

Our Group Philosophy: Maximizing Corporate Value through Groupwide Pooling of Corporate DNA

In August 2002, Daikin formulated “Our Group Philosophy.” We devoted a year to developing the ten themes of Our Group Philosophy. In this special feature, we will address the aims of this plan and the way their strict application will shape the evolution of the Daikin Group.

Goals of Our Group Philosophy

Between fiscal 1996 and fiscal 2001, Daikin implemented the “Fusion 21” strategic management plan, laying down a firm basis for development into the early 21st century. Now we have formulated a new strategic management plan, “Fusion 05,” with a strategy for realizing our vision of Daikin in fiscal 2006. Under this plan, we intend to become a “global top-tier company,” boldly taking on the challenge of meeting new, more ambitious targets.

Daikin is not daunted by the siege mentality and sense of powerlessness that prevail throughout the world economy due to uncertainty about future prospects. Instead, there are many issues we want and need to boldly address. Our conviction has strengthened that the time is ripe for a quantum leap forward, instantly taking us far ahead of our rivals.

To make the most of this opportunity, and to rapidly reach our goals, the Group, rooted in a single vector, needs to act in unison in solving the problems we face. For this to happen, the thinking and philosophy underpinning our business must be wholly shared Groupwide. Looking at Daikin’s former management philosophy, it is clear that elements comprehensible and achievable for the personnel of the whole global Group, and not just the parent company, should have been incorporated. This is the main reason why Daikin has formulated Our Group Philosophy.

Furthermore, any revised philosophy should tailor its priorities to changing times, and be able to address new ideas whenever they arise. The issues of corporate ethics and the global environment were not dealt with thoroughly enough in the former management philosophy, but we recognize now that these are issues that directly affect the continued existence of the Company. This is one of the most important items of Our Group Philosophy.

Another reason for the revision is that we decided it would be best to add three objectives to go along with “Daikin’s Technology Statement” of March 2002, which laid down policies and measures for raising our technological capabilities in the Air-Conditioning and Refrigeration Equipment Division to industry-leading levels. These three objectives are: (1) “reform of the corporate governance system” to strengthen our management capabilities, (2) “introduction of a new management system” to forcefully implement our corporate governance systems, and (3) “formulation of Our Group Philosophy.” We believe the most effective way to increase the speed of reform is to align the aims and goals of everyone in Daikin and maximize the “power of the people,” at the same time as we develop Our Group Philosophy.

Harnessing Human Ability, the Company’s Greatest Asset

One of the most distinctive features of our corporate philosophy is that it clearly articulates a plan tailored to the needs of all Daikin personnel. By harnessing to the maximum possible extent the ability of every employee of the Group, we are acting in line with our creed of “people-oriented management” as drivers of growth and development.

The 10 items of Our Group Philosophy contain numerous references to the relationship between society, the Company, and Daikin employees, under slogans such as “An Atmosphere of Freedom, Boldness, and Best Practice, Our Way,” “The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Company,” and “Be Recognized Worldwide by Optimally Managing the Organization and Its Human Resources under Our Fast & Flat Policy.”

Attitudes toward human resources are generally the same the world over. The corporate atmosphere that Daikin has created, one in which individual employees can address challenges and all levels of personnel can work in harmony, should be extended to Group companies throughout the world.

Daikin Chairman Noriyuki Inoue and President Hiroyuki Kitai have made trips to explain Our Group Philosophy to overseas centers in Europe, the United States, China, Southeast Asia, Australia, and elsewhere to explain in direct dialogues and discussions with staff as to why a Groupwide philosophy is necessary and ensure that this thinking is thoroughly instilled at every level of the Daikin Group. By promoting understanding of Our Group Philosophy, we can refine the concept of the individual as Daikin's pivotal element and hasten Group growth and development still further.

Meeting Stakeholder Expectations

Having fused the concepts of "people-oriented management" and "management-based in the logic of capital," the Company will position human resources as our corporate pivot and, at the optimum time, boldly proceed by selecting the most suitable policy in terms of in-house corporate governance, management methodology, and management strategy. By increasing corporate value, we are determined to become a group that is highly rated by all stakeholders outside and inside the Company.

Focused on these goals, we believe that Our Group Philosophy will help to maximize the power of the Daikin Group, so that it reverberates as the universal conviction of the Group, making our quantum leap forward even more certain.

Overview of Our Group Philosophy

1. **Create New Value by Anticipating the Future Needs of Customers**
2. **Contribute to Society with World-Leading Technologies**
3. **Realize Future Dreams by Maximizing Corporate Value**
4. **Think and Act Globally**
5. **Be a Flexible and Dynamic Group**
 - 1) Flexible Group Harmony
 - 2) Build Friendly yet Competitive Relations with Our Business Partners to Achieve Mutual Benefit
6. **Be a Company that Leads in Applying Environmentally Friendly Practices**
7. **With Our Relationship with Society in Mind, Take Action and Earn Society's Trust**
 - 1) Be Open, Fair, and Known to Society
 - 2) Make Contributions that Are Unique to Daikin to Local Communities
8. **The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Group**
 - 1) The Cumulative Growth of All Group Members Serves as the Foundation for the Group's Development
 - 2) Pride and Loyalty
 - 3) Passion and Perseverance
9. **Be Recognized Worldwide by Optimally Managing the Organization and its Human Resources, under Our Fast & Flat Management System**
 - 1) Participate, Understand, and Act
 - 2) Offer Increased Opportunities to Those who Take on Challenges
 - 3) Demonstrate Our Strength as a Team Composed of Diverse Professionals
10. **An Atmosphere of Freedom, Boldness, and Best Practice, Our Way**