DAIKIN

Corporate Social Responsibility Report 2010 — Web version —

Every year the Daikin Group reports on its CSR (corporate social responsibility) activities. On the Sustainability section of the Daikin Web site, we have past years' data and related information so that you can read the details of all activities we are involved in.

This PDF file contains all the fiscal 2009 information from the Sustainability section of our Web site. You may download and print it out.

Note: The printed version of the CSR Report 2010 focuses on our main activities and efforts. It can also be downloaded as a PDF file.

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Editorial Policy

CSR Report

Editorial Policy

Editorial Policy

This site details the Daikin Group's CSR (corporate social responsibility) activities: basic CSR philosophy, performances in fiscal year 2010, and plans for the near future. Information that, due to space limitations, could not fit into the CSR Report 2010 (printed version) released in June 2010 is included on this Web site.

We divided the CSR Report by what we consider to be the key themes of our CSR activities: the environment, quality and customer satisfaction, human resources, and social contribution. Each chapter deals with the Daikin Group's major areas of activity and subjects in which our stakeholders are most interested. (For more details, see the PDF version of the report.)
You'll find features on the Daikin Group's human resource training and on our efforts to curb global warming, which has been a major focus for us in recent years.

This Web site is divided into sections on our environmental protection activities and on each stakeholder group: customers, suppliers, shareholders and investors, employees, and local communities. This allows readers easy access to important information concerning Daikin.

- Environment (See page 63)
- Responsibility to Stakeholders (See page 139)

We also give specific examples of how Daikin and its bases around the world contribute to key efforts of working to prevent global warming and preserve biodiversity, and to foster human resources.

- Key Activities (See page 34)

To ensure an objective assessment of our activities and of this report, and to deepen dialogue with stakeholders, we have included independent, third party opinions.

- Independent Opinions (See page 32)

Reference Guidelines

Environmental Reporting Guidelines (fiscal 2007 edition) released by the Ministry of the Environment.
Sustainability Reporting Guidelines Third Edition (G3) released by the Global Reporting Initiative (GRI).

Note
In reporting on fiscal year 2009 environmental protection activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual results and information reported for fiscal year 2008. Also, because figures are rounded off, totals may not equal the sum figures.

■ Forecasts, Expectations, and Plans

This report includes forecasts, expectations, and plans, in addition to past and present facts, about Daikin Industries, Ltd. and its subsidiaries (collectively called the Daikin Group). Please be aware that these are assumptions and judgments made based on the information available at the time this report was written and thus incorporate a degree of uncertainty. Consequently, there is a risk that events occurring in the future may turn out differently from the forecasts, expectations, and plans stated in this report.

What This Report Covers

Term Covered

This report covers fiscal year 2009 (April 1, 2009 to March 31, 2010).

Daikin Organizations Covered

This report covers Daikin Industries, Ltd. and its consolidated subsidiaries. Environmental performance data, however, covers four Daikin Industries, Ltd. production bases, eight production subsidiaries in Japan, and 17 production subsidiaries overseas. (See our Web site for company names and other information.)

Note that only the figures on pages 3-4 (printed version, CSR Report 2009) for performance, number of employees, and number of subsidiaries include O.Y.L. Industries, which Daikin acquired in 2006, and O.Y.L. subsidiaries.

■ Japan

Daikin Industries, Ltd.	
Head Office	
Tokyo Office	
Sakai Plant	Air conditioning/refrigeration equipment, compressors
Shiga Plant	Air conditioning equipment, compressors
Yodogawa Plant	Fluorochemical products, hydraulic equipment, air-conditioning equipment, precision defense equipment
Kashima Plant	Fluorochemical products

8 Production Subsidiaries
Daikin Sheet-Metal Co., Ltd. Daikin Piping Co., Ltd. Daikin Applied Systems Co., Ltd. Daikin Hydraulic Engineering Co., Ltd. Daikin Rexxam Electronics (Japan) Ltd. Daikin Sunrise Settsu Ltd. Toho Kasei Co., Ltd. Kyoei Kasei Industries, Ltd.

■ Overseas

17 Production Subsidiaries
Daikin Australia Pty., Ltd.
Daikin Industries (Thailand) Ltd.
Daikin Airconditioning (Thailand) Ltd.
Daikin Europe N.V.
Daikin Compressor Industries Ltd.
Daikin Chemical France S.A.S.
Daikin Chemical Netherlands B.V.
Daikin Device Czech Republic s.r.o.
Daikin Industries Czech republic s.r.o.
Daikin Air conditioning (Shanghai) Co., Ltd.
Daikin Air conditioning (Shanghai) Co., Ltd. (Huizhou Branch)
Xi'an Daikin Qing'an Compressor Co., Ltd.
Daikin Fluoro Coatings (Shanghai) Co., Ltd.
Daikin Fluorochemicals (China) Co., Ltd.
Daikin Device (Suzhou) Co., Ltd.
Daikin Motor (Suzhou) Co., Ltd.
Daikin America, Inc.

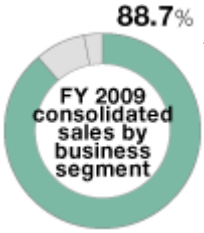
Daikin's CSR

Air Conditioning and Chemical Technologies Work Hand-in-Hand

Daikin has made global warming prevention its most important priority and actively pursues environmental impact reduction in all business activities.

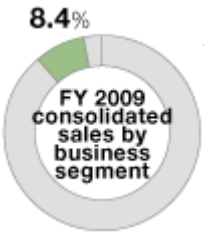
The Daikin Group offers products utilizing technologies in both air conditioning and fluorochemicals to provide living space with comfort. We also contribute to sustainable development of society through proprietary advanced technologies and advanced R&D in our oil hydraulics business, which encompasses energy-efficient technologies cultivated in our air conditioning business, and our defense systems business, which provides a wide range of products from aerospace parts to home medical equipment.

Daikin Group Business



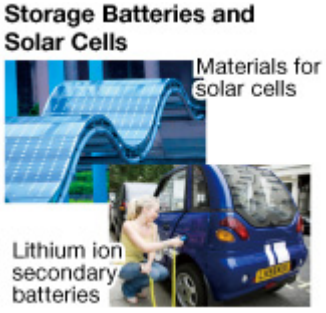
Air Conditioning Business

Achieving Both Comfort and Environmental Consciousness to Meet All Global Air Conditioning Needs



Chemicals Business

World's Leading Lineup of Fluorine Compounds



Oil Hydraulics, Defense Systems Business

Proprietary Technologies at Work in a Range of Industries

Ever since we developed Japan's first air conditioner in 1951, the Daikin Group has used the air conditioning and chemical expertise it has built up to bring comfort to people around the world, whether they are at home or at work. In the fields of oil hydraulics and defense systems, our proprietary cutting-edge technologies and R&D capabilities have advanced industry and improved people's lives.

Of all our businesses, those with the greatest impact on society are the air conditioner business and our fluorochemical business, which makes the fluorocarbon refrigerants for air conditioners. Air conditioners use large amounts of energy, and fluorocarbons are greenhouse gases that cause global warming. The structure of our business necessitates that we make it our mission to help prevent global warming. We thus do all that we can to reduce environmental impact in all areas of business.

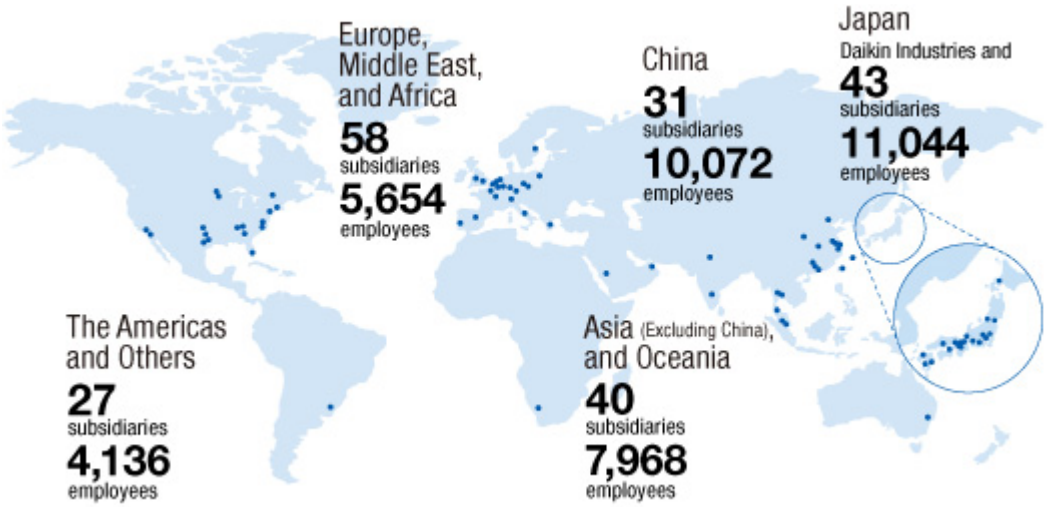
Our aim is to be an environmentally advanced company by developing and marketing environmentally conscious products and services and by reducing emissions of fluorocarbons and CO_2 in the production, distribution, and marketing stages.

Worldwide Business

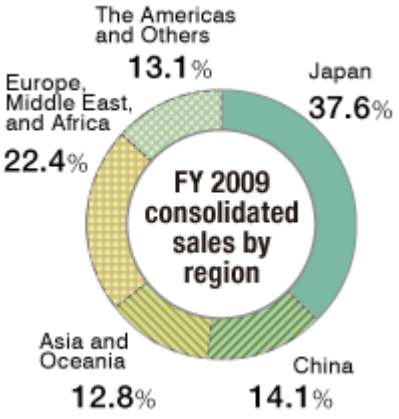
Daikin Group strives to be a company that can meet the expectations of various stakeholders while respecting the diverse cultures and values of people in each country and region.

The Daikin Group does business around the world in countries and regions like China, Southeast Asia, Oceania, Europe, and North America. We have 38,874 employees at worldwide production and sales bases, with about two-thirds of employees outside Japan. By respecting the cultures and values of each country and region, we strive for a workplace that brings out the motivation and unique personality of each employee.

■ Daikin Group



The Daikin Group does business in Japan, China and the rest of Asia, Oceania, Europe, and the United States with the goal of maximizing corporate value to become a truly global and excellent company. In fiscal 2006, we further expanded our geographical area and markets through the acquisition of O.Y.L. Industries (headquarters: Malaysia), which has solid air conditioning business networks in North America and Asia. As we continue to grow worldwide, we are striving even further to contribute to society in respecting the diverse cultures and values of the countries and regions where we operate and by hiring locally to ensure our products and services meet local needs.



People are the force behind improving corporate value. To become a company trusted throughout the world, all Group employees must understand and implement our Group Philosophy, and our company must create a work environment in which employees can maximize their unique traits and work with enthusiasm and pride.

We will continue to reward stakeholders-customers, shareholders, employees, and local citizens-through our corporate growth. In the process, we will think globally while being a good citizen of the Earth and acting in the best interests of each community in our goal of becoming a truly first-rate company.

Chairman's Message

The Daikin Group provides customers with the ultimate in convenience and comfort through high-quality products and services and practices a shared code of conduct that includes fair corporate activities, vigorous environmental protection, and proactive contributions to local communities.

The world is simultaneously recovering from economic recession and transitioning to low-carbon societies. Anticipating this change in the times, the Daikin Group is engaging in business activities grounded in the pillars of CSR: creation of new value, provision of environmentally conscious products and services on a global scale, and development of the human resources that make these activities possible.

Contributing to Protection of the Environment through Environmental Technologies and Products

In the FUSION 10 five-year strategic management plan, the Daikin Group set forth a basic policy of combining social contributions from proactive solutions to global environmental problems and business expansion. In addition to reducing greenhouse gas emissions from production and raising the environmental awareness of our employees, we have undertaken environmental initiatives that have tremendous potential to become the cornerstone for our environmental strategy. These initiatives include contribution to society through the provision of environmental technologies and products, worldwide expansion and enhancement of the environmentally conscious products, full-scale entry into the heating business using heat pump technology, and the establishment of a structure for the applied solutions business. These actions have made it possible for the Daikin Group to provide products that meet the environmental needs of countries and regions including Europe, China, and the United States.

In China, through a collaborative venture with Gree Electric Appliances, Inc. of Zhuhai, one of China's largest air conditioning manufacturers, we have developed inverter air conditioners in the low-price zone and greatly contributed to the appeal of inverter models. In Europe, commercialization of heat pump heaters began at an early stage. After obtaining European Parliament approval of heat pump technology as a "technology that captures renewable energy," the business has become remarkably successful and is being developed as the next pillar of our business operations.

In the United States, we established the Applied Development Center for developing global models of energy-saving, large-scale air conditioning systems, and in May of this year, we newly established the Applied Solution Business Division to provide a structure for taking the large-scale air conditioner business forward.

In the chemicals business, we have created products and technologies that contribute to improving the efficiency of lithium ion rechargeable batteries and solar cells.

The year 2010 is the final year of our current strategic management plan and the year for deciding a new five-year plan. In the next management plan, the environment will remain a pillar of corporate management. We will also refine our technologies and products and contribute to society by providing people around the world with products that contribute to protecting the environment.

Leveraging Diversity as a Strength and Promoting Personnel around the World

The Daikin Group believes that the "cumulative growth of all Group members serves as the foundation for the Group's development." Consequently we practice "People-Centered Management" and strive to create workplaces where each employee can fully demonstrate his or her capabilities.

As business globalization continues to accelerate, worldwide recruitment and fostering of human resources, as well as their suitable deployment and compensation, have become essential themes in our aim for further growth. By providing workplaces where talented people can thrive regardless of their nationality, we are convinced that we can contribute to a sustainable society through our business activities.

People-centered management in the age of globalization necessitates global business expansion that respects each world culture, its customs, and history and leverages diversity as a strength to address the needs of society in each region. To human resources capable of expanding our business, Daikin provides equal opportunity for advancement and develops human potential to the fullest as we engage in management that takes even greater advantage of our human resources.

Aiming for a Truly Global and Excellent Company

To clearly define a code of conduct for our business activities around the world, in October 2008, Daikin joined the United Nations Global Compact, which sets forth basic principles pertaining to human rights, labor standards, the environment, and anti-corruption. We have meaningfully incorporated the spirit of the Global Compact into our Handbook for Corporate Ethics and endeavor to instill it within the Group.

As our business develops, our responsibility to society will increase. We intend to remain a corporate group that enjoys the trust of society by increasing the transparency of our business activities and discharging our social responsibility while meeting the expectations of our various stakeholders.

With environmental protection and human resource development as the pillars of CSR, we will contribute to the sustainable development of society as we aspire to further corporate growth.

June 2010

Noriyuki Inoue
Chairman and CEO
Daikin Industries, Ltd.

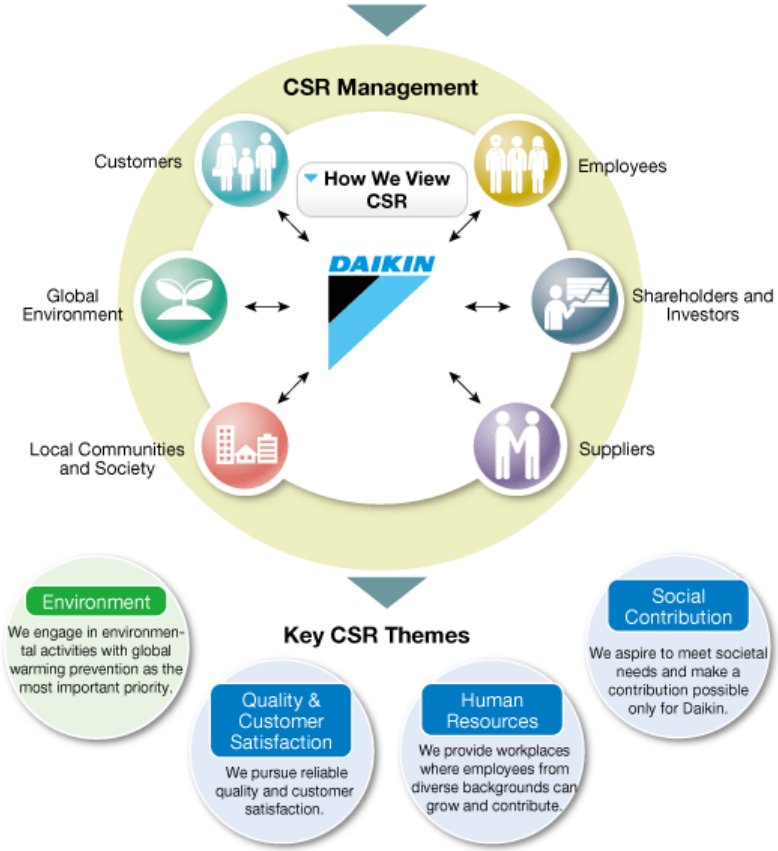
CSR Philosophy

Corporate Policies

1. Absolute Credibility
2. Enterprising Management
3. Harmonious Personal Relations

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"



How We View CSR in the Daikin Group

1. By ensuring implementation of our Group Philosophy, the DAIKIN Group will execute our social responsibilities globally in relations with all our stakeholders, and thereby raise our corporate value and contribute to the sustainable development of society.
2. Based upon thorough observance of legal compliance and corporate ethics, the DAIKIN Group will carry out our CSR initiatives with priority on contributing to society through our business activities such as:
    - Creating and offering new value by anticipating the future needs of customers;
    - Taking initiatives to sustain and improve the environment in all aspects of our business operations, and promoting the development of new products and the innovation of technologies that will lead to a more environmentally healthy world;
    - Building friendly yet competitive relations with all our business partners such as suppliers; and
    - Cultivating workplaces that foster pride and enthusiasm in each employee.

   Furthermore, as a good corporate citizen the DAIKIN Group will make beneficial contributions to each community in which we are based by being highly receptive to its needs.
3. Instead of simply giving consideration to CSR, the DAIKIN Group will proactively incorporate CSR initiatives in all our business activities, fuse and integrate such initiatives with these activities in order to ensure truly ongoing CSR initiatives and lead to the improvement of our business performance.
4. The DAIKIN Group will pursue CSR in our unique way by riding on our strengths, such as our atmosphere of freedom and boldness, thorough customer-oriented management, warm hospitality and other valued traditions and culture, as well as world-leading technologies.
5. The DAIKIN Group will fulfill our CSR by promoting interactive communications widely with society, achieving accountability, and maintaining high transparency.

Environmental Philosophy

Be a Company that Leads in Applying Environmentally Friendly Practices

As we continue developing our business operations in various fields, it is our mission to proactively develop initiatives to respond to environmental issues. Incorporating environmental initiatives throughout our management must be a priority for us.
In all aspects of our business operations, including product development, manufacturing and sales, we need to formulate initiatives that sustain and improve the environment. Meanwhile, we need to promote the development of new products and the innovation of technologies that will lead to a more environmentally healthy world.
Under the precept "environmental response is an important management resource," we must integrate environmental initiatives into our corporate management since they can lead to business expansion, improved business performance, and further enhancement of our credibility with outside parties. We intend to continue being a leading company in the practice of "environmental management," thus contributing to a healthier global environment as a good citizen of the earth.

Action Guidelines

1. Ensure that all members of the Group deepen our understanding of environmental issues and take responsibility for the impact our actions have on society in general.
2. Establish, promote, and continuously improve an Environmental Management System to actively and effectively implement Environmental Management as a Group.
3. Develop and implement environmental initiatives in all aspects of our business operations, including product development, production, sales, distribution, services, and recycling.
   In particular, be a leader in society by developing products, technologies, and business opportunities that contribute to sustaining and improving our environment.
4. Implement environmental initiatives that are globally consistent as well as promote initiatives that respond to the particular circumstances of each country and region.
   Furthermore, actively promote cooperation and alliances with related companies, external organizations, and institutions.
5. Disclose environmentally related information in a truthful and fair manner. Listen to the views of people both inside and outside the company to continuously improve our environmental preservation efforts.

Group Compliance Guidelines

These compliance guidelines set forth the basic premises to observe as a basic framework for compliance for all Group companies as well as each and every one of their executives and employees in the worldwide expansion of the Daikin Group.
Each company of the global Group shall draft specific criteria based on these guidelines as a code of conduct that corresponds to differences in laws and customs of each country and region and thoroughly maintains compliance.

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 perform fair corporate activities in compliance with all applicable laws and regulations relating to fair competition and fair trade of each country and region.
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 in compliance with all applicable export and import related laws and regulations of each country and region as well as Daikin Group Policy.
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 environment laws and regulations of each country and region and practice initiatives that sustain and improve the environment in all aspects of our business operations, including product development, manufacturing, sales, distribution, and services. Also, each and every one of us shall strive to promote environmentally conscious actions.
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 in the Workplace and Observance of Labor Laws**
    We shall respect the human rights of each and every employee and diversity in values and approach to work while striving to create a workplace that is safe and comfortable to work. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances sanction the labor performed under compulsion or against a person's will (forced labor), or labor of children who do not meet the minimum age requirements for labor as regulated by laws and regulations of each country and region (child 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 and shall make every effort to improve internal controls.
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 and exchange of presents performed relating to our business. In particular, we shall neither entertain nor provide gifts of monetary value to public officials at home and abroad in violation of applicable laws and regulations in each 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. **Observing Various Business Law and Regulation**
    We shall accurately comprehend and observe all business laws and regulations of each country and region applicable to our business activities.

Participation in the Global Compact

Building a System for Unified Group Action

In October 2008, Daikin Industries' participation in the United Nations Global Compact was acknowledged.

The United Nations Global Compact, proposed by former United Nations Secretary-General Kofi Annan in 1999 at the World Economic Forum, presents a unique strategic platform for companies to advance their commitments to sustainability and corporate citizenship. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption.

In August 2008, we established our Group Compliance Guidelines. And in September 2008, we revised our Handbook for Corporate Ethics, adding items such as the abolition of forced labor and child labor. In this way, we are incorporating the spirit of the Global Compact into our Group management strategy and putting it into action in our business activities as we strive to contribute to a sustainable society and raise the Daikin Group's corporate value.

Ten Principles of 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.

CSR Management

The Daikin Group believes that CSR is the meticulous practice of Our Group Philosophy on a daily basis. We also create systems for our worldwide bases that promote corporate ethics and legal compliance as the foundation of our CSR.

CSR Management Structure

Building a System for Integrated Group CSR

The Daikin Group has systems for the comprehensive, cross-organizational promotion of CSR activities throughout the entire group.

Read more

(See page 20)

Corporate Governance

Outside Viewpoint Ensures Sound Transparent Management

Daikin Industries' corporate governance system aims for fast decision-making and execution by having the two together in an integrated management framework. We also have mechanisms that ensure the soundness and transparency of our management.

The board of directors oversees the CSR Committee, the Corporate Ethics and Risk Management Committee, and the Disclosure Committee, all of which work to ensure that corporate governance is based firmly in corporate social responsibility.

Read more

(See page 21)

- Corporate Governance
  - Corporate Governance

Compliance and Risk Management

Daikin Joins UN Global Compact; Establishes Group Compliance Guidelines

The Daikin Group has systems for carrying out integrated action in compliance and risk management.

In October 2008, we joined the United Nations Global Compact. Prior to that, in September 2008, we established our Group Compliance Guidelines, which include Global Compact philosophies including the abolishment of forced labor and child labor. These guidelines were added to our Handbook for Corporate Ethics, an action guide for Daikin employees.

- See Participation in the Global Compact. (Page 16)

Read more

(See page 22)

- Management Structure
  - Corporate Ethics and Risk Management
- Handbook for Corporate Ethics
- Legal Compliance Audits, Compliance
- Education
- In-House Information
- Help-Line
- Risk and Measures
- Preparing for Earthquakes

Free Competition and Fair Business Dealings

The Daikin group strives for fair business practices through measures for complying with the Anti-Monopoly Act, Misleading Representations Act, and the Subcontract Act.

Read more

(See page 26)

Prohibiting Bribes

We do our utmost to ensure that business entertainment and gift-giving related to business are conducted within the laws and customs of each country and region.

Read more

(See page 26)

Information Security

We ensure the proper management and use of information by thoroughly educating employees and by properly managing confidential information that we obtain from other companies.

Company divisions and departments have information managers, and we ensure information is being properly managed through legal compliance audits and other measures.

Read more

(See page 27)

Respect for Intellectual Property Rights

We recognize intellectual property as one of a company's most valuable assets. We carry out proper and fair exercise of rights in response to violation of intellectual property as well as respect other companies' intellectual property. Training is held for each management level of employees and thorough checks are carried out during development of new products and technologies to ensure there is no infringement on the intellectual property of other companies.

Read more

(See page 27)

Suppliers Must Be in Legal Compliance

Management That Achieves Legal Compliance throughout the Supply Chain

The Daikin Group urges its suppliers to abide by labor-related laws.

Before taking on new suppliers, in the Air Conditioning Manufacturing Division, we inquire into things like their management policies and labor situation. The Chemicals Division carries out unscheduled audits and monitors suppliers for improper labor practices such as excessive work hours.

Read more

(See page 177)

Basic Policy of Respect for Human Rights and Diversity, and Compliance with Labor Laws

Daikin Industries makes employees aware of human rights issues as part of its goal of becoming a company free of discrimination where each individual is respected.

The Handbook for Corporate Ethics states our policy of respecting human rights and diversity in the workplace and abiding by labor laws, and we constantly remind employees to be aware of this.

Read more

(See page 28)

- Policy and Management Structure
- Human Rights Education
- Preventing Sexual Harassment

CSR Management Structure

CSR Management Structure

Building a System for Integrated Group CSR

Firmly grounded in legal compliance and corporate ethics, the Daikin Group's CSR efforts are aimed at contributing to society through its business activities.

The CSR Committee chaired by Daikin's COO sets Daikin's CSR direction and monitors the progress of CSR activities. Under this committee, officers in charge of CSR and their staff in the CSR & Global Environment Center lead comprehensive, cross-organizational CSR activities throughout the entire group.

Corporate Governance

Outside Viewpoint Ensures Sound Transparent Management

Unlike the committee system* in the United States, where decision-making and execution are completely independent of each other, the Daikin Group employs an integrated management framework in which directors assume responsibility for both management and execution. Daikin uses this framework because it effectively speeds up decision-making and execution by integrating the two according to the characteristics of Daikin's business. We also have mechanisms that ensure the soundness and transparency of our management.

We appoint two outside board members with no vested interest in our company to take part in decision-making from an outsider's point of view. We also appoint two external auditors who not only sit in on the Auditors Meeting and the Board of Directors Meeting but also on key meetings such as the Executive Officers Meeting where they monitor and manage the execution of policy. The Group Auditors Meeting, made up of auditors from major group companies, meets periodically to ensure that the entire Group's auditing and management functions are constantly improving.

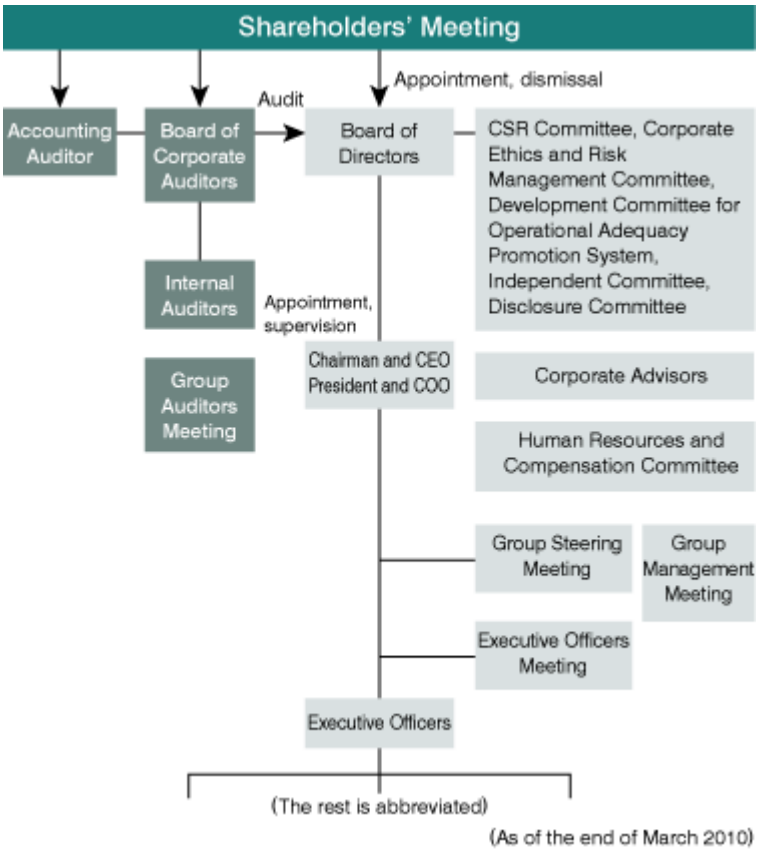
We also strive to raise soundness and transparency through the Corporate Advisors, who offer unbiased operational advice, and the Personnel and Compensation Advisory Committee, which works to improve the transparency of personnel matters and the compensation of directors.

The Independent Committee was formed to ensure that when there is a large-scale purchase of Daikin shares, Daikin's corporate value and shareholders' joint profit are protected. The committee helps provide our shareholders with impartial information so that there is transparency in our paperwork and dealings, as well as a high degree of objectivity.

To ensure that the interests of stakeholders other than shareholders are respected and protected, the board of directors oversees the CSR Committee, the Corporate Ethics and Risk Management Committee, and the Disclosure Committee, all of which work to ensure that corporate governance is based firmly in corporate social responsibility.

* A company with a committee comprising mostly outside directors instead of auditors to raise management transparency.

Corporate Governance



(As of the end of March 2010)

Compliance and Risk Management

Management Structure

Integrated Group-Wide Promotion of Compliance and Risk Management

In fiscal year 2003, the Daikin Group established the Corporate Ethics Committee as an organ for leading group-wide corporate ethics activities. In fiscal year 2007, the name was changed to the Corporate Ethics and Risk Management Committee for the purpose of carrying out integrated action in compliance and risk management.

In the area of legal compliance, compliance and risk management leaders (CRLs) in each division gather the latest legal information and check to see if laws are reflected in company rules and manuals. There are also monthly daily triple checks to ensure everyone is following laws and company rules and manuals. The results of these checks are reported at monthly CRL meetings for the sake of sharing information. There are also self assessments carried out once a year to ensure that employees are following the Compliance Action Guidelines stipulated in the Handbook for Corporate Ethics.

In the area of risk management, we have a group-wide cross-organizational risk management. Every year, self assessments are accompanied by risk assessment in all divisions. From the results, the key risks in each division are identified and measures are then created to reduce these risks.

Based on the results of self assessments and risk assessment, the Corporate Ethics and Risk Management Committee draws up an annual company-wide "to do" list, along with a time frame and managers responsible for carrying out the tasks on the list. These tasks are carried out using the PDCA management cycle.

For more information, see "Risk and Measures". (Page 24)

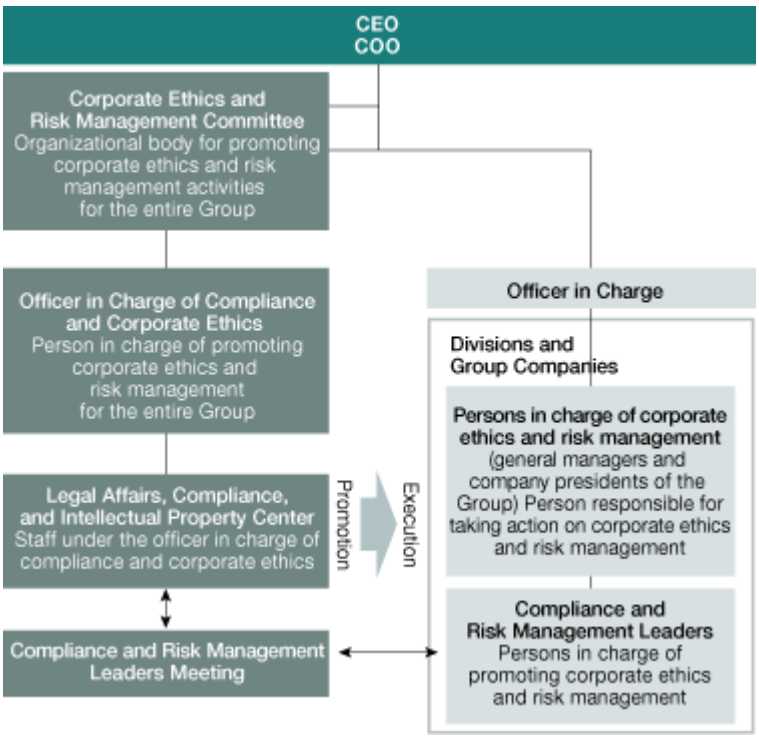
Sharing Information with Overseas Group Companies

Since fiscal 2003, nine major overseas group companies* have had CRLs (compliance and risk management leaders) to lead compliance activities based on the Daikin Industries' model and adapted to their own particular situation. With compliance committees, Corporate Ethics Handbooks, and regular self assessment and risk management conducted, these companies strive for the same level of compliance as Daikin Industries.

