

Human Resources

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Policy

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

CSR Targets 2020

For Daikin to realize sustainable growth, human resources are the most critical component of these endeavors.

Through initiatives focused on human resource development, ensuring diversity and occupational safety and health, we aim to create an organization able to grow alongside society that enables all employees to work actively with purpose and maximize their skills.

Fiscal 2017 Achievements

In terms of human resource development, we measure the degree to which employees have grown in terms of manufacturing leadership abilities. In terms of diversity, we track the appointment of local nationals as presidents at overseas bases. In terms of occupational safety and health, we analyze the safety of operations at manufacturing bases.

Ratio of excellent or advanced skilled engineers in manufacturing

1 in **3.4** employees (Daikin Industries, Ltd. Only)

Percentage of overseas bases where local nationals are presidents

46% (Overseas bases)

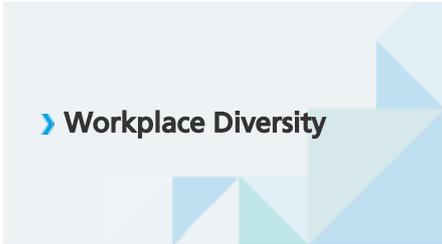
Frequency rate (shows frequency of occurrence of labor accidents)

1.33



› 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.



› Workplace Diversity

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.



› 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.



› Work-Life Balance

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



› 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.



› 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.

Related information

- › [Key Activities of Fiscal 2017: Human Resources—Human Resource Development in the U.S.—Growing with Local Communities \(Page 404\)](#)

FOSTERING HUMAN RESOURCES

Basic Policy

Daikin 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. To provide our workforce with as many improvement opportunities as possible, we supplement OJT with off-the-job training (Off JT)^{*2}, such as the Daikin Leadership Development Program for executives who will work on the front line of our business, and overseas base practical training for fostering young, globally minded employees. We also provide opportunities for independent learning through language training and correspondence courses.

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 Measures

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 2017, more than 13,500 employees made use of the 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.

We will continue to boost human resources and facilitate mutual communications between the headquarters and branch offices, such as by boosting global recruitment, increasing the number of inter-regional and international deployments, and creating competitive assessment and reward systems.

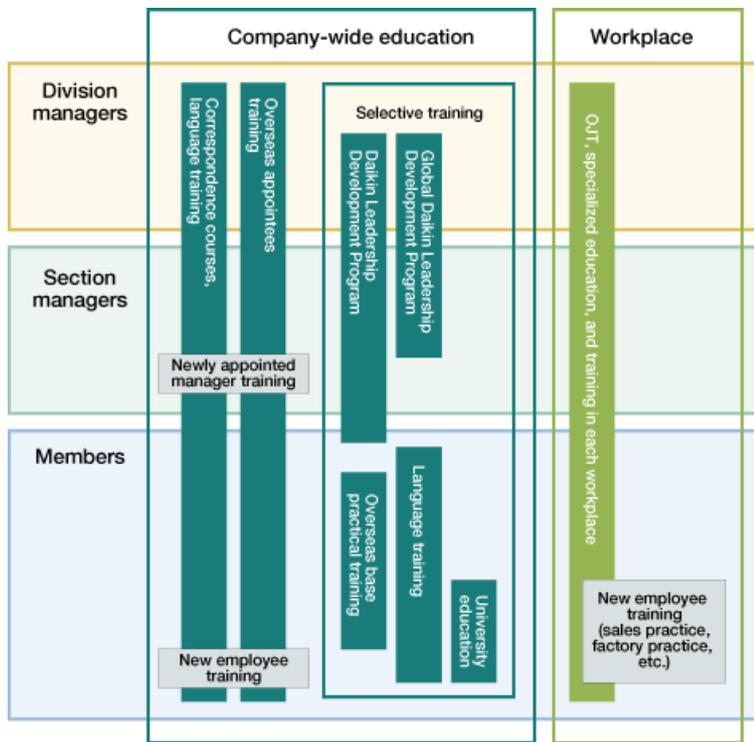


Daikin Ales Aoya Global Training Center



The Daikin recreational facility in Tateshina, Nagano Prefecture

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.

Every year, new employees spend five nights and six days at the Daikin Ales Aoya global training center in Tottori Prefecture, Japan. In 2017, we held the 45th session of this training camp over a three-week period for more than 340 employees consisting of periodically hired persons and all career-track hires. Also taking part were more than 120 persons including Chairman Noriyuki Inoue, President and CEO Masanori Togawa, nine officers, and experienced employees, who acted as training leaders and secretariat staff.

The goal of the session is to have employees learn through hands-on, participatory training in which they hold discussions and practice 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 2017, 29 employees took part in this training. Since the program started in fiscal 1999, a total of 258 employees have participated.

Global Training Program for Overseas Personnel

Since fiscal 2015, we have held the Global Training Program in Japan to train young employees from Daikin overseas bases. Training at Daikin Industries, Ltd., participants deepen their understanding in areas such as Daikin technologies, quality, and production technologies, so that they can lead Daikin's worldwide efforts at their respective overseas bases.

In fiscal 2017, six overseas employees started their training at the TIC and in our development, production technology, procurement, quality control, and finance and accounting divisions.

