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. With the goal of fostering the leaders of our worldwide bases, this center hosted skill trainers workshops for Daikin Group employees, group training for new employees, the Daikin Leadership Development Program, which fosters the next generation of Daikin executives, and overseas base practical training for fostering young, globally minded employees. In fiscal 2015, more than 12,000 employees made use of the training center.



Daikin Ales Aoya Global Training Center

Besides Daikin employees, the training center has many repeat visits by Daikin customer employees, and over the past three years it has operated at a high operational capacity of 80-90%.

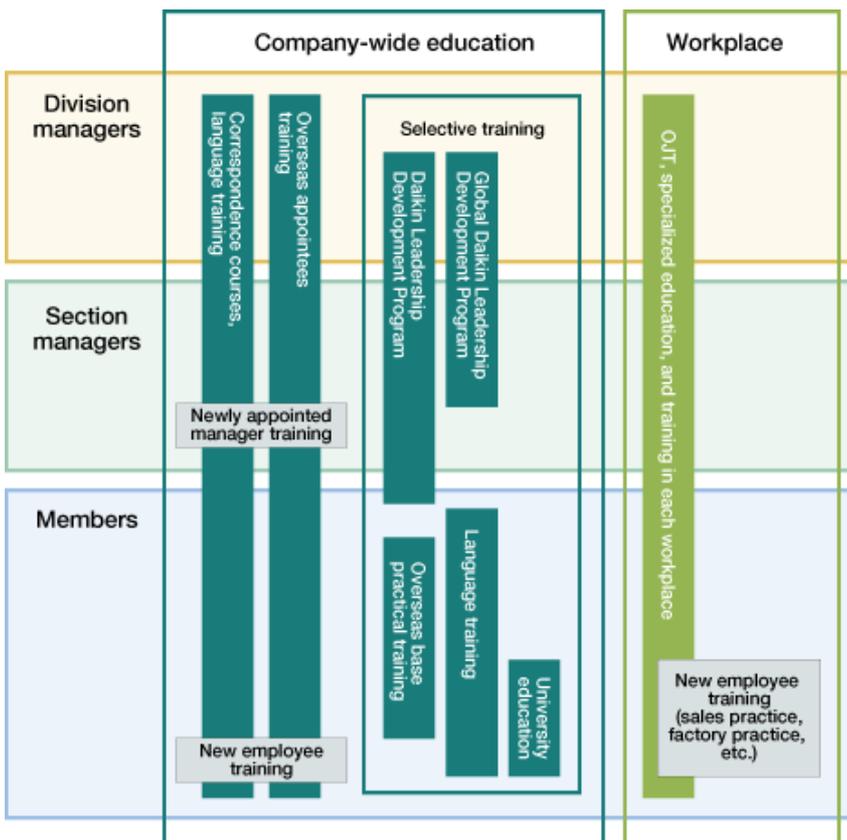
Because Daikin believed that its current training facilities were not sufficient to meet group-wide needs to boost human resource capabilities, in June 2014 a seminar house was added to Daikin's recreational facilities in Tateshina, Nagano Prefecture. This facility is made use of in every possible way. In its idyllic setting amidst the abundant nature of Tateshina and far from the hectic big city, it hosts participants who are able to concentrate for extended periods on discussions, brushing up their abilities to make strategy proposals, conduct problem-solving, brain storm thoughts and ideas, and generate concrete plans. It is also used for lobbying activities and exchanges with other companies, and as a place to invite top sales people or important customers.



The Daikin recreational facility in Tateshina, Nagano Prefecture

We will continue to implement a variety of measures to boost human resources and facilitate mutual communications between the headquarters and branch offices; these include boosting global recruitment, increasing the number of inter-regional and international deployments, and creating competitive assessment and reward systems.

■ 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.

Overseas Base Practical Training

To ensure we have internationally minded employees who can lead our global business in future, we send young employees (ages from mid-20s to late 30s) to work at overseas bases for between one year and two years. Unlike other Daikin employees working overseas, these people take on practical work projects as they cooperate with local dealers, suppliers, business partners, and universities, striving to think outside the box, take on new challenges, and improve their abilities to communicate within foreign cultures.

In fiscal 2015, 25 young employees took part in this training. Since the program started in fiscal 1999, a total of 202 employees have participated. Starting this year, Daikin will send about 40 employees a year to newly emerging and other countries.

In May 2015, we began training in Japan for young employees from overseas Daikin bases.

Study Trips in Japan

Daikin sends young employees in Japan to universities in order to improve their technological skills, acquire MBAs, widen their perspective, and build human resource networks. As of fiscal 2015, there were five Daikin employees studying at Toyota Technological Institute of Japan.

Daikin Leadership Development Program, Global Daikin Leadership Development Program

Daikin fosters the next generation of leaders through the Daikin Leadership Development Program, which trains Daikin Industries, Ltd.'s executives, and the Global Daikin Leadership Development Program, which is for local nationals who are managers at Daikin's overseas bases. Centered on Our Group Philosophy and our "People-Centered Management," the program turns out executives who can lead and manage their company for the common good of the entire Daikin Group.