Representatives of Daikin Industries regularly visit these companies and meet with the CRLs to see how they are progressing and share valuable information.

* Daikin Europe N.V., Daikin America Inc., Daikin Air Conditioning America, Daikin Air conditioning (Singapore) Pte., Daikin Industries (Thailand) Ltd., Daikin Australia Pty., Ltd. Daikin Air-conditioning (Shanghai) Co., Ltd., Daikin (China) Investment Co., Ltd., Daikin Fluorochemicals (China) Co., Ltd.

Corporate Ethics and Risk Management



Handbook for Corporate Ethics

Daikin Industries' Handbook for Corporate Ethics Revised; Group Divisions and Overseas Group Companies Follow

In fiscal 2008, Daikin Industries revised the Handbook for Corporate Ethics, a valuable guide to employee behavior. At that time, hearings were held with overseas group companies and the Group Compliance Guidelines were formulated to clarify common compliance matters for the entire group worldwide. Employees in Japan have been given compliance cards and are urged to carry these with them at all times to ensure that they always follow rules and ethics.

The revisions provided an opportunity for renewed education and training. The multi-faceted training uses every opportunity to teach the basics of the handbook items and carry out practical study and discussion of case studies.

See Suppliers Must Be in Legal Compliance (Page 177)

Legal Compliance Audits, Compliance

Legal Audits Ensure Laws are Being Followed

Based on self assessment results, legal compliance audits are conducted to make sure that Daikin is abiding by laws and regulations.

In fiscal 2009, audits were conducted in all divisions of Daikin Industries. All relevant documents were inspected and CRLs led hearings with managers. Audit results were reported to general managers so that everyone could share an awareness of what must be done to improve compliance.

Number of compliance violations, countermeasures

Fiscal 2009	Details
0	No laws or regulations were broken.

Education

New Education Program Follows Compliance Action Guidelines

The revisions to the Handbook for Corporate Ethics provided an opportunity to also revise our education program to make it more focused on the practical matters of compliance. The Compliance Action Guidelines, created based on the Group Compliance Guidelines, were the topic of monthly training for CRLs in all divisions starting in September 2008. There was also training that used case studies to teach the most relevant laws in the areas of marketing, manufacturing, and purchasing. New employees and newly appointed managers also received compliance training. And in fiscal 2009 officers were trained in the areas of corporate ethics and legal compliance.

To make these training sessions as practical as possible, participants submitted questions and queries that were used to make databases of the most common issues. We are also continuing training and courses divided by management level and that focus on themes peculiar to each division.

In-House Information

General Managers and Managers Speak on the Importance of Compliance

To raise employees' awareness of compliance, general managers and managers take every opportunity to give talks on the importance of compliance that draw on their wealth of experience.

In November 2009, Daikin Industries created a publication called the Compliance Information Archives, a compilation of information that is given to managers. They then use this to continually keep their employees informed and aware of the importance of compliance.

Help-Line

Help-Line for Corporate Ethics Offers Counseling and Gathers Opinons

We have a Help-Line for Corporate Ethics in the Legal Affairs, Compliance, and Intellectual Property Center, where employees can give opinions or receive consultation on all corporate ethics matters.

Although corporate ethics issues are normally taken care of in the part of the organization where they occur, sometimes this is not easy. In that case, the corporate ethics manager, representing the Help-Line for Corporate Ethics, consults directly with the employee to hear his or her opinions. The help-line is designed to be worry-free and accessible: users can contact it by phone, fax, or mail and their names are kept confidential.

All queries and opinions to the help-line are investigated, and discussions are held with the related company division, with measures promptly carried out so that problems do not reoccur. Drastic measures will be carried out in the case of a potential company-wide problem.

To ensure that the help-line is well publicized, the help-line's contact information is provided on the compliance card that all employees carry with them at all times.

Risk and Measures

Risk Management Identifies Most Important Risks Across Entire Company and Implements Measures

With the Daikin Group expanding rapidly around the globe, we introduced company-wide, cross-organizational risk management in 2006 in order to quickly get an overall picture of risks from a global point of view and reduce the risks.

We conduct risk assessment every year and based on the results we identify the most important areas of risk, then plan and implement measures to deal with risks. In fiscal 2009, we identified seven risk items: product liability and quality, IT, technological information leaks, transfer pricing taxation, global safety, new types of influenza, and earthquakes. The Corporate Ethics and Risk Management Committee is looking into measures to deal with these.

Most Important Risks and Measures

Product Liability and Quality Risk
In the Air Conditioning Manufacturing Division, we have continued efforts to make products safer; for example we have made electronic component housing more flame resistant and protected it with metal plating, given printed circuit boards improved coating, and given outdoor units protective metal plating. In fiscal 2009, we incorporated design review and strengthened technologies in order to make products safer.

IT Risk
A breakdown of computer systems would mean a major interruption to business activities and a huge inconvenience to our customers. To ensure this does not happen, in fiscal 2009 we reinforced our systems and have measures in place to ensure that they are quickly up and running in case of a breakdown.

Technological Information Leaks Risk
To create an environment in which our global technological information is adequately protected, in fiscal 2009 we formulated and began implementing boosted security measures.

Transfer Pricing Taxation Risk
With the Daikin Group rapidly expanding globally, transfer pricing taxation presents a major form of risk. To avoid infringement on transfer pricing taxation, we are thorough in conducting business transactions between countries.

Global Safety Risk
Because we have manufacturing bases around the world, the Daikin Group is working to ensure that our factories and employees are as safe as possible.

In fiscal 2009, the Chemicals Division conducted global safety audits. As well, the Air Conditioning Manufacturing Division and the Chemicals Division each held hands-on safety training.

Daikin is also working towards certification for the OHSAS 18001 international occupational health and safety management system.

New Types of Influenza Risk
As a measure against the spread of new types of influenza, in fiscal 2009 we established an emergency management system that allows us to quickly adapt to changes in the state of this risk. We also implemented measures to prevent the spread of viruses, made available preventative tools like gauze masks and hand sanitizer, and worked to ensure that business interruptions are kept to a minimum and that our customers experience as little inconvenience as possible.

Preparing for Earthquakes

Preparing for Earthquakes through Safety Confirmation System and Building Reinforcement

In the event of an earthquake, ensuring the safety of employees and their families is first and foremost. To this end, in fiscal 2008 we built a safety confirmation system in which we have the cell phone numbers of all Daikin Industries' employees and their family members on file. In fiscal 2009, we expanded this system to include all Daikin Group company employees. We are also working towards protecting employees by gradually reinforcing company buildings against earthquakes.

We are currently in the process of formulating a business continuity plan (BCP) so that we can stay in business or recover within a short time after an earthquake.

CSR Management

Free Competition and Fair Business Dealings

Free Competition and Fair Business Dealings

Thorough Compliance with the Anti-Monopoly Act, Misleading Representations Act, and Subcontract Act

The Daikin group strives for fair business practices through measures for complying with the Anti-Monopoly Act, Misleading Representations Act, and the Subcontract Act.

Besides education in each division, the Legal Affairs, Compliance, and Intellectual Property Center holds training when necessary. Employees also ensure they are in compliance through self assessments.

CSR Management

Prohibiting Bribes

Reasonable Business Entertainment and Gift-Giving

Thorough Measures to Prevent Bribes

The Group Compliance Guidelines state that we shall conduct business entertainment and gift-giving within the laws and customs of each country and region. We are especially strict in enforcing this in relation to gifts and entertainment for government officials.

The Compliance Action Guidelines also refer to sound and transparent relations with government offices, compliance with the Political Funds Control Law and the Public Offices Election Act, and reasonable entertainment and gift-giving with suppliers, and we strive to thoroughly educate all employees on these points. Self assessments allow employees to stay in compliance with the above policies, and company-wide training is conducted thoroughly and regularly.

CSR Management

Information Security

Proper Management and Use of Information

Proper Management and Use of All Confidential Information Including That of Other Companies

We manage and use confidential information appropriately, be it our own or that of other companies, according to the stipulations of the Rules for Managing Confidential Information, which we formulated in 2006. Our Compliance Action Guidelines also state our policy of properly managing and using confidential information that we obtain from other companies through proper channels. We provide a company-wide education program on this.

For the management of information, the executive officer in charge of legal affairs assumes responsibility for managing corporate secrets. As well, divisions and departments have information managers who also contribute to running of the information management system. The Legal Affairs, Compliance, and Intellectual Property Center has a Corporate Secrets Management Office. In addition to self assessments for ensuring employees are protecting confidential information, legal audits are also conducted regularly.

See Protecting Customers' Personal Information (Page 153)

CSR Management

Respect for Intellectual Property Rights

Respect for Intellectual Property Rights

Respect Intellectual Property of Other Companies As Well

We recognize that intellectual property is a valuable company asset. Our Compliance Action Guidelines clearly state that we shall carry out proper and fair exercise of rights in response to violation of intellectual property as well as respect other company's intellectual property. We hold basic employee education on these guidelines. In addition to employee seminars, training is held for new employees, engineers, and various levels of management.

In the new product and new technology development process, the design review involves verifying that these products and technologies do not infringe on existing patents. We will continue to conduct precise surveys to prevent inadvertently infringing on the intellectual property of other companies.

As part of efforts to strengthen systems overseas, our development bases have managers in charge of protecting intellectual property rights.

See Guarantee of Employees' Intellectual Property Rights (Page 174)

Respect for Human Rights

Policy and Management Structure

Respect for Human Rights Based on Action Guidelines That the Spirit of the U.N. Global Compact is Incorporated in

Daikin Industries makes employees aware of human rights issues as part of its goal of becoming a company free of discrimination where each individual is respected. To this end, regular self assessments by employees and annual legal compliance audits ensure that no human rights violations occur. Divisions also hold human rights education when necessary.

In 2008, Daikin Industries took part in the United Nations Global Compact for aligning operations to universally accepted principles on human rights, labor standards, the environment, and anti-corruption. Prior to that, the Compliance Action Guidelines were revised to state our policy of no forced labor or child labor, respect for individual human rights and for diverse values and ways of looking at work, and the creation of an employee-friendly workplace.

Daikin Industries will continue to urge all employees to be aware of human rights issues as we strive to abide by the letter and spirit of labor-related laws in Japan and around the world.

Human Rights Education

Training for All Job Descriptions including Officers, Managers, and New Employees

Part of Daikin Industries' human rights awareness efforts is the annual Antidiscrimination Committee meetings, under which is held human rights training for job descriptions including officers, managers, and new employees.

Other efforts to raise human rights awareness among employees include articles in the company newsletter and human rights slogan contests at the factories.

Preventing Sexual Harassment

Sexual Harassment Education for Managers

The Compliance Action Guidelines promote respect for human rights and diversity and compliance with labor laws in the workplace. It is our policy to respect human rights by building a fair workplace that is free of sexual harassment and power harassment.

We also carry out company-wide sexual harassment education: besides a training course for 70 head office managers, there are regular explanatory sessions as part of section and division managers meetings at all Daikin bases.

Honors for Daikin

Overall CSR (Include SRI)

Daikin Group

Socially Responsible Investment Indexes

- Chosen for inclusion in the Dow Jones Sustainability Indexes (for eight consecutive years up to fiscal year 2009)

- Chosen for inclusion in the Morningstar Socially Responsible Investment Index

Sustainable Management

- Received a Bronze Class rating for corporate sustainability from Sustainable Asset Management (SAM), a Swiss asset management company

Environmental Protection

Daikin Industries

Environmental Index

- Selected for inclusion in the Carbon Disclosure Leadership Index (CDLI) for 2009

Global Warming Prevention

- Received the Osaka Governor's Award, 2009 Osaka Stop Global Warming Awards

Freezing, Refrigeration and Air Conditioning Heat Recovery System

- Director General Prize of Agency of Natural Resources and Energy, 2009 Energy Conservation Awards

DESICA System

- Award of Technology, 47th Society of Heating, Air-Conditioning, and Sanitary Engineers of Japan Awards
- Japan Society for the Promotion of Machine Industry Chairman's Prize, 7th Japan Society for the Promotion of Machine Industry Awards
- 2009 Medal for New Technology, Japan Society of Mechanical Engineers

ZEFFLE Infrared Reflective Coating

- Energy Award, 2009 Lloyd's List Global Awards

Daikin Airconditioning UK Ltd.

Daikin Altherma Hot-Water Heating and Interior Heating Systems

- Rushlight Natural Energy Award, Rushlight Awards 2009
- Award in Heating, Plumbing, Ventilation and Building Service Category, Self-Build Product Innovation Awards 2010

Daikin Compressor Industries Ltd. (Thailand)

Improving Manufacturing Processes

- 2009 Thailand Energy Award, Ministry of Energy

Daikin Industries and Daikin Group companies in Japan

Employees' Environmental Action

- Nikkei Ecology Award, 2009 Eco-Unit Awards

Social Contribution

Recognition of Product and Service Quality

Daikin Industries

Deodorizing with Water (Function equipped in air conditioner and air purifier)

- Chairman's Award, 2008 Society of Indoor Environment Japan

Properties of the Electrolytic Solution Using Fluoroether

- 2009 Committee of Battery Technology Award

Eco-Cute Easy User Guide

- Excellence Award in the Sheet Manuals / Package Manuals Category, Japan Manual Contest 2009

Daikin AC (Americas), Inc.

VRV III, VRV III-C, Quaternity, Daikin Altherma

- AHR Expo Innovation Awards 2010

Daikin (China) Investment Co., Ltd.

Distinguished Brands

- 2009 China Brand & Communication Forum and Awards Ceremony on Brands of Distinguished Contributions

Daikin Europe N.V.

European Design Air Conditioner

- 2010 iF Product Design Award, red dot design award 2010

Daikin Airconditioning (Singapore) Pte.

- Gold Award in the Reader's Digest Trusted Brand Awards 2009

Recognition of Occupational Safety and Health

Daikin Airconditioning (Singapore) Pte.

- Ranked BizSafe Level 3

note: Ranked according to the implementation level of occupational safety and health

Recognition of Personnel Systems

Daikin Europe N.V.

- Chosen one of the Top Employers of 2010

note: Awarded to companies with outstanding personnel systems

Recognition of Social Contribution

Helping Needy Families

McQuay International (United States)

- Toys for Tots program Commander's Award

Outside Expert Comments on Daikin Group CSR

Minoru Mizuno
Professor Emeritus, Dr.Eng.
Osaka University

Become a Leader in Helping Employees Lead Rich, Rewarding Lives

The human race consumes vast amounts of energy in Daikin Industries' main business of heating and cooling. In a world where humans waste so much, it is fitting that Daikin is using the energy-efficient technologies it has built up to contribute to society worldwide. It's fair to say that Daikin is a leader in helping protect the global environment. I'm also impressed at Daikin's success in dramatically reducing the greenhouse gases from its business activities.

I believe that for us to achieve our goal of a sustainable society, we must change our focus from "living comfortably and conveniently" to "living smart." The former means consumers sit back and let equipment create comfort for them; I say that people are merely passive bystanders in this system. The latter is a total system in which the intelligent users take control by selecting the ideal equipment for their specific needs (of course these needs can be modified). It should be said that the manufacturer does not merely provide equipment but also supports the users' smart lifestyle and provides the users with useful information over the life cycle of the equipment.

This is one of the keys to protecting our environment. Daikin Industries has advanced technology for machine information systems, and I hope that the company uses this technology to achieve a society where people "live smart." The CSR Report also advocates "nurturing human resources." But this means more than just one's own employees. I hope that Daikin Industries also helps the consumers who use its products go to the next level in their lifestyles by developing innovative new heating and cooling systems.

Toshio Mitsutomi
Representative, Learning Works International
Chairman, Japan Society for Human Resource Management

Balanced Global Management

Global business management is the smart use of people, assets, and capital in order to achieve a corporate vision and implement company policies. Using this as criteria for Daikin Industries, its four-region global business system and balanced sales performance throughout the world have earned it accolades as a company that has long achieved sustainable growth. My next hope for Daikin Industries lies with the overseas bases it has been focusing so much attention on in recent years: I want to see Daikin achieve the same type of balance with its human resources by entrusting management of overseas bases to a diverse range of people.

A Multinational Company that Balances Centralization and Decentralization

Depending on the degree to which worldwide companies balance centralization and decentralization, they are classified as either international, multinational, global, or transnational. Using this to classify Daikin, the company appears to aspire to transnationalism, with an ideal balance of centralization and decentralization, along with its efforts to internationalize its Japanese bases while localizing its overseas bases. I'm eager to see how fast Daikin becomes a truly transnational company.

People-Centered Management Makes Employees Glad to Be Part of Daikin

The American economist James Abegglen said that the Japanese philosophy of taking care of employees is applicable anywhere in the world. In this sense, companies are closely watching Daikin's efforts to apply people-centered management at its worldwide bases. I hope that Daikin uses its four-region global business system to build a company of competitive-minded employees who are glad they chose to work at Daikin.

Key Activities

Key Activities

Previous Reports

Key Activities 1

Products That Contribute to Global Warming Mitigation

Solutions to Regional Environmental Needs Proposals for Air Conditioning That Contribute to Alleviating Global Warming


- **Background:**
- **Europe:**
  Replacing Combustion-Type Heaters with Heaters That Use Air Source Heat Pumps for Space Heating and Domestic Hot Water
- **The United States:**
  Energy Savings from the Use of Inverters in Commercial Central Air Conditioning Equipment
- **China and other parts of Asia:**
  Promotion and Widespread Adoption of Energy-Efficient Inverter Air Conditioners for Home Use
- **Japan:**
  Solutions That Maximize the Performance of Energy-Efficient Air Conditioning

Key Activities 2

Environmental Impact Reduction in the Fluorochemicals Business (Products)

Contributing to a Brighter Environmental and Energy Future with Fluorochemical Technology


- **Background:**
  Using Fluorine to Realize a Low-Carbon Society
- **In the Energy Storage Market:**
  To Increase the Safety and Cruising Distance of Electric Vehicles
- **In the Natural Energy Sector:**
  ETFE Film Contributes to the Promotion of Solar Cells

Key Activities 3

Environmental Impact Reduction in the Fluorochemicals Business (Production)

Initiatives to Reduce Energy Consumption through Production Method Improvements in the Chemicals Business


- **Background:**
  Rigorous Implementation of Fluorocarbon Reduction Measures and Measures to Cut Energy Consumption in Chemical Products Production
- **Production Innovation in the Chemicals Division**

Key Activities 4

Biodiversity Preservation

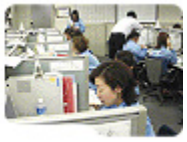
Biodiversity Protection and Awareness Promotion through Reforestation Activities Undertaken Together with Customers


- **Background:**
  Global Warming Adversely Affects Biodiversity
- **A Reforestation and Biodiversity Awareness Activity Conducted Jointly with Customers**

Key Activities 5

Product Quality Assurance

Discovering Latent Needs from Customer Opinions and Developing Products People Will Want Next

- **Background:**
  Handling Numerous Comments and Opinions from Consumers
- **Creating a Mechanism for Utilization of Customer Opinions in Product Improvement and Development**

Key Activities 6

Global Human Resource Development

Promotion of Local Staff to Management Positions at Overseas Business Sites Increasing Employee Motivation

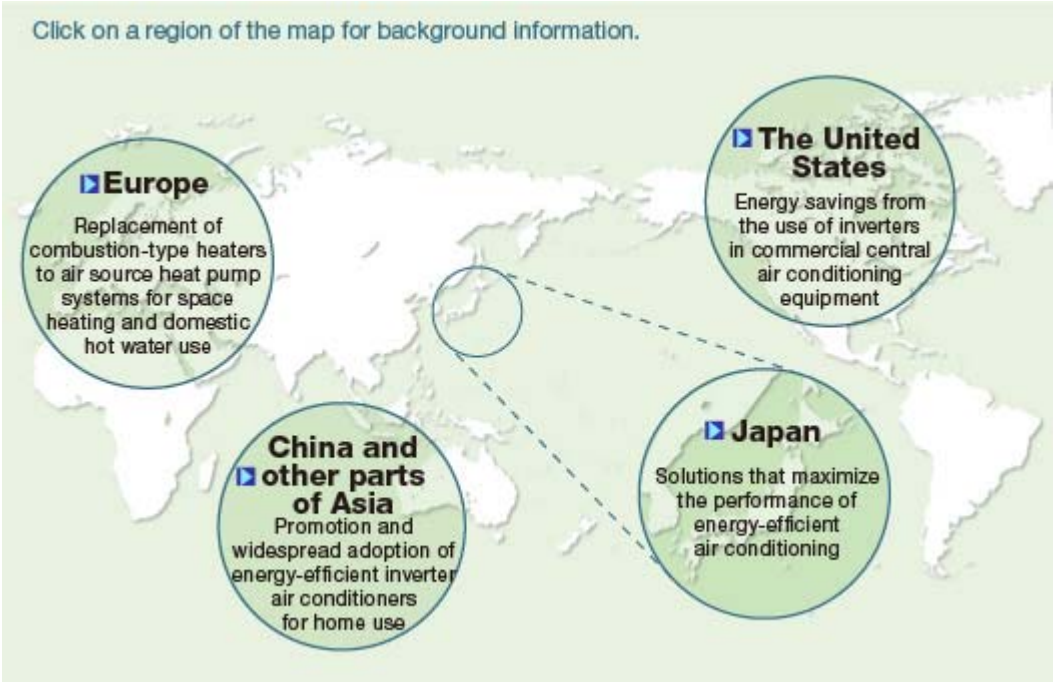

- **Background:**
  Acceleration of Business Globalization Necessitates the Development and Promotion of Local Employees
- **Developing Employees at Overseas Operation into Leaders**

Key Activities 1

Products That Contribute to Global Warming Mitigation

Solutions to Regional Environmental Needs Proposals for Air Conditioning That Contribute to Alleviating Global Warming

As a global corporation, the Daikin Group strives to provide air conditioning products tailored to the specific characteristics and requirements of regions around the world. Differences in climate, culture, and economic conditions result in a variety of region-specific needs in the environment and energy sectors. Daikin will contribute to global warming mitigation by applying environmental technologies cultivated over the years to develop equipment and systems adapted to the individual requirements of the geographical regions where we do business.



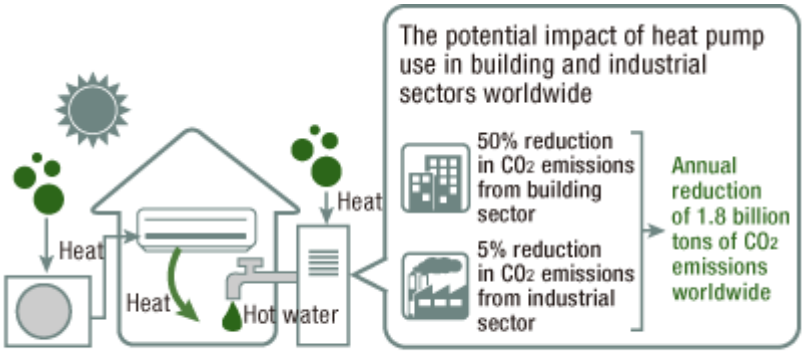
Daikin strives to mitigate the environmental impact of air conditioning through technologies cultivated over the years.

Proposal 1 Heat Pump Systems for Space Heating and Water Heaters

This method performs space heating and water heating by extracting and transferring thermal energy stored in the air (or water).

It generates less than half the CO_2 emissions used in heating systems that directly burn fossil fuels such as gas, oil, and coal (in the case of Japan and Europe).

The Heat Pump Mechanism



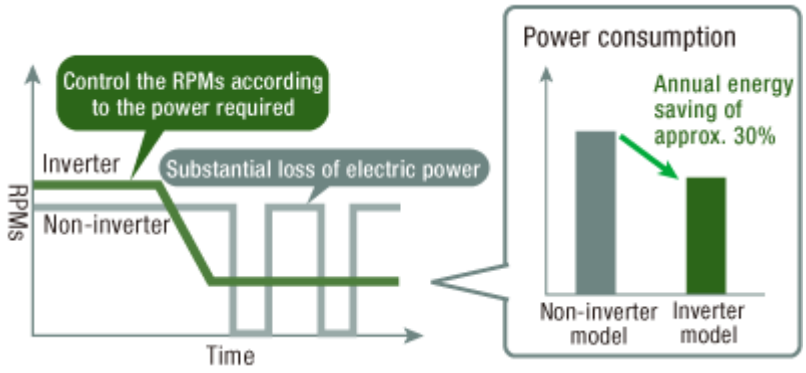
Solar energy stored in the air is collected using a heat pump and used for air conditioning and water heating.

(Source: International Energy Agency (IEA))

Proposal 2 Inverter Technology

Inverters are frequency conversion devices that control electrical voltage, current, and frequency. Since inverter technology enables the minute control of room temperature, air conditioners equipped with inverters can reduce annual power consumption by approximately 30% compared to non-inverter models (Daikin estimate for residential air conditioners).

What is inverter technology?



Key Activities 1

Products That Contribute to Global Warming Mitigation

Solutions to Regional Environmental Needs Proposals for Air Conditioning That Contribute to Alleviating Global Warming

Europe Heat Pumps for Space Heating and Domestic Hot Water

Background

Combustion-type heaters with high CO_2 emissions are dominant

The climate in much of Europe is cold, and the high environmental impact of heating is a major issue. The heaters in common use are combustion-type heaters that heat the air using water heated by burning gas, oil, or other fossil fuels. Since these heaters emit large amounts of CO_2, Daikin aims to replace these conventional systems with air source heat pumps for space heating and domestic hot water use.

The EU government has decided a policy of increasing the proportion of renewable energy use to 20% or higher with the aim of reducing CO_2 emissions by 20% in 2020 from the 1990 level . The heat pump technology Daikin uses in air conditioners and other products has been formally approved as a "technology that captures renewable energy" and is expected to contribute to CO_2 emissions reduction.

Replacing Combustion-Type Heaters with Heaters That Use Air Source Heat Pumps for Space Heating and Domestic Hot Water

Promotion and Enhancement of Daikin Altherma Heat Pump Systems for Space Heating and Domestic Hot Water

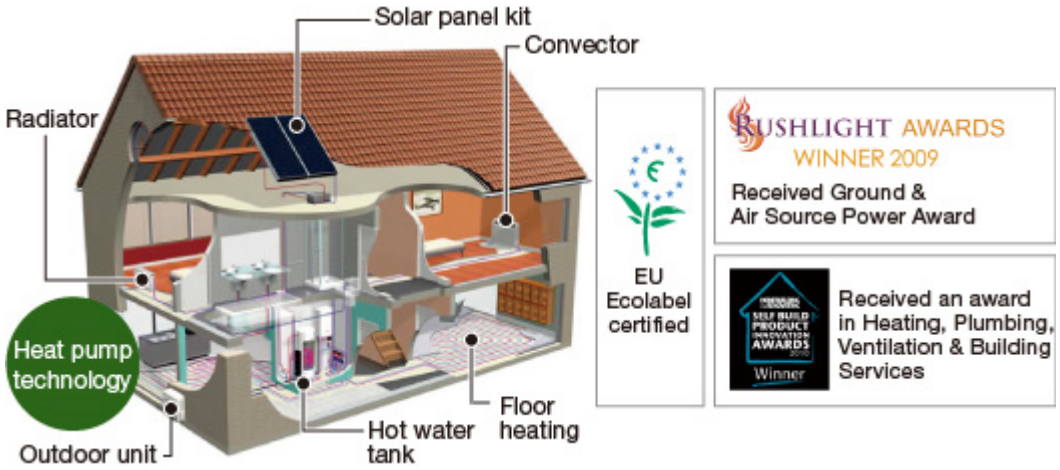
In the cold regions of Europe, Daikin focuses its efforts in the development of air source heat pumps for residential space heating and domestic hot water use. These systems produce hot water for floor heating and other applications by extracting thermal energy from the outside air. They drastically reduce CO_2 emissions per household compared to fossil fuel boilers ordinarily used in Europe. (See figure below)

Daikin Altherma experimental house

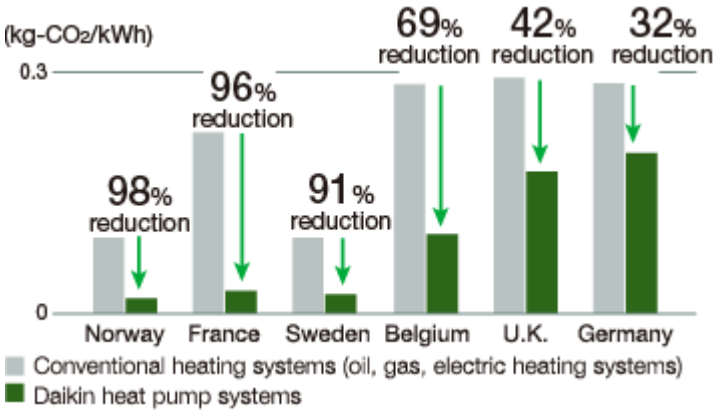
Since the introduction of these systems in 2006, Daikin has increased unit sales by expanding product range based on needs of the local markets. Daikin also allows for system connection to solar panels that can provide 30% to 70% of the heat used for domestic hot water. Units for retrofitting existing combustion-type boilers have also been launched.

Daikin is also developing a heat pump convector as a replacement for normal radiators in Europe. This will take maximum advantage of the efficiency of heat pumps.

Daikin Altherma Configuration Diagram



CO_2 Reduction Effect Due to Heating Conversion (Per unit of heating capacity Daikin estimate)



From Europe to the World: The Pursuit of Product Development Adapted to Local Needs

Because awareness for heat pump heating is low in Europe, Daikin has worked to promote the effectiveness of its technology and products. Emphasis is always placed on improved environmental impact. Also, since many sales agents lack experience in the handling of the refrigerants required for heat pumps, we provide them with technical education in refrigerant piping and have developed models that don't require refrigerant piping.

Furthermore, in fiscal year 2009 we began full-scale proposal activities for heat pumps for space heating and domestic hot water use in China, the United States., and Oceania, where the environmental impact of heating is similarly great. Future plans call for further product development adapted to local climate conditions and heating needs and efforts to correctly communicate to customers the energy-saving characteristics and safety of heat pumps and further promote these products.

Key Activities 1

Products That Contribute to Global Warming Mitigation

Solutions to Regional Environmental Needs Proposals for Air Conditioning That Contribute to Alleviating Global Warming

The United States Large-scale Commercial Central Air Conditioning Equipment

Background

Energy-saving performance is becoming an increasingly important consideration in commercial central air conditioning

In the United States, the Green New Deal Policy for economic stimulation through environmental investment has provided impetus for energy conservation efforts. Most office buildings in the United States are equipped with central air conditioning.

Since commercial central air conditioning equipment is often customized according to the requirements of individual facilities, it is called "applied equipment." Daikin seeks to take advantage of its inverter expertise in this market sector.

Energy Savings from the Use of Inverters in Commercial Central Air Conditioning Equipment

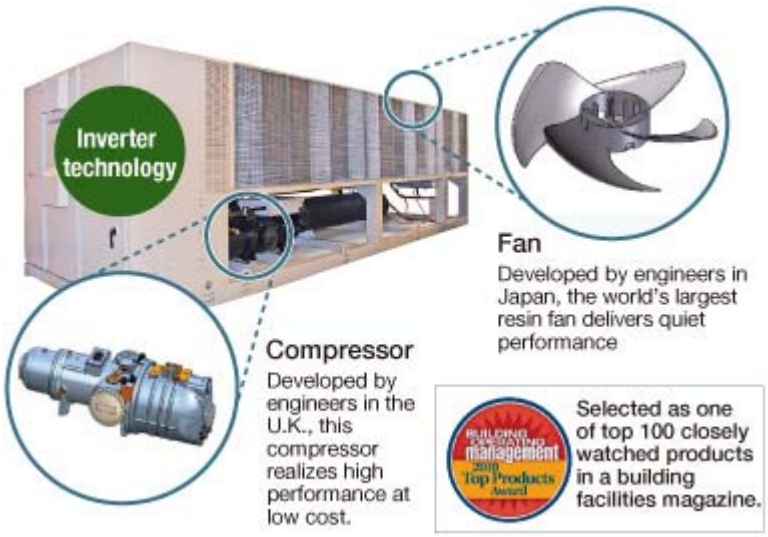
Full-Scale Operation of a Development Center That Pools the Wisdom and Technologies of Engineers around the World

McQuay International, the world's fourth largest manufacturer of large-scale central air conditioning equipment and systems operating mainly in the United States, joined the Daikin Group in 2007. The union of Daikin and McQuay made possible product development that combines McQuay's large-scale central air conditioning technologies with the environmental technologies at which Daikin excels.

