

CSR and Strategy

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CSR AND STRATEGY

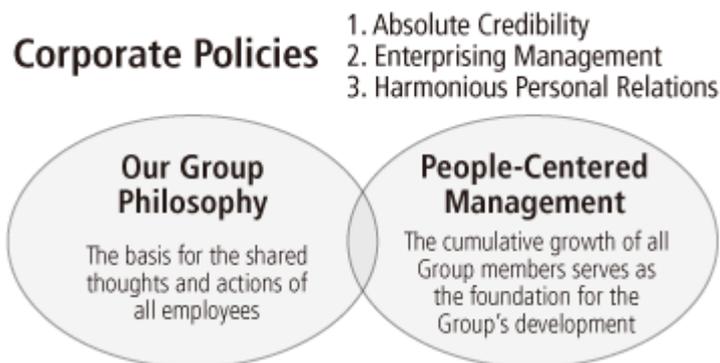
In 2016, Daikin began its Fusion 20 strategic management plan targeting 2020.

Under Fusion 20, we will increase demand mainly in emerging markets and seek solutions to numerous global challenges, such as climate change impact, through our business activities in order to create new value and help realize a sustainable society.

Daikin Sustainability toward 2020



Basic Management Policy



> [CSR Philosophy \(Page 32\)](#)

External Factors

Impact on Climate Change

- **Growing Worldwide Energy Demand**

Energy-induced CO₂ in 2030

69 % increase compared to 2000 (IEA)

- **Environmental Impact of Refrigerants**

Global warming impact from fluorocarbons (HFCs) in 2030

5 times compared to 2010 (Daikin forecast)

Increase in Air Conditioner Demand

Air conditioner demand in 2020

4 times compared to 2000 (Daikin forecast)

Management Strategy and CSR

Fusion 20 Strategic Management Plan

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

Key Strategies

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

› [Fusion 20 Strategic Management Plan](https://www.daikin.com/investor/management/strategy/) 
(<https://www.daikin.com/investor/management/strategy/>)

Daikin Group CSR

CSR for Value Provision

- **Environment**
- **New Value Creation**
- **Customer Satisfaction**
- **Human Resources**

Fundamental CSR

- **Corporate Governance**
- **Respect for Human Rights**
- **Supply Chain Management**
- **Stakeholder Engagement**
- **Communities**

› [CSR Philosophy](#) (Page 32)

Goals for 2020

Achieve Net Sales of 2.9 Trillion Yen, Operating Income Margin of 12%

- Enhance existing businesses (air conditioning, chemicals, filters)
- Expand new business (heating/water heater, energy solutions, commercial refrigeration, refrigerants, air environment engineering)

2020 Company-Wide Quantitative Targets

Net Sales **2.9** trillion yen

Operating Income **3,480** billion yen

Operating Income Margin **12.0** %

We provide healthy and comfortable air environments for people around the world while at the same time reducing environmental impact.

- Contribute to mitigating global warming

FY2020 Target

Contribution to Greenhouse Gas Emission Reductions

60 million tons-CO₂ /year

- Contribute to sustainable urban development
- Contribute to people's health and comfort

MESSAGE FROM THE PRESIDENT

Provide Safe, Healthy Air
While Aiming for Zero CO₂
Emissions

Masanori Togawa

Masanori Togawa
President and CEO
Daikin Industries, Ltd.



The Daikin Group strove to increase sales in North America, Asia, and other key regions under the Fusion 20 strategic management plan in fiscal 2017. Besides marking the fifth year in a row that we broke our financial performance record, we invested in increased production capacity and larger sales and service networks as we strove to strengthen our foundation toward sustainable development.

Reducing Environmental Impact through Energy-Efficient Air Conditioners

Air conditioners, Daikin's main product, have revolutionized labor and lifestyles in hot regions. They have contributed to higher-quality lifestyles and economic growth and today are a key part of the infrastructure supporting society. However, the proliferation of air conditioners has led to higher electricity consumption and may be a factor in negative impacts on the environment such as climate change.

