

Stakeholder Engagement

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Fundamental CSR Stakeholder Engagement



Why is it Important ?

The business activities of a company have direct and indirect effects on stakeholders, society, and the environment. For a company to achieve sustainable growth, it must not simply act unilaterally but rather must pursue dialogue to grasp stakeholders' concerns and expectations, and settle on management that creates a virtuous circle between all parties. This process is called stakeholder engagement and it is central to a company fulfilling its corporate social responsibility.

DAIKIN'S POLICY

The Daikin Group's main stakeholders are the customers to whom we provide the Group's products and services, those directly affected by our business including shareholders, investors, employees, and business partners, as well as members of local communities, who are affected by our business activities. Moreover, the national and local governments of the countries where we do business, and those countries' industry groups, are connected to our efforts to disseminate air conditioning technologies and improve the environmental performance of products and services. We thus pursue dialogue wherever possible with stakeholders and reflect their opinions in our management.

Stakeholder Engagement

The Daikin Group uses every means possible to gather the opinions of stakeholders and reflect them in our management, all with a focus on engaging our stakeholders.

Dialogue with Shareholders and Investors

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.

Dialogue with Governments and Industry Groups

To alleviate and solve society's problems, the Daikin Group actively pursues dialogue with concerned parties, offering proposals and calling for action.

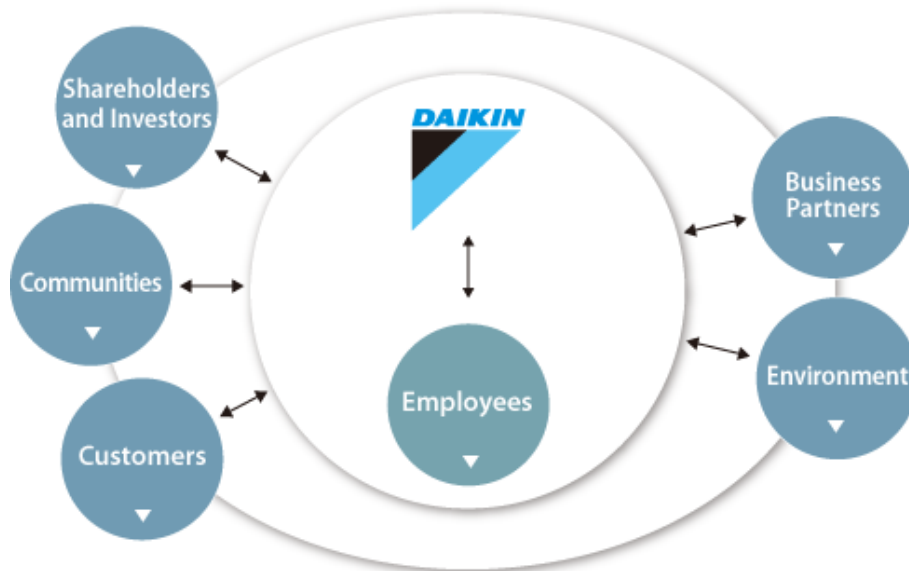
Stakeholder Engagement



■ Stakeholder Engagement

So that we can continue to contribute to society, the Daikin Group uses every means possible to gather the opinions of stakeholders, report these to company officers, and reflect them in our management, all with a focus on engaging our stakeholders.

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Stakeholder Engagement Efforts

Stakeholders	Main dialogue methods and opportunities	Main dialogue representatives at Daikin
<p>› Customer (Page 194)</p>	<ul style="list-style-type: none"> • Daily sales activities • Contact Center • Showrooms • Dialogue during repair visits • “Thank You” sales events and product explanations at distributors 	<p>Sales divisions Service Division</p>
<p>› Shareholders and investors (Page 302)</p>	<ul style="list-style-type: none"> • Ordinary General Meeting of Shareholders • Briefings for investors • Annual Report, business reports • Information for investors on Website 	<p>General Affairs Department Corporate Communication Division</p>
<p>› Procurement business partners (Page 284)</p>	<ul style="list-style-type: none"> • Daily procurement activities • Supplier briefings • Supplier Quality Conferences • Quality improvement announcement meetings • Quality audits 	<p>Procurement Division</p>
<p>› Employees (Page 212)</p>	<ul style="list-style-type: none"> • Interviews based on employee self-assessments • Labor-management council meetings, labor union council meetings • Group Management Meeting • Global managers’ meetings 	<p>Human Resources Division Corporate Planning Department</p>
<p>› Communities (Page 307)</p>	<ul style="list-style-type: none"> • Informing local community of emergency disaster drills • Factory tours for local citizens • Involvement with local groups and events • Providing environmental education 	<p>Companies, workplaces</p>
<p>› NPOs, NGOs (Page 304)</p>	<ul style="list-style-type: none"> • Dialogue with NPOs and NGOs 	<p>CSR Division</p>
<p>› National and local governments, industry, academia (Page 304)</p>	<ul style="list-style-type: none"> • Dialogue with government representatives in each country • Dialogue with UN representatives • Participation in industry activities • Research in joint industry–academia initiatives • Air Conditioner Forums 	<p>Companies, workplaces, PR divisions, CSR Division, Research Department</p>

Stakeholder Engagement

Dialogue with Shareholders and Investors



■ Philosophy

Daikin Industries, Ltd. 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. In addition, 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, Ltd. 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. In addition, we visit and hold talks with institutional investors in Japan and other countries. We speak with investors on nearly 350 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.