A laboratory at the Applied Development Center

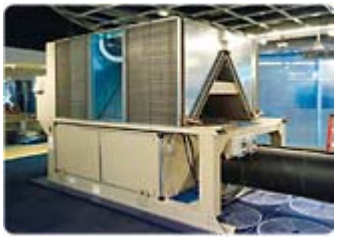
The two companies have established the Applied Development Center in Minnesota as a base for the development of environmentally-conscious global base models. The center has pooled the wisdom and technologies of Daikin and McQuay engineers around the world to develop large-scale central air conditioning systems (air-cooled screw chillers) that are up to 38% more energy efficient than conventional systems.

Air-Cooled Screw Chiller



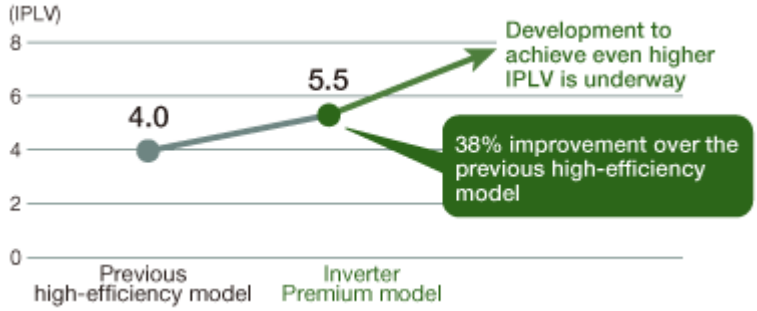
From the United States to the World: Supply of Environmentally-Conscious Base Models

In May 2009, the Applied Development Center, an R&D facility equipped with one of the world's largest air conditioning testing facilities, was completed in Minnesota. Because the facility can reproduce the world's atmospheric temperature range of -25℃ to 60℃ and the electrical frequency and voltage used in every country of the world, it is possible to conduct rigorous energy conservation performance testing adapted to climate conditions around the world.


A newly opened equipment showroom

Daikin and McQuay will use the equipment and systems developed at the center as global base models for use in customizing and supplying products adapted to the climates and conditions of regions around the world.

Air-Cooled Screw Chiller IPLV* Improvement Value



* IPLV: Abbreviation for Integrated Part Load Value, a measure of annual performance under conditions of actual use. The higher the value, the better the performance.

Key Activities 1

Products That Contribute to Global Warming Mitigation

Solutions to Regional Environmental Needs Proposals for Air Conditioning That Contribute to Alleviating Global Warming

China and Asia — Popularizing Affordable Residential Inverter Air Conditioners

Background

The penetration rate of inverter air conditioners is increasing: The key to accelerating product acceptance is price reduction.

In China, factors including an increase in the number of middle income earners and a construction boom are fueling enormous demand for air conditioning. Although low energy efficiency non-inverter air conditioners have been popular until now for their affordable prices, government subsidies for high-efficiency air conditioners have resulted in a dramatic increase in the sales ratio of high efficiency inverter models from 8% in 2008 to above 30% in 2009.

Daikin aims to reduce the price of inverter air conditioners and increase product penetration by applying its expertise in inverter technologies to joint development of high efficiency inverter models with a local manufacturer.

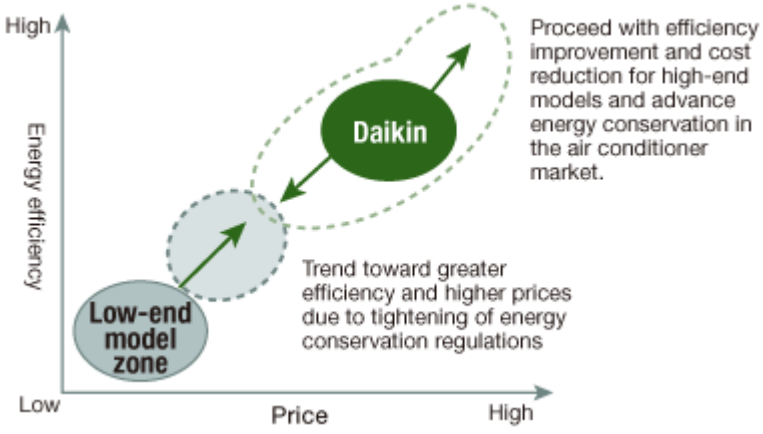
Promotion and Widespread Adoption of Energy-Efficient Inverter Air Conditioners for Home Use

Joint Development of High-Quality, Low-Priced Inverter Models and Collaboration Start with Local Manufacturer

To solve price issues and increase the widespread use of inverter models in China, in March 2008, Daikin entered into an alliance with Gree Electric Appliances, Inc. of Zhuhai, one of China's largest air conditioning manufacturers. The companies began joint development of affordable inverter models to combine the mass production technologies and low-cost production expertise of Gree, which produces more than 20 million air conditioners per year, with Daikin's inverter technologies.

Production of jointly developed products at Daikin production sites worldwide and outsourced production at a Gree factory began in October 2009. For Daikin's outsourced production, Gree installed operation inspection equipment that enables the same inspections as those performed at Daikin. Daikin quality assurance and manufacturing personnel have been assigned to work in the Gree factory where they are developing processes to ensure a high level of quality.

Daikin's Strategy for China



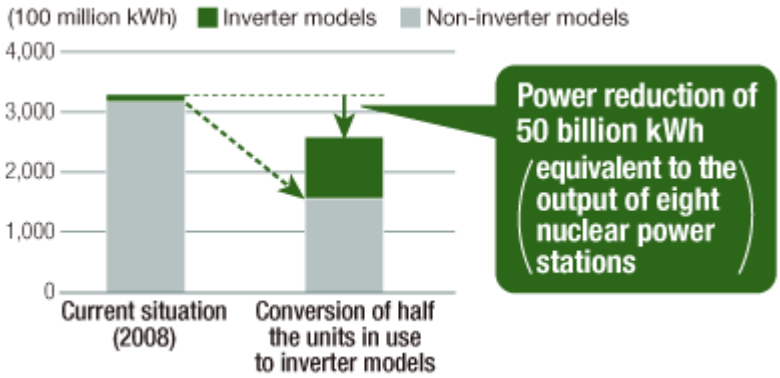
From China to the World: Marketing of Jointly Developed Products in the Global Marketplace

Having developed a system that can mass produce affordable products while maintaining high quality, Daikin plans to reinforce its sales capabilities and move forward with full-scale promotion and adoption activities.

According to our estimates, conversion of half the air conditioners currently used in China to inverter models would make it possible to reduce electric power consumption by 50 billion kilowatt-hours (equivalent to the output of eight nuclear power stations).

However, at present the worldwide penetration rate of inverter models is approximately 20%. It is important to ensure the widespread use of inverters not only in China, but worldwide. We will move forward with efforts to promote inverter models throughout the world, especially in Asia where expectations for energy-efficient inverter air conditioners are increasing, and Europe and other regions where new air conditioning demand is robust.

Power Consumption Reduction Effect Due to Inverter Model to Dissemination (Estimate)



Key Activities 1

Products That Contribute to Global Warming Mitigation

Solutions to Regional Environmental Needs Proposals for Air Conditioning That Contribute to Alleviating Global Warming

Japan Air Conditioning Network Service System and Other Energy-Saving Solution Services

Background

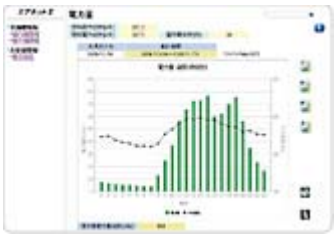
Energy-efficient air conditioning is already in widespread use: The challenge is to achieve further CO_2 emissions reduction

The Japanese government has announced the target of reducing greenhouse gas emissions in 2020 by 25% from the 1990 level. The revised Rationalization in Energy Use Law went into effect in April 2010, obligating a greater number of companies to report energy use and setting non-binding targets for energy conservation measures.

An especially important task for companies is to save energy in air conditioning, which accounts for 40% of energy consumption in office buildings. Daikin is increasing the efficiency of air conditioning equipment and offering energy-saving operation through after-sales support.

Solutions That Maximize the Performance of Energy-Efficient Air Conditioning

Air Conditioning Network Service System II Realizes Energy Savings of Approximately 20%

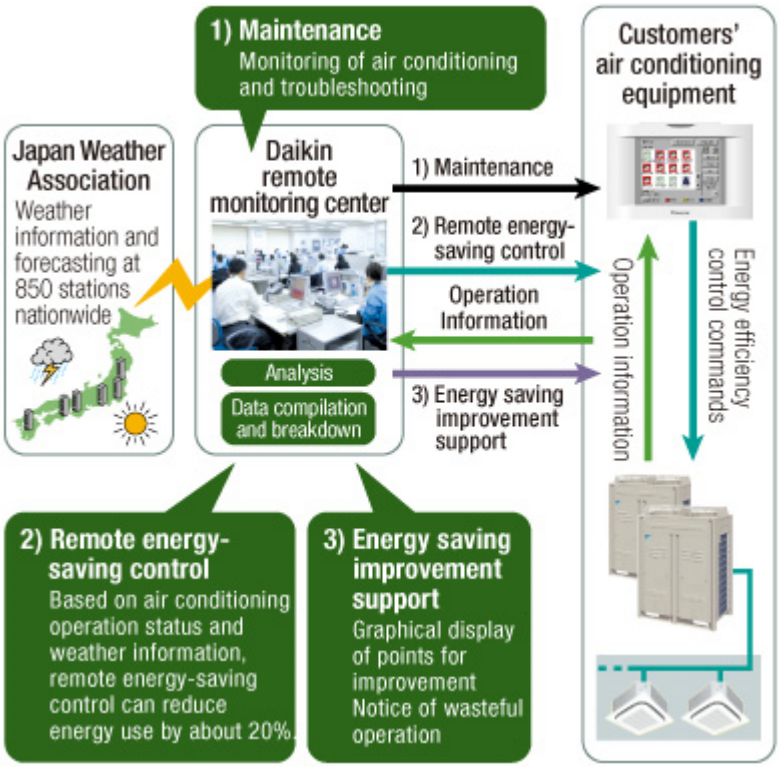


Graphical display of air conditioner operation status

Saving energy used in air conditioning, which accounts for approximately 40% of energy consumption in office buildings, is an important priority for companies. Differences in how air conditioning systems are used result in major differences in energy conservation performance. Accordingly, Daikin offers the Air Conditioning Network Service System II to provide after-sales support for energy-efficient operation. Through this system, we remotely monitor the status of air conditioner system operation at office buildings, detect and notify customers of wasteful operation, and propose measures to increase efficiency. The system also enables "visualization" of operation status on the Web to enable customers to identify areas for improvement themselves. This system realizes an energy savings benefit of approximately 20%. As a result of introducing the system at schools and other buildings in addition to office buildings, we estimate an annual CO_2 emissions reduction effect of 1,320 tons per year.

Daikin began operating similar service overseas in fiscal 2009. Customers highly rate the services not only for energy savings, but also for inspection and maintenance follow-ups, and we have begun full-scale introduction in Europe, China, Asia/Oceania, and North America.

Structure of the Air Conditioning Network Service System II

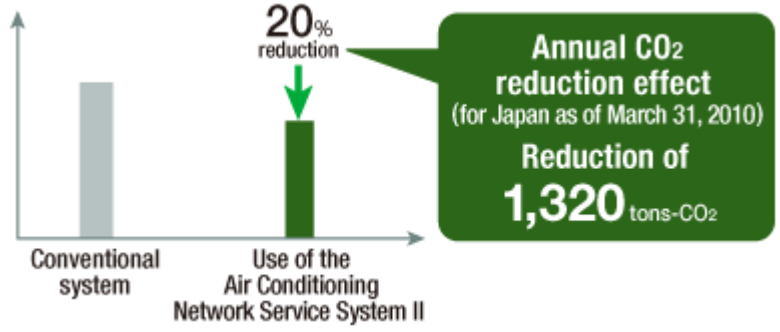


From Japan to the World: Proposing Global Solutions

In addition to the Air Conditioning Network Service System, Daikin provides numerous solutions developed in Japan to customers around the world.

We fuse software (system control technologies) and hardware (equipment) to propose global solutions to the problems customers face. One example is the DESICA humidity controlling heat recovery ventilation system, which offers separate control of temperature and humidity in buildings to ensure comfort and energy savings. We also offer a freezing, refrigeration and air-conditioning heat recovery system for retail stores that recovers and uses waste heat by integrating freezing, refrigeration, and air conditioning and a total energy conservation solution that combines infrared reflective fluoro coatings with air conditioning.

CO_2 Reduction Effect Due to the Air Conditioning Network Service System II (Estimate)



Key Activities 2

Environmental Impact Reduction in the Fluorochemicals Business (Products)

Contributing to a Brighter Environmental and Energy Future with Fluorochemical Technology

The Daikin Group supplies a wide range of fluorochemical products to a number of market sectors, including leading-edge industries. Notably, we provide many products that help improve the efficiency and lower the cost of electric cars, solar cells, and other products in the clean energy sector. Daikin fluorochemical technologies developed over many years make an important contribution to solving pressing energy and environmental problems.

Background

Using Fluorine to Realize a Low-Carbon Society

In 1933, Daikin became the first company in Japan to begin research into fluorocarbon gases. Since that time, we have developed an integrated R&D system encompassing every process from molecular design to processing and have developed, manufactured, and sold highly original products in wide-ranging fields.

In nature, the element fluorine does not exist in isolation, but in combination with other elements such as metals in the form of fluorine compounds. Daikin takes advantage of the heat resistance, chemical resistance, weather resistance, and other highly useful properties of these fluorine compounds to create a diverse range of products that benefit society in a variety of settings. Above all, in recent years we have created numerous technologies and products that contribute to environmental protection, including materials that increase the energy efficiency of electric cars and solar cells. We are focusing on research and development to maximize the properties of fluorine compounds to contribute to the realization of a low-carbon society.

In the Energy Storage Market

Solvents and Additives for the Electrolyte for Lithium Ion Battery

In the Natural Energy Sector

Films and Coatings for Solar Cells

Example of Daikin product

The Diverse Properties of Fluorine

Heat resistance, flame resistance
Highly resistant to heat

Chemical resistance, solvent resistance
Able to withstand most chemicals and solvents

Weather resistance, corrosion resistance
Unchanged by the environment

Non-cohesive properties, release properties
Resist adherence of materials and substances

Water repellency, oil repellency
Repel water and oil

Sliding (lubrication) properties
Low coefficient of friction

Antifouling properties
Resist adherence of contamination

Insulating properties
Low electrical conductance

Dielectric properties
Low electric loss

Low refractive index
Low reflection of light

Low gas permeability
No leaking of gas

Clean properties
Remain in a pure state

Fluorine Compounds Applications

Example of Daikin product

Automobiles

Engine and fuel system components with excellent heat resistance and low permeability

Information communication

Cables that take advantage of flame resistance and dielectric properties

Semiconductor manufacturing

Etching agents, etc.

Household goods

Antifouling coating agents resistant to fingerprints, dust, etc.

Buildings

Weather-resistant, antifouling coatings

Refrigeration and air conditioning equipment

Fluorocarbon refrigerants

Water repellent and oil repellent processing

Addition of water repellency or oil repellency to fabrics or paper

Cooking implements, etc.

Non-stick implements

Key Activities 2

Environmental Impact Reduction in the Fluorochemicals Business (Products)

Contributing to a Brighter Environmental and Energy Future with Fluorochemical Technology

In the Energy Storage Market

Solvents and Additives for the Electrolyte for Lithium Ion Battery

To Increase the Safety and Cruising Distance of Electric Vehicles

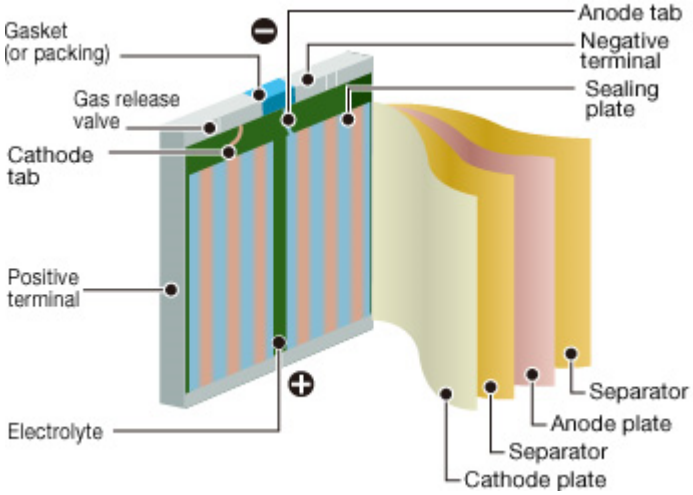
Increasing Battery Capacity and Life with Fluorine Compounds

There are high expectations for the full-scale dissemination of electric vehicles. However, the running distance per charge of the lithium ion battery incorporated in current electric vehicles is inadequate when compared to the running distance per fueling of gasoline vehicles. Although higher battery capacity is necessary for increasing the running distance per charge, an obstacle to increasing battery capacity is the issue of how increased charging voltage accelerates electrolyte deterioration.

To address this issue, in 2009, Daikin developed new solvents and additives for the electrolyte to take advantage of the resistance that fluorine compounds demonstrate, even at high temperatures, against chemical reactions and deterioration. With these products, we succeeded in suppressing electrolyte deterioration while increasing safety, battery capacity, and battery life. At the same time, we have established a production system to ensure a stable supply of high-purity solvents.

Daikin also contributes to the promotion of environmentally conscious electric vehicles by supplying fluororesins used for the binders and gaskets of electrodes, a component of lithium ion batteries.

Lithium Ion Battery Structure Diagram



In the Natural Energy Sector

Films and Coatings for Solar Cells

ETFE* Film Contributes to the Promotion of Solar Cells

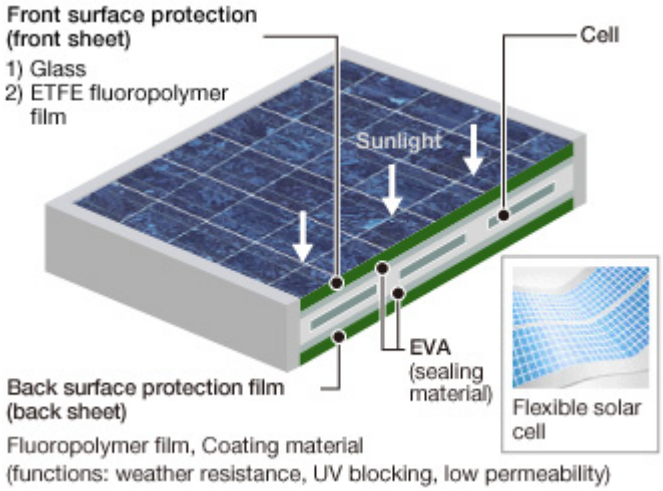
Proposals Together with Coatings That Increase Weather Resistance and Durability

The promotion and widespread use of solar cells is desirable from the perspective of solving energy and environmental problems. However, since the front sheets of conventional solar cells (the part exposed to sunlight) are made of glass, they are heavy and unsuited to many installation sites. The use of film made of the fluororesin ETFE for front sheets has made it possible to reduce the weight of solar cells. ETFE film has dramatically increased added value in solar cells because it offers excellent weather resistance, transparency, and strength, does not crack like glass when dropped, and increases flexibility in construction and installation. Daikin contributes to the dissemination of the "flexible solar cells" made from these materials.

Another Daikin product is ZEFFLE fluoropolymer coating for solar cells, which is used in production of the back sheets that prevent rainwater and other substances from flowing into solar cells. ZEFFLE contributes to the promotion of solar cells by delivering weather resistance and durability equivalent to that of conventional fluororesin films at low cost. Furthermore, Daikin is developing highly damp-proof moisture barrier film that will protect thin film solar cells from wind and rain for long periods of time. Along with ZEFFLE, this product is expected to prolong the life of solar cells.

* ETFE: Ethylene tetrafluoroethylene, a fluororesin with excellent chemical resistance and insulating properties that is used in coatings for electrical cables and other products

Solar Cell Structure Diagram



Key Activities 3

Environmental Impact Reduction in the Fluorochemicals Business (Production)

Initiatives to Reduce Energy Consumption through Production Method Improvements in the Chemicals Business

Although fluorine compounds are beneficial in many sectors of society, their production entails the emission of greenhouse gases such as fluorocarbons and CO_2. The Daikin Group strives to minimize fluorocarbon emissions in its production processes and simultaneously endeavors to reduce energy consumption by applying groundbreaking measures for improving production methods.

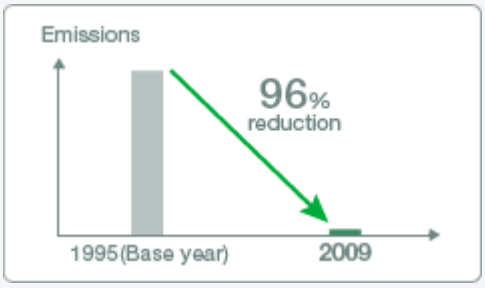
Background

Rigorous Implementation of Fluorocarbon Reduction Measures and Measures to Cut Energy Consumption in Chemical Products Production

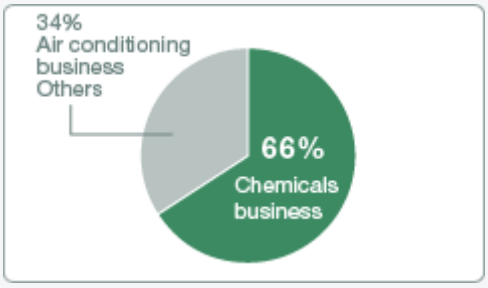
Fluorocarbons are greenhouse gases that have global warming potential ranging from several hundred times to up to ten thousand times that of CO_2. Daikin has recovered and appropriately disposed of these substances. As a result of these efforts, in fiscal 2009, we reduced fluorocarbon emissions by 96% from the fiscal 1995 baseline.

Another important environmental priority is the reduction of CO_2 emissions associated with energy use in production activities. Production processes in the chemicals business account for 66% of the energy-induced CO_2 emissions from Daikin's production activities overall. Accordingly, we have begun new energy conservation (CO_2 emissions reduction) initiatives, beginning with the chemicals production facilities at the Yodogawa Plant.

Fluorocarbon Emissions Reduction



Breakdown of Energy-Induced CO_2 Emissions



Production Innovation in the Chemicals Division

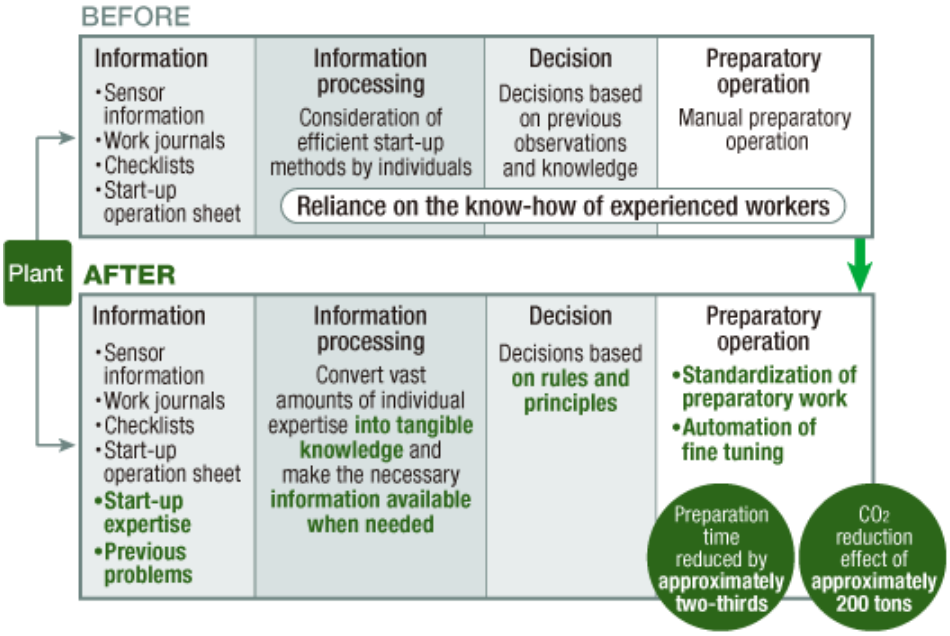
The Production Innovation Project to Improve Production Process

A manufacturing facility (anhydrous hydrofluoric acid)

Ordinarily, the basis for energy conservation (CO_2 emissions reduction) at machinery assembly plants is production efficiency improvement. This is because the ability to produce a greater number of products using the same amount of energy leads to production time reduction, which is to say, lower energy consumption. However, this cannot be easily accomplished at chemical plants owing to unique production circumstances. At chemical plants, where gases, liquids, and other raw materials and intermediate products flow through tanks and pipes, the production process cannot be seen. This makes it difficult to implement improvements on the production floor. Accordingly, the improvement of production efficiency requires shortening of the preparation period and stabilization of the plant operation.

To address this issue, Daikin launched the Production Innovation Project at the Yodogawa Plant in fiscal 2004. This is a project for fundamental innovation through a completely unprecedented approach aimed at optimization of the entire plant.

Improvement of Production Preparation Work through Production Innovation



Increasing Production Efficiency and Contributing to Energy Conservation through Central Control of Operation Information and Expertise

At chemical plants, workers operate production facilities while monitoring production remotely using numerous sensors attached to pipes and tanks. When production abnormalities occur, decisions on changes in operating conditions and the like are made on the basis of the judgment of operators who infer the causes of the problems by comparing the information displayed on hundreds of sensors with their own past experience. The investigation of an abnormality in a production facility that cannot be visually observed is like judging how a stew is cooking from only the sound of the boiling and the steam coming from the pot. A great deal of experience is required before accurate judgments can be made. The Production Innovation Project was undertaken to increase the speed of operator judgments and decisions and to further increase production efficiency by drawing on the expertise of experienced workers.

First, through the central control of sensor data and operation information operators record on checklists or in work journals, improvements were implemented to enable workers to rapidly obtain necessary information. This increased the speed of decisions on changes in operating conditions and reduced raw materials and energy waste.

Next, to tap into the vast store of operating expertise residing in the minds of highly experienced workers, we identified the entire process by which experienced workers infer causes when abnormalities occur and decide on responses from among multiple possible courses of action. We validated this worker know-how in accordance with rules and principles, systematized the knowledge, and standardized facilities operating methods. This resulted in a decrease in the number of abnormality alarms and contributed to plant stability.

Furthermore, we standardized plant production preparation work. For instance, at one plant operation is suspended once a year for periodic maintenance. Standardization of the preparation work performed from the resumption of production following maintenance until stabilization of production resulted in shortening of the preparation period by two-thirds and a reduction in CO_2 emissions of approximately 200 tons.

Daikin plans to cross-implement the results obtained from efforts at the Yodogawa Plant chemical production facilities at other chemical production sites. We will increase production efficiency and achieve further CO_2 emissions reductions by proceeding with the centralization of operation information and the systematization and standardization of know-how.

Impressions from Employees

Reduction of work time, which varied from worker to worker, led to energy savings

Although plant production preparation work has always followed set procedures, unexpected abnormalities are often found at chemical plants. The workers developed a mindset against them, which has resulted in the lengthening of work time for some people. The systematization of past experience and expertise made it possible to efficiently use the minimum required motive power in the shortest possible time, which resulted in energy savings. I think workload alleviation for the workers is an added benefit.

Masakazu Edo
Expert
Resin Production Department
Chemicals Division

TOPICS

Receipt of the Fiscal 2009 Osaka Stop Global Warming Award Osaka Prefecture Governor's Award

Daikin Industries received the Governor's Award in the Fiscal 2009 Osaka Stop Global Warming Awards*.

The award was conferred in recognition of greenhouse gas emissions reductions in Osaka Prefecture of approximately 1.5 million tons from the fiscal 2005 level (approx. 86%). The award recognized Daikin's efforts heretofore to reduce greenhouse gas emissions through enhancement of fluorocarbon recovery in fluorocarbon gas and fluororesin manufacturing processes and fluorocarbon destruction incinerator improvements.

* The Osaka Stop Global Warming Awards are awarded to businesses that set examples of best practices in curbing emissions of greenhouse gases and exhaust heat in business activities in accordance with Osaka Prefectural Ordinance regarding Global Warming Prevention.

Key Activities 4

Biodiversity Preservation

Biodiversity Protection and Awareness Promotion through Reforestation Activities Undertaken Together with Customers

(c) conservation International, Photo by Anton Ario

Daikin engages in activities to regenerate and preserve the forests that are home to diverse organisms and activities to reduce CO_2 emissions that are a cause of global warming, which increases the risk of species extinction. Through an ingenious mechanism that links energy-efficient air conditioner operation and reforestation, we share with our customers the desire to achieve a healthy balance between comfort and energy efficiency and jointly engage in an activity to protect the global environment.

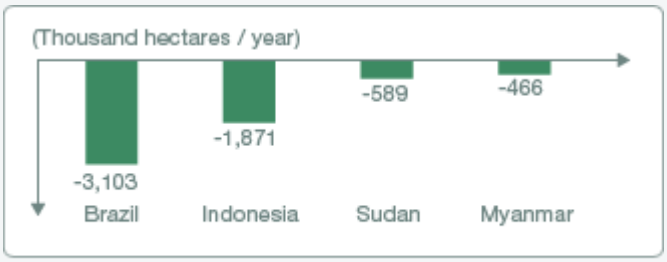
Background

Global Warming Adversely Affects Biodiversity

Biodiversity not only provides humans with food, timber, and other direct blessings of nature, but also provides all living things with indirect blessings such as water resources and soil activity. However, human activity has drastically altered the natural environment. For instance, humans reduce the size of the tropical forests that are habitats for diverse organisms by 14.2 million hectares per year. Environmental change caused by global warming is also one of the factors that increase extinction risk ,which knows no national borders.

We consider the most significant impact our businesses have on biodiversity to be their impact on global warming, and we strive to prevent global warming through our business activities. We also engage in activities to increase CO_2 absorption and preserve habitats through reforestation.

Countries with Extensive Forest Area Reduction (2000 to 2005)



Source: Global Forest Resource Assessment 2005, Food and Agriculture Organization of the United Nations

A Reforestation and Biodiversity Awareness Activity Conducted Jointly with Customers

Linkage of Energy-Efficient Air Conditioner Operation and Reforestation Nurturing of Forests in Cooperation with Local Residents

Daikin conducts the Re: AIRCON Project to enable customers to participate in reforestation while enjoying energy-efficient air conditioner operation.

Energy-conserving Ururu Sarara (R Series) room air conditioners, introduced to Japan in 2007, are equipped with the "comfortable eco-operation" function, which ensures comfort and energy conservation performance. These air conditioners also feature on the remote control unit display an "eco-point" system for showing points accumulated by operation in eco-operation mode and a virtual tree that grows as points accumulate. Monitoring growth of the virtual tree is a fun way for customers to experience energy conservation activities. A customer whose tree has become fully mature from eco-friendly air operation can contact Daikin to request the planting of a tree in our reforestation project.

The reforestation project is an activity Daikin began in a national park on the island of Java in June 2008 in cooperation with the Ministry of Forestry of Indonesia and an NGO. Although the site is one of the world's great plant and animal habitats, forest devastation due to human activity is progressing. In this project, we are implementing a plan to reforest approximately 200 hectares of land by 2011. As of March 2010, we have reforested approximately 150 hectares in cooperation with local residents. One of the causes of the forest devastation is that local residents rely on crops grown in the park for subsistence. For this reason, we consider it important that the residents understand the great importance of the forest, earn a living from agriculture that makes possible coexistence with the forest, and participate in conservation activities. Accordingly, we provide livelihood support through operation and maintenance of a seedling nursery and conduct environmental education.

Children at a reforestation site in Indonesia
(c) conservation International, Photo by Anton Ario

Environmental preservation lesson taught at an elementary school
(c) conservation International, Photo by Anton Ario

Local residents managing reforestation site Java, Indonesia
(c) conservation International, Photo by Anton Ario

Reforestation That Builds Ties with Customers*

* This service is currently available only in Japan.

Impressions from Customers Who Successfully Grew Their "Virtual Tree on the Remote Control"

- "Comfortable eco-operation" is extremely convenient. It adjusts the temperature to warm you when you feel cold and cool you when it's hot. And, you can contribute to the environment. I think it's a great experiment.
- I began thinking about ecology. I wanted to continue growing my tree even after it matured.
- It's good that you can participate easily at home. Someday I want to visit a Daikin tree-planting site.
- It's fun that points accumulate. My child enjoyed watching the changes to the tree on the remote control.

A "Thought Support" Environmental Education Program That Applies Reforestation Experience

Furthermore, Daikin is using the reforestation initiative in Indonesia as subject matter to develop a "thought support" education program to make children aware of their personal connection with global environmental problems and think about these problems. In April 2010, we began providing instructional materials with content linked to sixth year elementary school science, social studies, and ethics instruction.