In fiscal 2013, we opened the Daikin Leadership Development Program up to other employees besides managers to step up the training of next-generation leaders. The Global Daikin Leadership Development Program, which started in fiscal 2015, represents a revamped effort of our previous training at the Daikin Business School.

In fiscal 2015, there were 190 people studying in the Daikin Leadership Development Program and 102 in the Global Daikin Leadership Development Program (including those at the former Daikin Business School).



The Global Daikin Leadership Development Program

■ Passing on Skills

Focus on Trainers Conveying Techniques to Overseas Bases

In 2001, Daikin Industries, Ltd. introduced a system to pass on advanced skills to young workers. This system ensures that we give the next generation of technical leaders the advanced skills that form the foundation of manufacturing.

In the air conditioning divisions, workers with advanced skills are designated as "Takumi" after demonstrating their mastery in the areas of brazing, lathing, sheet metal working, arc welding, die making, and tooling. The Chemicals Division has since fiscal 2006 had a system to designate Experts, who pass their advanced skills on to others. These Takumi and Experts teach their skills at Daikin bases worldwide, thus fostering future engineers and technical leaders.

In April 2010, we established a new trainer system to foster future Takumi and Experts and thus make up for a shortage of their numbers. These Takumi, Experts, and Trainers go on to become instructors who teach selected employees in periodic skills training held at production bases around the world.

In fiscal 2015, for the first time, an employee of a Daikin overseas base earned the designation of Takumi. As of the end of fiscal 2015, there were 34 Takumi and 90 Trainers (26 in Japan, 64 at overseas bases) in the air conditioning divisions, and seven Experts in the Chemicals Division.

By 2020, Daikin plans to increase the number of Trainers to 161. This will raise the skills level at overseas bases and allow Daikin to respond to base expansion resulting from the construction of new plants and the acquisition of other companies.

> [See Key Activities of Fiscal 2015: Human Resources—Transferring Japanese Skills to Ensure High-Quality Production Worldwide](#) (Page 62)



Opening ceremony (participants' oath)



Participating in a skills competition

Skills Competitions and Skills Training Boost Level of Production Workers

In fiscal 2003, Daikin began a techniques competition to boost the skills level at its production bases in Japan. The next year, overseas bases were included in a new biannual event called the Global Skills Competition. Fiscal 2014 saw the largest participation ever, with 145 participants from 13 countries facing off in competitive skills events.

In years when there are no skills competition held, we hold skills training sessions for future leaders. At these sessions, Takumi, Experts, and Trainers are the instructors, teaching employees selected from production bases around the world the Daikin way of training people and making products. At the fiscal 2015 training sessions, there were 14 employees from production bases in Japan and four from overseas.

Skills workshops are also held at overseas group companies and among companies in certain world regions. Participants at each Daikin base share information such as how well skills are being passed down, problems, and goals, as part of the overall effort in the Daikin Group to foster human resources possessing a high level of skills.



■ Fostering Young Engineers and Technicians

Experienced Workers Pass On Techniques and Skills

Since 1994, Daikin Industries, Ltd. has worked to boost the level of its manufacturing by having a Kaizen Team of experienced workers lead training for young employees in the production division.

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.

The system began with training for mid-level employees but now focuses on passing on skills and techniques to young employees. Apart from the passing on of techniques and skills, this training is aimed at giving the young employees a rare opportunity to interact with veterans and thus raise their awareness about the value of carrying on Daikin's tradition of skill. This training has been particularly helpful in raising productivity in the Air Conditioner Manufacturing Division as participants can use what they have learned immediately on the job.

As of fiscal 2015, a total of 154 employees at the Sakai Plant and 103 employees at the Shiga Plant have taken this training.

■ Spurring the Creation of Intellectual Property

Two Systems Stimulate Creation of Intellectual Property

Daikin Industries, Ltd. has two systems for stimulating employees' motivation to invent and for spurring the creation of intellectual property.

The first is the Compensation System for Employee Inventions, a system in which Daikin pays employees for inventions created on the job that result in patent applications as well as successful uses of the patent. In fiscal 2015, in addition to compensation for patent applications, Daikin compensated employees for 528 successful uses of the patent.

The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. In fiscal 2015, we awarded incentive bonuses to the creators of 90 patents.



Awarding incentive bonuses to inventor group representatives

While these systems are aimed at stepping up Daikin's intellectual creativity, they also represent an effort to promptly tackle pressing issues, such as increasing the quality and quantity of patents in competitive fields, and increasing the number of patents in our key technological fields, in particular in emerging countries. In fiscal 2014, we applied for 948 patents in Japan and 344 patents overseas.

In fiscal 2015 in the air conditioning divisions, continuing on the previous year's efforts, we moved ahead with patents that would strengthen our hold on fundamental technologies related to heat exchangers, compressors, and inverters, and we continued on the previous year's efforts to boost the web of patents encompassing air conditioners using HFC-32, a refrigerant with low global warming potential that is also highly energy efficient. In the Chemicals Division, we proceeded with a strategy for more advanced analysis of patent information so that we could conduct R&D ahead of that of our competitors that would lead to patent applications.

We will also continue to conduct thorough advance patent surveys so that we can deal with problem patents early on and thus ensure that we eliminate patents that could hinder our development. We will also step up patent efforts worldwide.

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