We believe that a company cannot grow its business unless it contributes to solving environmental problems. Based on our strategic management plan, therefore, we have stepped up efforts to reduce environmental impact caused by our products and business activities. To alleviate the impact we have on climate change, we are working to spread the use of environmentally conscious products that use energy-efficient inverter technology and R-32, a refrigerant with low global warming potential. In fiscal 2017, environmentally conscious products as a percentage of group sales of residential air conditioners was 83%, which resulted in a contribution to CO₂ emission reductions of 54 million tons-CO₂.

Long-Term Environmental Vision for 2050

As economic activities intensify and transcend international borders, the world is undergoing major changes, as exemplified by accords such as the Paris Agreement and the Sustainable Development Goals (SDGs) of the United Nations.

Investment decision-making is also changing as investors today are judging companies by different criteria. More and more are assessing companies based on their efforts toward common worldwide targets that emphasize risk and opportunity from a long-term view; an example is Climate Action 100+, an initiative aimed at getting companies to improve transparency regarding their impact on climate change.

Against this background and in the spirit of the Paris Agreement, Daikin has announced a long-term environmental vision for 2050 through which it aims to achieve zero CO₂ emissions by 2050. Besides making products and production activities more energy efficient and developing and spreading the use of refrigerants with lower global warming potential, we are reducing CO₂ emissions through IoT-and AI-driven solutions; for example, we are boosting energy efficiency by improving the interaction between air conditioning and buildings. Furthermore, we are aiming for zero CO₂ emissions by recovering and recycling refrigerants at use in the market. By working with various partners to reduce greenhouse gases, we are on a mission to provide safe and healthy air for society.

Human Resource Development Spurs Innovation

The innovation needed to solve social issues like climate change can only come from people. We believe that the cumulative growth of all group members serves as the foundation for the group's development, and we strive to create an environment in which employees can achieve growth by realizing their full potential.

We believe that by utilizing recent lightning-fast developments in IoT and AI, air conditioning can create new value in both industry and people's lives. In fiscal 2017, we opened the Daikin Information and Communications Technology College in our Technology and Innovation Center under a comprehensive collaboration agreement with Osaka University. The agreement will foster human resources capable of developing AI-driven technologies and businesses, and lead to innovation by combining Osaka University's state-of-the-art information sciences with Daikin's air conditioning technologies and wealth of data.

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

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



Masanori Togawa
President and CEO
Daikin Industries, Ltd.

CSR PHILOSOPHY

Basic Management Policy of the Daikin Group

Our Group Philosophy and People-Centered Management

Our Group Philosophy is the basis for all action aimed at becoming a corporate group that is trusted by customers worldwide, and that instills pride in Daikin employees around the globe. Daikin's People-Centered Management, meanwhile, is based on the belief that employee growth generates corporate growth and is implemented with the goal of creating a workplace where employees can use their talents to the fullest.

The Daikin Group believes that if both employees and company executives put Our Group Philosophy and People-Centered Management into practice, then we can achieve sustainable development and growth.



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
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
8. The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Group
9. Be Recognized Worldwide by Optimally Managing the Organization and its Human Resources, under Our Fast & Flat Management System
10. An Atmosphere of Freedom, Boldness, and "Best Practice, Our Way"

› [OUR GROUP PHILOSOPHY \(ABOUT DAIKIN\)](https://www.daikin.com/about/daikin) 
(<https://www.daikin.com/about/corporate/philosophy/>)

How We View CSR

1. Through the strict implementation of Our Group Philosophy, the Daikin Group will fulfill its social responsibilities worldwide in all facets of relationships with stakeholders, thereby raising corporate value and contributing to the sustainable development of society.
2. Based upon thorough observance of legal compliance and corporate ethics, the Daikin Group will focus on contributing to society through its business activities. As a good corporate citizen, we will be highly sensitive to the needs of each world region in carrying out our social contribution activities.
3. We will incorporate CSR into business activities so that CSR and our business are integrally intertwined in an ongoing synergy that contributes to better business performance.
4. We will carry out CSR activities through open, two-way communication with society and always ensure that we are accountable for, and transparent in, our actions.