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 2017, there were six Daikin employees studying at university: one at the International University of Japan, and five 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. In fiscal 2015 we opened the Global Daikin Leadership Development Program, and in 2017 we increased the number of annual sessions from one to two in order to accelerate the training of Daikin's global group leaders. In fiscal 2017, the cumulative number of participants has reached 229 in the Daikin Leadership Development Program and 145 in the Global Daikin Leadership Development Program (including those at the former Daikin Business School).



The Global Daikin Leadership Development Program

Fostering Monotsukuri Human Resources

Focus on Excellent Skilled Engineers Conveying Techniques to Overseas Bases and the Training of Advanced Skilled Engineers

Daikin fosters human resources capable of passing on the skills that are the foundation of our monotsukuri. Daikin has set a goal of having 1 in 4 employees working in production worldwide be an excellent skilled engineer or an advanced skilled engineer, both of whom possess advanced skills and knowledge and leadership abilities. At Daikin in Japan in fiscal 2017, this rate was 1 in 3.4. As our business expands globally, we are stepping up our worldwide training.

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 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.



Manufacturing operations

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.

In fiscal 2017 in the Chemicals Division, we added chemical operation trainers. 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 2017, there were 22 Takumi and 101 Trainers (30 in Japan, 71 at overseas bases) in the air conditioning divisions, and eight 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.

Skills Competitions and Skills Training Boost Level of Production Workers

The biannual Global Skills Competition for Daikin's worldwide production bases aims to boost the skills of employees in manufacturing. In addition to practical skills such as assembly and disassembly, participants take written tests that confirm their knowledge about dealing appropriately with workplace accidents. In fiscal 2016, 147 participants from 26 bases in 10 countries competed in a range of 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 2017 training sessions, there were 15 employees from production bases in Japan and seven from overseas.

As fiscal 2017 skills training in the Chemicals Division, a skills trainer workshop was held, with three participants from Japan, one from Daikin America, Inc., and one from Daikin Fluorochemicals (China) Co., Ltd.

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.



Opening ceremony (player oath)

Fostering Human Resources in the AI Field

Daikin Information Technology University

Daikin Information Technology University responds to the dramatic changes occurring in the industrial and social structures by aggressively fostering AI and IoT human resources possessing specialized knowledge and the power to think and act, and who have the power to get people around them involved. Using instructors invited from educational institutions such as Osaka University and leading-edge research organs, Daikin Information Technology University offers education covering everything from the fundamentals to applied sciences.

The first class of Daikin employees enrolled at the university comprised 43 selected persons from various divisions, with classes commencing in December. The nine-month curriculum has an AI technologies development course and a system development course.

About 100 new employees will be selected to attend, and over a period of just over two years they will be educated to become innovative human resources who will drive the fields of AI and IoT using Daikin technologies as their base.

In addition, starting in February 2018, we established the Daikin Information Science Research Unit (Di-CHiLD) within the Institute for Open and Transdisciplinary Research Initiatives, Osaka University (OTRI). Twenty-one engineers from Daikin's TIC are stationed at the Di-CHiLD, where they conduct theme-based R&D jointly with Osaka University professors and research staff.

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 2017, a cumulative total of 160 employees at the Sakai Plant and 114 employees at the Shiga Plant have taken this training.

WORKPLACE DIVERSITY

Basic 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.

Group Conduct Guidelines

10. Respect for Human Rights and Diversity

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization.

Based on this philosophy, we strive for diverse management in which we make the most of the talents of all people, regardless of their nationalities, ages, genders, sexual orientation, gender identity, or level of able-bodiedness.

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.)*

	2013		2014		2015		2016		2017	
	Male	Female								
Number of employees	6,810	1,084	6,839	1,151	6,844	1,189	6,896	1,232	7,002	1,286
Average range of services (years)	16.4	10.3	16.6	10.3	16.7	10.5	16.9	10.8	17.3	11.3
Average age	41.6	34.6	41.5	34.5	41.3	33.8	41.0	34.1	42.2	35.1
Number of managers	951	22	957	29	984	36	1,013	47	1,030	53
Number of board members	47	1	46	1	48	1	49	1	48	1
Number of foreign nationals	38	20	47	29	52	21	48	25	52	28

* 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. To greater maximize the talents of women at bases and in divisions, we hold hearings with leaders in charge of this in each division as part of efforts to tackle issues throughout Daikin Industries, Ltd.

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 fiscal 2017 was 4.9%, or a total of 53 comprising 8 department managers and 45 section managers). We are carrying out numerous efforts to this end: measures aimed at speeding up training for future female managers, awareness training for male managers and female employees, and support for workers making an early return to work from childcare leave so that maternity leave and childcare leave do not inhibit an employee's career advancement.

At overseas companies, we are increasing the numbers of females who are base heads and directors (including current personnel).

In fiscal 2017, as part of diversity efforts we are carrying out jointly with the Osaka University and the National Institutes of Biomedical Innovation, Health and Nutrition, we conducted joint research by female research leaders, and under the cross appointment system we dispatched a female researcher from the TIC to work as an assistant professor.

For our efforts to foster female employees and help women achieve a work-life balance, in August 2016, Japan's Ministry of Health, Labour and Welfare (MHLW) awarded Daikin the highest level of certification (L-boshi certification), which is given to companies that show excellence in promoting the talents of women in the workplace. In March 2018, we were 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. This was the fifth time, and the fourth consecutive year.