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

We will continue to stress dialogue with all investors and do everything we can to disclose information through a range of media.

■ 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 at least a week earlier than is legally required, and we post the information on the Daikin website and on the website of the Tokyo Stock Exchange. 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, we have an English version of our website, and we post the results of shareholder voting on our website.

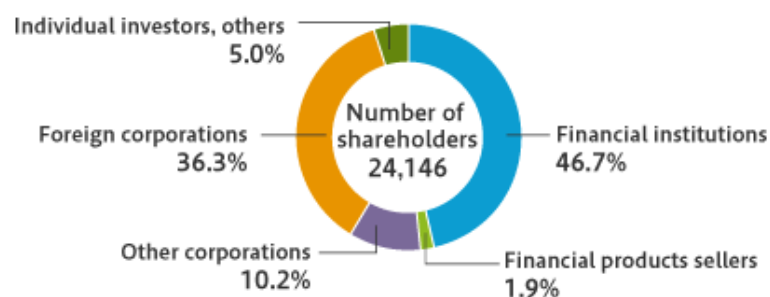
We strive to get as many shareholders as possible to exercise their voting rights by allowing voting over the Internet: those who cannot attend meetings in person can still exercise their voting rights by personal computer or mobile phone. We have also adopted a platform for exercising voting rights, which makes it even easier for institutional investors to vote.

As a result of these efforts, the percentage of voting rights exercised reached 86.75% in fiscal 2016. The number of votes cast over the Internet also increased to 1,596,419 in fiscal 2016 (921 shareholders).

■ Voting Rights Exercised

	Voting rights exercised	Votes cast over the Internet	Shareholders voting online
Fiscal 2012	81.55	1,244,629	900
Fiscal 2013	82.07	1,337,000	868
Fiscal 2014	83.24	1,443,620	923
Fiscal 2015	85.68	1,495,992	902
Fiscal 2016	86.75	1,596,419	921

■ Breakdown of Shareholders (March 31, 2017)



Stakeholder Engagement

Dialogue with Government and Industry Groups



■ Daikin Cooperates in Formation of Environmental Policy

Daikin Calls on All Concerned Parties to Participate in Selection of Next-Generation Refrigerants

As it does business in countries around the world, the Daikin Group ties up and cooperates with national and local governments and industry groups to come up with proposals and to call on all parties concerned for the betterment of society.

Particularly in the area of selecting and enacting the use of next-generation refrigerants, we are participating in international conferences, seminars, academic conferences, and exhibitions and working closely with representatives of industry groups, UN organs, and environmental ministries of governments, discussing regulations, standards, and refrigerant trends and efforts to phase out certain refrigerants, and providing as much information as possible to help countries choose the new refrigerants that are best for them.

We plan to continue sharing information on refrigerant technology with the relevant people around the world.

Daikin Joins Projects by Japanese Government and International Organizations

Daikin took part in a project in Thailand, which ran from 2015 to March 2017, to convert HCFCs to HFC-32. This project was carried out as part of support for emerging countries by the Multilateral Fund under the Montreal Protocol. This was the first successful case study of HCFC phase-out in emerging countries and has been praised by the Montreal Protocol. In Thailand, while contributing to the HCFC phase-out, Daikin has made significant contributions to reducing the impact of global warming by introducing a refrigerant with lower GWP .

In fiscal 2016, Daikin and other companies carried out a feasibility study project for the purpose of disseminating energy-efficient air conditioners. It also created a scheme for refrigerant recovery, recycling, and destruction in Sri Lanka. The project is part of efforts to support emerging countries by Japan's Ministry of Environment.

Under the survey covering 40 factories in 13 industrial parks in Sri Lanka, information was gathered on air conditioner electricity consumption and refrigerants, and hearings were held on progress of refrigerant recovery, recycling and destruction. The results were shared at a workshop held in conjunction with the Sri Lankan government, where more than 70 participants representing government, academic societies, and industry learned more about efforts to disseminate energy-efficient products and recover, recycle, and destroy refrigerants. Based on the results of the survey, the intention is to calculate the possibilities for CO₂ emission reductions in Sri Lanka through the use of energy-efficient commercial air conditioners using the low-GWP-refrigerant, HFC-32, and come up with policy recommendations for spreading the use of energy-efficient air conditioners in Sri Lanka and thus contribute to a recycling-based society.