Key CSR Themes

When we formulated Fusion 20 in fiscal 2015, we revised the importance (materiality) of various efforts to the Daikin Group, and as a result came up with four key CSR themes — the environment, new value creation, customer satisfaction, and human resources — as ways to carry out CSR for value provision.

We also established five CSR themes fundamental to our business activities: corporate governance, respect for human rights, supply chain management, stakeholder engagement, and communities.

CSR for value provision		Fundamental CSR	
<p>We provide healthy and comfortable air environments for people around the world while at the same time reducing environmental impact.</p>	<ul style="list-style-type: none"> • Environment • New value creation • Customer satisfaction • Human resources 	<p>We respond to societal demands for greater transparency and more open business practices.</p>	<ul style="list-style-type: none"> • Corporate governance • Respect for human rights • Supply chain management • Stakeholder engagement • Communities

For key CSR themes up until fiscal 2015, see the following page.

➤ ["History of CSR Activities" \(CSR Management\) \(Page 42\)](#)

Group Conduct Guidelines

1. Providing Safe, High Quality Products and Services

We shall make every effort to ensure the safety and quality of our products and services from the standpoint of our customers. Should a problem occur regarding safety, we shall immediately take appropriate action.

2. Free Competition and Fair Trading

We shall observe all applicable laws and regulations relating to fair competition and fair trade of each country and region, including antimonopoly laws. Furthermore, we shall conduct fair sales and procurement activities based on proper corporate ethics and in accordance with sound business practices and social norms.

3. Observing Trade Control Laws

We shall not participate in any transactions that may undermine the maintenance of global peace and security and world order. We shall always act in compliance with all applicable export- and import-related laws and regulations of each country and region, as well as the Daikin Group Security Trade Control Policy, which relates to foreign trade control.

4. Respect and Protection of Intellectual Property Rights

Recognizing that intellectual property rights are important company assets, we shall strive to protect and maintain our intellectual property rights and effectively utilize them. Furthermore, we shall respect and make every effort not to infringe upon the intellectual property rights of other companies.

5. Proper Management and Utilization of Information

We shall properly manage and effectively utilize the confidential information of our company, the confidential information obtained from other companies, and the personal information of our customers and employees and shall not obtain any information through improper means. We shall thoroughly execute IT security management for our computer systems and the data-resources saved on them.

6. Prohibition of Insider Trading

To maintain the trust of the securities market, we shall not use non-public information about the Daikin Group or other companies to buy or sell stocks or other securities (insider trading).

7. Timely and Appropriate Disclosure of Corporate Information

Aiming to be an "open company" with high transparency and earn the respect of society, we shall actively convey corporate information in a timely fashion not only to shareholders and investors but also to a wide spectrum of society, and engage in two-way communication.

8. Preservation of the Global Environment

We shall observe all applicable environmental laws and regulations of each country and region and practice initiatives that preserve the global environment in all aspects of our business operations, including product development, manufacturing, sales, distribution, and services. Also, each and every one of us shall deepen our knowledge of environmental issues, reduce the environmental load in the workplace and at home, and strive toward biodiversity conservation.

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.

10. Respect for Human Rights and Diversity and Observance of Labor Laws

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. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances shall we sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

11. Protection of Company Assets

We shall properly manage the tangible and intangible assets of our company to protect and utilize effectively these assets.

12. Proper Handling of Accounting Procedures

We shall comply with all accounting standards and tax laws of each country and region as well as internal company rules in properly performing accounting procedures.