We have incorporated into the program teaching techniques to make children aware of the difficulty of environmental preservation through experience. One such technique is role-playing to understand the conflicting perspectives of people in different positions, including local residents who have cleared forestland to grow crops, people working in NGOs that wish to engage in reforestation, and local government officials. The children can learn about global environmental problems as problems that affect them personally. For example, they learn that products raised on land cleared from tropical forests are in widespread use in Japan. We not only provide instructional materials, but also dispatch employees to serve as instructors on request.

Daikin will continue this activity as well as mangrove tree-planting activities conducted by our employees around the world. We will continue to provide opportunities in which individual employees can convert their feelings for the earth (what we call "green heart") into actions to preserve the world's ecosystems where diverse organisms interact to maintain balance.

An education program that applies the reforestation experience in Indonesia to encourage children to consider the importance of biodiversity

Tree planting at Daikin Industries Thailand

Tree planting at OYLM (Malaysia)

Impressions from Teachers Who Participated in Verification of the Education Program

- It was a great experience for the children and educators alike. Although there are lots of instructional materials that cover environmental problems, not many cause children to take their thinking a step further. I think it is well worth a try.
- The students were very interested in the content, and had no end of questions. It was a program rich in instructional materials and information for conducting classes to satisfy the children's interest.

Key Activities 5

Product Quality Assurance

Discovering Latent Needs from Customer Opinions and Developing Products People Will Want Next

Each day Daikin engages in product quality improvement, safety assurance, and new product development. This is how we put into practice the Group management philosophy "Create new value by anticipating the future needs of customers." In this feature we introduce an example of this commitment: a mechanism for reflecting customer opinions in product and service quality improvement.

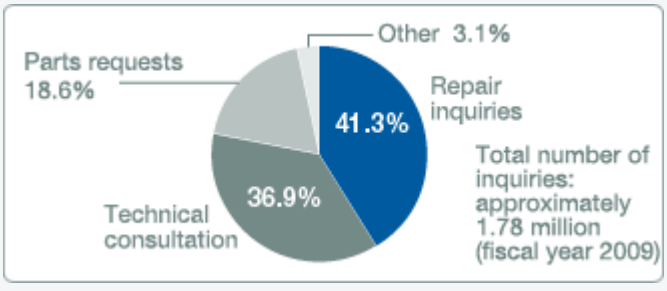
Background

Handling Numerous Comments and Opinions from Consumers

To put into practice the Daikin Group's management philosophy "Create new value by anticipating the future needs of customers," it is essential to pay careful attention to customer opinions. For this reason, the role of the Daikin Contact Center, which serves as a point of contact with customers, is critically important.

The Contact Center accepts all inquiries regarding Daikin, including requests for repairs and technical consultation, 24 hours a day, 365 days a year. The Center conveys this customer feedback to the concerned Daikin divisions, which make use of them in product quality improvement and service enhancements. Daikin believes that the 1.8 million customer inquiries received each year include information that can be utilized more effectively.

Inquiries to the Daikin Contact Center



Creating a Mechanism for Utilization of Customer Opinions in Product Improvement and Development

"Contact Center Lookouts" Utilize Customer Opinions to Maximum Advantage

The Daikin Contact Center

Contact Center lookouts are analysts and Contact Center employees organized to take maximum advantage of the valuable customer opinions received at the center. They convert customer requests and questions to text, enter them into a database, and use a technique called "text mining" to automatically retrieve valuable information. The lookouts pay constant attention to customer opinions, and by analyzing frequency of a word's usage and correlation of keywords found in the enormous quantities of data accumulated in this way — for instance, "hot water," "settings," "indicators," and "display" for Eco-Cute — they delve into customer needs and unearth hints for new product development or product modifications.

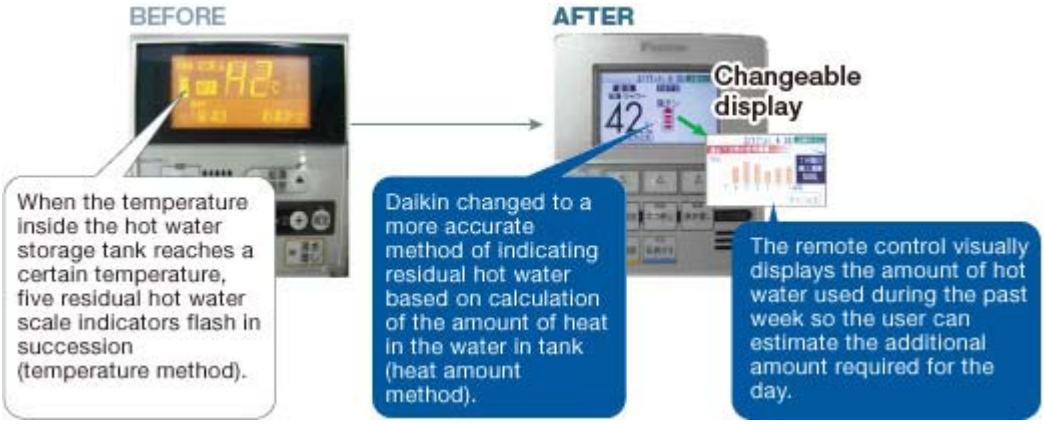
The "Residual Hot Water Display" Is the Result of Urgent Customer Requests

There are many examples of new product development and product modifications undertaken based on input from Contact Center lookouts. One example of this is a modification to Eco-Cute.

Eco-Cute is a heat pump water heater that uses a natural refrigerant and offers excellent energy efficiency. Since Eco-Cute heaters store hot water in a tank, the Contact Center received many inquiries from customers accustomed to using gas water heaters that boil water instantaneously. A particularly urgent request expressed by customers that attracted the attention of the lookouts was the desire to know the amount of hot water remaining in the tank. Thinking that this was a point for modification that should be given high priority, Daikin formed a crossorganizational working group and devised a specific product improvement measure.

This resulted in an unprecedented new residual hot water display method. We made it possible to more accurately indicate residual hot water by changing from the previous method of measuring the amount of hot water available for use using the temperature of the water in the tank to measuring the amount of heat in the water. We also added a function that shows at a glance the amount of hot water expected to be used during a given day based on usage history. Following confirmation of the popularity of the new display method in a user interview survey, we began incorporating it into products in 2010.

The Eco-Cute Residual Hot Water Display Modification



TOPICS

The Eco-Cute "Easy User Guide Operation Manual" Wins the Excellence Award in the Japan Manual Contest 2009

In August 2009, the Easy User Guide, an Eco-Cute product operation manual, won the Excellence Award in the Quick Start Manuals / Package Manuals Category in the Japan Manual Contest 2009, sponsored by the Japan Technical Communicators Association. The award was conferred for the guide's ease of use and ease of understanding.

Discovery of Genuine Customer Needs through Staff Awareness Enhancement

We also undertook to increase the awareness of the Contact Center customer service staff. We use the term "perceptions," we mean the questions or insights that occur to employees during conversations with customers. When center employees become aware of something noteworthy during conversations with customers, they record their perceptions in a database, using the expression "Remark." We link these perceptions to discovery of customer needs by having specialists subsequently examine the recorded information.

For employees to have perceptions, they must have meticulous sensitivity to customer comments. For example, they must be able to intuit from a customer question that the explanation in a user guide is insufficient. This sensitivity increases as the employees record "Remark." We also strive to increase sensitivity by having the Center employees exchange information concerning customer needs and problem recognition among themselves.

Daikin will continue to have employees exercise their imagination to identify the unexpressed wants, needs, and aspirations of customers and link this awareness to product and service development and modification.

Impressions from Employees

We will take maximum advantage of the many valuable comments we receive

Following its establishment, the Contact Center has been the principal point of contact for customer comments. For that reason, I feel an enormous responsibility to consider how to take advantage of the many valuable comments we receive to improve customer satisfaction and what the staff should do to achieve this. I will continue to strive to discover product quality improvements and new customer needs.

Takeo Miyamoto
After Sales Service Division
West Japan Contact Center

TOPICS

The Idea Contest

Each year since 2006, Daikin Industries has conducted an internal product development idea contest. Teams made up of members who have different expertise in various fields, with an emphasis on development specialists, pit their ideas against each other. One idea that came from the contest was for a new deodorizing feature that can remove approximately 90% of the odor from walls and curtains with water. This feature has been incorporated into air conditioners and Clear Force air purifiers since 2008 and has won the Society of Indoor Environment Japan Award.

Internal contest judging

Key Activities 6

Global Human Resource Development

Promotion of Local Staff to Management Positions at Overseas Business Sites Increasing Employee Motivation

Daikin believes "The cumulative growth of all Group members serves as the foundation for the group's development." Accordingly, we have set forth and implemented a policy of "People- Centered Management " in the belief that the development of people contributes to corporate growth and development. Among a rapid globalization of our business, we aim for further growth by developing local staff overseas as leaders.

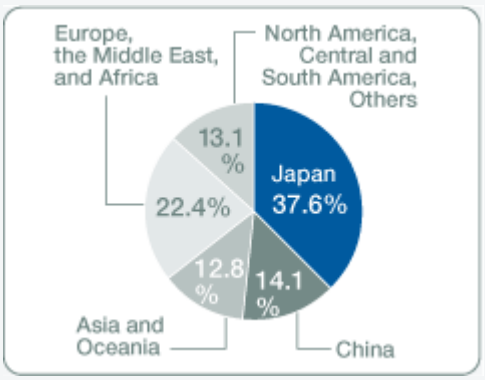
Background

Acceleration of Business Globalization Necessitates the Development and Promotion of Local Employees

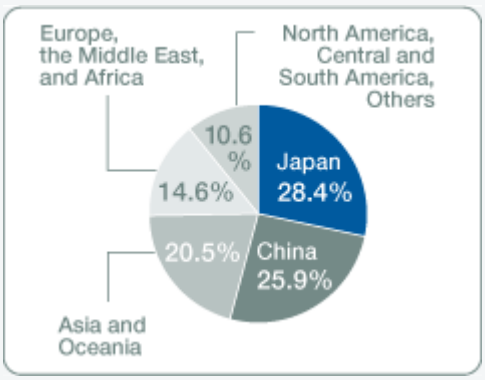
The Daikin Group is globalizing its businesses. Two-thirds of our employees reside overseas, and overseas sales account for more than 60% of total sales. Under these circumstances, the development and promotion of globally oriented personnel is essential for providing products and services adapted to the characteristics of different regions and achieving further growth as a global corporation.

Accordingly, we are proceeding with the internationalization of our personnel in Japan and developing employees at overseas operations into leaders who understand the Daikin philosophy and can drive internationalization. We are increasing employee motivation by accelerating the promotion of excellent people to management positions and attempting to achieve growth by the practice of people-centered management.

Sales Contribution by Region (Fiscal Year 2009)



Workforce Composition by Region (Fiscal Year 2009)



Developing Employees at Overseas Operation into Leaders

Promotion of Local Employees to Executive Positions in China and Europe The Start of Development Support for Global Personnel

At the regional headquarters office in China

What Daikin requires from the managers of its overseas operations is the practice of "People-Centered management." That is to say, managers must understand Daikin's philosophy and policies and apply them in local management while at the same time fully eliciting the abilities and motivation of subordinates and linking them to business results.

To develop managers with these leadership capabilities, in 2004 we started the Daikin Business School, an institution for group training. This training, conducted for management candidates selected from among overseas employees, is a one-year program for the development of management skills. Japanese executives serve as instructors who directly impart the Group's philosophy and principles to the management trainees. A total of 54 employees have graduated from the school to date. They have developed into leaders who are playing key roles at their respective business sites.

In fiscal year 2009, a number of Daikin Business School graduates were appointed to senior management positions at the regional headquarters companies in Europe and China. At Daikin (CHINA) Investment Co., Ltd. in China, one graduate was promoted to vice president and two were promoted to regional business managers. At Daikin Europe N.V. in Europe, three graduates were newly promoted to directors, following the previous promotion of two other graduates.

The following comments from Daikin Business School graduates reconfirmed that personnel development increases motivation. "I learned that the company is serious about developing and fast-tracking local employees," "I felt I could gain career experience and aim for the top."

As of September 2009, 90 local employees serve as directors of Group subsidiaries, accounting for about half the total number of directors. Daikin intends to further increase the proportion of local employees responsible for management of overseas business operations.

Accordingly, in fiscal year 2009 Daikin headquarters prepared a development plan to identify and develop executive management candidates throughout the Group. It is now the expressed purpose of the Group to select personnel targeted for development and systematically conduct training, make assignments to management positions, and evaluate performance.

Impressions from Employees

It is actually felt that a local employee is appointed as the management

Peter Van Den Broecke
General Manager, Finance & Accounting Department Daikin Europe N.V.

The main asset for me during Daikin Business School was the exchange of ideas and thoughts with people from other Daikin subsidiaries. It became clear to me that one of the main challenges for Daikin in the coming years will be to successfully merge the different identities of the global subsidiaries.

One of the most appealing speakers in Daikin Business School was Daikin A/C America's president who explained about the 4P's. I would be a happy man if I could transfer to my colleagues the importance of passion for the company, passion for their jobs, and passion for the way they act professionally, in short, passion in their professional lives.

I feel that many of my colleagues are proud that the localization in Daikin Europe N.V.(DENV) continues even to extend that the majority of DENV Board of Directors are local directors. Most of them realize that localization is the responsibility of each of them and that at least we? as local directors? have proven that people who are going for it are given the opportunity to be promoted to the highest echelons in DENV.

Impressions from Employees

I want to ensure permeation of the management philosophy in day-to-day actions

Wang Yi Feng
Zhejing Regional Sales Director Daikin (CHINA) Investment Co., Ltd.

I participated in the Daikin Business School in my fifteenth year with the company and now am a sales executive. When I first joined Daikin, I didn't have a clear career plan and didn't imagine I would be blessed with the many work and growth opportunities I enjoy now. I am delighted that my efforts, abilities, and performance are recognized by top management. I think that this is a true indication of the Daikin management philosophy that regardless of country or region, job description, or division, provided an individual makes an effort, he or she will be recognized as an important member of the organization.

I think that to gain understanding of the Daikin management philosophy among my young subordinates, I must demonstrate the philosophy through my own words and actions. I want to realize the management philosophy in day-to-day actions by striving and experiencing the joy of success together with my subordinates.

Developing Conditions That Promote Success in Global Roles

Opportunities that require success in global roles will increase.

In this way, the Daikin Group actively promotes local personnel at its overseas business sites. Sharing of the Group's philosophy is essential to ensuring that the Group companies around the world grow in pursuit of a unified goal. At the Daikin Business School, Daikin has positioned further penetration of the management philosophy as a key goal and adopted a policy of conducting training based on a practical curriculum to develop leadership skills aligned with the management philosophy.

Amid acceleration of business globalization, Daikin must insure appropriate personnel assignments across national and regional boundaries. With the aim of becoming a corporate group in which each employee can grow on the basis of lofty goals and high motivation, we will develop and implement a personnel compensation system based on shared Group performance indicators to ensure conditions in which employees can successfully perform global roles.

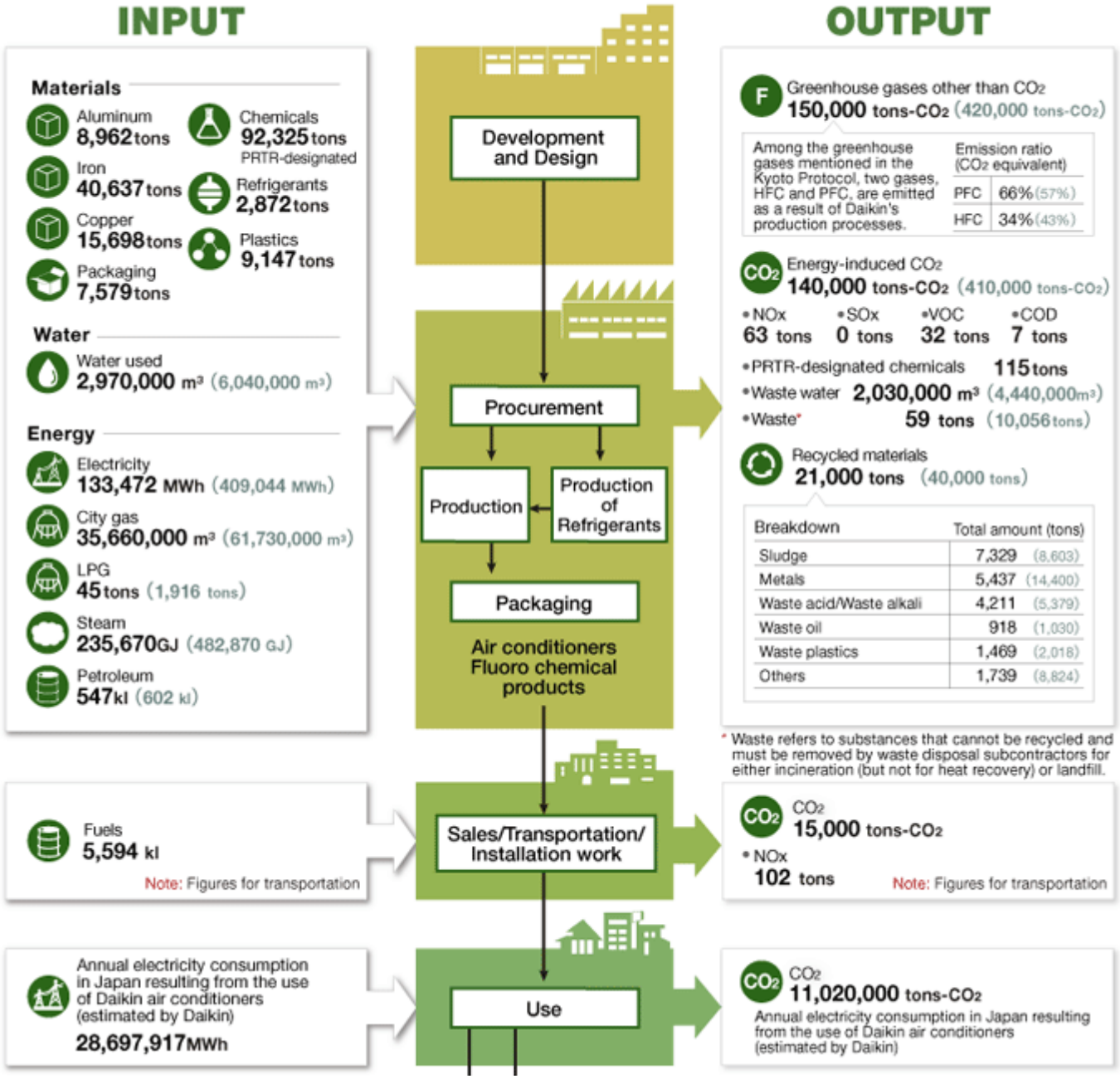
Environment

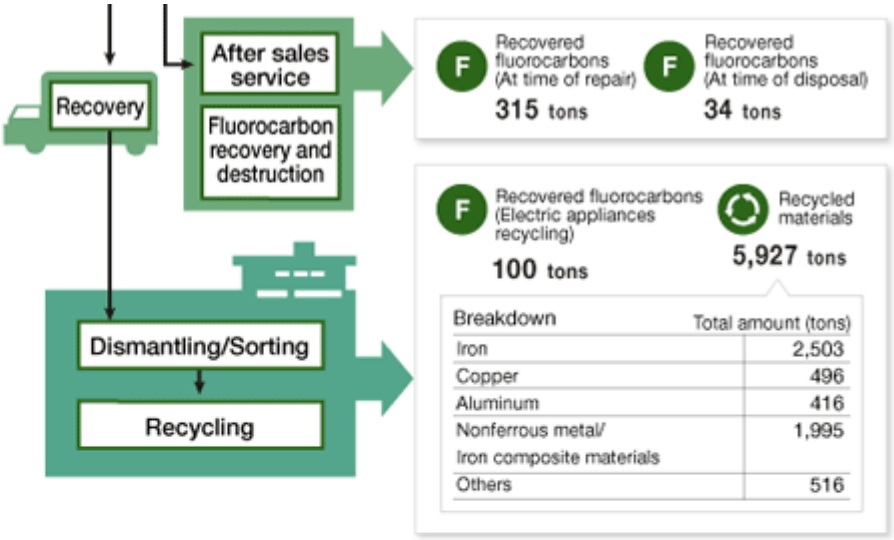
Reducing CO_2 and Fluorocarbon Emissions is a Top Priority

The Daikin Group focuses on reducing both fluorocarbon emissions generated during product manufacture and electricity used during air conditioner use, the major contributors to global warming.

Likewise, we strive to reduce environmental impact through the recovery and destruction of fluorocarbons during the processes of production, maintenance, and product disposal. In product development, we are shifting to refrigerant alternatives that do not deplete the ozone layer as we continue to work toward lessening the impact our business has on the environment.

(1) Data on this page is only from Daikin Industries in fiscal 2009.
Figures in parentheses are global Group totals.





(2) OYL Group in fiscal 2009 (for reference)

* Fiscal 2009 for OYL : Data for OYL Industries Bhd. and its subsidiaries, which the Daikin Group acquired in fiscal 2006.

INPUT

Electricity	**66,148** MWh
City gas	**3,950,000** ㎥
LPG	**635** tons
Steam	**0** GJ
Petroleum	**3,328** kl
Water used	**690,000** ㎥

OUTPUT

Greenhouse gases other than CO_2	PFC	**0** tons-CO_2
	HFC	**12,000** tons-CO_2
Energy-inducedCO_2		**55,000** tons-CO_2
Waste water		**270,000** ㎥
Waste		**1,235** tons
Recycled materials		**16,000** tons

Towards an Environmentally Advanced Company

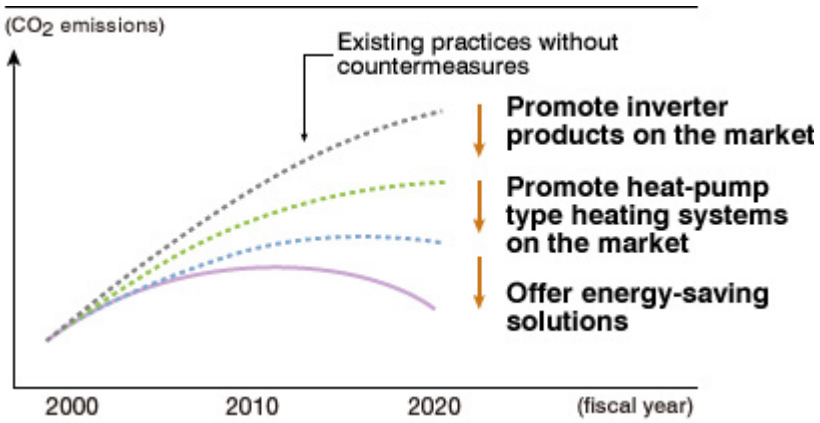
Achieving both environmental protection and economic growth will make Daikin Group a sustainable corporate group. We will realize this through the following three actions. These actions are positioned as strategic environmental themes under the FUSION 10 strategic management plan.

Providing the World with Products That Help Customers Reduce CO_2 Emissions

An air conditioner's life cycle shows that actual product use represents the greatest amount of energy use.

We help customers reduce CO_2 emissions with our energy-efficient products.

Vision Baseline Scenario of CO_2 Emissions from Product Use



Action Themes

Promote the use of inverter products offering both comfort and energy efficiency

Inverter air conditioner

Reduce CO_2 emissions by promoting the use of heat-pump type heating systems

"Eco-Cute" for residential use

"Daikin Altherma" hot water heating and interior heating systems

Offer energy-saving solutions

Air Conditioning Network Service System II

Develop future refrigerants

VRV using CO_2 refrigerant (Germany)

FY 2009 Efforts

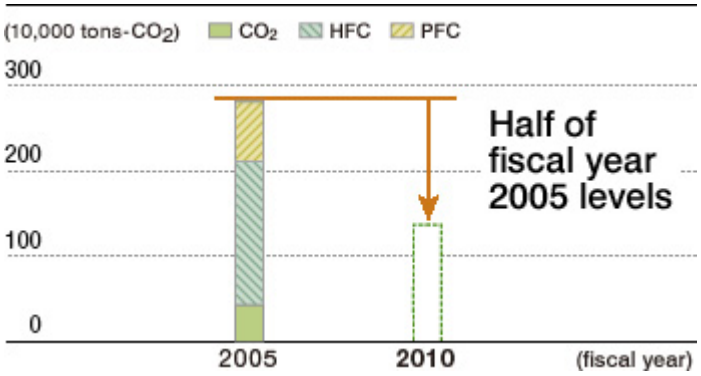
- Key Activities Feature 1: Products That Contribute to Global Warming Mitigation (See page 37)
- Key Activities Feature 2: Environmental Impact Reduction in the Fluorochemicals Business (Products) (See page 47)
- Low Impact Products (See page 72)

Reducing Greenhouse Gas Emissions from Production

Greenhouse gas emissions from production processes represent a major impact of Daikin's business activities on the environment.

We aim to reduce fiscal year 2010 greenhouse gas emissions from production processes to just half of 2005 levels (to less than 1.4 million tons).

Vision **Reduction in the Entire Group Greenhouse Gas Emissions**



Action Themes

Reduce CO_2 emissions from production

Improve production efficiency

FY 2009 Efforts

- Key Activities Feature 3: Environmental Impact Reduction in the Fluorochemicals Business (Production) (See page 51)
- Low Impact Production (See page 95)

Spreading a "Green Heart" *

The first step towards passing the abundance of nature on to future generations comes from cultivating a love of nature and putting this love into action.

We widely promote a "Green Heart" to communities and to future generations through contributions that meet the needs of each country and region.

* "Green Heart": think of the Earth and take care of the environment.

Vision Expanding Green Heart

Action Themes

Reforestation and tree-planting

Reforestation project (Indonesia)

Environmental education

Environmental education (China)

FY 2009 Efforts

- Key Activities Feature 4: Biodiversity Preservation (See page 54)
- Environmental Communication (See page 132)
- Responsibility to Communities (Environmental Contributions to Society) (See page 195)

Reference

- Honors for Daikin (See page 29)
- Endorsement as an Eco First Company (http://www.daikin.com/csr/eco.html)

Fiscal 2009 Environmental Action Achievements

Overview of Fiscal 2009 Successes

Steadily Decreasing Greenhouse Gases from Production Processes

Promoting the Use of Air Conditioners That Help Reduce CO_2 Emissions

To reduce environmental impact during production, we reduced fluorocarbon emissions from manufacturing processes and decreased CO_2 emissions from energy use by improving production efficiency. As a result, greenhouse gas emissions decreased by 71% compared to fiscal 2005.

To reduce the environmental impact of products, we raised the percentage of Daikin Eco-Products (which are assessed on stricter standards as of last year) from 14% to 39% of all products. We also did our utmost to increase sales of energy-efficient air conditioners and heat-pump heating systems, which contribute to reduction of environmental impact. In Europe, we sold 50% more heat-pump heaters in fiscal 2009 than in fiscal 2008.

To improve environmental performance of our plants, we set targets for each factory and assessed scores for level of achievement. The four factories for which targets were achieved were designated as Green Heart Factories.

■ Environmental Action Plan 2010[*1]

We have evaluated the results of FY2009 environmental conservation activities and expressed the achievement of each activity relative to our targets in three grades:

 Outstanding Achievement  Good Achievement  Needs Improvement

Item		Objectives/Viewpoint	Target for FY 2009	Results/Achievements in FY2009	Self-evaluation
Environmental management	Environmental Management System	Establish an Environmental Management System (EMS) at all group bases (including non-production bases) and have all group members operate under this EMS.	Have all production bases certified for ISO 14001.	Certification completed at all production bases.	
	Shared awareness	Improve knowledge of environmental issues among all group members.	Have all employees aware and taking action on their responsibilities to society.	All group employees in Japan took a semi-annual e-learning course.	

Item		Objectives/Viewpoint	Target for FY 2009		Results/Achievements in FY2009	Self-evaluation
Environmental communication	Information provision	Recognizing that accurate and impartial disclosure of information is a responsibility of corporate citizens, Daikin will gain the trust of customers and society.	Provide more information and a wider range of PR activities.		• Published annual Group report. • Published annual CSR Report in Europe, China, and ASEAN. • Published information on website.	
	Community and environmental contributions	Carry out environmental activities that help communities and society.	Carry out activities on a regular basis.		Conducted activities in different regions. Example: Tree planting by employees (Thailand), environmental lessons in schools (China, Japan)	
Product efforts (Air conditioning equipment)	Daikin Eco-Products (Air conditioners)	Reduce environmental impact from products by making more environmentally conscious products.	Make products achieving the new voluntary environmental standards account for 30% of products sold in Japan.		Eco-products accounted for 39% of all products.	
	Green procurement	Increase procurement from suppliers offering products manufactured with consideration for the environment.	Japan	Have at least a 95% green procurement rate.	99%	
			Overseas	Expand green procurement.	Thailand: 97%, China: 89%, Europe 63%, Oceania: 85%	
	Recovery and destruction of refrigerants	Prevent further depletion of the ozone layer and work to prevent global warming by encouraging the recovery of refrigerants on the market and reducing refrigerant emissions from active and used products.	Japan	Recover at least*2 85% of refrigerants from used products and products under repair.	Recovered 91% from used products. Recovered 88% from products under repair.	
			Overseas	Build system for recovering refrigerants.	Installed recovery equipment at all service stations.	

Item		Objectives/Viewpoint	Target for FY 2009		Results/Achievements in FY2009	Self-evaluation
Production efforts	Green Heart Factory	Raise environmental performance of plants.	Assess production bases in Japan and overseas, and establish targets for fiscal 2010.		Four plants in Japan certified; drew up action plans for achievements in fiscal 2010.	
	Reduction of greenhouse gas emissions	Reduce greenhouse gas emissions at plants for the entire Group.	Reduce greenhouse gas emissions by 45% against fiscal 2005.		71% reduction	
	Reduction in energy consumption	Reduce the energy consumption of the entire Daikin Group and decrease emissions of CO_2.	Japan	Reduce CO_2 emissions per sales by 14% compared to fiscal 2000.	34% reduction	
			Overseas	Reduce CO_2 emissions per sales by 8% compared to fiscal 2005.	16% reduction	
	Waste emissions	Reduce waste from every production base by promoting recycling and reuse, by eliminating disposal (zero waste emissions), and by landfill and incineration.	Japan	Maintain and improve zero waste achievements.	Maintained a 99.5% recycling rate.	
			Overseas	Improve the recycling rate (according to targets in each region).	Eight of 17 companies achieved zero emissions.	
	Chemicals management	Promote management of chemicals according to Daikin's guidelines for the management of chemical substances.	Japan	Reduce emissions of hazardous substances (PRTR substances) by 70% against fiscal 2005.	88% reduction	
			Overseas	Control the amount of hazardous substances released and handled.	Control carried out on a regular basis.	
Sales	Greater sales of products that contribute to reduced environmental impact	Increase the proportion of energy efficient air conditioners to reduce CO_2 emissions resulting from the operation of air conditioners.	• Increase sales of energy-efficient products. • Increase sales of heat pump heaters.		Sales of heat pump heaters increased by 50% over fiscal 2008 in Europe.	
Logistics	Reduction in CO_2 emissions resulting from transportation	Reduce CO_2 emissions by promoting efficiency in transportation.	Japan	Reduce CO_2 emissions per sales by 8% compared to fiscal 2005.	11% reduction	

*1 Excluding the OYL group.
*2 Based on Daikin standards.

Environment
Low Impact Products

**The Daikin Group is developing products with minimal environmental impact by raising energy efficiency, switching to refrigerants with the least possible burden on the environment, and making products easier to recycle.
We are also striving to reduce the impact that chemicals have on human health and the environment.**

Daikin Eco-Products

39% of Products Satisfy Strict New Voluntary Standards for Daikin Eco-Products

We assess products starting from the planning and design stages to ensure that they are energy efficient and recyclable.

We have in-house standards for assessment criteria and products that achieve these standards are named Daikin Eco-Products. These Eco-Products account for an increasingly higher percentage of the products we sell.

Read more

(See page 75)

- Environmentally Conscious Design through Product Assessment
  - Product Assessment Items (Details)
  - Daikin Eco Products as percentage of all products
  - Voluntary environmental standards for Daikin products (established 2001, revised 2007)
- Improving Energy Efficiency of Air Conditioners
  - Sample of LCA
  - Electricity consumption and energy consumption efficiency (residential air conditioners)
  - Electricity consumption and energy consumption efficiency (commercial air conditioners)
- Daikin Eco-Products

Promoting the Use of Inverter Products

2009 Joint Venture with Major Chinese Manufacturer to Tap World Inverter Product Market

The Daikin Group aims to provide more highly energy efficient inverter air conditioners worldwide and thus reduce the amount of CO_2 emissions from energy consumption during product use.