In fiscal 2016, a Daikin project proposal to disseminate environmentally friendly, high-efficiency air conditioners in Mexico was selected by the Japan International Cooperation Agency (JICA) as a Public Private Partnership program. Mexico has targeted a 22% reduction in greenhouse gas emissions by 2030. Under its project, Daikin is to conduct a demonstration test of high-efficiency air conditioners using the HFC-32 refrigerant, and subsequently quantify the effects of using these products. We also shared our knowledge on making energy-efficiency-related policy with the Mexican government with the aim of creating a market for energy-efficient products and services.

■ Environmental Forums and Exhibits

Worldwide Air Conditioner Forums Discuss the Future of Air Conditioning

Since 1995, the Daikin Group has been holding Air Conditioner Forums in Japan to exchange opinions with experts on the future of air conditioning. With the rapid globalization of our business, since fiscal 2007 these forums have spread worldwide: to Europe, China, the U.S., Asia and Oceania, and Latin America. At each forum, we exchange ideas and opinions on environment and energy with local experts, and the information we gather is reflected in the development of technologies and products, and in how we pursue business.

In fiscal 2016, we held Air Conditioner Forums at which discussions focused on topics such as energy efficiency in buildings and indoor air quality in Asia, Oceania, and Europe. We also held our first Air Conditioner Forums in Latin America, where the theme was progress in energy-efficient and environmental technologies with the goal of creating a sustainable society. At the forums, we introduced Daikin's technologies and efforts aimed at achieving this goal, and we exchanged opinions and ideas with participants who included officials of various governments and university professors.

Besides our participation so far in international conferences of groups such as the Japan Refrigeration and Air Conditioning Industry Association (JRAIA) and the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE), we took part in the International Sorption Heat Pump Conference (ISHPC 2017) in August 2017 in Tokyo, and we will take part in the 9th Asian Conference on Refrigeration and Air-conditioning (ACRA 2018) in June 2018 in Sapporo.



Air Conditioner Forum in Latin America

■ Fiscal 2015 Air Conditioner Forums

Region	Date	Main discussion topics	Invited guests
North America	Jun. 2016, Jan. 2017	<ul style="list-style-type: none"> Impact of U.S. targets regarding climate change and energy efficiency on air conditioning industry, future of commercial air conditioning market, utilization of HVAC to achieve energy-efficiency targets 	Total of 44 from 4 countries; university professors, specialists, etc.
Europe	Feb. 2017	<ul style="list-style-type: none"> Daikin's role, and significance in standardizing—and thus expanding innovation via—building energy performance evaluation programs and in-room air quality programs, which affect consumer air conditioner choices 	Total of 18 from 10 countries; university professors, specialists, etc.
Asia, Oceania	Feb. 2017	<ul style="list-style-type: none"> Recent trends and efforts regarding green building and in-room air quality improvement, efforts to take on environmental challenges of refrigerants 	Total of 22 from 11 countries; university professors, specialists, etc.
Japan	Jun., Nov. 2016	<ul style="list-style-type: none"> Introduction of a METI report on the leading role that technologies such as IoT, big data, and AI will play in the fourth industrial revolution, the smart society and big data, Daikin's participation in a smart communities project in Manchester, U.K. 	Total of 23; university professors, specialists, etc.

Active Information Exchange with NPOs and NGOs

We take every possible opportunity to exchange opinions with a range of environmental NPOs and NGOs.

The Institute for Governance & Sustainable Development (IGSD) is an American NGO working towards measures to deal with climate change and support sustainable development. IGSD has launched a joint project with the Energy and Resources Institute (TERI), an external body of India's Bureau of Energy Efficiency (BEE), aimed at disseminating affordable, energy-efficient air conditioners in India. Daikin Airconditioning India Pvt. Ltd. participated in this project as a technology provider and has proclaimed that it will provide the country with such affordable, energy-efficient air conditioners. In addition, Daikin and IGSD met to exchange opinions on our offer of worldwide free access to patents for equipment using the next-generation refrigerant HFC-32.

Participating in CSR-Related Groups and Collaborating with Other Companies

The Daikin Group takes part whenever possible in the activities of various CSR-related groups under the auspices of, for example, the United Nations and the Japanese government. Besides discussions and information exchange with these groups on CSR philosophy and actions, we also collaborate with other private companies in order to step up our CSR activities and improve the content of our efforts.

In fiscal 2016, we took part in the Global Compact Network Japan's subcommittees on stakeholder engagement, SRI (socially responsible investing)/ESG (environmental, social, governance), supply chain, reporting, and a Kansai regional subcommittee, as well as in a CSR and compliance research conference and the Eco-First Promotion Conference.

› See [Participation in the Global Compact](#) (Page 44)

› See [Endorsement as an Eco First Company](#) (Page 180)