13. Practicing Moderation in Entertainment and Gift Exchanges

We shall exercise moderation and perform within the acceptable range of social norms and obey the laws and regulations of each country and region in regards to entertainment, the exchange of presents, and invitations relating to the development of our global business. In particular, we shall not entertain, provide gifts of monetary value to, or extend invitations to public officials in Japan or abroad that violate the applicable laws and regulations in each respective country and region.

14. Maintaining a Firm Attitude against Anti-social Activities

We shall take a firm attitude against anti-social force or organization that threatens the safety and order of the citizens of society.

15. Relationship with Society

We aim to be a good corporate citizen that is trusted by society and we shall do our best to act with humility and modesty while at the same time having self-awareness and taking pride in our actions. Moreover, we shall participate in social contribution activities centered on environmental conservation, education support, and cooperation with the local community.

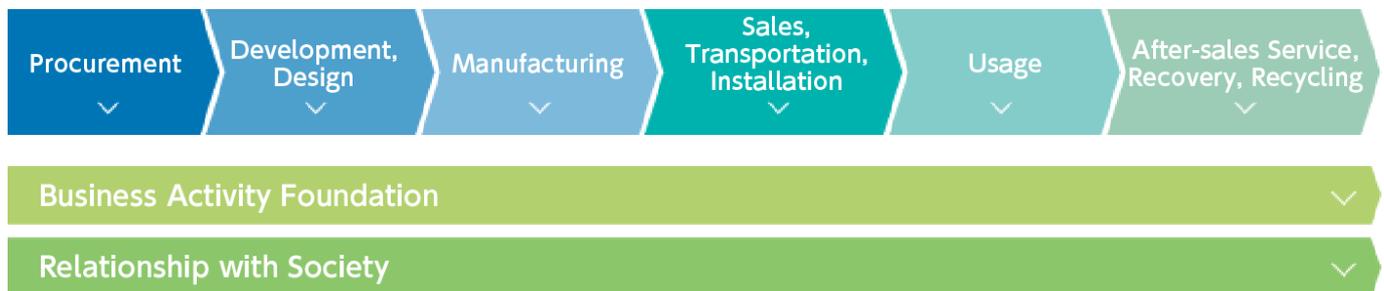
16. Observing Each Category of Industry Law and Regulation

We shall accurately comprehend and observe all business laws and regulations of each country and region applicable to our business activities.

VALUE CHAIN AND DAIKIN'S CSR

Establishing Key CSR Themes toward Sustainable Development

The Daikin Group's business activities impact society in various stages of the value chain, and the scope of this impact is expanding with globalization. We therefore identify the importance (materiality) of our actions with consideration of these impacts and incorporate this into our strategic management plan.



Procurement

Business impact, what Daikin must do

Throughout the globally expanding supply chain, Daikin is expected to respond to various procurement risks involving, for example, quality control, labor practices, and environmental protection.

Efforts of significant materiality

- Supply chain management
- Anti-corruption
- Free competition and fair business dealings



Development, Design

Business impact, what Daikin must do

As air conditioner demand grows in emerging markets and other countries, Daikin must develop products that offer comfort and superb environmental performance and meet regional needs.

Efforts of significant materiality

- Response to climate change
- Effective use of resources and energy
- Management of chemical substances
- Waste and water-use reduction
- New value creation
- Product quality and safety
- Customer satisfaction
- Information security



Manufacturing

Business impact, what Daikin must do

It is crucial that Daikin increase productivity while at the same time improving manufacturing quality and reducing environmental impact at all worldwide production sites.

Efforts of significant materiality

- Response to climate change
- Effective use of resources and energy
- Management of chemical substances
- Waste and water-use reduction
- New value creation
- Product quality and safety
- Customer satisfaction
- Information security



Sales, Transportation, Installation

Business impact, what Daikin must do

Faulty air conditioner installation not only causes quality problems but also leads to environmental problems such as refrigerant leakage. It is crucial that Daikin raises the level of installation skills of employees and retailers worldwide.