L-boshi

TOPICS

Seminars for Education of Female Engineers

On June 19, 2017, as part of seminars to educate female engineers, we held the Female Engineers Networking Forum (for the second time), a joint event with the Kansai Electric Power Co., Inc., Kawasaki Heavy Industries, Ltd., Kobe Steel, Ltd., and NTT Docomo, Inc. On November 27, 2017, we held the third edition of this forum jointly with the Kansai Electric Power Co., Inc., Kawasaki Heavy Industries, Ltd., Kobe Steel, Ltd., Daiwa House Industry Co., Ltd., and Ezaki Glico Co., Ltd.

Lectures by Female Instructors

Lectures led by female instructors were held twice: the Lecture on Rethinking Women's Working Styles on July 7, 2017 (speaker: Hiroko Kawamoto, Executive Vice President, ANA Strategic Research Institute Co., Ltd.); and Steps to a Borderless Career on October 20, 2017 (speaker: Kakuko Yoshida, United Nations Environment Programme).

Hiring Women

Increasing Percentage of Female Employees

As of the end of March 2018, women accounted for 15.5% of all employees of Daikin Industries, Ltd.

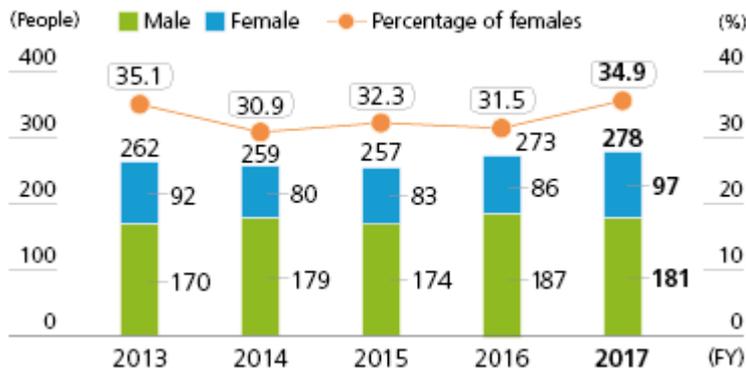
Starting in fiscal 2013, we began our policy of hiring more women for technical and skills positions. As a result, women periodically hired accounted for more than 30% of all new employees hired for the fourth consecutive year.

In fiscal 2015, we began collaborating with universities to hold lectures, round-table discussions, and internships 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.

In fiscal 2017, we launched the Women in Engineering Recruiter Team to help female engineers at all universities find employment.

There were 131 women newly hired in April 2018, 30% 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.

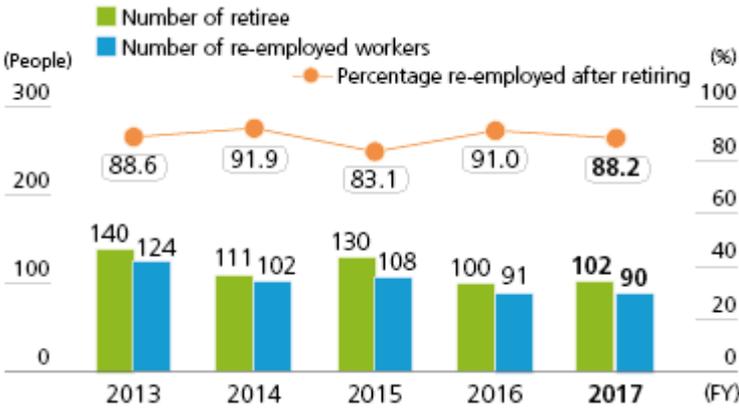
Since introducing this system, over 100 have been re-employed each year. In fiscal 2017, there were 457 retirees working under this system at Daikin. Seventeen of these re-employed veterans have been assigned to overseas posts so that they can impart their superior skills and know-how to our bases in 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

Based on the belief that the cumulative growth of all individuals leads to the Daikin Group's development, we have faith in people's unlimited abilities, whether they are able bodied or disabled, and we strive to maximize their talents in becoming a corporate group in which employees can continue to work with enthusiasm and pride.

In 1993, based on the Act on Employment Promotion etc. of Persons with Disabilities, Daikin Industries, Ltd. established Daikin Sunrise Settsu Co., Ltd. (DSS), a cooperative venture with the Osaka Prefecture and Settsu City governments. The company began with 16 employees with disabilities.

In June 2018, a new DSS business premises was completed.

The goal is to increase the number of employees with disabilities from the current 143 to 210 by 2023. DSS strives to provide these people with an environment conducive to working so that they have the opportunity to make the most of their talents.

We also strive to hire persons with disabilities not just at DSS but at Daikin Industries, Ltd. and Daikin Group companies.

In April 2018, Daikin Industries, Ltd. hired seven new employees with disabilities.

As of the end of fiscal 2017, 2.28% of workers in the Daikin Group are disabled, a percentage above the legal requirement.