Read more

(See page 81)

- Promoting the Use of Inverter Products
  - Inverter air conditioners as percentage of all room air conditioners in China

Promoting the Use of Heat Pump Space and Hot Water Heaters

Promoting Heat Pump Products in Space and Hot Water Heating Market

The Daikin Group is developing space and hot water heaters using highly energy efficient heat-pump technology. In heat pump technology for air conditioning, heat is drawn from the air and transferred for use as cooling or heating. Compared to space or water heating methods that burn fossil fuels directly, it produces approximately one-third the CO_2.

Read more

(See page 82)

- Promoting the Use of Heat Pump Space and Hot Water Heaters
  - Features of the MEGA-Q
  - Comparison of Annual CO_2 Emissions: MEGA-Q Large-Scale Commercial Heat Pump Water Heating System versus Combustion-Type Boiler

Products That Help Customers Save Energy

Daikin Helps Customers Reduce CO_2 Emissions with Air Conditioners, Chemicals, and Oil Hydraulic Products

Room air conditioners, large commercial air conditioners, fluorochemical products, and oil hydraulic products-Daikin develops environmentally conscious products so it can offer complete packages for helping customers reduce their overall CO_2 emissions.

Read more

(See page 84)

- Air Conditioning Products
  - Structure of the Air Conditioning Network Service System II
  - DESICA Commercial Air Conditioning System
  - Freezing, Refrigeration and Air-Conditioning Heat Recovery System
- Fluorochemical Products
  - ZEFFLE Infrared Reflective Coating
  - Fluoride Materials That Reduce Automobile Fuel Transpiration into the Atmosphere
- Oil Hydraulic Equipment
  - Electricity consumption of Super Unit and conventional hydraulic unit
  - Hybrid Construction Machinery

Environmentally Conscious Fluorochemical Products

The Unique Characteristics of Fluorine are Applied in Fields Such as Fuel Cells and Solar Cells

Fluorine mainly bonds with carbon atoms to give compounds that are highly stable and have useful functions such as the ability to resist heat and repel chemicals.

Daikin uses the unique characteristics of fluorine to bring consumers a range of products that help protect the environment.

Read more

(See page 88)

- Fluorochemical Products That Contribute to Environmental Protection
  - Environmental solutions pioneered with fluorochemical products
  - Cross-section of three-layer fuel hose using fluoroelastomer
- Reducing PFOA Emissions

Low Impact Refrigerants

Daikin is developing refrigerants that do not deplete the ozone layer and that have low global warming potential.

We can offer the most adequate refrigerant for each case, we are conducting R&D that will achieve practical use of everything from natural refrigerants to HFC fluorocarbons, which have a relatively low global warming potential.

Read more

(See page 90)

- Protecting the Ozone Layer
- Low-Impact Refrigerants
  - Switching to HFC refrigerants around the world
  - Daikin's Stance on the Environmental Impacts of Refrigerants

3R & Repair

Designing Products that are Easy to Dismantle and Separate: Recycling Used Air Conditioners

The Daikin Group strives to use resources as effectively as possible by carrying out the 3Rs-reducing, reusing, and recycling-along with repairing under its 3R & Repair initiative.

We develop products that are smaller and lighter, and that use materials and designs that are easy to separate and recycle.

Read more

(See page 92)

- 3R & Repair
  - 3R & Repair: Approach
  - 3R & Repair: Effective Use of Resources
- Recycling
- Reducing
  - Amount of packaging per product (wood, cardboard, styrofoam, etc.)
- Reusing
- Repair
  - Daikin Service Network
- Recycling Residential Air Conditioners
  - Recycling of Residential Air Conditioners in FY2009 (Japan)

Environmentally Conscious Design through Product Assessment

Only Products that Pass 14 Assessment Items Make it to Market

To continue improving products' environmental performance such as energy efficiency and recyclable, the Daikin Group uses product assessment items during the development and design stages.

There are 14 assessment items that include energy efficiency, reduced weight, and use of recycled materials and parts. Only products that pass all 14 items make it to market.

We also assess global warming impact of air conditioners using the life cycle assessment (LCA) method, which allows us to determine the environmental impact at each stage of a product's life cycle.

■ Product Assessment Items (For more information, see page 78)

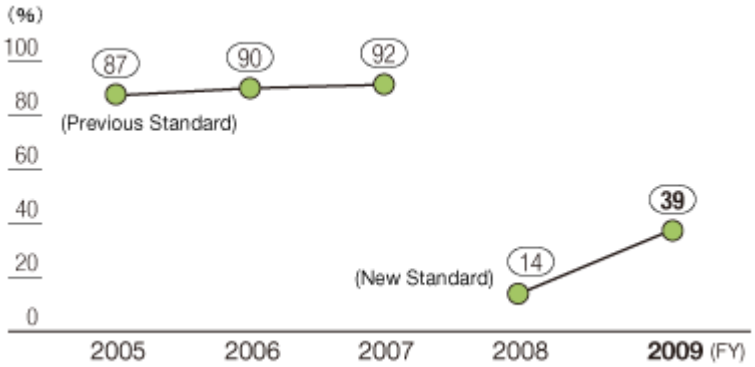
1. Weight reduction of products
2. Use of recycled materials and parts
3. Raise possibility of reuse of resources
4. Product life extension
5. Ease of collecting/transporting
6. Ease of disassembly and separation of materials by hand
7. Ease of shredding/classifying for recycling
8. Packaging
9. Safety
10. Environmental conservation capabilities
11. Energy and resource conservation in use
12. Disclosure of information
13. Reduction in environmental impact in the manufacturing process
14. LCA

Products that Pass Voluntary Environmental Standards Designated as Daikin Eco-Products

We have voluntary environmental standards for assessment criteria with an especially large environmental impact, and we assess scores on the environmental impact of residential products and their packaging. Products that score 80 points or more are designated as Eco-Products, a category that accounts for an increasing percentage of our offerings: 92% in fiscal 2007.

To make products with even higher environmental performance, we revised our voluntary environmental standards in fiscal 2007 by tightening criteria for global warming impact. In fiscal 2009, 39% of our products achieved this strict new standard for Eco-Products.

■ Daikin Eco Products as percentage of all products



Note: We revised our voluntary environmental standards in fiscal 2008.

Voluntary environmental standards for Daikin products (established 2001, revised 2007)

Products that score 80 points or more are designated as Eco-Products

			points
Product itself	Global warming prevention	Has added value in the form of energy- and resource-saving functions.	5
		Consumes less energy during product use.	25
		Consumes less energy in standby mode.	7
		During disassembly, no environmentally harmful substances leak and the product poses no danger to humans.	1
	Resource savings	Products are of reduced weight and size.	4
		Less refrigerant (HFC) is used; or refrigerant has a low global warming impact.	5
		Structure and assembly allow for easily disassembly by hand.	8
		Greater percentage of total product can be recycled.	5
		Uses easy-to-recycle plastic.	5
		Uses recycled plastic.	5
		Product has greater durability.	2
	Fewer hazardous substances	Contains no hazardous substances.	15
		Contains no PVC.	2
	LCA	Environmental impact in the product life cycle can be decreased.	5
Packaging	Resource savings	Packaging is lighter, smaller, and simpler.	4
	Fewer hazardous substances	There are no substances harmful to human health, and there are no substances that hinder efforts to properly treat and recycle materials.	2
		total	100

Improving Energy Efficiency of Air Conditioners

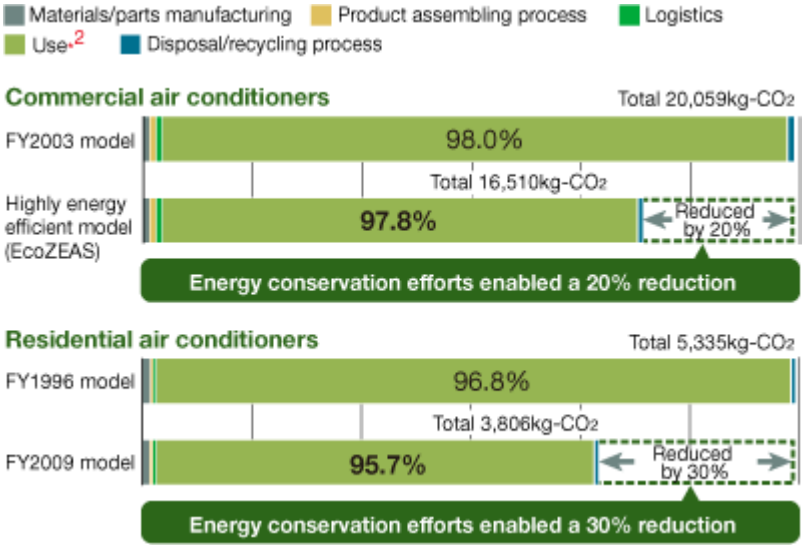
Improving Energy Efficiency by Achieving Fiscal 2010 Standards

In the life cycle of an air conditioner, from design and manufacture to use and disposal, the majority of the CO_2 that is emitted occurs during product use: over 90% in fact.

That is why when we revised our voluntary environmental standards in fiscal 2007, we tightened our criteria for energy efficiency in the product use stage in order to improve the energy efficiency of products.

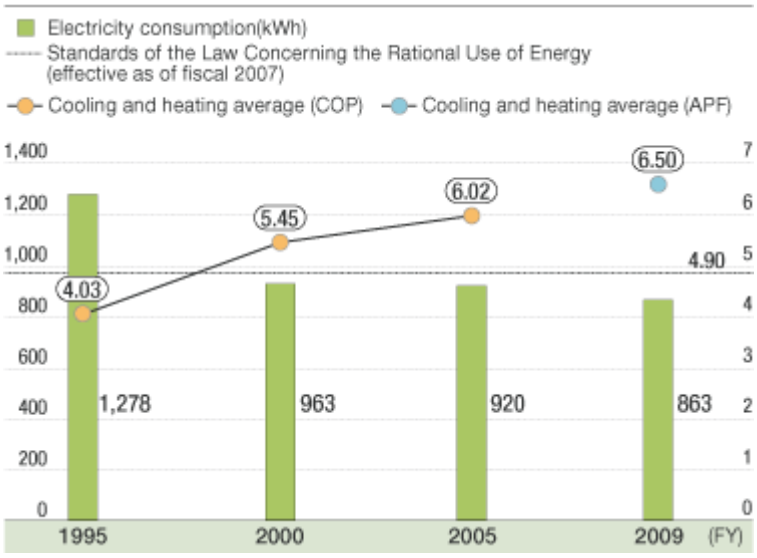
Sample of LCA: Comparison*1 of Life Cycle CO_2 Emissions(energy-induced CO_2)

More than 90% of the CO_2 emissions (energy-induced CO_2) during the life cycle of an air conditioner come during product use. That's why we put the majority of our efforts into making products more energy efficient.



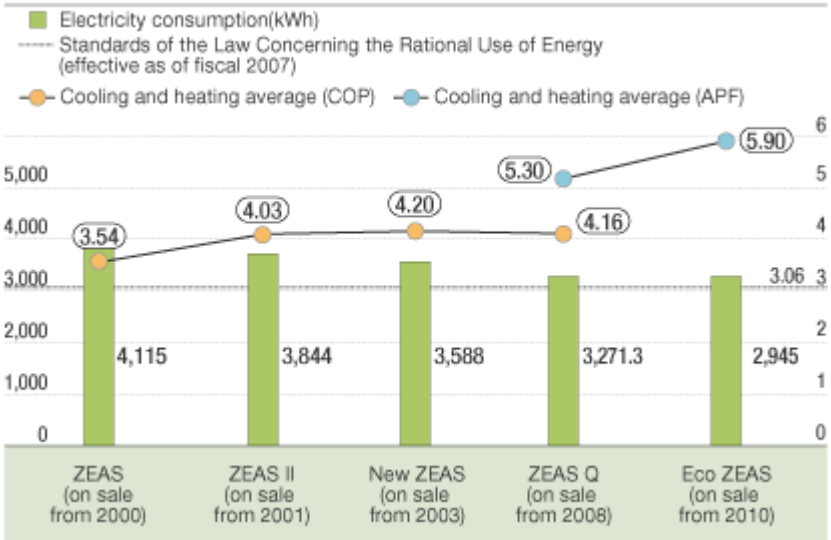
*1 Based on Daikin standards for 14-kW class commercial air conditioners and 2.8-kW class residential air conditioners.
*2 The seasonal power consumption is calculated in accordance with:
The standard of the Japan Refrigeration and Air Conditioning Industries Association for commercial air conditioners. The Japanese Industrial Standards for residential air conditioners.

Electricity consumption and energy consumption efficiency (residential air conditioners)*



* Calculated for Daikin 2.8-kW class air conditioners. Under JIS conditions.

Electricity consumption and energy consumption efficiency (commercial air conditioners)*



* Calculated for Daikin 14.0-kW class air conditioners. Under conditions of the Japan Refrigeration and Air Conditioning Industry Association.

In 2006, the Law Concerning the Rational Use of Energy was partially revised: residential air conditioners of 4.0 kW or smaller now have to achieve not only the COP standard values, but also APF standard values with fiscal 2010 as the target year.

* COP APF:
COP (coefficient of performance): The value of kW of cooling or heating capacity generated per 1 kW of power consumption. Calculated as follows: Cooling or heating capacity (kW) divided by electricity consumption (kW).
APF (annual performance factor): The ratio of the total heat quantity (Wh) required to cool and heat a room during both the cooling and heating period to the total power consumption (Wh) during the same period. This allows calculation of an efficiency figure that more closely approximates the figure during actual use.

Daikin Eco-Products

Ururu Sarara
Daikin's Ururu Sarara residential air conditioner includes energy-efficient functions like a swing compressor and slick fin heat exchanger, allowing users to save up to 50% of seasonal power consumption compared to 11 years ago.

Product Assessment Items

	Assessment item	Assessment standard
01. Weight reduction of products	1-1 Weight reduction of product	Has product weight been reduced?
	1-2 Weight reduction of main materials and parts	Have main materials and parts been reduced, or been used in improved yield?
	1-3 Weight reduction of scarce materials	Have fewer scarce materials been used?
	1-4 Reduction of refrigerants, use of natural refrigerants	Has less refrigerant (HFC) been used, or has refrigerant with low GWP been used?
02. Use of recycled materials and parts	2-1 Use of recycled plastics	Have recycled plastics been used?
	2-2 Labelling use of recycled plastics	Have parts been labelled as using recycled plastics?
	2-3 Use of recycled parts	Have reused parts been used, and are these of standard quality?
03. Raise possibility of reuse of resources	3-1 Raise recycling ratio	Has the overall possible recycling ratio of the product been raised?
	3-2 Raise possibility of use of plastics	Have easy-to-recycle plastics been used?
04. Product life extension	4-1 Improve durability of products	Are products more durable?
	4-2 Improve durability of parts and materials	Have durable parts and materials been used?
	4-3 Improve ease of parts replacement	Does construction allow for easy consumables replacement, and is information provided on how to replace consumables?
	4-4 Make it easier to maintain and repair	• Have parts requiring maintenance and repair been clearly indicated? • Are parts common across products? • Does construction allow for easy maintenance and repair?
	4-5 Tell customers how to get longer use out of products	• Has information been provided to end users and repair outlets on how to get longer use out of products? • Have repair outlets been provided with information on repair diagnosis and repair measures, and safety?

	Assessment item	Assessment standard
05. Ease of collecting/transporting	5-1 Make work of collecting and transporting easier	• Have items been loaded evenly and balanced, and can collection and transport take place safely? • For heavy, bulky items, are handles and wheels properly positioned?
	5-2 More efficient loading when collecting and transporting	Is it easy to improve loading efficiency, and is there no danger of items falling off?
06. Ease of disassembly and separation of materials by hand	6-1 Make it easier to disassemble and separate items by hand	Does construction allow for easy removal of items to be disassembled and separated by hand?
	6-2 Make disassembly easier	• Are construction and assembly such that disassembly by hand is easy? • Are there fewHas compound material been reduced? screws that need to be removed during disassembly by hand? • Has information been provided that makes disassembly easy?
	6-3 Reduce compound materials	Has compound material been reduced?
	6-4 Use common materials across products	Have common materials been used across products?
	6-5 Label types of materials to make separation easier	Have plastic parts been properly labelled as such?
07. Ease of shredding/classifying for recycling	7-1 Make shredding easier	• Is shredding with a shredder easy? • Can products and parts fit into a shredder? • Has there been a check to ensure that there are no substances that may damage or dirty the equipment or the materials that will be reused?
	7-2 Make classifying easier	• Are there any foreign materials containing similar properties? • Have common materials been used across products?
08. Packaging	8-1 Reduce weight of packaging, simplify packaging	• Has packaging weight been reduced, and packaging simplified? • Is used packaging compact, or is it easy to take apart, collect, and transport?
	8-2 Make it possible to recycle more packaging	• Has the use of compound materials been reduced? • Is it easy to separate each type of material in compound materials? • Have common materials been used across products? • Has packaging reuse been considered?
	8-3 Reduce or eliminate hazardous or poisonous packaging materials	Has there been a check to ensure that there are no substances used that are harmful to human health, or that will hinder proper processing or recycling?
	8-4 Use recycled packaging materials	Has recycled packaging material been used?
	8-5 Have labelling identifying packaging materials	Does labelling identify packaging materials according to laws?
09. Safety	9-1 Improve safety in the production process	Is the production process safe?
	9-2 Improve safety in distribution	Is transportation safe?
	9-3 Improve safety during product use	Is it safe to use the product?
	9-4 Improve safety during servicing	Is product servicing safe?
	9-5 Improve safety during recycling	• Is it safe to recycle the product? • Is it safe to disassemble and separate the product by hand?

	Assessment item	Assessment standard
10. Environmental conservation capabilities	10-1 Ensure compliance with legal restrictions on environmentally harmful substances	Are amounts of environmentally harmful substances within legal limits?
	10-2 Remove environmentally harmful substances from products	• Are products free of prohibited substances on the list of designated chemical substances in the Green Procurement Guidelines (4th edition)? • Prohibited substances are (1) previous prohibited substances, F gas from foaming agents, (2) RoHS substances.
	10-3 Reduce PVC	Has the amount of PVC been reduced?
	10-4 Ensure environmental protection during recycling and disposal	• Has it been ensured that during disassembly, environmentally harmful substances will not leak or will not pose a danger to workers? • Has it been ensured that the recycling facilities will not be harmed in any way by the recycling process? • Have substances that may cause environmental impact during recycling or afterwards been reduced to the minimum? • Is it easy to remove parts containing environmentally harmful substances?
	10-5 Provide information to persons at all stages of the life cycle	• Have users been given important information at time of purchasing? • Have users and repair persons been informed of important points to keep in mind during product use, repair, and movement? • Does the user manual and other documents give users important points to keep in mind when disposing of product? • Can retailers, or those transporting, installing, or collecting products easily know important points to keep in mind during product collection and transport? • Are important points to keep in mind written on the product itself for those recycling and disposing of the product?
11. Energy and resource conservation in use	11-1 Include energy and resource saving functions	Are there energy and resource saving functions?
	11-2 Improve energy efficiency during use	Has the product been made more energy efficient during use?
	11-3 Reduce energy consumption in standby mode	Has the product been made more energy efficient in standby?
	11-4 Reduce amount of product consumables	Has the amount of consumables been reduced?
12. Disclosure of information	12-1 Label product, parts, user manual, packaging, etc.	Is labelling of product, parts, user manual, and packaging in line with labelling guidelines?
	12-2 Provide information on recycling and waste treatment	Are there sufficient documents (treatment manuals) with information on safety during processing so as to promote recycling and environmental protection?
13. Reduction in environmental impact in the manufacturing process	13-1 Reduce emissions from manufacturing	Has the amount of by-products (emissions from manufacturing) been reduced?
14. LCA	14-1 Determine the environmental impact at each lifecycle stage	Has environmental impact been determined for the material, production, transport, use, and disposal stages?
	14-2 Consider how to reduce environmental impact during the lifecycle	Is it possible to reduce environmental impact?

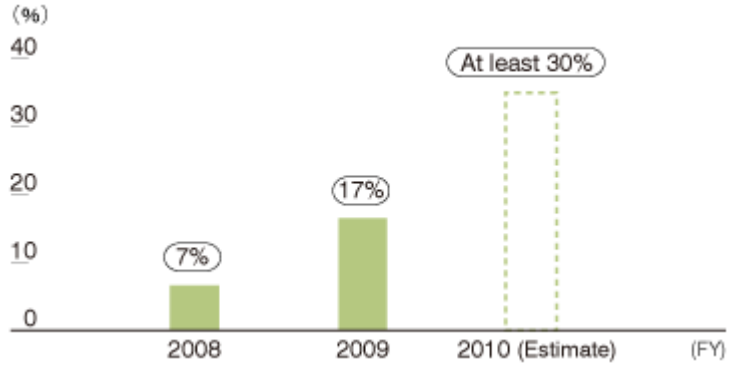
Promoting the Use of Inverter Products

Joint Venture in China Aims for Greater Worldwide Market Penetration

The Daikin Group aims to provide more highly energy efficient inverter air conditioners worldwide and thus reduce the amount of CO_2 emissions from energy consumption during product use. The motor rotation in an inverter type air conditioner is variably controlled, which reduces energy use by about 30% compared to non-inverter models. While most air conditioners in Japan today are inverter models, most in use outside Japan are non-inverter models.

Making inverter air conditioners more affordable is key to achieving their widespread use. To this end, in March 2009, Daikin Industries and major Chinese air conditioner manufacturer Gree Electric Appliances, Inc of Zhuhai established two joint venture companies to manufacture key components and molds for highly efficient, low-cost inverter air conditioners. The joint ventures will fuse Gree's strength in production and procurement of raw materials and parts with Daikin's expertise in energy-efficiency technology. The aim is to tap markets where inverter products still have low market penetration.

Inverter air conditioners as percentage of all room air conditioners in China



Data released by research companies in China

For details, see Key Activities: Products That Contribute to Global Warming Mitigation (Page 37)

Promoting the Use of Heat Pump Space and Hot Water Heaters

Bringing More CO_2-Reducing Heat Pump Space and Hot Water Heaters to the European Market

The Daikin Group is developing space and hot water heaters using energy-efficient heat pump technology. This technology, which is also used for air conditioning, involves drawing heat from the air and transferring it for use in cooling and heating. Compared to space or water heating methods that burn fossil fuels directly, it produces approximately one-third the CO_2.

The EU has set a target of having renewable energy such as wind and solar power account for 20% of the energy mix by 2020. In January 2009, heat pumps were recognized in the EU as technology that captures renewable energy and heat pump heaters are being recommended as part of this target. In 2006, the Daikin Group began selling a heat-pump type hot water heaters and heating system in Europe and we have been expanding the product lineup since then. With the opportunity provided by European energy policy, Daikin will work to spread the use of heat pump products throughout the continent.

For details, see Key Activities: Products That Contribute to Global Warming Mitigation (Page 37)

MEGA-Q Large-Scale Heat Pump Hot Water System Developed

The Daikin Group is developing space and hot water heaters using highly energy efficient heat-pump technology.

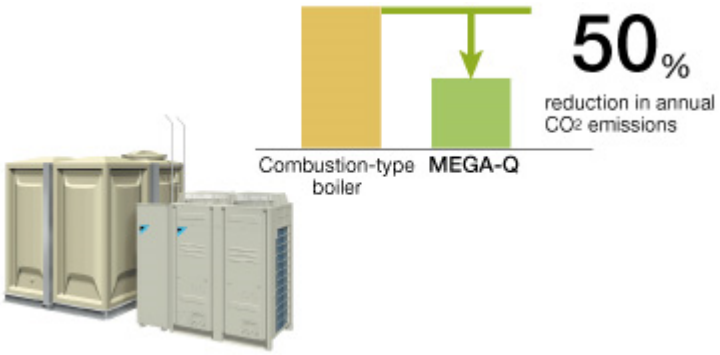
In Japan, the Eco-Cute heat pump hot water heater is becoming more prevalent. And in April 2009, we released a commercial heat pump water heating system (MEGA-Q) for large-scale facilities such as hotels and hospitals that can supply up to 120 tons of hot water a day while attaining about a 50% reduction in CO_2 emissions compared to combustion-type water heaters. It also allows running cost reductions of approximately 60%. As well, we are working to spread the use of the Danzen Heat system for commercial facilities.

We are contributing to energy efficiency by replacing combustion type water heaters with heat pump models.

Features of the MEGA-Q

- Latest energy-efficient technology enables dramatic reductions in CO_2 emissions and water-heating costs compared to combustion-type water heaters.
- With the ability to supply up to 120 tons of hot water a day, it is deal for large-scale facilities such as hotels, hospitals, and public care institutions.
- Because it gets it heat from a number of sources, there is minimized risk of hot water supply stoppage due to breakdowns and inspections. As well, with two compressors to one heat source, one compressor can break down but the other can still supply 50% of capacity.
- Because the heat source and heat exchange pump are compact, they require less space for installation than any competing product.
- With the (separately sold) operation data monitoring software installed in a computer and running in unison with the hot water system controller, customers can use their hot water use as a basis for storing just the right amount of hot water. This saves customers energy and money.

Comparison of Annual CO_2 Emissions: MEGA-Q Large-Scale Commercial Heat Pump Water Heating System versus Combustion-Type Boiler



Air Conditioning Products

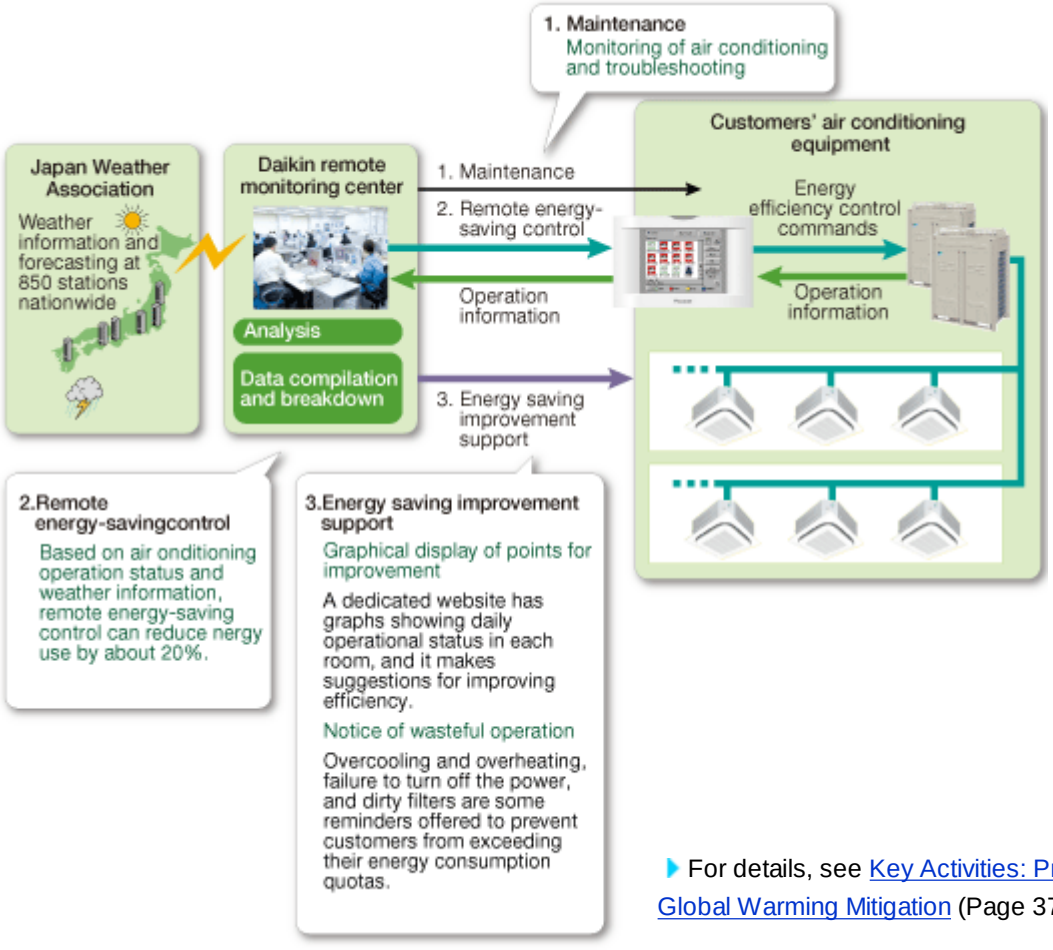
Air Conditioning Network Service System II Remotely Monitors Building Air Conditioning and Suggests Ways to Improve Energy Efficiency

Air conditioning accounts for about 40% of the energy consumed by commercial buildings in Japan. Daikin strives to bring more energy-efficient air conditioners to market. But we also know that how these air conditioners are used can greatly affect the amount of energy consumed. That's why we offer the Air Conditioning Network Service System II to remotely support energy-efficient air conditioner operation.

This service started out as a maintenance function to monitor air conditioner operation in order to prevent malfunctions or breakdowns before they occur. But to add more value, we came up with a remote energy-saving tuning function, which keeps air conditioners at the most energy-efficient operation level by monitoring product use and weather conditions. This service was recognized for energy savings of up to 20% and reduction of CO_2 emissions and was awarded the Minister of the Environment Prize in the 2008 Eco-Product Awards in Japan.

In March 2009, we added an energy saving improvement support function to the Air Conditioning Network Service System II. Using an online screen showing daily operational data of the air conditioning system in a customer's building, Daikin monitors operation in each room for four criteria-that rooms are not overheated or overcooled, that lights are turned off, that filters are properly cleaned, and that electricity use is not exceeding targets. Daikin then makes suggestions based on these.

■ Structure of the Air Conditioning Network Service System II



For details, see Key Activities: Products That Contribute to Global Warming Mitigation (Page 37)

DESICA Commercial Air Conditioning System
Award of Technology, 47th Society of Heating, Air-Conditioning, and Sanitary Engineers of Japan Awards

Conventional air conditioning systems use a single unit for controlling both temperature and humidity.

This makes it difficult to achieve the ideal balance of both, and it also wastes energy. But in the DESICA system, temperature and humidity are controlled by two separate units, thus achieving both energy efficiency and room comfort. It is about 20% more energy efficient than conventional systems. It was these benefits that earned the DESICA system the Award of Technology at the 47th Society of Heating, Air-Conditioning, and Sanitary Engineers of Japan Awards.

■ The DESICA commercial air conditioning system

Freezing, Refrigeration and Air-Conditioning Heat Recovery System
Energy Conservation Center Chairman's Prize, 2009 Energy Conservation Awards

The Freezing, Refrigeration and Air-Conditioning Heat Recovery System for use in convenience stores and supermarkets is an integrated refrigeration, heating, and cooling system that is controlled by just one outdoor unit. Not only does it save space, but it also recovers heat from the freezing and cooling processes to heat the building interior. This leads to big energy savings: This system can save about 56% on annual energy consumption over conventional systems.

For its heat recovery technology and widespread use in convenience stores across Japan, the system won the 2009 Energy Conservation Awards.

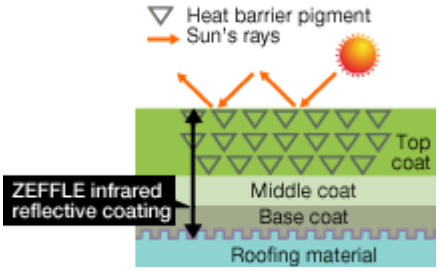
2009 Energy Conservation Awards
Director General Prize of Agency of Natural Resources and Energy

Fluorochemical Products

ZEFFLE Infrared Reflective Coating Eases Air Conditioning Burden

Daikin developed ZEFFLE infrared reflective coating, a fluororesin-based paint that reflects the sun's infrared rays off building roofs. Compared to conventional paints, ZEFFLE reduces building roof surface temperature by as much as 15-20°, thus keeping inside temperature down.

ZEFFLE could almost be called a "easy-to-install air conditioner." Used in combination with an energy-efficient air conditioner, ZEFFLE can help reduce electricity consumption.



ZEFFLE infrared reflective coating

Energy Award, 2009 Lloyd's List Global Awards

Fluoride Materials That Reduce Automobile Fuel Transpiration into the Atmosphere
DAI-EL Fluoro TPV

Increasingly tighter restrictions are being placed on the transpiration into the atmosphere of VOCs (volatile organic compounds) contained in gasoline, which are one of the causes of air pollution from automobiles.

Daikin's fluorochemicals are resistant to heat and chemical penetration, and when used to make automobile fuel hoses and tubes can reduce the permeation of automobile fuel. Daikin's newly developed DAI-EL Fluoro TPV can reduce the permeation of automobile fuel to about one-twentieth compared to our previous fluoroelastomers. This is turn reduces transpiration into the atmosphere.