Efforts of significant materiality

- Response to climate change
- Product quality and safety
- Customer satisfaction
- Anti-corruption
- Free competition and fair business dealings
- Information security



Usage

Business impact, what Daikin must do

Global warming impact from air conditioner use presents a huge challenge. At the same time, air conditioners provide benefits such as preventing heatstroke and making people more productive.

Efforts of significant materiality

- Response to climate change
- Customer satisfaction
- Information security



After-sales Service, Recovery, Recycling

Business impact, what Daikin must do

To achieve a recycling-based society, it is crucial that we are thorough in recycling air conditioners and recovering/recycling refrigerants.

Efforts of significant materiality

- Response to climate change
- Waste and water-use reduction
- Customer satisfaction
- Information security



Business Activity Foundation

Business impact, what Daikin must do

In order to continue contributing to society, we must develop the human resources who conduct our business, comply with laws and regulations, and have in place a system of corporate governance.

Efforts of significant materiality

- Human resource development
- Workplace diversity
- Occupational safety and health
- Labor-management relations
- Respect for human rights
- Corporate governance



Relationship with Society

Business impact, what Daikin must do

In order to spread Daikin technologies and thus contribute to solving society's problems, it is essential that we work closely with numerous partners, including governments, United Nations bodies, international organizations, NGOs, key individuals, and local communities.

Efforts of significant materiality

- Response to climate change
- Biodiversity protection
- Communities
- Stakeholder engagement

Materiality (of Key Initiatives)

Revising Materiality in Line with the Fusion 20 Strategic Management Plan

In line with our Fusion 20 strategic management plan, we revised the materiality of our CSR initiatives in fiscal 2015.

We also added key items when we formulated our plan for the latter half of fiscal 2018. Evaluation was conducted with consideration in two areas: concerns and impacts of stakeholders, which include stakeholder engagement, international guidelines, and criteria of socially responsible investment survey institutes; and importance to Daikin, which includes Our Group Philosophy and medium-term management plans.

Materiality analysis



9 Key CSR Themes Reflected in Fusion 20 Strategic Management Plan

We identified nine materiality issues: four themes of CSR for value provision, which are aimed at achieving sustainable development for Daikin and society; and five themes of fundamental CSR. We have incorporated these as key focal management points in the Fusion 20 strategic management plan, and the entire Daikin Group is working toward solving these issues.

Daikin's CSR

CSR for value provision	
We provide healthy and comfortable air environments for people around the world while at the same time reducing environmental impact.	<ul style="list-style-type: none"> • Environment • New value creation • Customer satisfaction • Human resources

Fundamental CSR	
We respond to societal demands for greater transparency and more open business practices.	<ul style="list-style-type: none"> • Corporate governance • Respect for human rights • Supply chain management • Stakeholder engagement • Communities

CSR MANAGEMENT

CSR Management Structure

Daikin has set Value for CSR Provision and Fundamental CSR as its key CSR themes toward achieving sustainable development in its business and in society as it strives to solve the world's problems through its business activities.

The CSR Committee, chaired by the officer in charge of CSR, sets Daikin's CSR direction and monitors the progress of CSR activities. The CSR & Global Environment Center, which has been established under the CSR Committee, leads comprehensive, cross-organizational CSR activities throughout the entire group.

The CSR Committee is made up of officers in charge of the key themes and meets once a year to discuss and share ideas on social trends, progress in key CSR themes, and issues that require addressing. Items decided on by the CSR Committee are submitted to the President and then reported to the Board of Directors.

At the fiscal 2017 meeting of the CSR Committee, members discussed the necessity and content of Daikin's long-term environmental vision based on international framework agreements such as the Paris Agreement to the UN Framework Convention on Climate Change, which aims to limit global warming by less than 2°C compared to pre-industrial levels, and the common Sustainable Development Goals (SDGs) adopted by the United Nations.

