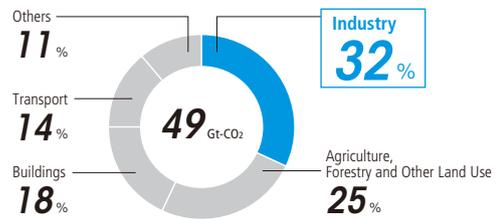


Why is it important?

Society Is Increasingly Demanding That Companies Reduce Their Environmental Impact in Manufacturing and All Other Business Activities

Factories and other industrial facilities account for more than 30% of the world's greenhouse gas emissions. With the Paris Agreement aiming to hold the increase in global average temperature to less than 2°C above pre-industrial levels and society as a whole keen to reduce greenhouse gas emissions, manufacturers must not only make their products energy efficient; they must also reduce their environmental impact in manufacturing and all other aspects of their business.

Worldwide Greenhouse Gas Emissions, by Economic Sectors (2010)



Note: Compiled by Daikin based on the Working Group III Contribution to the 5th Assessment Report of the IPCC

Feature

Environmentally Conscious Products Come from Green Heart Factories

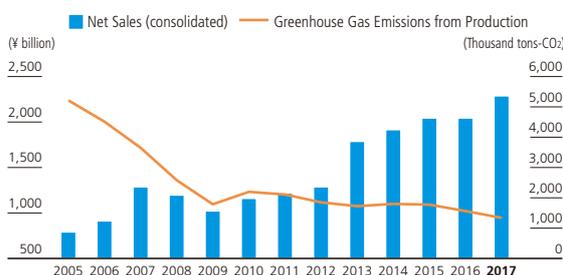
DAIKIN'S APPROACH

Striving to Reduce Environmental Impact in Manufacturing as Our Business Expands Worldwide

Under the Fusion 20 strategic management plan, Daikin aims to both expand business and contribute to the environment. As our business expands, the number of manufacturing bases increases each year and so does our environmental impact. Besides just developing and promoting the adoption of environmentally conscious products, we strive to decrease the environmental impact of our manufacturing activities.

Based on the belief that environmentally conscious products can only come from environmentally conscious factories, the entire Daikin Group works to make this happen through efforts such as setting in-house environmental standards and holding environmental conferences.

Daikin Group Net Sales and Greenhouse Gas Emissions from Production



DAIKIN'S PERFORMANCE

Evaluating and Certifying Production Bases' Environmental Efforts under a Globally Unified Standard

In fiscal 2005, Daikin began implementing a system for certifying environmentally conscious plants using an in-house standard. We established our Green Heart Factory (GHF) standard, a unified Group standard for evaluating social contribution and other socially efforts, in addition to environmentally efforts such as reduction of energy, fluorocarbons, and water use, reduction of waste generated and chemicals used, and the use of renewable energy. Factories with high scores under this standard are certified as Green Heart Factories.

Under the GHF standard, production bases conduct more transparent efforts and compete with each other to achieve high scores. The GHF standard also encourages all employees at a base to work together to achieve

GHF Standard Certification System (revised in fiscal 2017)

Evaluation Criteria	Evaluation Standards	Certification Rank
Energy efficiency	Presence/absence of GHF promotion system	Platinum 195 points and higher
Waste (Waste + recycled materials)	Effectiveness of management system	Gold 190-194 points
Water	Achievement rate of targets	Silver 170-189 points
Chemicals	Innovativeness of activities	Bronze 150-169 points
Relationship with society	Others	Note: Four-level evaluation with top score of 200 points
Others		



certification and raises their environmental awareness.

In fiscal 2017, we revised the GHF standard to raise the quality of environmental activities and established four certification ranks. Under the new standard, 24 of 68 bases achieved GHF certification. Our goal is to have all production bases GHF certified by fiscal 2020.

Bases Boost Their Energy-Efficiency Measures through Concrete Improvement and Information Sharing

Daikin holds global environmental meetings in five regions (Japan, Europe, the U.S., China, and Asia/Oceania). Besides periodically confirming the state and progress of each base's environmental efforts at these regional meetings, since 2013 we have been holding a biannual Global Environmental Meeting attended by environmental managers from Daikin bases in each of the five worldwide regions.

In April 2017, Daikin Industries Czech Republic s.r.o hosted the 3rd Global Environmental Meeting with attendance by 79 representatives of 27 bases. In addition to sharing improvement case studies at various bases, participants practiced analysis methods in hands-on data measurement workshops aimed at making energy usage more transparent and reducing the use of unnecessary energy. They also discussed standards for making investment decisions in the creation of measures. Furthermore, in order to continue reducing energy use at production facilities, participants confirmed things like future tasks, the development of new production methods, and environmental action promotion systems.

Through these efforts, we are stepping up group-wide energy-saving measures and have set targets of reducing greenhouse gas emissions against fiscal 2005 by 70% by fiscal 2020 and by 75% by fiscal 2025. In fiscal 2017, we succeeded in achieving a 74% reduction.

Stakeholder's Comment

Environmental Meetings Allow Us to Learn from Other Bases and Step Up Activities

By taking part in the Global Environmental Meeting, I understood that other bases are dealing with the same issues that we are. At the same time, I learned new points of view, such as the importance of raising employee awareness and getting them involved in environmental activities. While I am honored that our base received a Silver certification rank, we will step up future environmental action in order to be certified for an even higher rank next time.



Mr. Mojmir Krejcha
Daikin Industries
Czech Republic
s.r.o

NEXT CHALLENGE

Achieve Sustainable Growth While Reducing the Environmental Impact of Production Activities

We can foresee that as Daikin's business continues to expand, production volumes around the world will increase. To counter this, we will continue to reduce greenhouse gas emissions from production activities by strengthening collaboration among our global production bases so that they can reduce Daikin's overall environmental impact while achieving sustainable growth.