■ Fuel hose (Inner layer is DAI-EL Fluoro TPV; outer layer is nitrile rubber)

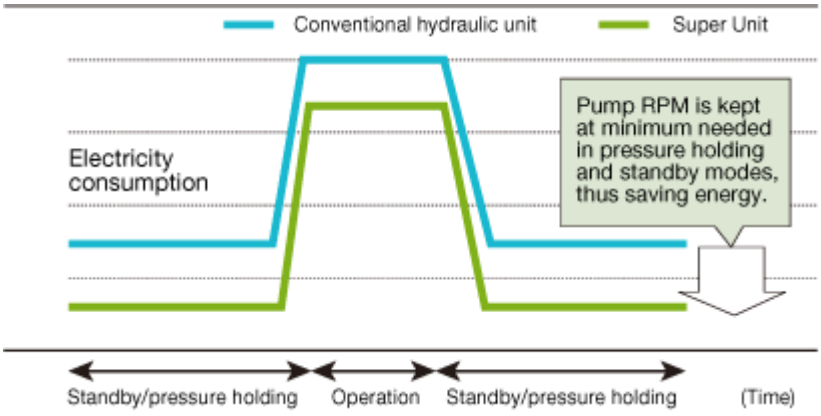
Oil Hydraulic Equipment

Energy-Efficient Hybrid Hydraulic Super Unit
Energy Savings and Lower CO_2 Emissions in Factories

Daikin also leads the industry in making energy-efficient hydraulic units for factory production lines.

The energy-efficient hybrid hydraulic Super Unit employs the same motor technology that is used in Daikin's energy-efficient air conditioners. The Super Unit determines the load on the machine, depending on whether it is in standby, operation, or pressure holding mode, and electronically controls the pump at the necessary RPM. The result is energy savings of more than 50% in pressure holding mode (compared to Daikin piston pumps). For use on presses, molding equipment, and inspection devices, the Super Unit contributes to energy savings and lower CO_2 emissions.

■ Electricity consumption of Super Unit and conventional hydraulic unit

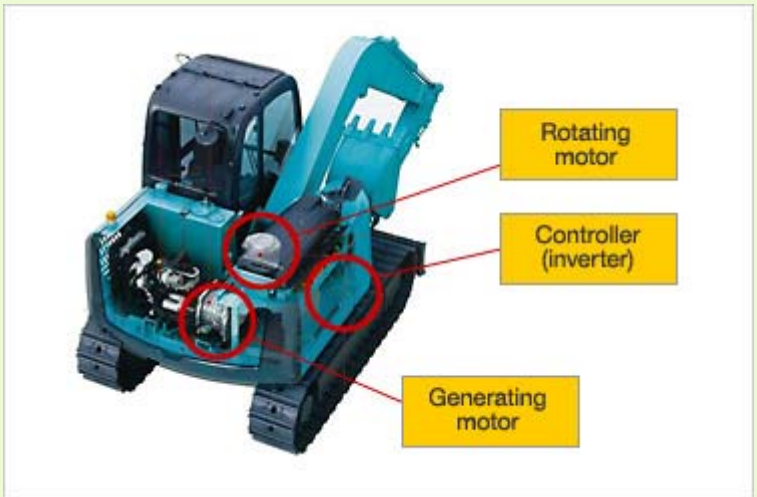


TOPICS

Daikin's Motor Inverter Saves 40% on Fuel in Hybrid Construction Machinery

Just as in the automobile industry, the field of construction machinery is moving towards hybrid motors. Backhoes have begun employing hybrid drive systems of engines and motors and Daikin provides the key parts for these systems.

In a hybrid backhoe, when the shovel circles around the chassis, the energy from this movement is stored in a battery, and this energy is supplied via the generating motor to assist the engine. This allows engines to be smaller and more fuel efficient. Daikin makes the rotating motor, which creates the rotating energy stored in the battery, the generating motor, which generates energy and assists the engine, and the controller for these.



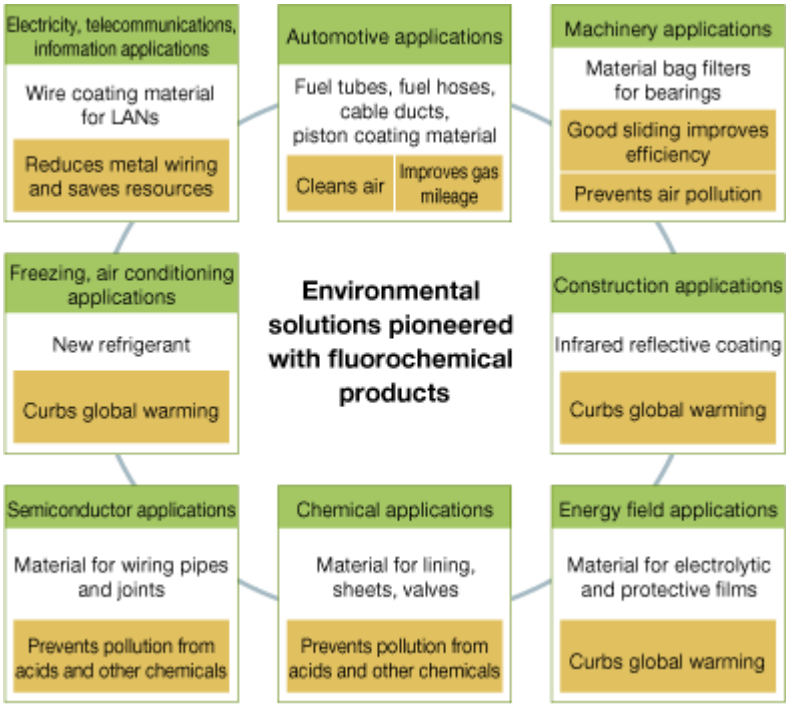
Fluorochemical Products That Contribute to Environmental Protection

Fluorochemical Products That Contribute to Environmental Protection

Fluorine mainly bonds with carbon atoms to give compounds that are highly stable and have useful functions such as the ability to resist heat and repel chemicals.

Daikin uses the unique characteristics of fluorine to bring consumers a range of products that help protect the environment.

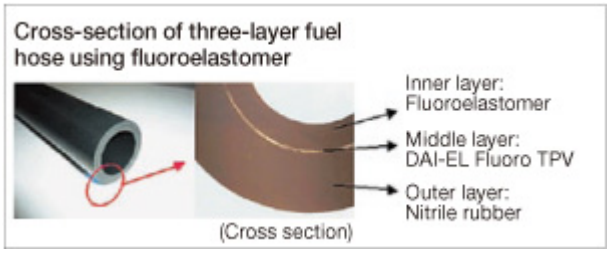
■ Environmental solutions pioneered with fluorochemical products



Fluoride Materials Reduce Permeation of Gasoline

Fluororesins and fluoroelastomers, which are used to make automobile fuel hoses, prevent leaking of VOCs (volatile organic compounds) and keep the permeation of gasoline at a low level even while the car engine is hot. Daikin's newly developed DAI-EL Fluoro TPV can reduce the permeation of automobile fuel to about one-twentieth compared to our previous fluoroelastomers.

■ Cross-section of three-layer fuel hose using fluoroelastomer



ZEFFLE Infrared Reflective Coating Eases Air Conditioning Burden

Applying Daikin's ZEFFLE infrared reflective coating to building roofs reflects the sun's infrared rays and keeps inside temperature down: this eases the burden on air conditioning. And by reducing the electricity used for air conditioning, it also contributes to preventing global warming.

Contributing to the Energy Field Including Fuel Cells

Fluoropolymers are chemical resistant, heat resistant, and weather resistant, qualities that make them ideal for use as material in cutting-edge energy technologies such as fuel cells, lithium ion batteries, and solar cells.

For example, the fluororesin (ETFE) used for the surface protection film on solar cells lasts for more than 20 years under the sunlight with no degradation and does not lose its light transmittance.

For details, see Key Activities: Environmental Impact Reduction in the Fluorochemicals Business (Products) (Page 47)

Fluoride materials contribute to reduced environmental impact in a range of other applications as well. FEP fluororesins have superb flame resistance, which allows them to replace metal pipelines as covering for LAN wiring and thus save resources; and PTFE fluororesins prevent air pollution and save resources when used as highly efficient, long-lasting dust-collecting bag filters in incinerators and power stations.

Reducing PFOA Emissions

Voluntary Targets Aim for Total Elimination by 2012

Daikin is working to totally eliminate its use of Perfluorooctanoic Acid (PFOA), a fluorochemical compound concerned to have environmental effects.

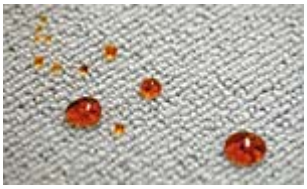
Daikin uses PFOA as a polymerization aid for some fluororesins and fluoroelastomers that are used in a wide range of fields including semiconductors, information and telecommunication, automotive, and aerospace. As well, minute quantities of PFOA are given off as a by-product in the production process of fluorochemical products that are applied to the surface of clothing and carpets to repel water and oil. While stable, it does not readily degrade in the environment, and if it is ingested by living organisms, it may remain for relatively long periods in the body. Therefore, in 2006 the U.S. Environmental Protection Agency announced the creation of the 2010/15 PFOA Stewardship Program. Daikin and seven other of the world's leading fluorochemical manufacturers are participating in this program. As a result of an in-house reduction program, Daikin is gradually switching to substitutes. So far, we have successfully reduced our PFOA use by 95% and we are working to achieve our target of totally eliminating the use of PFOA by 2012.

Switching to a Polymerization Aid with Low Environmental Impact

As part of our efforts to achieve our reduction target, in 2008 we began switching to a polymerization aid with a lower environmental impact than PFOA. By the end of 2012 we will have switched to substitutes in all products where PFOA is used.

Developing Products That Don't Give Off PFOA in the Production Process

We developed water- and oil-repellent products (repellents) that effectively give off no PFOA during their production process and began selling these in 2007. By the end of 2012, all of the repellent products that we produce will give off no PFOA during their production.



Unidyne water and oil repellent

Low Impact Refrigerants

Protecting the Ozone Layer

Refrigerant is used to transport heat between the interior and exterior units of an air conditioner. HCFC used to be the major refrigerant used, but in the 1980s experts suspected it was depleting the ozone layer, so under the Montreal Protocol developed nations agreed to completely phase out its production in developed countries by 2020. Daikin has for years worked to prevent ozone layer destruction by developing substitute refrigerants that do not deplete the ozone layer. In 1991 we began the first mass-production in Japan of HFC, a refrigerant with an ozone depletion potential of zero, and in 1995, we began selling air conditioners that use HFC as the refrigerant.

Besides switching to HFC refrigerants, we have also been working to ensure that there is no leakage into the atmosphere: we design and develop products that are easy to recover refrigerant and prevent its leakage, and we recover refrigerant during the manufacturing stage and product repair. In April 2002, we began a fluorocarbon recovery and destruction business in which we recover and properly dispose of refrigerants from used air conditioners.

Low-Impact Refrigerants

Switching to Refrigerants with Zero Ozone Depletion Potential outside Japan

The Daikin Group is phasing out conventional HCFC refrigerants and switching to HFC, a refrigerant with an ozone depletion potential of zero.

Daikin sells only products using HFC in Japan and Europe. We were also the first company in China to offer HFC VRV, and we currently provide HFC residential air conditioners as well.

In Southeast Asia and other countries where HCFC air conditioners are the norm, we are offering HFC models (where possible given current infrastructure) and promoting their benefits.

Switching to HFC refrigerants around the world

Japan	The majority of air conditioners sold use HFC refrigerant
Europe	We sell only products using HFC
Australia	We sell products using HFC
U.S.	We sell products using HFC
China	We sell HFC VRV systems
Other parts of Asia, rest of world	We sell HFC VRV systems

Refrigerants with Low Global Warming Potential

Although HFC has an ozone depletion potential of zero, it contributes to global warming if released into the atmosphere.

The Daikin Group is conducting research aimed at achieving practical use of refrigerants that contribute less to global warming than HFC, currently the most widely used refrigerant.

Our research focuses not only on the direct effect of the refrigerant but also on the global warming impact throughout the entire lifecycle, including its energy efficiency during air conditioner use.

So that we can offer the most adequate refrigerant for each case, we are conducting R&D that will achieve practical use of everything from natural refrigerants to HFC fluorocarbons, which have a relatively low global warming potential. We are also doing all we can to provide the public with information on the global warming impact of refrigerants and on what can be done to prevent this.

Developing VRV Using CO_2 Refrigerant

In October 2008 at an exhibition in Germany, Daikin caused a sensation when it introduced the world's first VRV using CO_2 refrigerant. The VRV also received high praise at exhibitions that followed in Spain and France.

But because CO_2 refrigerant has a lower energy efficiency than HFC refrigerant, we are continuing to develop technologies to raise the energy efficiency.

We are continuing to search for other low global warming potential refrigerants besides natural refrigerants including CO_2, as well as develop air conditioners that can use them. Starting in fiscal 2009, we began such research and development under a project by NEDO (New Energy and Industrial Technology Development Organization) in Japan.

VRV using CO_2 refrigerant (Germany)

■ Daikin's Stance on the Environmental Impacts of Refrigerants (Benefits Problems)

Refrigerants			ODP	GWP*1	Atmospheric life(years)	Flammability	Toxicity
Conventional refrigerants	HCFC22		0.055	1,500	12	Nonflammable	Low
Current refrigerants	HFC134a		0	1,300	14	Nonflammable	Low
	HFC410A		0	1,725	-	Nonflammable	Low
Future refrigerants	HFC32		0	650	4.9	Slightly flammable	Low
	HFO1234yf*2		0	4	11days	Slightly flammable	Testing
	Natural refrigerants	CO_2 (carbon dioxide)	0	1	120	Nonflammable	Low
		Ammonia	0	0	0	Slightly flammable	Strong
		Propane	0	3	10	Highly flammable	Low

Refrigerants			Refrigerant characteristics	Daikin's stance
Conventional refrigerants	HCFC22		Completely phased out in developed countries as of 1995	Eliminated all production
Current refrigerants	HFC134a		Currently in the process of replacing HCFC with this substitute	All of the major models in Japan and Europe completed refrigerant switchover from HCFC to HFC
	HFC410A			
Future refrigerants	HFC32		Has a low global warming potential for an HFC Slightly flammable	Seen as a possible refrigerant in the future
	HFO1234yf*2		Has a low global warming potential; can be used as a substitute for HFC134a	
	Natural refrigerants	CO_2 (carbon dioxide)	Has low energy efficiency for air conditioning systems	Put into commercial production as refrigerants for hot water supply units, for which performance is equivalent to that of conventional refrigerants
		Ammonia	An efficient refrigerant, but toxic and slightly flammable	Used for large refrigeration and air conditioning systems where strict control is possible, such as factories
		Propane	An efficient refrigerant, but highly flammable and thus susceptible to explosion	Technical development is needed to adopt as refrigerant for air conditioners in order to ensure safety

*1 Source: IPCC Second Assessment Report, other documents
*2 Reference value (HFO1234yf was not reported in the IPCC Second Assessment Report)

3R & Repair

Effective Use of Resources in Design

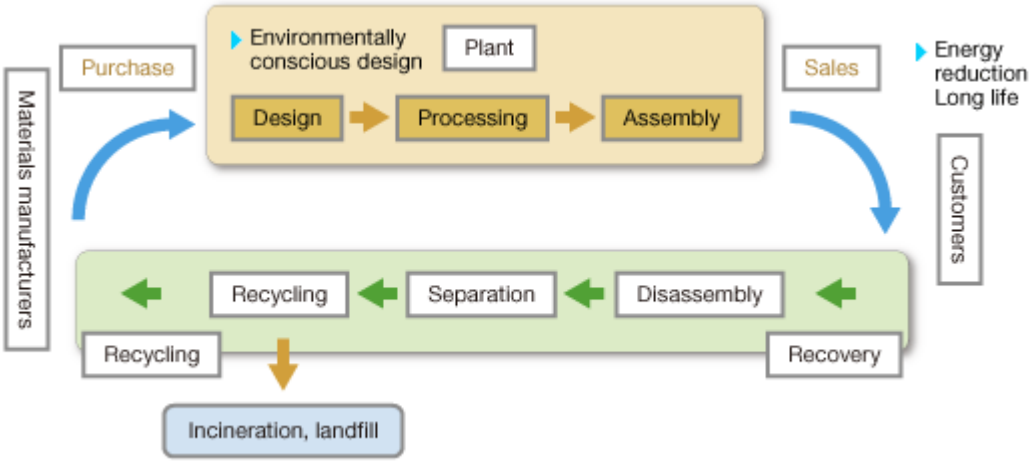
The Daikin Group strives to use resources as effectively as possible by carrying out the 3Rs-reducing, reusing, and recycling-along with repairing under its 3R & Repair initiative.

This initiative plays a key role in our product design and development. Based on product assessment, we design and develop products that are smaller and lighter, and that use materials and construction that make them easy to maintain, separate, and recycle.

3R & Repair: Approach

Reduce	Make products smaller and lighter, Use recycled materials	
Reuse	Use parts from end-of-life products	
Recycle	Development	Design products that are easy to separate and recycle ● Use plastics that are easy to recycle ● Indicate the materials used ● Construct products that are easy to disassemble
	After use	Recycle end-of-life products
Repair	Development	Design products that are easy to maintain
	After disposal	Have a repair support system that contributes to long-lasting products

3R & Repair: Effective Use of Resources



Recycling

Designed for Easy Disassembly

Product design stresses 3R & Repair based on product assessment. Since 1997, we have designed products so that their construction makes them easy to disassemble.

Reducing

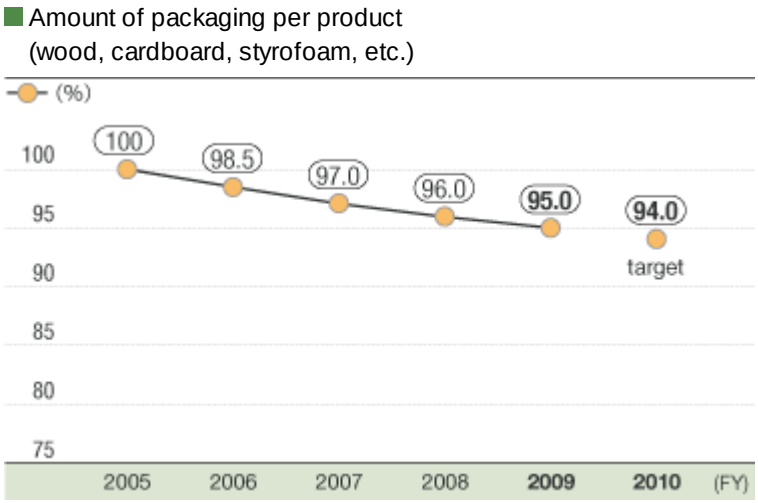
Smaller and Lighter Products

Making products smaller and lighter means they will use fewer resources. When making air conditioners, we set weight reduction targets for both the entire product and its components. However, it is technically difficult to achieve this without sacrificing energy efficiency. If making it smaller and lighter means that it consumes more energy, then the product's environmental performance throughout the entire lifecycle has not yet been improved.

When the Daikin Group develops new products, we establish weight reduction targets for each product on the condition that the energy efficiency (COP) does not decrease.

Reducing Packaging

We set a target of reducing the amount of packaging for air conditioning products by 6% in fiscal 2010 compared to fiscal 2005. As of fiscal 2009, we had achieved a 5% reduction.



Reusing

Repair and Reusing Parts that have Already Been Replaced

In the Daikin Group, we try to use resources efficiently. We take parts that have already been replaced and that contain multiple components, such as printed circuit boards, and we repair any malfunctions or replace the worn-out components. These parts (the printed circuit board, for example) are then tested for quality by ensuring that they are functioning properly and, with the customer's permission, are used as replacement parts when performing repair on a product.

Repair

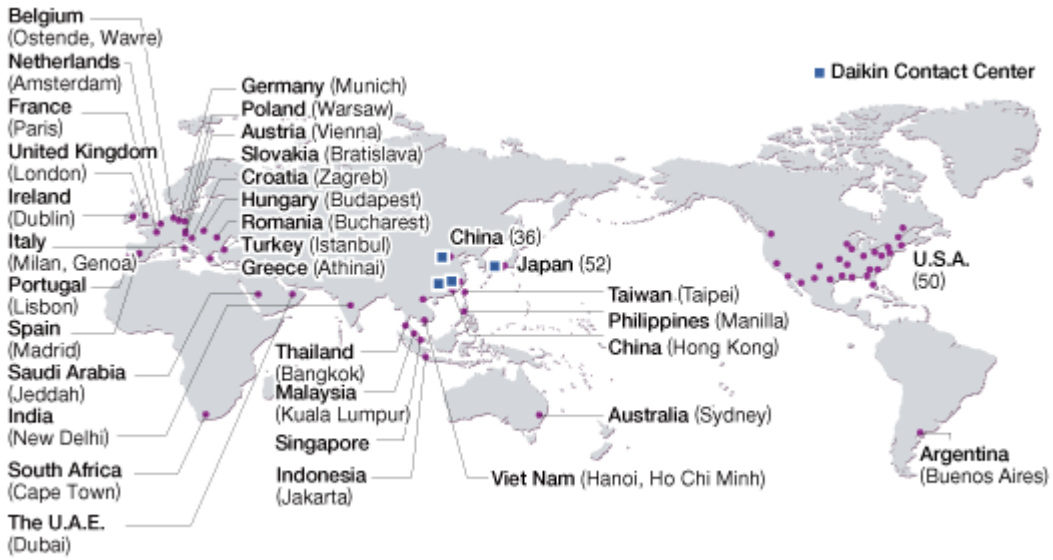
Reinforcing the Global Repair System

Making products that last longer means that fewer resources are used. To this end, the Daikin Group is strengthening its repair system by establishing service outlets around the world to take customer repair requests and questions and enquiries regarding products.

In Japan, the Daikin Contact Center is open 24 hours a day, every day of the year to take inquiries, while 52 service outlets across the nation carry out product repair and maintenance. We will continue to strive for even greater customer satisfaction by improving the technical expertise and etiquette of our service engineers.

With Daikin picking up the pace of its overseas expansion in recent years, it is crucial that we strengthen our service network in each country. We have added service bases in countries like Spain, Singapore, and Italy through the integration of the service system of O.Y.L. Industries Bhd, which Daikin acquired in 2006. In North America and China, Daikin is working with O.Y.L company McQuay International to exchange employees and utilize networks so as to improve the service system.

■ Daikin Service Network



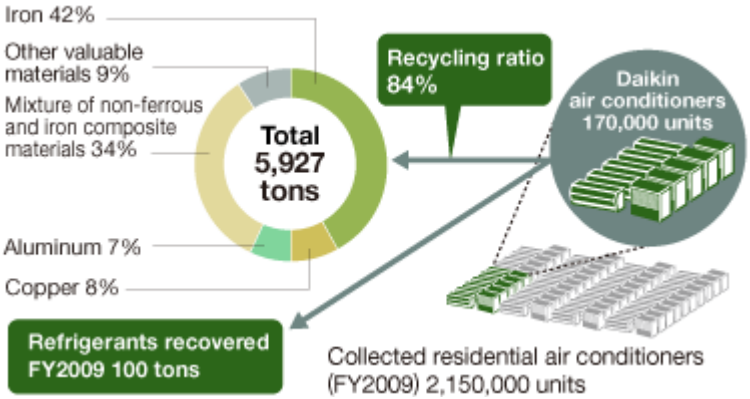
Recycling Residential Air Conditioners

Recycling Ratio of 84% Well above Obligations under Home Appliance Recycling Law

The Home Appliance Recycling Law obligates manufacturers to recycle at least 70% of the material from their own air conditioners as well as recover and then reuse or destroy refrigerants.

In fiscal 2009, the Daikin Group recovered about 170,000 units of its residential air conditioners (7% more than the previous year), and recycled 6,996 tons of this, or 84%. We also recovered 100 tons of refrigerants.

■ Recycling of Residential Air Conditioners in FY2009 (Japan)



Environment
Low Impact Production

The Daikin Group strives to reduce environmental impact during production (including procurement and transportation). Besides making it a priority to reduce emissions of greenhouse gases during production, we do all we can to manage and reduce emissions of chemicals and reduce waste. We are also working to achieve targets that our manufacturing bases around the world have set for recovering and destroying fluorocarbon refrigerants during production process and during maintenance or final disposal of air conditioners.

Preventing Global Warming — Production, Transportation

Reduced Emissions to Half of Fiscal 2005 Levels Ahead of Schedule: Fiscal 2009 Emissions Down 71% Against Fiscal 2005

The Chemicals Division and machinery divisions of the Daikin Group emit during production four kinds of fluorocarbons (HFC, PFC, CFC, and HCFC) that are greenhouse gases. We therefore make it a top priority to reduce fluorocarbons by preventing their leakage during production processes and by recovering and properly destroying them.

We also reduce CO_2 emissions during production and transportation by introducing energy-efficient technologies and raising transportation efficiency.

Read more

(See page 98)

Recovering and Destroying Fluorocarbons from Customers' Air Conditioners

Proper Recovery of Refrigerants during Air Conditioner Disposal and Repair Prevents Release into the Atmosphere

To protect the ozone layer and help curb global warming, it is crucial that we prevent release of air conditioner refrigerants (fluorocarbons) into the atmosphere. The Daikin Group has a system for recovering and treating refrigerants so that they are not released into the atmosphere during the maintenance, upgrading, or disposal of air conditioners.

Daikin strives to prevent refrigerant emissions post-sales. We have a fluorocarbon recovery and destruction business in which we take requests from customers for refrigerant recovery.

Read more

(See page 105)

- Recovery and Destruction Fluorocarbons from Customers' Air Conditioners
  - Efforts to prevent environmental burden from CFC emissions
  - Recovery and Destruction of Refrigerants
- Efforts in Japan
  - Unified Management System of Refrigerant Recovery and Destruction
  - Amount of fluorocarbon recovered during maintenance and disposal
  - Types of fluorocarbons recovered during maintenance (Japan)
  - Recycling System for Commercial Use Air Conditioners
- Efforts Overseas

Green Procurement

Picking Up the Pace of Overseas Green Procurement: 97% in Thailand, 89% in China, 63% in Europe, and 85% in Oceania

Whenever possible, the Daikin Group purchases only green parts and materials from suppliers and throughout the entire supply chain.

Since fiscal 2000, we have been urging our suppliers to comply with our Green Procurement Guidelines in order to conduct their business in an environmentally conscious manner.

*Green procurement rate: The percentage of our suppliers that have scored at least 82% on the green procurement survey.

Read more

(See page 109)

- Green Procurement
  - Green procurement rate (Japan)
  - Green Procurement Rate by Region
  - Overview of Green Procurement Guidelines, 5th Edition
- Compliance with Restrictions on Toxic Chemicals
  - Specified Chemical Substance List (for products)

Compliance with J-Moss

For Daikin room air conditioners, we report which of the six substances covered by J-Moss (the marking of presence of the specific chemical substances for electrical and electronic equipment) are contained in our products.

Read more

(See page 112)

- Compliance with J-Moss
  - The substances contained in Daikin room air conditioners

Management of Chemical Substances

Goal to Reduce PRTR Substances in Japan to Half of Fiscal 2005 Achieved in Fiscal 2007, Ahead of Schedule

The Daikin Group has voluntary restrictions that its uses to strictly manage the chemical substances used in production processes in the Chemicals Division. We set a goal of reducing emissions of PRTR (Pollutant Release and Transfer Registry) substances by 50% in fiscal 2010 compared to fiscal 2005. We achieved this goal as of 2007.

Read more

(See page 114)

- Management of Chemical Substances
  - Chemical Substances Management Guidelines (Factory Version)
  - Emissions of PRTR Substances (Japan)
  - Compilation of PRTR Substances in Fiscal 2009 (PRTR substances of which at least 1 ton was handled)

Reducing Waste

Daikin Companies in Japan Achieve Zero Waste for General Waste. Eight Overseas Companies Achieve Zero Waste

All Daikin Group manufacturing bases in Japan have achieved zero waste for both industrial and general waste.

We are working to recycle waste and achieve zero waste throughout the entire Daikin Group worldwide: overseas, eight manufacturing subsidiaries including Daikin Fluorochemicals (China) have achieved zero waste.

Read more

(See page 116)

- Reducing Waste
  - Amount of waste and amount recycled (Japan, Overseas)
  - Recycling Efforts
- Using Water Resources

Reducing Overall Group Greenhouse Gas Emissions

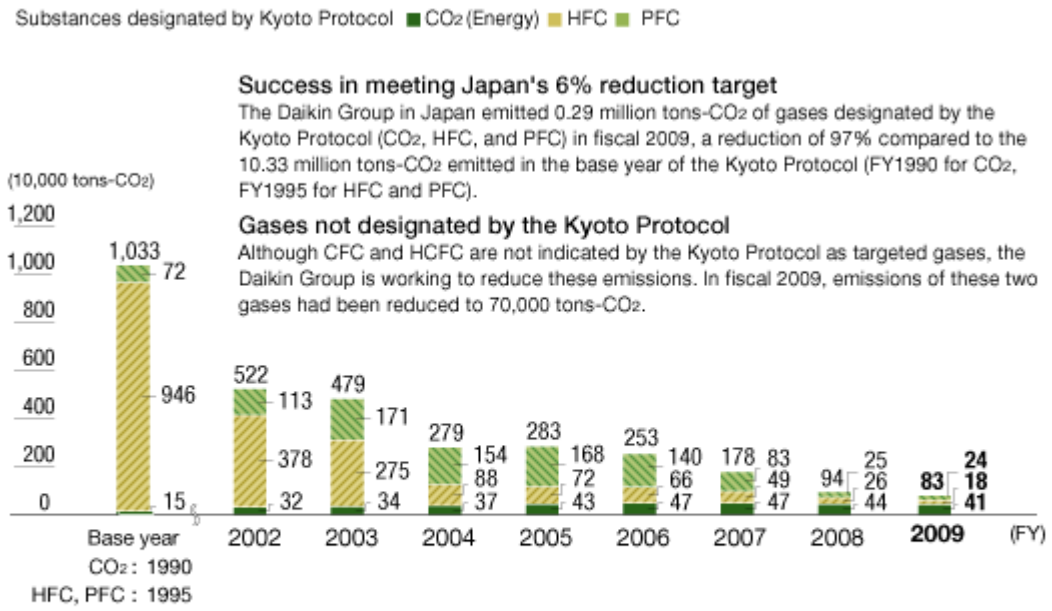
Reduced Emissions to Half of Fiscal 2005 Ahead of Schedule, Fiscal 2009 Levels Down 71% from Fiscal Year 2005

The Daikin Group emits two kinds of greenhouse gases: CO_2 from energy use, and fluorocarbons handled in the production processes.

In 2001, the first year we began full-scale efforts to reduce greenhouse gas emissions, we made it a top priority to reduce emissions of fluorocarbons, which accounted for over 90% of all Group greenhouse gas emissions. We have worked to recover and properly destroy fluorocarbon gases that are a by-product of production processes of fluorochemical products and which account for more than 85% of our fluorocarbon emissions. As a result, fiscal 2005 greenhouse gas emissions during production were just one-third the level of the base year.

One of the key environmental targets of the fiscal 2005 FUSION 10 strategic management plan that was set in fiscal 2005 was to reduce fiscal 2010 greenhouse gas emissions to half of fiscal 2005 levels. As a result of efforts towards this target, overall Group greenhouse gas emissions in fiscal 2009 were 830,000 tons-CO_2, down by 71% over fiscal 2005.

■ Greenhouse Gas Emissions for the Entire Group



Note that since not all calculations have been completed, the following data is not included in the base year data:
CO_2 emissions from overseas energy consumption and fluorocarbon emissions in the machinery divisions.

Fiscal 2009 for OYL

Energy-induced CO_2 = 55,000 tons-CO_2, HFC = 12,000 tons-CO_2, PFC = 0 tons-CO_2, Total= 67,000 tons-CO_2

TOPICS

Daikin Joins Japan's Voluntary Emissions Trading Scheme

In 2008, Daikin Industries participated in the Japanese government's Voluntary Emissions Trading Scheme. Under this scheme, participating companies commit to a certain reduction amount in their CO_2 emissions. The scheme also allows them to trade CO_2 emission quotas to meet their reduction targets.

Participation in the scheme by Daikin Industries' air conditioning factories in Japan was approved after the company committed to CO_2 reductions (reduction in CO_2 emissions per sales against fiscal 1990: 57% in fiscal 2008, 60% in fiscal 2009, and 63% in fiscal 2010) greater than the industry target (a 35% reduction in CO_2 emissions per sales against fiscal 1990). In fiscal 2008, we exceeded our target with reductions of 60%.

Terminology

Kyoto Protocol
An international agreement under which developed countries are obligated to reduce overall greenhouse gases by at least 5% compared to 1990 between 2008 and 2012. It was passed in 1997 at the 3rd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in Kyoto. Greenhouse gases designated by the Kyoto Protocol are CO_2, methane N2O, HFC, PFC, and SF6. Major developed nations are obligated to reduce greenhouse gas emissions: Japan by 6%, the United States by 7% (although the United States has not ratified the Kyoto Protocol), and the EU by 8%. In March 2008, Japan's Cabinet approved a revised plan for targets that includes additional measures to improve the energy efficiency in the residential and construction sectors. The government is also aiming to achieve Japan's targets through revision of the Law Concerning the Promotion of the Measures to Cope with Global Warming.