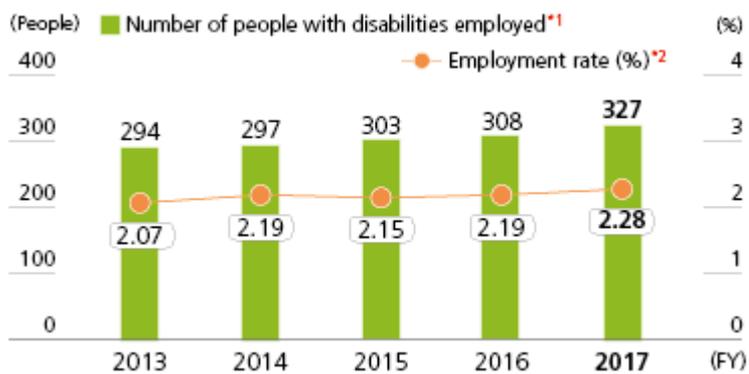


Daikin Sunrise Settsu (Japan)



New business premises of Daikin Sunrise Settsu

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 Disabled persons employment rate = number of people with disabilities employed / number of people employed.

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 58 disabled employees. In April 2014, the company was recognized by the government as an occupational training base for people with disabilities.

In November 2016, Shanghai Open University and Shanghai Educational TV Station jointly hosted an international conference at which employees of Daikin Air-conditioning (Shanghai) performed a dance to "Flame of Youth." The performance was well received.

In December 2017, employees took part in the Shanghai regional disabled persons skills competition of the 2017 China national skills competition, where they came in second place in embroidery, nails, and artisan weaving.

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 25 disabled employees, and Daikin Compressor Industries Ltd. has 16 disabled employees.

Promoting More Foreign Nationals

Promoting Local Employees to Managerial Positions at Overseas Bases, and to Officer Positions at Daikin Industries, Ltd.

As Daikin's business globalizes, we are trying to globalize our management as well by promoting more employees at overseas bases to managerial positions at their bases. 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 2017, local nationals accounted for about 46% of the presidents at overseas Daikin bases and about 48% of the directors.

In addition, outstanding personnel hired at overseas bases are being chosen and trained for positions as officers at Daikin Industries, Ltd. (Group head office). (2 officers as of end of fiscal 2017.)

Aggressively Hiring Non-Japanese Nationals

As Daikin's business becomes increasingly globalized, Daikin Industries, Ltd. is aggressively hiring university graduates from countries such as India and China.

As of December 2017, there were 86 foreign nationals from 14 different countries working at the head office, an indication of Daikin efforts to include a diverse range of nationalities in its ranks.

Diversity Education for Employees

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.

In fiscal 2017, 98 employees took part in this training.

OCCUPATIONAL SAFETY AND HEALTH

Basic Policy

The Daikin Group Conduct Guidelines state that 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.

Group Conduct Guidelines

9. Ensuring the Safety of Operations

We shall take all possible precautions for safe operations and act with a mindset of "Safety First" to ensure the safety of the workplace and further gain the trust of people in the regions we serve.

Occupational Safety and Health Management Structure

Officer in Charge of Safety Leads Safety and Accident-Prevention Efforts

Daikin aims to maintain "zero accident" workplaces at all global production facilities. An Officer in Charge of Safety is appointed to drive these efforts and comprehensively promote the safe operation of production facilities throughout the Group.

In Japan, Occupational Safety and Health Committees are established at each manufacturing facility to devise annual safety policies, formulate occupational safety and health plans and implement the PDCA cycle.

Overseas, employees responsible for safety are appointed at each production base and tasked with promoting safety and accident prevention measures. Annual safety meetings are held in each region in an attempt to improve the level of safety measures.

To improve the level of safety throughout the entire Group, joint safety and security meetings led by the Officer in Charge of Safety are held twice a year to share know-how. Also, divisions responsible for safety monitor the status of accidents within the Group on a monthly basis and provide guidance on prevention measures as necessary.

Occupational Safety and Health Promotion Structure

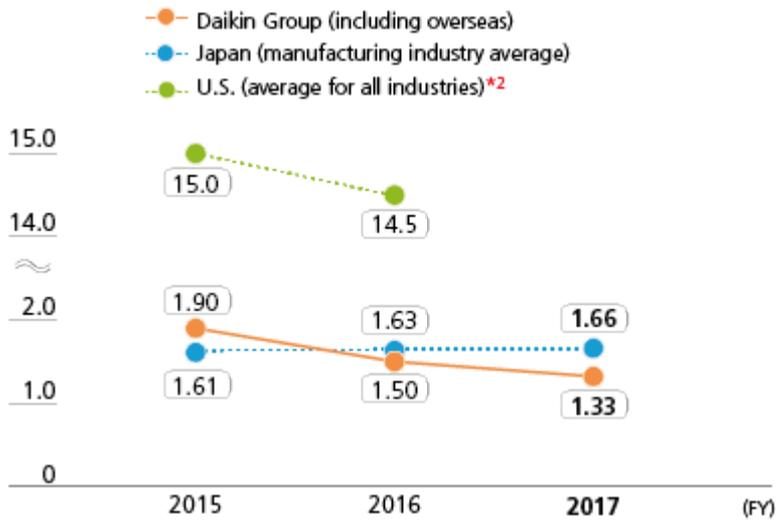


Targets and Achievements

Aiming for "Zero Accident" Workplaces at All Production Facilities

Aiming for "zero accident" workplaces, Daikin utilizes a rate showing the frequency of occupational accidents as an indicator of operational safety. The frequency rate of occupational accidents for the entire Daikin Group in fiscal 2017 was 1.33, an improvement of 0.17 points over the previous fiscal year.