Materiality (of Key Initiatives)

› For more information, refer to "Materiality (of Key Initiatives)" (Value Chain and Daikin's CSR). (Page 39)

CSR Targets and Achievements

› For more information, refer to CSR Action Plan 2020. (Page 44)

History of CSR Activities

Deepening Focus on Key Issues in Response to Society's Expectations

Daikin has rapidly expanded as a global corporate group, and with this expansion have come greater demands from society and greater corporate social responsibility (CSR).

We have striven to fulfill our CSR by responding to the expectations of our various stakeholders while implementing our Group management philosophy.

2002

Daikin Formulates Our Group Philosophy as Its Basic Philosophy of Business

Daikin formulated Our Group Philosophy with the aim of becoming a corporate group trusted by worldwide customers and where employees in all countries could work with pride. By sharing Our Group Philosophy as the fundamental business philosophy of the entire Group, it has become the cornerstone of all employees' thoughts and actions.

The management policies and plans of Daikin Industries, Ltd. and all other Group companies were created in line with Our Group Philosophy, and we believe that the embodiment of this philosophy has brought us closer to becoming a truly global and excellent company.

› ["Our Group Philosophy" \(CSR Philosophy\)](#) (Page 32)

2005

The Daikin Group Defines Its Philosophy on Responsibility toward Stakeholders

We expressed our belief that the Daikin Group's CSR is to conduct business that puts Our Group Philosophy into practice and fulfills our responsibility to society by meeting the expectations of shareholders.

› ["How We View CSR" \(CSR Philosophy\)](#) (Page 33)

2008

Daikin Establishes Key Themes with Consideration for Business Plans and Impact on Stakeholders

In light of the unique characteristics and business plans of Daikin, a global manufacturer of air conditioners and fluorochemicals, we established key CSR themes in four areas: the environment, quality & customer satisfaction, human resources, and social contribution.

2011 to 2015

Active CSR Based on the Fusion 15 Strategic Management Plan

In fiscal 2011, we launched our Fusion 15 strategic management plan to respond to the demands of society.

› [CSR Action Plan 2020](#) (Page 44)

2016 onward

Revision of Key Themes in Line with Fusion 20 Strategic Management Plan

When we formulated Fusion 20, we revised the materiality of various efforts to the Daikin Group, and as a result came up with four key CSR themes — the environment, new value creation, customer satisfaction, and human resources — as ways to carry out CSR for value provision. We added to this the theme of fundamental CSR, thus giving us five key themes under Fusion 20.

› [CSR and Strategy](#) (Page 26)

CSR ACTION PLAN 2020

Based on four themes of CSR for value provision and five themes of fundamental CSR, Daikin formulated CSR Action Plan 2020, which stipulates targets for 2020 that the entire group is working together to achieve. We will provide separate reports on the targets for each theme for 2020 and progress with these themes in fiscal 2017.

[Targets and Achievements](#)  (62KB)
(<https://www.daikin.com/csr/company/plan.pdf>)

CSR for Value Provision

We provide healthy and comfortable air environments for people around the world while at the same time reducing environmental impact.

Environment

New Value Creation

Customer Satisfaction

Human Resources

Fundamental CSR

We respond to society's requests through corporate action based on transparency and sincerity.

Corporate Governance

Respect for Human Rights

Supply Chain Management

Stakeholder Engagement

Communities

ENVIRONMENT

Introduce state-of-the-art technologies to the market in order to address environmental and energy issue

About the CSR Initiatives

Provide Environmentally Conscious Products and Services Worldwide

- Promote use of energy-efficient air conditioners, including inverter products
- Promote use of air conditioners using refrigerants with lower global warming potential
- Promote use of heat-pump-type heating systems and hot water heaters
- Expand our environmental solutions business

2020 Target

Through the worldwide adoption of environmentally conscious products, contribute to reducing greenhouse gas emissions

60 million tons-CO₂

<Six Sustainable Development Goals Daikin Is Contributing to through Its Business>



Fiscal 2017 Achievements

Through the adoption of environmentally conscious products, contribute to reducing greenhouse gas emissions

54 million tons-CO₂

We measured how much we contributed to reducing greenhouse gas emissions through the adoption of Daikin's environmentally conscious products.

