

Use Air- and Environment-related Technologies to Realize Both Solutions to Social Issues and Business Growth



Fiscal 2016 was the first year of Daikin's Fusion 20 strategic management plan to fiscal 2020. It was a year in which we made a strong start towards the plan's targets as we implement measures towards future growth including the establishment of a new production base in the key U.S. market and acquisitions of companies that will expand our filter business.

Reducing Environmental Impact through Energy-efficient Air Conditioners

Air conditioners—Daikin's main product—were originally invented in the early 20th century and they went on to spur a revolution in labor and lifestyles in hot regions while contributing to economic growth and a better quality of life. But the proliferation of air conditioners has led to higher electricity consumption and contributed to environmental problems, in particular climate change.

Daikin has strived to solve these problems by reducing the environmental impact of air conditioners through the worldwide adoption of products using energy-efficient inverter technology and HFC-32, a refrigerant with low global warming potential. Since their market introduction in 2012, HFC-32 air conditioners have sold 10 million units worldwide and, combined with inverter technology, have contributed to a reduction of 45 million tons-CO₂. This is equivalent to half the amount of CO₂ emitted by passenger cars in Japan in one year.

Fusion 20 Strategic Management Plan

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

- Strengthen Existing Businesses
- New Business Domains and New Business Structure
- Create More Sophisticated Technologies and Production Methods
- Create More Sophisticated Management Control
- Implement a Unique Daikin Philosophy

Providing New Value through Technology

Under our Fusion 20 strategic management plan, we are focusing on not only reducing the environmental impact of air conditioning but also on revolutionizing new technologies that create new value in air conditioning. Besides providing systems that give greater energy efficiency throughout entire buildings and cities, we are creating new value in the form of health and comfort for people and space by, for example, removing pollutants from the air and providing room air that improves people's concentration and helps them recover from fatigue faster.

At the TIC, Technology and Innovation Center, the hub of our research and development efforts, we energize our R&D through collaboration with numerous outside organizations. We are taking on new research themes related to people and the air around them; for example, research into air and space that raises intellectual productivity and research into using scientific technologies to give on-screen data that shows how air environments effect on human health.

With our new production base in the U.S. now operating, we will minimize our environmental impact and provide products geared to the needs of the North American market. Similarly, we will use facilities such as our North America R&D center and our Silicon Valley technology office to integrate air conditioners with state-of-the-art Internet of Things (IoT) and artificial intelligence (AI) technologies with the goal of creating new value for our customers.

A Workplace Where Diverse Human Resources Can Flourish

Creating new value in the field of air conditioning comes down to each one of our 67,000 employees worldwide. The Daikin Group positions People-Centered Management

as the source of its competitive strength. We pursue diversity management to give diverse human resources an opportunity to flourish, and to this end we strive to build workplaces where employees can maximize their potential. The air conditioning market is expected to expand in countries like Thailand and India. With this in mind, we are fostering the human resources who will drive air conditioner adoption in these countries by providing technology education to students and other young people.

Daikin takes part in the United Nations Global Compact, an initiative to promote the implementation of 10 universally accepted principles in the four areas of human rights, labor, the environment, and anti-corruption. We also do everything possible to ensure that our activities are sound, transparent, and ethical throughout the entire value chain.

As a corporate group that co-creates new value in the air and environment fields, we will meet the expectations of customers, shareholders, procurement business partners, community members, and all of our other stakeholders as we provide society with solutions and grow our business.



Masanori Togawa
President and CEO
Daikin Industries, Ltd.

Fiscal 2016

Net Sales

2.04 trillion yen

Contribution to Greenhouse Gas Emission Reductions

45 million tons-CO₂

2016

Fiscal 2020 Goals

Net Sales **3** trillion yen

Contribution to Greenhouse Gas Emission Reductions

60 million tons-CO₂

2020

Fusion 20 Co-create new value in the air and environment fields