Frequency Rate*¹ (Including group companies in Japan and overseas)



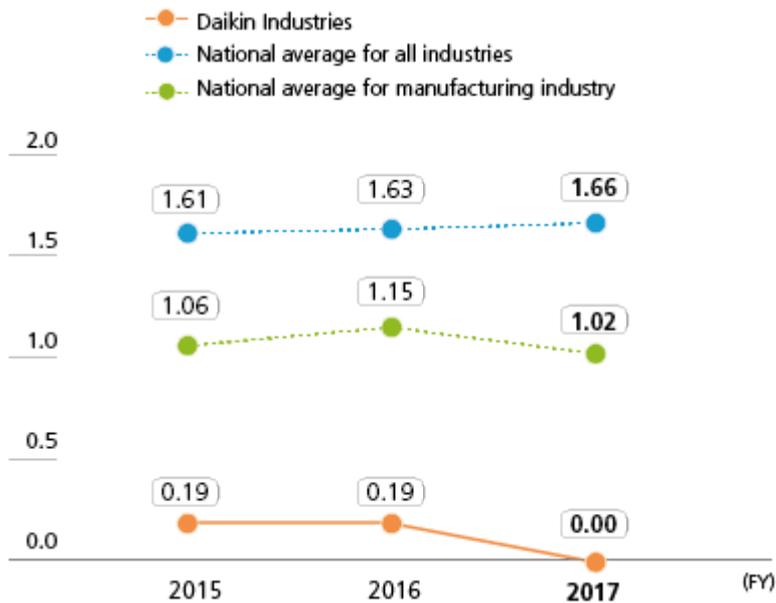
*¹ This shows the frequency of work-related calamities, expressed in number of casualties for every 1,000,000 working hours.

Frequency rate = Number of calamities by industrial injuries / Total actual working hours × 1,000,000

*² No data was released for the U.S. in fiscal 2017. (As of end of June 2018)

Calculated based on information from U.S. Bureau of Labor Statistics (October 2017).

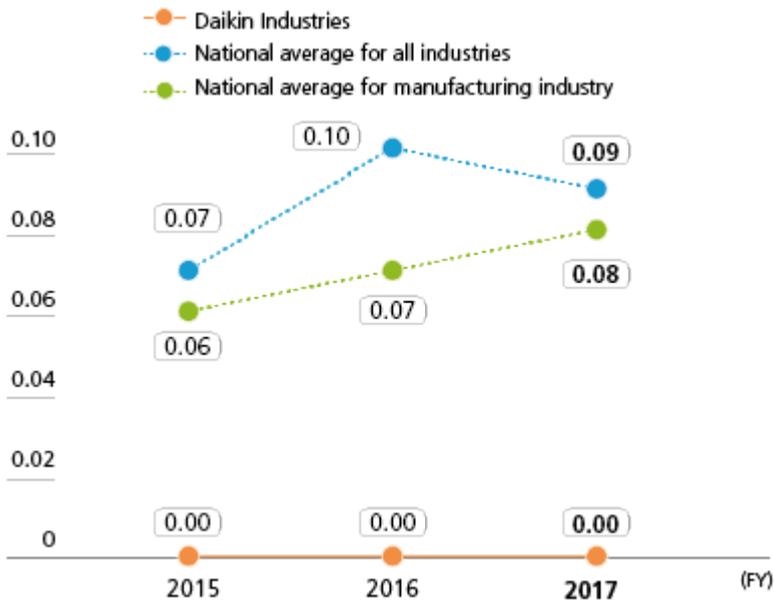
Frequency Rate* (Daikin Industries, Ltd.)



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

Frequency rate = Number of calamities by industrial injuries / Total actual working hours × 1,000,000

Severity Rate* (Daikin Industries, Ltd.)



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

Severity rate = Total number of working days lost / Total actual working hours × 1,000

Occupational Safety and Health Management System

73 Bases Certified for OHSAS 18001 and Other Standards

Daikin 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 and manage the risk of health and safety problems, and we ensure that we are continuously in compliance with laws and regulations. Education and safety patrols are conducted with the aim of achieving "zero accident" workplaces.

As of the end of fiscal 2017, 66 air conditioning manufacturing bases and seven chemical manufacturing bases had acquired certification related to OHSAS 18001 and other occupational safety and health management systems.

Number of Bases with Occupational Safety and Health Management System Certifications

	Air Conditioning	Chemicals	Total
Japan	3	1	4
China	18	2	20
Asia/Oceania	10	0	10
Europe	9	3	12
The Americas	26	1	27
Total	66	7	73

Employee Education and Training

Hands-On Training Raises Safety Awareness at Daikin Worldwide

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.

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.

Related information

› ["Business Partners Contribute to Plant Safety" \(Working Closely with Suppliers\)](#) (Page 309)

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. In fiscal 2017, 99% of employees underwent checkups. 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.

Daikin plants have numerous ways in which they help employees maintain their health. For example, health seminars are conducted at the Yodogawa Plant for all employees. A seminar on the theme of practicing mindfulness as a means of coping with stress was conducted as an opportunity to heighten awareness regarding mental and physical health and reexamine lifestyle habits. Instruction on lifestyle habits and coping with stress incorporated lectures and activities leading to changes in consciousness and behaviors.

Further, Daikin held an AJTA contest (776 participants) to provide employees with an opportunity to exercise. An annual health festival is also held to promote employee health and encourage communication with employee families. A total of 1,477 people attended in fiscal 2017.