Environmentally conscious products as percentage of group sales (residential air conditioners)

83%

We measured how much we increased sales of air conditioners using inverter technology and refrigerants with lower global warming potential.

Minimize Environmental Impact in Production Activities

- Reduce greenhouse gases
- Make effective use of water and other resources
- Reduce chemicals
- Promote green procurement

2020 Target

Greenhouse gas emissions during production for entire Daikin Group

70% reduction over fiscal 2005

<Six Sustainable Development Goals Daikin Is Contributing to through Its Business>



Fiscal 2017 Achievements

Reduction ratio of greenhouse gas emissions from production (over fiscal 2005)

74% reduction

We measured how much we reduced greenhouse gas emissions generated in the product manufacturing process.

Expand the Green Heart Circle of Love for the Earth

- Encourage employees to take part in environmental activities inside and outside work
- Promote environmental and social contribution activities

2020 Target

Achieve Green Heart Factory certification for all production bases

Preserve 11 million hectares of forest at 7 worldwide locations

Implement and expand environmental activities in collaboration with stakeholders

Fiscal 2017 Achievements

Number of factories certified as Green Heart Factories

24 bases

Gold Rank: 2

Silver Rank: 10

Bronze Rank: 12

We measured the increase in the number of production bases that bases achieved Daikin's in-house standards for environmental action.

Contribution to CO₂ emission reductions through forest preservation

7 million tons-CO₂

We measured contribution to CO₂ emission reductions through forest preservation activities at 7 worldwide locations where we are working together with an international NGO.

NEW VALUE CREATION

Share dreams and ambitions inside and outside Daikin to realize a healthy, comfortable lifestyle through air

About the CSR Initiatives

Create New Value to Meet the Expectations of Customers and Society

- Value Creation for the Earth
- Value Creation for Cities
- Value Creation for People

2020 Target

Use IoT and AI for open innovation that creates new value

<Six Sustainable Development Goals Daikin Is Contributing to through Its Business>



Fiscal 2017 Achievements

R&D expenditure

62.1 billion yen

Number of patent applications

Japanese applications: **780**

Overseas applications: **352**

(FY2016) (Daikin Industries, Ltd. only)

We measured how much we invested in value creation and how many new technologies we came up with.

CUSTOMER SATISFACTION

Provide peace of mind and reliability through a focus on customer orientation, experience, performance, and advanced technologies

About the CSR Initiatives

Provide Customers with the Ultimate Satisfaction

- Provide safety and quality
- Provide customer satisfaction

2020 Target

Establish a service network covering the globe

Grasp worldwide customer needs and pursue high customer satisfaction

Establish a high standard of quality

Fiscal 2017 Achievements

Progress rate of after-sales services, regarding the base year as 1.00

Japan: **1.11**

China: **1.01**

Singapore: **1.03**

Italy: **1.00**

We measured how much we improved after-sales service customer satisfaction.

HUMAN RESOURCES

Respect individual personalities and values, and maximize the potential of each employee

About the CSR Initiatives

Create a Work Environment Where Employees Can Use Their Talents to the Fullest through People-Centered Management

- Develop human resources
- Promote workplace diversity
- Promote occupational safety and health

2020 Target

The ratio of excellent or advanced skilled engineers in manufacturing

1 in 4 employees

Women as percentage of all managers

10% (Daikin Industries, Ltd. only)

Increase percentage of overseas bases where local nationals are presidents

Frequency rate

(shows frequency of occurrence of labor accidents)

0

Fiscal 2017 Achievements

The ratio of excellent or advanced skilled engineers in manufacturing

1 in 3.4 employees

(Daikin Industries, Ltd. only)

We measured the number of employees we trained, out of those involved in manufacturing, who possess advanced skills and knowledge and who can lead production activities.