Reducing Fluorocarbon Emissions

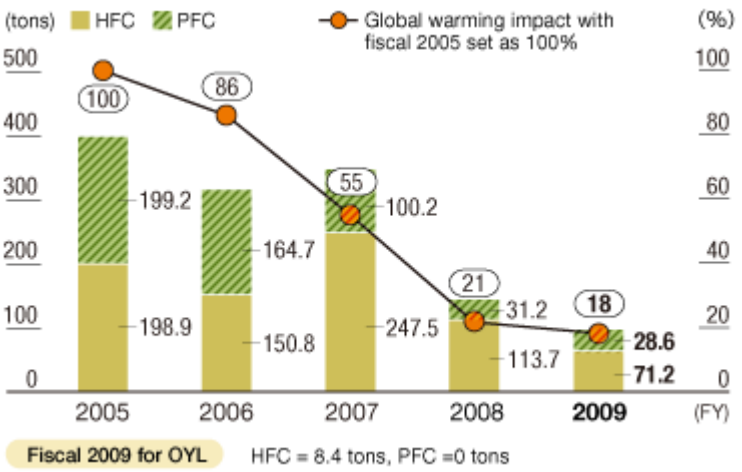
Greenhouse Gases HFC and PFC Reduced by 82% in Fiscal 2009 Against 2005

There are four kinds of fluorocarbons generated during Daikin's production processes: HFC and PFC, which are covered by the Kyoto Protocol, and CFC and HCFC, which are not. We have set reduction targets for each of these fluorocarbons.

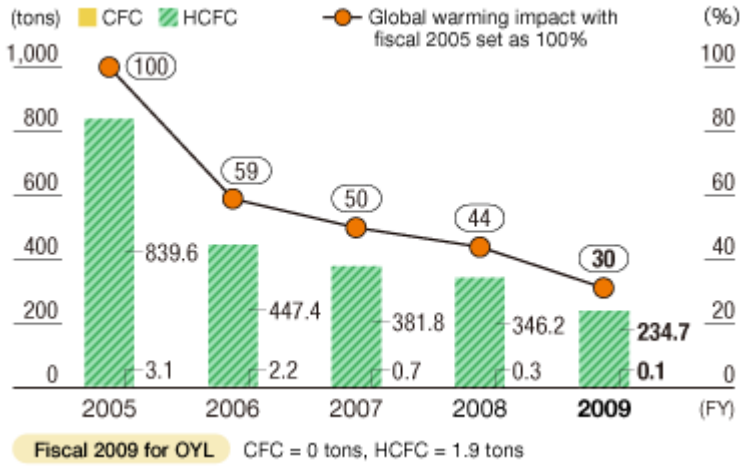
Fiscal 2009 emissions of the HFC and PFC covered by the Kyoto Protocol were 100 tons (420,000 tons CO_2 equivalent), an 82% reduction over fiscal 2005.

Fiscal 2009 emissions of CFC and HCFC were 1 ton and 235 tons respectively, a 70% decrease over fiscal 2005.

HFC and PFC emissions and global warming impact



■ CFC and HCFC emissions and global warming impact



Fluorocarbon Recovery Equipment Ensures Proper Destruction of Refrigerants (Chemicals Division)

The fluorocarbons emitted in the Chemicals Division are raw materials and by-products in the production of fluorochemical products. To prevent such emissions, we have been installing recovery equipment on production lines and properly destroying the fluorocarbon gases recovered. We also take the fluorite generated during the destruction process and use it as raw material for the production of fluorochemical products.

TOPICS

Establishing Facilities for the Recovery and Destruction of Fluorocarbons in Production Processes

To reduce fluorocarbon emissions, the Chemicals Division has been establishing facilities since fiscal 2001 for the proper recovery and destruction of fluorocarbons during manufacturing processes.

In fiscal 2009, we built new recovery facilities at the Yodogawa and Kashima plants, and we upgraded destruction facilities (special incinerator) at the Yodogawa Plant to ensure stable operation.

In countries in which we operate that have no fluorocarbon emission restrictions, we voluntarily recover gas and either destroy it at our factories or outsource destruction.

In December 2008, fluorocarbon destruction facilities that we built in Daikin Thailand were certified by the government and this site can now destroy fluorocarbons recovered at other group companies in Thailand.

Ensuring No Leaks When Filling Air Conditioners with Refrigerant (Machinery Divisions)

During the air conditioner manufacturing process, we do everything possible to ensure no refrigerants (HFC, HCFC) leak during filling. These measures include the following:

- We inspect all pipes for leakage before refrigerant filling.
- If operation inspections show that a product must be fixed, we do so after recovering all the refrigerant from it.
- We take every precaution possible during refrigerant filling to ensure there are no leaks.


Recovering refrigerant

All this and other related work is done by certified technicians according to maintenance manual procedures.

TOPICS

Switching from HCFC to Helium Gas in the Inspection Process

To prevent refrigerant gas from leaking from air conditioners, all products are inspected for air-tightness during manufacturing using inspection gas.

For this inspection gas, the Daikin Group has gradually been switching from HCFC to helium, which does not deplete the ozone layer and is not a greenhouse gas. This means that even if a product is defective and leaks gas during inspection it will not harm the environment.

In the machinery divisions of the Daikin Group, where air conditioners are made, we have switched from HCFC to helium gas for inspections at 20 manufacturing bases around the world. With the switch to helium gas at the Sakai Plant in 2009, all Daikin plants in Japan no longer use HCFC as inspection gas. Before the end of 2010, we will phase out the use of HCFC at plants in Belgium, Thailand, and Shanghai and thus complete our worldwide switch to helium for inspection gas.

■ Inspecting for Refrigerant Leaks in the Air Conditioner Manufacturing Process

Daikin Industries carries out three inspections for refrigerant leaks during the residential air conditioner production process. This gives customers highly reliable products and prevents refrigerant emissions due to product defects.

1. Air-tightness and pressure resistance inspection
Before we insert refrigerant, we pump air at an extremely high pressure of 4.2 MPa to check for leaks at the welded sections, pipes, and other parts refrigerant passes through.

2. Gas leak inspection
After ensuring there are no leaks, refrigerant is sealed inside and a refrigerant detector is used to inspect all brazed parts.

3. Pre-delivery inspection
When the product is completed and packed, a refrigerant detector is once again used to ensure no refrigerant has leaked.

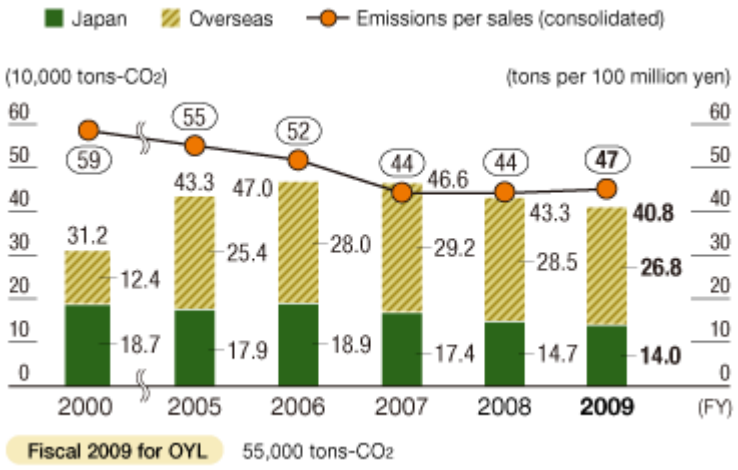
Reducing Energy-Induced CO_2

20% Reduction in CO_2 Emissions per Sales

In fiscal 2009, we made it a top priority to raise productivity and reduce energy loss. We reduced lead time to a minimum and boosted production efficiency in the air conditioner production process. In the Chemicals Division as well, the Production Innovation Project boosted efficiency (see Key Activities for details on page 51) and thus reduced energy loss.

As a result, Group CO_2 emissions in fiscal 2009 were down 25,000 tons over the previous year, and CO_2 emissions per sales were down 20%.

■ Total CO_2 Emissions, CO_2 Emissions per Sales



Terminology

CO_2 emissions per sales

The amount of CO_2 emitted by net sales. The lower this figure, the less CO_2 a company emits per unit of production and thus the more efficiently that company can make products.

TOPICS

Reducing Energy Use by the Accumulation of Small Efforts

Daikin employees do every little thing possible in their daily work to contribute to energy-efficient operation. At the Sakai Plant, unnecessary lights are turned off and conveyor belts are only run when needed.

We also have energy efficiency patrols going through factories to ensure that no energy is being wasted.

Dedicated Employees Monitor Electricity Used

At the Sakai Plant, specific employees in charge of monitoring the operation of equipment wear name tags. To make this system easy to remember and clear to everyone, Daikin named it "SEE," which stands for Safety Environment Eco.

Reducing CO_2 Emissions during Transportation

Increasing Direct Shipment Decreases CO_2 Emissions by 11% Over Fiscal 2005

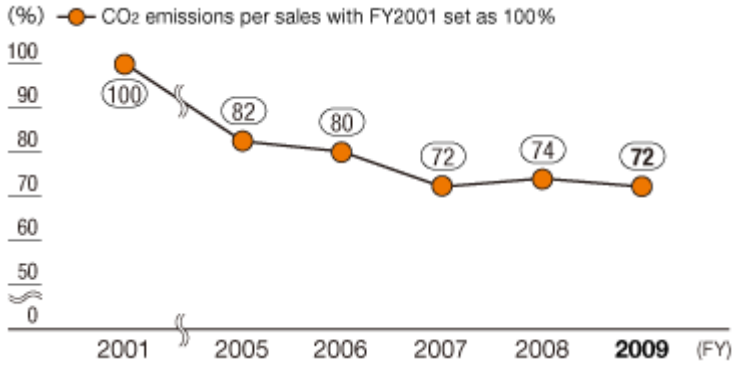
Daikin Industries set a goal of decreasing CO_2 emissions (per sales) from transportation by 10% in fiscal 2010 compared to fiscal 2005, and efforts to this end have included switching from trucks to trains and ferries.

In fiscal 2009, we placed two more containers than the previous year on the trains delivering our products, delivered directly from factory to customer, and shipped directly from overseas production sites to Japan. The result was an 11% decrease in CO_2 emissions per sales over fiscal 2005 in the transport of air conditioning products.

Reducing Other Environmental Impact during Transportation

- At manufacturing bases in Japan, we have replaced gasoline-powered forklifts for logistics with electric models.
- We are introducing more natural-gas-powered and other low-pollution vehicles for company cars. As of fiscal 2009 there were 11 natural gas vehicles.
- All vehicles driving at manufacturing bases turn off their engines when not moving to reduce exhaust fumes.

CO_2 emissions per sales from transportation (Air-conditioning)



Green Heart Factories

Three Plants and Daikin Sunrise Settsu Designated as Green Heart Factories

Daikin Industries strives to make its plants more environmentally conscious through an in-house certification system called Green Heart Factories. Those that score at least 85 points out of 100 on five criteria including reduction of greenhouse gas emissions are designated as Green Heart Factories.

In fiscal 2009, three Daikin plants (Shiga, Sakai, Yodogawa) and Daikin Sunrise Settsu were designated as Green Heart Factories.

Green Heart Factory certificate

Saving Energy at Overseas Bases

2009 Thailand Energy Award

Daikin Compressor Industries Ltd. (Thailand) won the 2009 Thailand Energy Award. Sponsored by Thailand's Ministry of Energy, the award goes to companies and organizations demonstrating outstanding energy savings or use of alternative energy.

Daikin Compressor Industries Ltd.(Thailand) was highly recognized in the following efforts.

- All employees contribute to energy savings.
- Major impact on reducing energy use and CO_2 emissions.
- Efficient operation of boilers and low-pressure compressors.
- Control of equipment parameters and temperature of washing devices.

The awards ceremony

Europe: Purchasing Green Energy

In Europe, Daikin Europe N.V., sales companies in France and Italy, and a chemical manufacturing base in the Netherlands purchase green energy. Green energy is generated by natural energy sources (wind power, hydro power, biomass, etc.) and produces minimal CO_2. Daikin uses green energy whenever possible to prevent the exhaustion of natural resources.

Green Energy certification (Italy)

China: Solar Power

Our manufacturing base in China uses a solar water heater, which gets its power from the sun's rays.

Daikin Air-Conditioning (Shanghai) Co., Ltd. applies infrared reflective coating to the roofs of its plant and warehouse to reflect heat from the sun. This prevents the inside of the buildings from getting too hot in summer and saves on air conditioning costs.


Solar water heater

China: Approximately 15,000 m^2 of Rooftop Greenery

In fiscal 2009, Daikin Air-Conditioning (Shanghai) Co., Ltd., with the cooperation of the municipal government, covered approximately 15,000 m^2 of rooftop space on its buildings with greenery, which acts as an insulator to reduce air conditioning burden and alleviate the heat island phenomenon.


Rooftop greenery is a natural insulator

Czech Republic: Sensitive to Electricity Savings

Daikin Industries Czech Republic s.r.o. is keeping employees constantly aware of how to save electricity. The company is eliminating excess energy use by monitoring power consumption on each line and in each room, as well as installing motion sensor lightings and having employees turn off equipment while on their break.

Recovering and Destroying Fluorocarbons from Customers' Air Conditioners

Recovery and Destruction Fluorocarbons from Customers' Air Conditioners

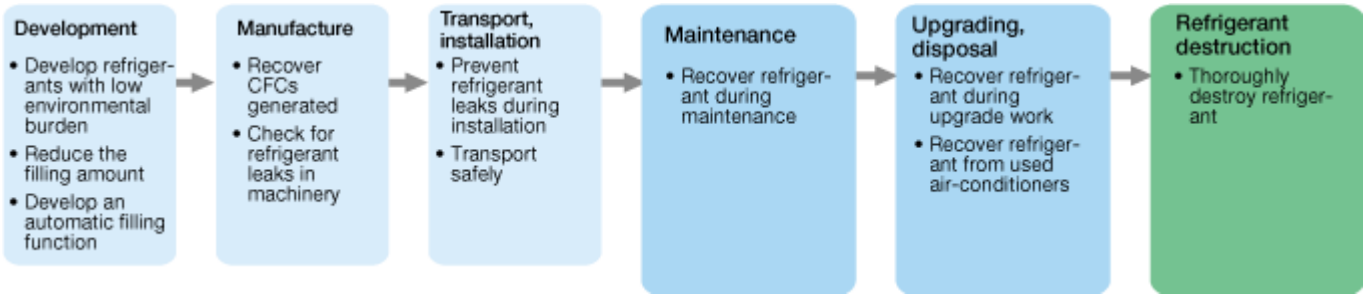
Thorough Recovery during Production, Maintenance, and Upgrading

The fluorocarbons used as refrigerants in air conditioners have a global warming impact that is approximately 2,000 times more than that of CO_2.

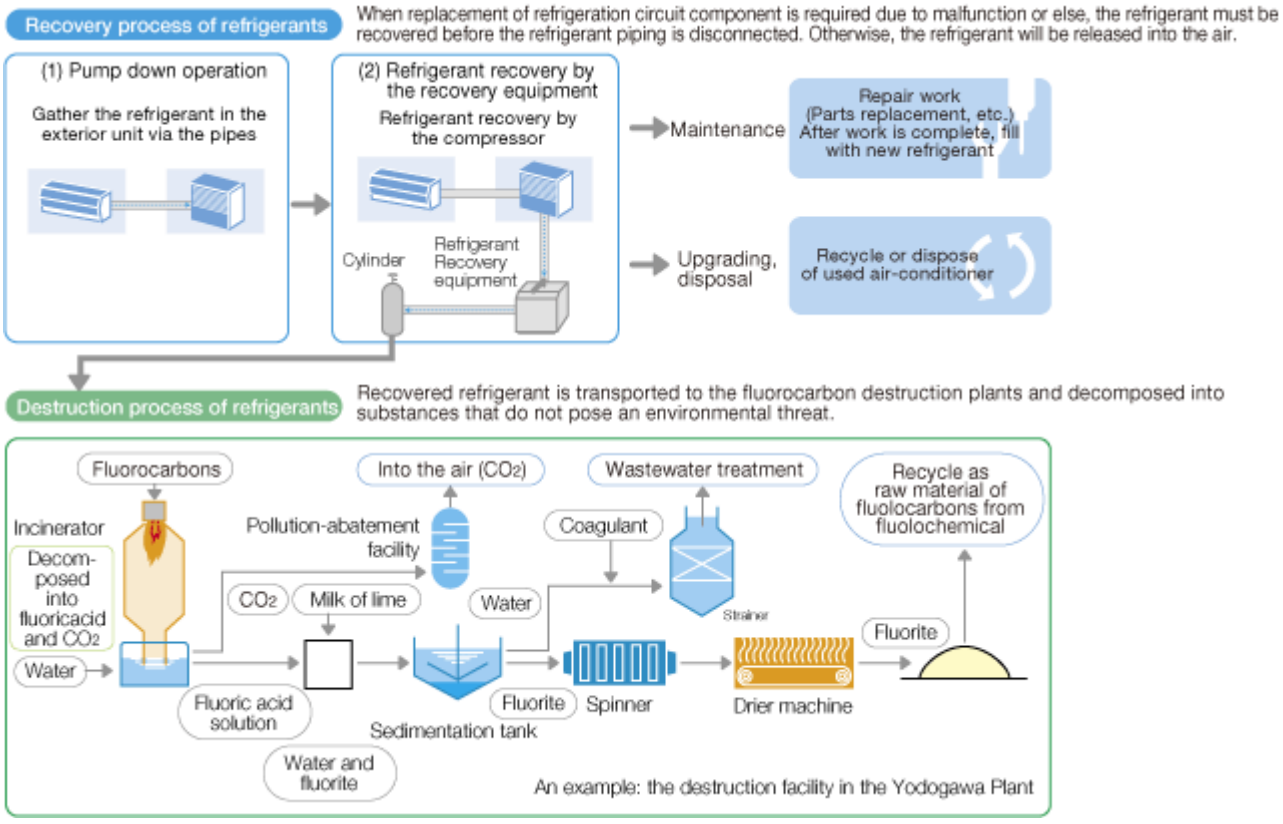
As an air conditioner manufacturer, Daikin has taken responsibility to prevent fluorocarbons from entering the atmosphere. We are also conducting research and development into refrigerants with a low global warming potential and preventing the release of refrigerants into the atmosphere during production and post-sales.

At all worldwide production bases, we recover and destroy refrigerants placed in air conditioners during testing and other processes. We also have destruction facilities in Japan and Thailand. During maintenance and upgrading of customers' air conditioners, the service or installation staff always start by thoroughly recovering the refrigerant.

■ Efforts to prevent environmental burden from CFC emissions



■ Recovery and Destruction of Refrigerants



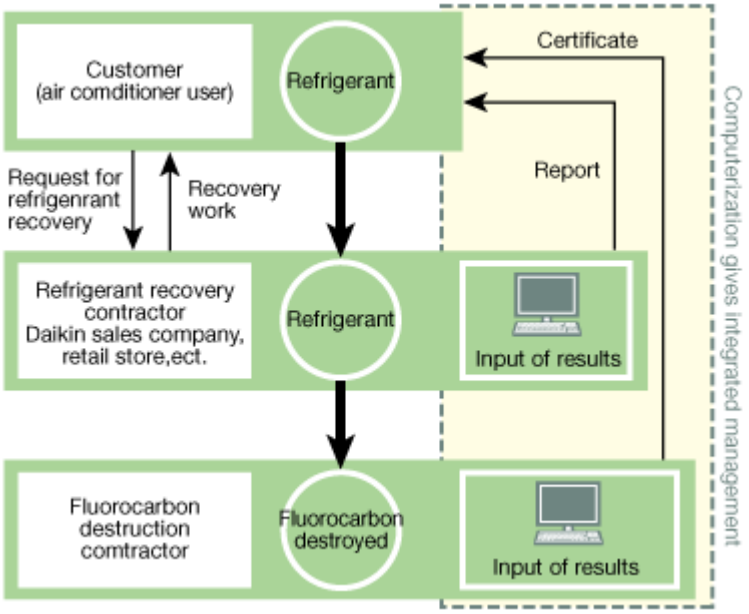
Refrigerant Recovery Network System

In Japan, we are thorough in our recovery of fluorocarbons (refrigerants) from commercial air conditioners. In September 2006, we created a network system for the integrated management of all information from recovery to destruction of refrigerants. By computerizing all previously written records, from amount of refrigerant recovered to amount destroyed, we have made it easier to accurately keep track.

The companies recovering and destroying the refrigerants add up the totals and these are reported annually to the prefectural governments in Japan. Because these reports can be generated from the system, these companies can work more efficiently.

■ Unified Management System of Refrigerant Recovery and Destruction

With each instance of refrigerant recovery, details such as the model of air conditioner and number of units, and the amount of refrigerant recovered, are entered into the electronic manifest. This makes it possible to get an accurate picture of the refrigerant recovery rate.



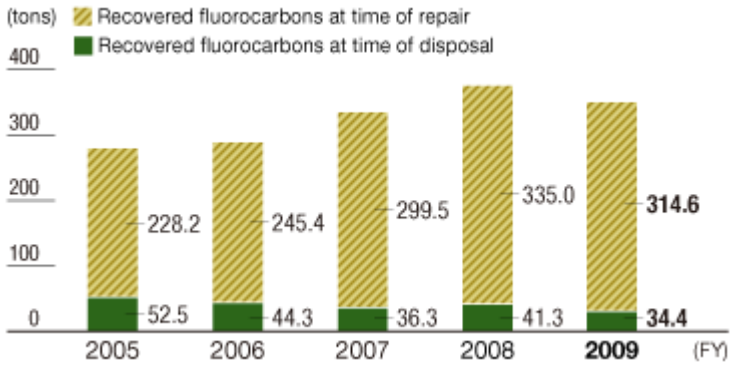
Recovery and Destruction 24 Hours a Day, 365 Days a Year (Fluorocarbon Recovery and Destruction Business)

We take requests from retailers and other businesses for the proper recovery and destruction of refrigerants. The Daikin Contact Center takes calls all day, every day, and the recovered refrigerants are taken to our Yodogawa Plant, Kashima Plant, or one of the contracted destruction facilities around Japan where they are properly destroyed.

In fiscal 2009, 349 tons of fluorocarbons were destroyed.

Fluorocarbon destruction facilities (Yodogawa Plant)

■ Recovered Fluorocarbons (at time of repair and at time of disposal)

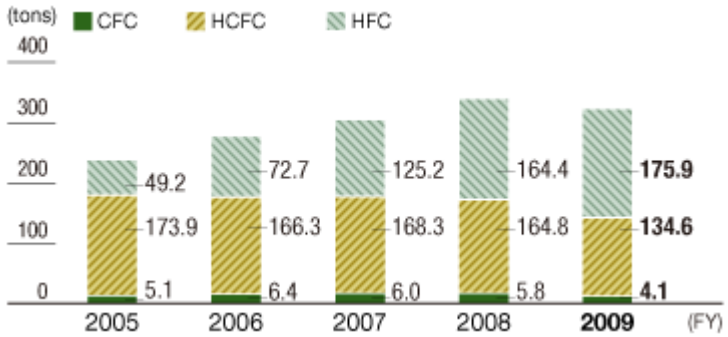


Maintenance Only After Thorough Recovery of Refrigerant

During the parts replacement that takes place during maintenance of air conditioners, refrigerant can leak out into the atmosphere. To prevent this, the Daikin Group has recovery equipment at service outlets across Japan that carry out such maintenance, and this equipment is used to recover refrigerant before any repair work begins.

In fiscal 2009, a total of approximately 315 tons of refrigerants were recovered at all service outlets.

■ Types of fluorocarbons recovered during maintenance (Japan)



Training for Refrigerant Recovery Personnel

The recovery of refrigerants requires special knowledge and skills. Daikin Industries provides the necessary training for the sales, technical, installation, and service staff who will be recovering refrigerants.

After one of these training programs, the technician training course, participants take a final test and if they pass are registered as refrigerant recovery technicians by the Refrigerants Recycling Promotion and Technology Center. In fiscal 2009, 1,910 people, mostly from retailers and installers, passed the test. Of all those registered as refrigerant recovery technicians in Japan, 43% took the Daikin technician training course.

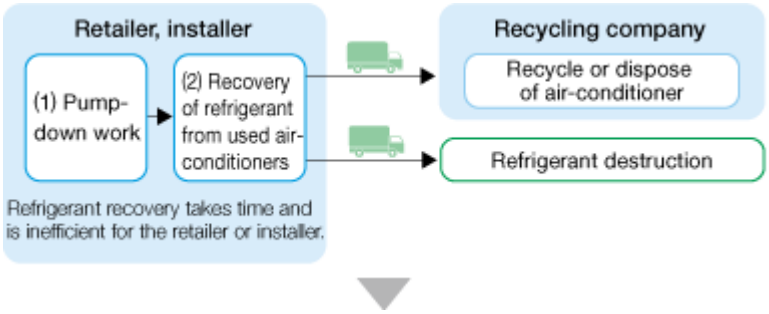
Training courses also include environmental education

Recycling System for Commercial Use Air Conditioners Covering Multiple Regions, System Properly Recovers and Destroys Refrigerants

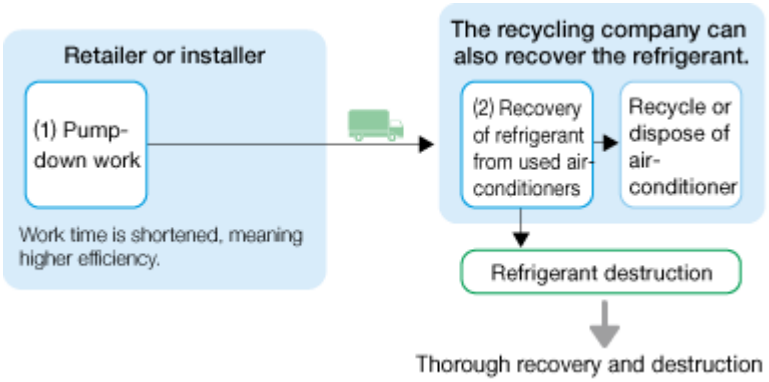
Under the Home Appliance Recycling Law, manufacturers are obligated to recover refrigerants, materials, and parts from used residential air-conditioners for recycling. But there is no similar law for commercial air-conditioners. For this and other reasons, manufacturers cannot get a clear picture of the recovery situation. While metallic materials are recycled, many manufacturers view recovery and destruction of refrigerants as economically unfeasible, which makes it difficult to build a system to do this.

Against this background, the Daikin Group is working with companies specializing in recycling, waste processing, and recovery and destruction of refrigerants in an effort to build a system for the proper recovery and destruction of refrigerants from commercial air-conditioners. This recycling system went into operation in fiscal 2004 in the Osaka, Chukyo, and Niigata districts of Japan and in fiscal 2005 in the Kyushu, Kanto, and Chugoku districts.

■ Conventional disposal process for commercial air-conditioners



■ New recycling system



Efforts Overseas

Training Personnel in Refrigerant Recovery and Installing Recovery Equipment

At the Daikin Europe Academy, training is held to teach the knowledge and skills needed to carry out refrigerant recovery. Course content is also in line with the EU regulations to prevent the release of refrigerants into the atmosphere.

In China and other parts of Asia, all service bases have refrigerant recovery equipment. As we recover refrigerants, we remind customers how important this activity is to environmental protection, irrespective of the cost.

Green Procurement

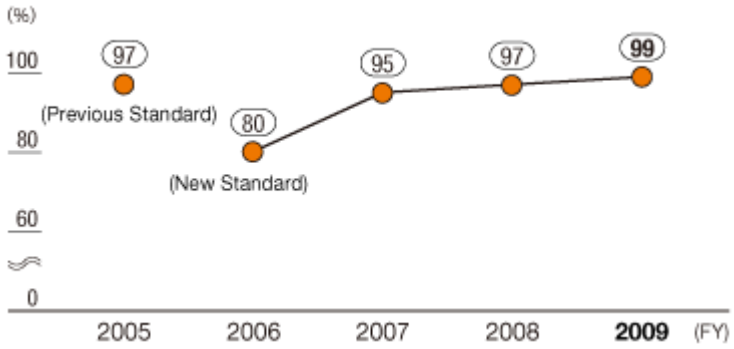
A Global Effort

Since fiscal 2000, the Daikin Group has been requiring suppliers in Japan to comply with the Green Procurement Guidelines in the procurement of materials and parts used in manufacturing. In fiscal 2009, Group companies in Japan had a green procurement rate of 99%.

To ensure maximum effectiveness of green procurement, we grade our suppliers on their environmental protection efforts and CO_2 emissions using criteria on a green procurement survey. Suppliers who fail to achieve these assessment criteria are visited and given guidance towards improvement.

Our production bases in Southeast Asia, China, and Europe also strive for green procurement. In fiscal 2009, green procurement rates were 97% in Thailand, 89% in China, 63% in Europe, and 85% in Oceania.

■ Green procurement rate (Japan)



■ Green Procurement Rate by Region (%)

	Japan	Thailand	China	Europe	Oceania
FY2008	97	85	79	69	-
FY2009	99	97	89	63	85

$$\text{Green procurement rate} = \frac{\text{Value of goods procured from suppliers who meet our assessment criteria}}{\text{Value of all goods procured}}$$

■ Overview of Green Procurement Guidelines, 5th Edition

Environmental Management Conditions for Suppliers

- Suppliers should have an ISO 14001-certified environmental management system
- Suppliers must themselves be carrying out green procurement
- Suppliers must have their own chemical substances management system

Product-Related Conditions

- Materials and parts delivered to Daikin should have no substances forbidden by Daikin
- Production processes should use no substances forbidden by Daikin
- Upon request, provide Daikin with information on the amount of chemicals contained, which part it is used in, why it is being used, and its toxicity.
- Voluntarily reduce the amount of chemicals for which Daikin requests reduction
- Reduce and optimize product packaging

Compliance with Restrictions on Toxic Chemicals

Managing Chemical Substances in Products

The Daikin Group has a list (shown below) of 30 substances not allowed in products, as well as SVHC (substances of very high concern) under the REACH Regulation, which will be added in future. Daikin requires suppliers to ensure that they comply with the Daikin Group Green Procurement Guidelines.

When the Green Procurement Guidelines were revised in October 2009, we updated the list of restricted substances and increased the number from 26 to 30.

■ Specified Chemical Substance List (for products)

Control levels	Substance name	
Prohibited	Hexavalent chromium compounds Lead and lead compounds Mercury and mercury compounds Tributyl tin oxide (TBTO) Tributyl tins (TBTs) compounds *1 Triphenyl tins (TPTs) compounds *1 Dibutyl tin compounds (DBTs) *1 Dioctyltin compounds (DOTs) *1 Polybrominated biphenyls (PBBs) Polybrominated diphenyl ethers (PBDEs) Deca-Bromodiphenylether (Deca-BDE) *2 Polychlorinated biphenyls (PCBs) Cadmium and cadmium compounds	Polychlorinated terphenyls (PCTs) *2 Polychloronapthalenes (C1=>3) Short chain chlorinated paraffins Perfluorooctane sulfonate (PFOSs) *3 F gas (HFC, PFC, SF6) *4 Asbestos Azocolourants and azodyes which form certain aromatic amines *5 Ozone depleting substances (other than HCFCs) *6 Radioactive substances Phenol,2-(2H-benzotriazol-2-yl)-4,6-bis(1,1-dimethylethyl) *2 Dimethlyfumarate (DMF) *7
Reduced	Vinyl chloride polymer (PVC) *8 Ozone depleting substances (only HCFCs)	
Managed	Beryllium oxide (BeO) *2 Phthalates (DINP, DIDP, DNOP) *2 Perchlorates *2 Nickel and nickel compounds *9 Brominated flame retardants (other than PBBs, PBDEs, HBCDDs) Formaldehyde *2 EU REACH Regulation (SVHC: substances of very high concern) group (Prohibited materials specified by this guideline are excluded) *10	

*1 The use of TBTs and TPTs is prohibited as of July 2010.
The use of DBTs will be prohibited as of January 2012 (January 2015 for certain substances).
The use of DOTs will be prohibited as of January 2012. However, only "Commodities that touch the skin" and "Two-component normal temperature silicone modules" will be prohibited.
*2 Materials added to JIG representation material (July 2009).
*3 The use of PFOSs is prohibited as of May 2009 under the POPs Agreement.
Prohibited as of April 2010 under Japan's Law Concerning the Evaluation of Chemical Substances (except for applications in semiconductors, etching, and business photographic film).
*4 The use of F gas (HFC, PFC, etc) is prohibited in one-component foams (except when required to meet national safety standards). (Banned in the EU starting in July 2008.) The use of F gas (HFC, PFC, etc.) is permitted for refrigerants.
*5 Limited to applications in azo dyes and pigments which constitute the specific amines defined by the German Consumer Goods Ordinance and which come into contact with the human body for long hours.
*6 The use of HCFC for the production of foams shall be prohibited, and the use as refrigerants for Japan and EU models shall also be prohibited.
*7 Use prohibited as of May 2009 (formerly used as a fungicide in leather products and furniture before being prohibited in the EU).
*8 There are fewer substances that can be used as PVC substitutes.
*9 In cases in which the nickel comes into contact with the human body for long hours.
*10 All SVHC (substances of very high concern) added in future shall be managed. Postscripts do not need to be added in future.