The Sakai Plant holds annual sporting events on its grounds with the goal of promoting employee health and getting employees communicating. More than 900 employees and their families took part in a 2017 carnival on the theme of mental and physical well-being.

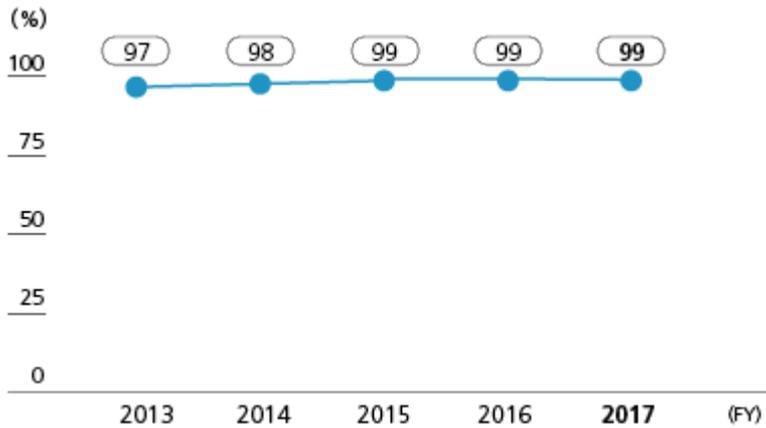
The Shiga Plant continued to steadily improve in terms of the rate of employee findings compared to fiscal 2016.

Daikin promotes exercise and healthy meals with the objective of improving lifestyle diseases related to blood pressure, blood sugar and lipids so that employees can reach retirement age in a healthy condition. All employees walk during breaktime and learn about nutrition, with each workplace engaging in independent initiatives, the results of which are tabulated and posted on the intranet in the Shiga Plant with the effect of leading to improved findings.

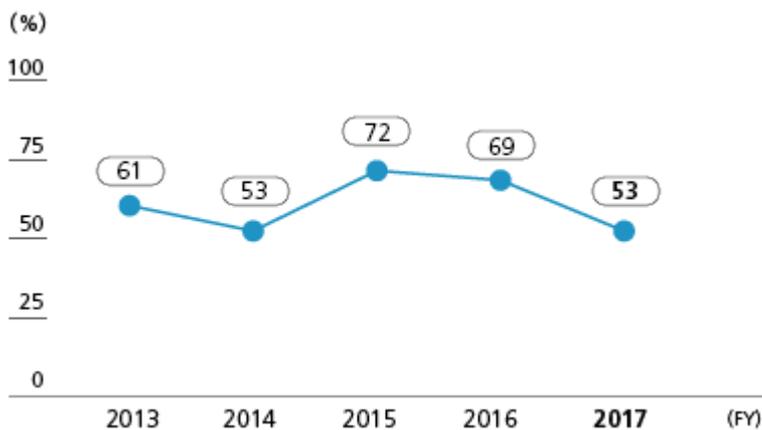
The physical fitness of all employees is measured so that employees can understand their own level of physical fitness. To avoid future negative outcomes indicated by these results, seminars are conducted by sports science lecturers as an opportunity to develop exercise habits. Furthermore, to encourage smoking abstinence, employees are only able to smoke at designated times.

Every autumn, a sports festival is held as a healthy event in which employees and their families participate. Conducted in conjunction with the health insurance union, this event is an opportunity for employees to make up for their lack of exercise and deepen communication in the workplace and with their families.

Percentage of Employees Taking Periodic Health Checkups (Daikin Industries, Ltd. only)



Percentage of Employees Requiring Health Guidance and Attention (Daikin Industries, Ltd. only)



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 healthcare 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 whose questionnaires have showed they are facing problems. There are also mental health lectures.

In fiscal 2016, we began conducting stress checkups at all Daikin bases. Persons judged to have a high risk of stress met with industrial physicians so that their problems could be discovered early and solved through numerous approaches such as self-care and work environment improvement.

At the Sakai Plant, an industrial counselor provided counseling to 173 employees as part of self-care education for employees in their 20s and 30s. Self-care education conducted by a mental healthcare professional was provided six times to a total of 175 employees in their late 30s and early 40s. Further, line care education was provided 10 times in the form of groupwork based on case studies in which participants learned how to recognize and deal with stress.

At the Yodogawa Plant, mental care handbooks (stress check and stress management methods updated each year) were published and line care mental health education (lectures and case studies) was conducted for all employees as part of self-care activities.

At the Shiga Plant, resilience training was conducted for young employees in their third year of employment with the aim of improving their mental toughness, management training was provided to managers and employees in leadership positions as part of line care, and anger management training was conducted for all employees as part of self-care. Within stress checks, categories related to desired workplace improvements were established and initiatives are being promoted that aim to improve the environment of all workplaces.