Women as percentage of all managers

4.9% (Daikin Industries, Ltd. only)

We measured progress in training women to be managers in Japan.

Percentage of overseas bases where local nationals are president

46% (overseas bases)

We measured progress in appointing local nationals as presidents of overseas bases.

Frequency rate

1.33

We measured how well we succeeded in the safe operation of production bases.

FUNDAMENTAL CSR

Corporate Governance

Accelerate decision-making and operational execution in response to management tasks and the changing management environment, and raise the level of management transparency and soundness to raise corporate value

About the CSR Initiatives

- Degree of independence from the company, diversity, and transparency of the Board of Directors (Daikin Industries, Ltd. only)
- Thoroughness of compliance

Fiscal 2017 Achievements

Number of directors who are outside the company, women, and foreign nationals

3 outside directors, **1** female director,

1 foreign national director (Daikin Industries, Ltd. only)

We measured the diversity of the make-up of directors.

Self-assessment implementation rate

Implementation rate: **99%**

We measured how well we were in compliance through the implementation rate of self assessments.

Respect for Human Rights

Show respect for basic human rights in accordance with all international norms based on the laws and regulations of each country and region

About the CSR Initiatives

- Thoroughness of respect for human rights

Fiscal 2017 Achievements

Self-assessment implementation rate

Implementation rate: **99%**

We measured how thorough we were in respect for human rights through the implementation rate of self assessments.

Supply Chain Management

Fulfill corporate social responsibility through environmental impact reduction, quality assurance, and occupational safety and health throughout the entire supply chain

About the CSR Initiatives

- Conduct CSR procurement

Fiscal 2017 Achievements

CSR procurement rate

Create a CSR procurement survey (survey conducted starting in fiscal 2018)

We measured our suppliers' progress in CSR activities.

Stakeholder Engagement

Engage in dialogue with all members of society and reflect outside opinions in our business, and continuously examine our actions to ensure that we meet society's demands and expectations

About the CSR Initiatives

- Engage in dialogue with stakeholders and reflect this dialogue into management

Fiscal 2017 Achievements

Number of air conditioner forums held, number of countries that outside participants represent, and total participants

6 forums held in 5 worldwide regions;

118 participants from 46 countries;

university professors, specialists, etc.

Among the engagement activities, the number of times dialogue was held with key figures from around the world on air conditioning, a core Daikin business.

Communities

Respect the culture and history of different countries and regions, and create strong bonds with communities as a good corporate citizen

About the CSR Initiatives

- Contribution to environmental conservation, education support, and cooperation with the local community

Fiscal 2017 Achievements

Expenditure for social contribution activities

1.6 billion yen

We calculated the monetary amount, through donations, goods, and other ways, that we provided to communities.

PARTICIPATION IN THE GLOBAL COMPACT

Participation in the Global Compact

Building a System for Unified Group Action

Since 2008, Daikin has endorsed and participated in the Global Compact.

The Global Compact, proposed by former UN Secretary General Kofi Annan at the World Economic Forum in January 1999, encourages companies to act as good members of society and aim to realize sustainable growth. It also urges participating companies throughout the world to support and practice the Ten Principles in the four areas of human rights, labor, the environment and anti-corruption.

Based on the environmental philosophy of leading the way to an environmentally conscious society, Daikin is focused on resolving environmental issues through business. Further, the Group Conduct of Guidelines constituting the guideline for each group company's standards of conduct, reflects the spirit of the Global Compact in Group management by clarifying details related to respect for human rights, the elimination of forced and child labor, anti-corruption and other issues from the perspectives of thorough transparency, soundness and ethical business activities throughout the entire value chain.



Ten Principles of the UN Global Compact

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Labour Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.