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

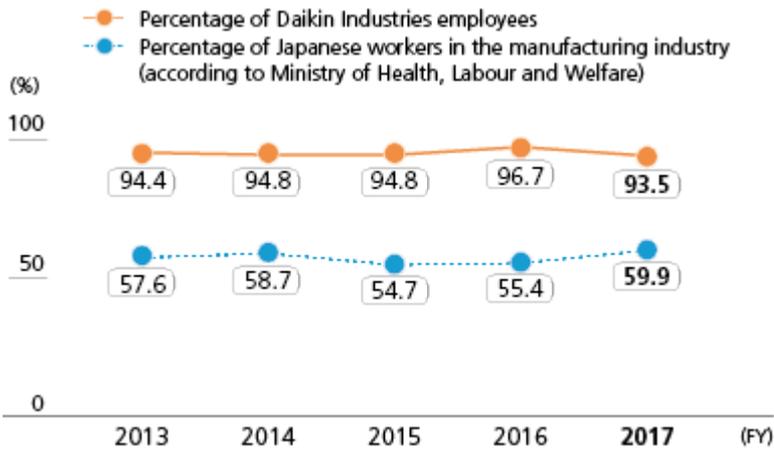
Eliminating Long Working Hours by Obligating Employees to Leave at Closing Time and Boosting Work Efficiency

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).

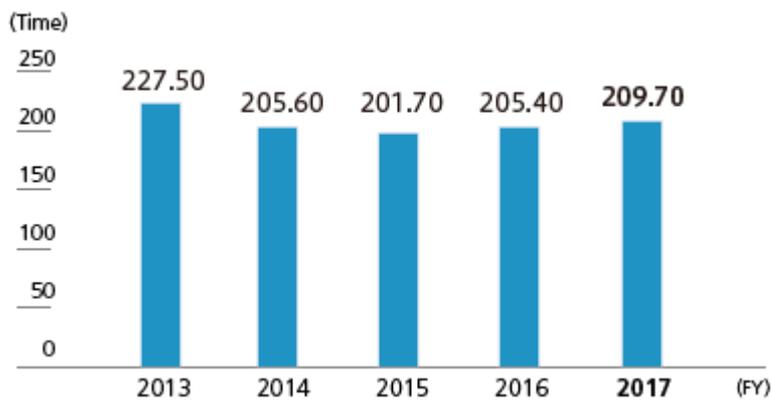
In this way, we are making a concerted effort to improve both work rule compliance and work efficiency. Yearly plans are made for each employee's duties and working hours, and to ensure that work and personnel management are in line with the plans, checklists are filled out to manage daily work.

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

WORK-LIFE BALANCE

Basic 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.



Daikin Awarded Highest Rating in Nikkei Smart Work Survey

Daikin Industries, Ltd. received the highest rating, 5 stars, in the Nikkei Smart Work Survey conducted by Nikkei, Inc., which selects companies with leading-edge practices in reforming work styles to improve worker productivity.

The Nikkei Group defines smart work management as a management strategy for making optimal use of human resources by introducing diverse and flexible work styles, encouraging innovation, and creating a virtuous cycle of continuously developing new markets, thereby maximizing the productivity and other parameters of the organization.

The Nikkei Smart Work Management Survey assesses and scores companies in three areas of corporate competence—human resources, innovation, and market strategy—plus a fourth, management fundamentals. Daikin Industries, Ltd. received the highest possible rating, 5 stars (deviation value of at least 70), receiving the highest evaluation of "S++" in each category. Only 13 companies in the survey received 5 stars, and Daikin Industries, Ltd. was the only company to get "S++" in all survey categories.



Best13 ★★★★★ 2018

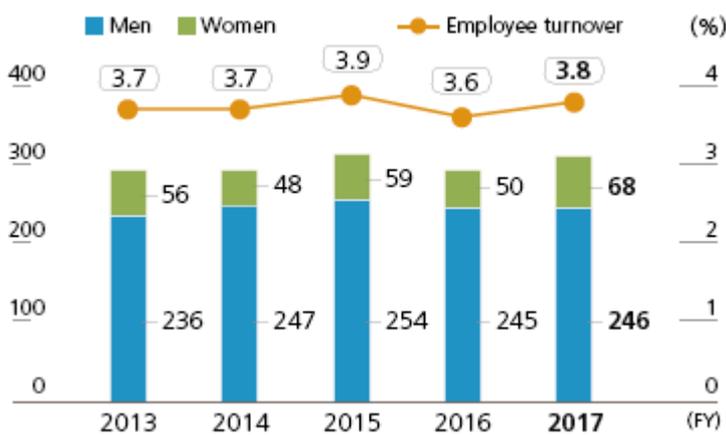
Helping Employees Match Work Schedule with Lifestyle

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 3.8% (including mandatory retirement age employees) in fiscal 2017: this is far below the average of 15.0% for all industries in Japan (according to a 2015 survey by Japan's Ministry of Health, Labour and Welfare).

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



Support for Childcare While Working

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. This system was established to help workers making an early return to work from childcare leave. It is used in the case when employees must return to pressing work and it has taken firm root among employees.

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.



Daycare Entrance and Childcare Leave Support Seminars

In June 2017 and February 2018, Daikin held seminars to support employees needing help getting their children into daycare centers and taking childcare leave.

There have been problems with Daikin employees not realizing how hard it is to find daycare for their children, and not having enough information on how to find daycare. This has made it difficult for employees to make a swift return to work and to get their children into the daycare center of choice, leading to longer childcare leave. In response, Daikin has supplemented its existing consultation service (which includes distributing textbooks and giving explanations over the phone) for employees looking for daycare centers with these seminars.

The aim of the seminars is to give attendees an opportunity to think about what working style they will adopt after returning to work from leave by alleviating their concerns about finding daycare and taking childcare leave. The seminars gave examples of Daikin's work-life balance support systems and skills improvement hints for returning to work, including case studies of these at Daikin.

257 Male Employees Take Childcare Leave

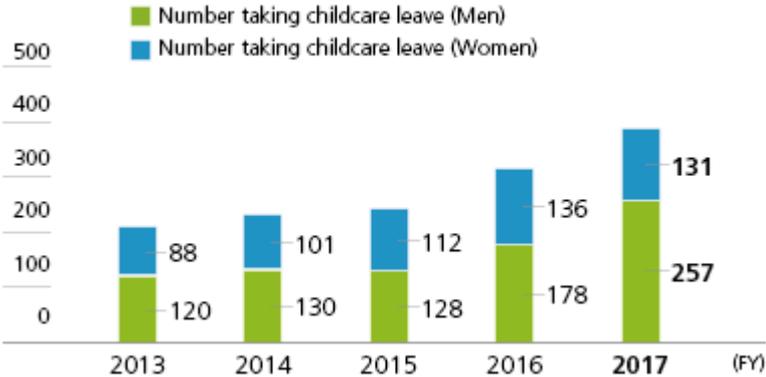
Daikin Industries, Ltd. encourages male employees to take extended leave for childcare and aims to create a work environment in which male employees feel comfortable taking childcare leave. We are revising company systems to stay ahead of revisions to relevant Japanese laws; for example, we lifted restrictions 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.

Starting in December 2016, we stepped up efforts to publicize this system, distributing information about childcare leave to male employees whose wives have recently given birth, and these employees' bosses. We are also publicizing it in email newsletters and on the Daikin intranet.

Starting in fiscal 2017, we stepped up information provision by confirming who has taken childcare leave and having the HR division send email reminders once every three months to employees who have not taken leave. This serves as a follow-up to ensure that as many men as possible are planning and taking childcare leave.

As a result of these efforts, 208 men (77.3% of eligible employees) took childcare leave in fiscal 2017. 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 Childcare Leave (Daikin Industries, Ltd. only)



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

Fourth Action Plan based on the Law for Measures to Support the Development of the Next Generation

1. Plan duration: Five years, from April 1, 2014 to March 31, 2019
2. Content

Target 1: Implement measures to help employees make a smooth return to the workplace following childcare leave and to help them play an active role at work.

Measures

- From April 2014: Announce revisions to the childcare cafeteria plan system and encourage employees to use this system.
- Until end of March 2016: Introduce measures to maintain and improve skills during childcare leave.
- Until end of March 2017: Thoroughly establish the nursery school assistance service and implement improvements that will lead to its effective enforcement.

Target 2: Look into introduction of the system for allowing employees to work a few days a week at home, a new way of working aimed at employees who want to a work-life balance.

Measures

- From April 2014: Conduct trial.
- From July 2014: Verify results of trial, fix problems, and look into making it into a new work system.

Target 3: Create a workplace culture and atmosphere in which employees can achieve a work-life balance while at the same time taking on new challenges, growing, and building a career.

Measures

- From April 2014: Have ongoing management training for bosses (of employees seeking a work-life balance).
- From July 2014: Have ongoing seminars on returning to the workplace for employees returning to work from childcare leave and their bosses, and continuously improve the content of these seminars.
- Until March 2016: Hold exchange events with other companies and seminars at which participants think about balancing work and childcare and building a career.

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.

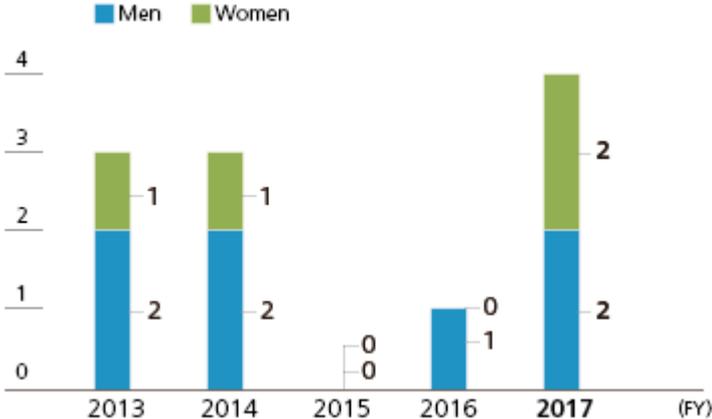
Support for Family Care

Family Care Leave and Shortened Working Hours

Under our family care leave system, employees can take leave up to a maximum of 365 days, which can be taken continuously or broken up into numerous leave blocks. Under this system, we have also increased from once to three times the number of leave blocks that can be taken for each time that member's condition becomes such as to require care.

With our system for adjustment of working hours for family care (under which employees can opt to work a staggered or flexible work schedule, or a shorter six-hours-per-day schedule), for each family member who requires care, employees can break their use of this system into two or more times over a period of three years starting from initial use of this system. (This is in addition to days taken under the family care leave system.) And under our short family care leave, employees can now take leave in units of half a day.

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.

EMPLOYEE EVALUATION AND TREATMENT

Basic Policy

Daikin 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 and Transfer

Creating Opportunities to Understand Employee Circumstances

Whenever possible, Daikin Industries, Ltd. asks new 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.

LABOR MANAGEMENT RELATIONS

Basic 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, 86.5% 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 2017, there were 18 such meetings held at the head office. Participants discussed topics including boosting efforts to improve the quality of work. 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.

Dialogue with 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.