Traceability Information for REACH Substances

The REACH Regulation on chemical substances went into effect in Europe in June 2007. REACH obligates companies manufacturing or importing at least 1 ton of chemical substances a year in the EU to register with EU authorities. REACH covers almost all chemicals on the market in the EU.

In 2008, the Daikin Group completed preregistration for all chemical substances contained in products. We are now preparing for full registration through the building of systems and other measures.

Complete Elimination of All RoHS Directive Substances

The RoHS Directive (Restriction of Hazardous Substances Directive; full name is Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment) went into effect in July 2006, and restricts the use of six hazardous materials: lead, mercury, cadmium, hexavalent chromium, and two specified bromide fire retardants (polybrominated biphenyls (PBB) and polybrominated biphenyl ether (PBDE)). To this list, the Daikin Group added azo compounds to make seven substances that it prohibits in parts from suppliers. As of March 2006, Daikin had eliminated the use of all of these in relevant products for the European and Japanese markets.

If we suspect that RoHS substances are contained in parts, we examine them with a fluorescence spectrometer or conduct a survey of toxicity using the MSDS-Plus database.

Elimination of Substances Ahead of the Chinese Version of RoHS

In March 2007, the Management Methods for Controlling Pollution Caused by Electronic Information Products Regulation (China RoHS) was enacted. This directive specifies the same six substances (lead, mercury, cadmium, hexavalent chromium, specified bromide fire retardants) designated by the European RoHS Directive.

Although the directive does not cover air conditioners, the products that the Daikin Group is selling in China do not contain RoHS substances. And we are gradually introducing products without these substances in Southeast Asia, where there are still no equivalent regulations banning their use.

Compliance with J-Moss

We release information on the presence in our products of the six substances covered by J-Moss (the marking for presence of the specific chemical substances for electrical and electronic equipment). Daikin room air conditioners are covered by J-Moss.

Since 2001, Daikin has been determining and controlling chemical substances contained in products and we have stopped using substances specified under J-Moss. As a result, all models of our air conditioners (produced since July 2006) contain none of the substances exceeding the amounts under the standards.

We will continue to actively provide information about our environmentally conscious products so that we can offer customers a peace of mind when making purchases.

J-Moss

Also known as JIS C 0950, J-Moss is an abbreviation of "The marking for presence of the specific chemical substances for electrical and electronic equipment." J-Moss requires the labelling of electrical and electronic products containing six substances: lead, mercury, cadmium, hexavalent chromium, and two specified bromide fire retardants (polybrominated biphenyls (PBB) and polybrominated biphenyl ether (PBDE)). There are seven types of products covered: personal computers, unit air conditioners, TVs, electric refrigerators, electric washing machines, microwave ovens, and clothes dryers.

Daikin Products

The substances contained in Daikin room air conditioners are shown on the table below. Note that the room air conditioners shipped in Japan starting in 2007 bear the Japan's Green Mark eco-label.

Product type: Room air conditioner (interior/outdoor units)
Model: All models produced since in July 2006 (see note 3).

Class	Chemical substance code					
	Pb	Hg	Cd	Cr(VI)	PBB	PBDE
Manufactured parts	○	○	○	○	○	○
Refrigerant system parts	N/A	○	○	○	○	○
Electrical/electronic parts	N/A	○	○	○	○	○
Compressor	N/A	○	○	○	○	○
Refrigerant	○	○	○	○	○	○
Accessories	○	○	○	○	○	○

JIS C 0950:2008

Notes:
1. A " ○" symbol means that the substance contained does not exceed the allowable amount under the standard.
2. N/A means the substance is "not applicable" for labelling.
3. Models designated below.
Indoor unit: Wall mount, embedded ceiling cassette (single flow, double flow), embedded wall, built-in amenity, floor standing
Exterior unit: For the following: Pair type, System Pack, Multi-Split System, Wide Select Multi, Equipped with Hot Water Floor Heating function

Overview of J-Moss

Under Japan's Law for the Promotion of Effective Utilization of Resources, relevant equipment must meet J-Moss standards.
J-Moss (JIS C 0950)

The marking for presence of the specific chemical substances for electrical and electronic equipment

The marking for presence of the specific chemical substances for electrical and electronic equipment

Gist of the Standards

Indicating on labelling which of the specified chemical substances are contained in electrical and electronic equipment is meant to achieve the following:

- Management of chemical substances will be improved in all stages of the supply chain and life cycle.
- End consumers can easily understand the substances contained.
- It will lead to more effective use of resources and less impact on the environment.
- Spread the use of electrical and electronic equipment in which substances are properly controlled.

Products Covered

(1) Personal computers, (2) Unit air conditioners, (3) TVs, (4) Electric refrigerators, (5) Electric washing machines, (6) Microwave ovens, (7) Clothes dryers

Specified chemical substances

Chemical substance	Code	Standard for % by weight
Lead	Pb	0.1
Mercury	Hg	0.1
Cadmium	Cd	0.01
Hexavalent chromium	Cr(VI)	0.1
Polybrominated biphenyls	PBB	0.1
Polybrominated biphenyl ether	PBDE	0.1

Content Labelling

If the content of the specified chemical substance exceeds the standard values, its content must be indicated on the product itself, the packaging, and on catalogs and other documentation. This information must also be put on the company's Web site.

The content of some of the chemical substances does not need to be indicated on the labelling, and other chemical substances do not need to be indicated on labelling if they are below the standard value. However, these must still be shown on the company's Web site.

Label indicating substances contained in product

Green Mark Labelling

Electrical and electronic equipment whose content of the specified chemical substances does not exceed the standard values may bear Japan's Green Mark eco-label on the conditions stated in the Guidelines for Using the Green Mark for Specified Chemical Substances in Electrical and Electronic Equipment.

Note: The Guidelines are recognized by the following groups.
Japan Electronics and Information Technology Industries Association (JEITA)
Japan Electrical Manufacturers' Association (JEMA)
Japan Refrigeration and Air Conditioning Industry Association (JRAIA)

Green Mark

Management of Chemical Substances

Comprehensive Management of Chemical Substances

The Daikin Group carries out comprehensive management of the variety of chemical substances that it handles in production processes. Each substance is given a designation, such as "prohibited" for production or use, or "reduced" as far as the amount emitted.

■ Chemical Substances Management Guidelines (Factory Version)

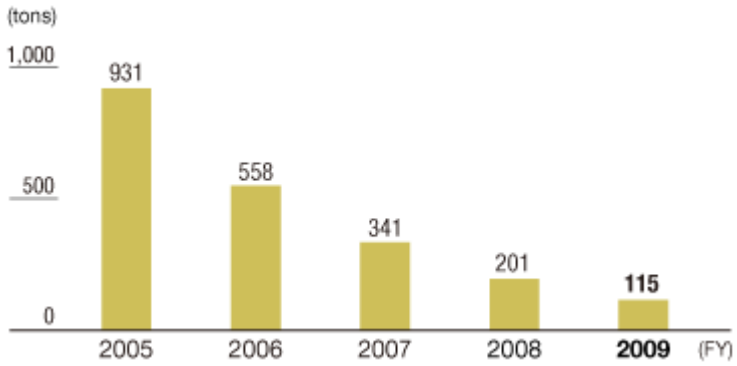
Control levels	Examples of substances
Prohibited	PCB, polychloronapthalenes, cadmium, hexavalent chromium, lead, etc. (15 substances)
Eliminated	Vinyl chloride polymer (PVC), HCFC (two substances)
Reduced	Phthalates, antimony, arsenic, beryllium, etc. (nine substances)

Compliance with the PRTR Law

The Daikin Group set a target of reducing PRTR substances by 50% in fiscal 2010 compared to fiscal 2005, and in fiscal 2007 we achieved this, three years ahead of schedule.

When Japan's PRTR Law was revised in October 2009, a large number of chemicals were added to the list of restricted substances. In response, Daikin is working to determine the amounts of these new substances that were used so it can properly document this in its fiscal 2010 report.

■ Emissions of PRTR Substances (Japan)



Terminology

PRTR Law (Pollutant Release and Transfer Register (PRTR) Law)
Enacted in Japan in 1999, the PRTR Law is a legal framework in Japan for the calculation and publicizing of the amounts of certain hazardous chemical substances that are emitted or transferred as waste into the environment (air, water, and soil) or into public sewage systems. Other countries have similar regulations. The PRTR Law was revised in 2009.

Compilation of PRTR Substances in Fiscal 2009 (PRTR substances of which at least 1 ton was handled)

Substance name	Amount emitted(tons)			Amount transported (tons)	
	Air	Public waterways	Soil	Waste	Sewage
Tetrafluoroethylene	42.24	0.00	0.00	0.00	0.00
Chlorodifluoromethane (also called HCFC-22)	38.54	0.00	0.00	4.53	0.00
Dichloromethane (also called methylene chloride)	27.68	0.00	0.00	0.06	0.00
Toluene	2.70	0.00	0.00	0.34	0.00
1,1-dichloro-1-fluoroethane (also called HCFC-141b)	1.93	0.00	0.00	0.81	0.00
Xylene	0.78	0.00	0.00	0.70	0.00
Chloroform	0.67	0.00	0.00	1.30	0.00
Ethylbenzene	0.28	0.00	0.00	0.00	0.00
1-chloro-1,1-difluoroethane (also called HCFC-142b)	0.24	0.00	0.00	0.00	0.00
Hydrogen fluoride and other water-soluble salts	0.17	0.00	0.00	57.00	0.00
1,1,1-trichloroethane	0.05	0.00	0.00	0.00	0.00
2-aminoethanol	0.02	0.00	0.00	4.36	0.00
Acetonitrile	0.01	0.00	0.00	2.10	0.02
N,N-dimethylformamide	0.00	0.00	0.00	6.30	0.00
Carbon tetrachloride	0.00	0.00	0.00	0.00	0.00
Polyoxyethylene alkyl ether (those whose alkyl group carbon number is between 12 and 15, or compounds of these)	0.00	0.00	0.00	18.00	0.11
Acrylic acid	0.00	0.00	0.00	14.00	0.00
Antimony and antimony compounds	0.00	0.00	0.00	3.20	0.00
Polyoxyethylene octyl phenyl ether	0.00	0.00	0.00	2.10	0.01
Hydroquinone	0.00	0.00	0.00	1.90	0.00
Allyl alcohol	0.00	0.00	0.00	1.10	0.00
Water soluble lead compounds	0.00	0.00	0.00	0.72	3.00
Ethylene glycol	0.00	0.00	0.00	0.33	0.00
Polycondensates of 4,4-isopropylidene diphenyl and 1-chloro-2,3-epoxypropane (also called bisphenol A epoxy resin) (only in liquid state)	0.00	0.00	0.00	0.10	0.00
Molybdenum and molybdenum compounds	0.00	0.00	0.00	0.00	0.00
2-Chloro-1,1,1,2-tetrafluoroethane (also called HCFC-124)	0.00	0.00	0.00	0.00	0.00
Styrene	0.00	0.00	0.00	0.00	0.00
Bis (hydrogenated tallow) dimethylammonium chloride	0.00	0.00	0.00	0.00	0.00
Methacrylic acid, 2-ethylhexyl ester	0.00	0.00	0.00	0.00	0.00
Total	115	0	0	119	3

Reducing Waste

Definition of the Daikin Group's Zero Waste

The Daikin Group's zero waste goal is an effort to landfill or incinerate (but not for heat recovery) less than 1% of all waste from production processes overseas (0.5% in Japan) and to recycle at least 99% overseas (99.5% in Japan).

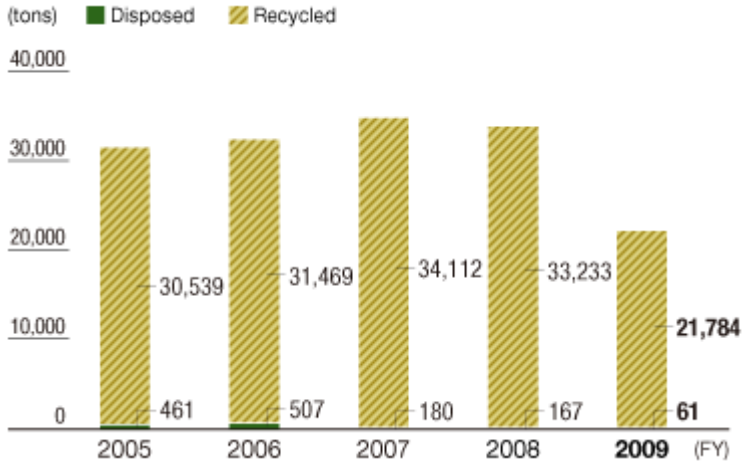
Eight Overseas Production Subsidiaries Achieve Zero Waste

By fiscal 2005, all Daikin Group manufacturing bases in Japan had achieved zero waste (at least a 99.5% recycling ratio).

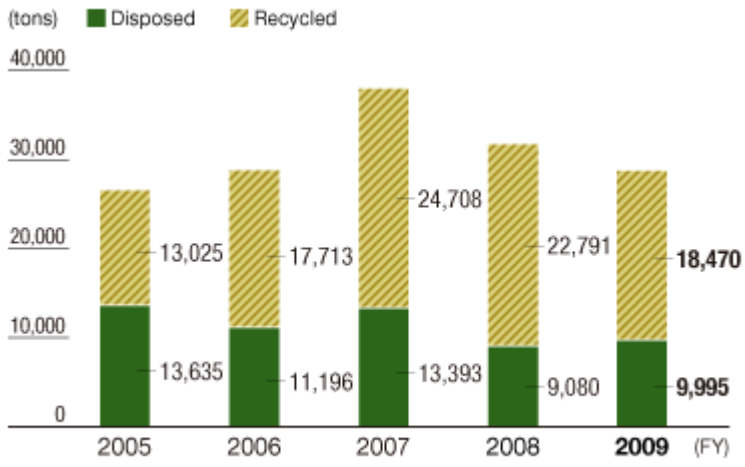
Overseas companies have been working to reduce waste and as of the present, eight overseas production subsidiaries, including Daikin Thailand and Daikin Europe, have achieved zero waste (at least a 99% recycling ratio).

Separating garbage in efforts to achieve zero waste (Daikin Thailand)

Amount Recycled and Amount Disposed of (Japan)



Amount Recycled and Amount Disposed of (Overseas)



Fiscal 2009 for OYL: Disposed 1,235 tons, Recycled 16,310 tons

TOPICS

Recycling Grinding Sludge

Daikin Compressor Industries Ltd. (DCI; head office: Thailand), the manufacturing base for compressors for residential air-conditioners, mixes the sludge from grinding and the cutting debris from casting, dries the mixture out, compresses it, and recycles it as casting material.

Recycling Wooden Palettes

The Shiga Plant has been procuring an increasing amount of materials and parts from overseas and these have been accompanied by an increasing number of pallets.

The plant tried to figure out how to recycle these pallets and came up with the idea of making them into charcoal, which is now used as deodorizing agent in the deodorizing equipment on painting lines.

Absorption deodorizer

Crushing wooden palettes

Making charcoal (activated charcoal)

TOPICS

Reducing Waste by the Accumulation of Small Efforts

Daikin employees do every little thing possible in their daily work to reduce the amount of waste generated. The Sakai Plant reuses buffer material in product packaging. The Shiga Plant has reduced the amount of wood waste by 75% by reusing this valuable resource whenever possible. And it has reduced the water content of sludge after wastewater treatment by approximately 20%. Daikin will take these successes to other bases, while at the same time starting new efforts such as separating plastics so as to make greater use of recycled materials.

The Chemicals Division incinerates waste on site to create raw materials that can be used.

Using Water Resources

We compile data on amount of water used and emitted as waste water.

Environmental Impact: The Big Picture (See page 64)

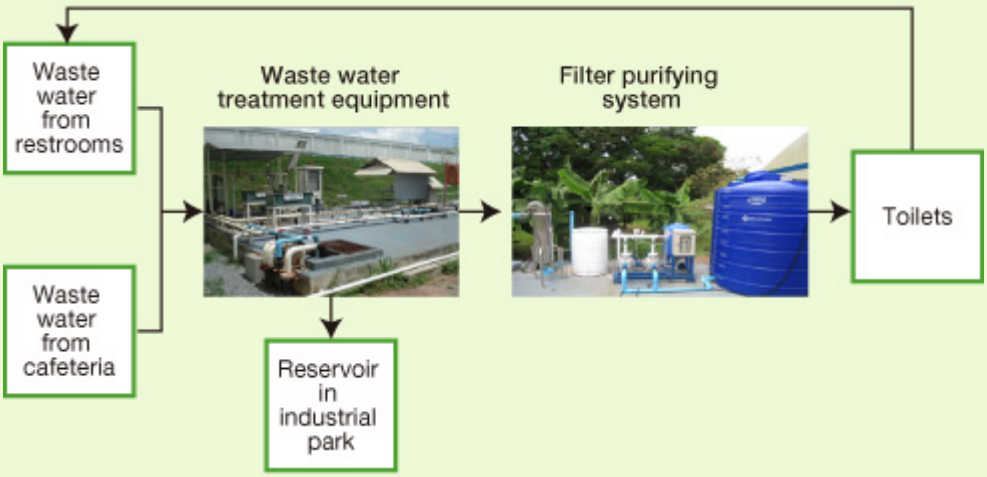
Each plant measures the substances contained in waste water.

Site Report (http://www.daikin.com/csr/environment/site_data/index.html)

TOPICS

Recycling Sewage

Daikin Compressor Industries Ltd. (Thailand) (DCI) has installed a new filter system on the water treatment equipment for waste water from the cafeteria and restrooms. This waste water can be made as clean as industrial-use water and is used for the company toilets.



Environment
Environmental Management

We are striving to strengthen environmental audits, eliminate environmental risks, and provide environmental education with the aim of establishing the integrated group environmental management system.

Environmental Management System

ISO 14001 Certification at All the Major Bases around the World

A common goal of the entire Group is to build and operate ISO 14001-based environmental management systems (EMS) that will boost our environmental activities.

In Japan, all Daikin bases and subsidiaries come under an integrated EMS. We are currently working to establish an EMS that encompasses the systems at all worldwide bases.

The creation of environmental management systems is also proceeding at companies in the OYL Group, which joined the Daikin Group in 2006.

Read more

(See page 121)

- Environmental Management System
  - System Driving Environmental Management
  - Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification
  - Daikin bases certified for ISO 14001 (Japan, overseas)
- Global Environmental Meetings

Environmental Audits

Internal Auditors Conduct Strict Audits

The Daikin Group has regular annual environmental audits: internal audits by Daikin itself and audits by third-party certification institutes. These help us check and constantly improve the functioning of our systems.

Read more

(See page 125)

- Environmental Audits
  - Fiscal 2009 report from audits

Environmental Risk Management

Audits and Regular Disaster Drills Reduce Environmental Risk

A company-wide internal environmental auditing team carries out regular legal audits once a year to ensure environmental risk is kept to a minimum.

If any accidents or calamities should occur, manufacturing bases and production subsidiaries are prepared to deal with the problem thanks to regular disaster drills for all employees.

Read more

(See page 126)

- Environmental Risk Management
  - Disaster Drills Overseas
- Monitoring Environmental Standards
- Measures for Soil and Groundwater Pollution
- Storage and Treatment of PCBs

Environmental Accounting

In FY2009, we spent 5% more on research and development related to energy efficiency and refrigerants

Environmental accounting gives a quantitative representation of the costs and effects of environmental measures and constitutes an important item of environment information. As well, it is a tool for managing the overall environmental impact of our global group and for coming up with the most efficient and effective ways to reduce this impact.

Read more

(See page 128)

- Environmental Accounting
  - Accounting Method
  - Breakdown of environmental conservation costs
  - Cost of environmental conservation
  - Effects of environmental conservation
  - Economic benefits of environmental conservation efforts (monetary benefits)

Environmental Education

E-learning Boosts Environmental Awareness

The Daikin Group has a variety of environmental education programs that get employees to take action by deepening their understanding of things like environmental management systems and Daikin's effect on the environment.

Part of this education is done via e-learning over our intranet for employees both in Japan and overseas.

Read more

(See page 131)

Environmental Management System

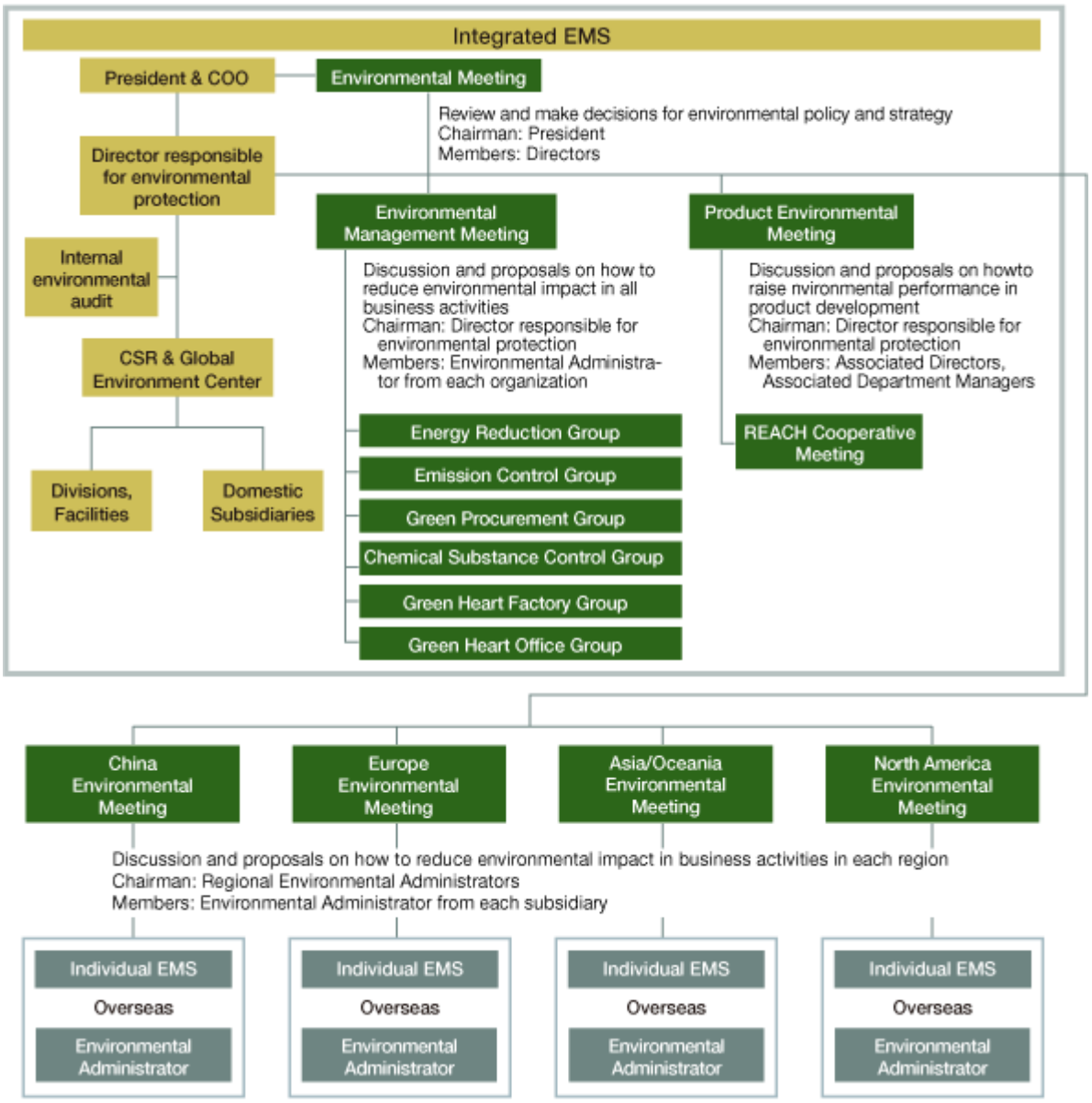
Creating Integrated Group Environmental Management

The diagram below shows the organization for the Daikin Group's environmental management.

Overseas, environmental meetings are held once a year in each of four regions (Europe, North America, China, and Asia/Oceania). Besides sharing Group policy and medium and long-term targets, these meetings allow attendees to share a variety of information with the aim of achieving an integrated group environmental management system.

The creation of environmental management systems is also proceeding at companies in the OYL Group, which joined the Daikin Group in 2006.

■ System Driving Environmental Management



Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification

History of Integrated EMS

In 1996, individual production bases in the Daikin Group in Japan began creating and operating their own EMS for the sake of environmental protection. Sites created and operated their own EMS based on the characteristics of their business and regions because at that time environmental protection was mainly aimed at preventing pollution such as air and water pollution.

But as society underwent changes, Daikin realized that environmental protection activities are an integral part of its business and management. In 2002, Daikin came out with a policy that advocated the integration of environmental and business activities and the full-fledged pursuit of environmental management. In order to incorporate measures that would make this policy common to the entire Group, the individual EMS of the various bases and subsidiaries had to be consolidated into an integrated EMS.

We thus began creating an EMS that would integrate the bases and subsidiaries (including non-production bases and subsidiaries), and in March 2004 all bases and subsidiaries (including non-production bases) in Japan received integrated certification for ISO 14001. This has given us a system for conducting environmental management across the entire group in Japan, including non-production bases such as sales companies.

Global Environmental Meetings

Boosting Environmental Action by Sharing Information and Discussing Challenges

To ensure the continuous improvement of the Daikin Group's environmental management, environmental meetings are held once a year in four regions (Europe, North America, China, and Asia/ Oceania). These meetings allow attendees to share Group policy and medium and long-term targets, as well as a variety of other valuable information.

An environmental meeting in North America

Daikin bases certified for ISO 14001 (Japan, overseas)

Daikin bases certified for ISO 14001 (Japan)

Japan	1996: Daikin Industries Group in Japan*

* Sakai Plant certified in October 1996. Certification followed at Daikin Industries' bases and domestic manufacturing subsidiaries. In March 2004, certification for the Daikin Industries Group in Japan was upgraded to integrated certification.

Certification for Overseas Subsidiaries (as of March 2010)

Date	Subsidiary certified
Sep. 1997	Daikin America, Inc.
Feb. 1998	Daikin Industries (Thailand) Ltd.
Feb. 1998	Daikin Europe N.V.
Nov. 2001	Xi'an Daikin Qing'an Compressor Co,. Ltd.
Nov. 2001	Daikin Air-Conditioning (Shanghai) Co., Ltd.
Jun. 2002	Daikin Fluoro Coatings (Shanghai) Co,. Ltd.
Nov. 2002	Daikin Air-Conditioning (Shanghai) Co., Ltd., Huizhou Branch
Jan. 2004	Daikin Airconditioning (Thailand) Ltd.
Jan. 2004	Daikin Chemical Netherlands B.V.
Jan. 2004	Daikin Airconditioning Germany GmbH
Jun. 2004	Daikin Airconditioning Spain S.A.
Dec. 2004	Daikin Airconditioning France S.A.S.
Dec. 2004	Daikin Compressor Industries, Ltd.
Jan. 2005	Siam Daikin Sales Co.,Ltd.
Jan. 2005	Daikin Airconditioning Central Europe
Feb. 2005	Daikin Airconditioning Poland Sp. zo.o
Feb. 2005	Daikin Airconditioning Italy S.p.A
Mar. 2005	Daikin Trading (Thailand) Ltd.
Mar. 2005	Daikin Airconditioning (Singapore) Pte. Ltd.
Apr. 2005	Daikin Asia Servicing Pte. Ltd.
Apr. 2005	Daikin Airconditioning Belgium N.V.
Dec. 2005	Daikin Airconditioning U.K., Ltd.
Dec. 2005	Daikin Device (Suzhou) Co., Ltd.
Jan. 2006	Daikin Chemical France S.A.S.
Jun. 2006	Daikin Industries Czech Republic s.r.o.
Jul. 2006	Daikin Fluorochemicals (China) Co., Ltd.
Sep. 2006	Daikin Motor (Suzhou) Co., Ltd.
Oct. 2006	Daikin Australia Pty., Ltd.
Dec. 2006	Daikin Airconditioning India Pvt. Ltd.
May. 2007	Daikin (China) Investment Co., Ltd.
Aug. 2007	Daikin Airconditioning (Malaysia) Sdn., Bhd.
Aug. 2007	Daikin Airconditioning (Hong Kong) Ltd.
Nov. 2007	Daikin Air-Conditioning Technology (Shanghai), Ltd.
Dec. 2007	Daikin Air-Conditioning Technology (Beijing), Ltd.
Dec. 2007	Daikin Air-Conditioning Technology (Guanghou), Ltd.

Date	Subsidiary certified
Jan. 2008	Cri-Tech Inc.
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Shanghai Branch
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Beijing Branch
Feb. 2008	Daikin Fluorochemicals (China) Co., Ltd., Guangzhou Branch
Mar. 2008	Daikin America, Inc. (Orangeburg)
Jun. 2008	Daikin Chemical Europe GmbH
Jul. 2008	Daikin Device Czech Republic s.r.o.
Sep. 2008	Daikin Airconditioning Portugal S.A.
Jan. 2009	Daikin Airconditioning Greece S.A.

Certification for OYL Group Companies

Date	Company certified
Nov. 2004	Shenzhen McQuay Air Conditioning Co., Ltd.
Mar. 2007	OYL Technology Sdn. Bhd.
May. 2007	McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.
Jul. 2007	PT. OYL Sentra Manufacturing
Dec. 2007	O.Y.L. Manufacturing Co. Sdn. Bhd.
Jan. 2008	AAF (Shenzhen) Co., Ltd.
Jan. 2008	AAF (Suzhou) Co., Ltd.
Jun. 2008	McQuay Suzhou
Nov. 2008	OYL Research & Development Centre Sdn Bhd
Jan. 2009	American Air Filter Manufacturing Sdn Bhd
Mar. 2009	OYL Steel Centre Sdn Bhd
Jun. 2009	OYL Condair Industries Sdn Bhd
Aug. 2009	J&E Hall Refrigeration Sdn Bhd
Jan. 2010	J&E Hall Limited (United Kingdom)
Jan. 2010	McQuay Italia S.p.A.(Italy)
Jan. 2010	McQuay (Faribault)
Jan. 2010	McQuay (Owatonna)

Environmental Audits

Audit by Internal Auditors and Third-Party Institutes

The Daikin Group has regular annual environmental audits performed by internal auditors and third-party certification institutes. This lets us know if our EMS is working as it should and helps us improve.

In fiscal 2009, 57 internal auditors carried out thorough audits, and confirmed that the new system that we introduced in fiscal 2007 was firmly established and working effectively.

Fiscal 2009 report from audits

	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non-conformance	3	0
Minor non-conformance	99	1
Items improved	214	10

Violations

Details of fiscal 2009	Details
No violations	There were no violations of environmental laws or regulations

Training Internal Auditors

There are currently 57 internal auditors undergoing training and skills improvement. New and experienced auditors work in pairs so as to pass on skills from one generation to the next. Internal auditors also improve their skills through training once a year.

Environmental Risk Management

Compliance with Environmental Laws and Regulations

Once a year, the Daikin Group has company-wide environmental auditing teams conduct audits to check for legal compliance and ensure there are no environmental risks.

We have systems in place that allow us to minimize environmental damage if there should be an accident or calamity at the production site of Daikin or a subsidiary.

We also maintain close relations with neighborhood associations through factory tours and other activities so that we can have a joint system of emergency measures with local communities.

Drill to practice putting up an emergency oil fence (Shiga Plant)

Regular Emergency Drills Keep Daikin Ready
Joint System of Emergency Measures with Local Communities

We have systems in place that allow us to minimize environmental damage if there should be an accident or calamity at the production site of Daikin or a subsidiary. The Chemicals Division and machinery divisions created the Disaster Prevention Manual, which details how to deal with emergencies like chemical and oil leaks. The manual is the basis for regular emergency drills. In fiscal 2009, we held regular drills that prepare us for emergencies such as oil leaks.

In the Air Conditioning Manufacturing Division, we have a business continuity plan (BCP) so that we can get our company up and running in case there is an earthquake or other disaster.

We are looking into creation a system for warning and evacuation in case a disaster occurs at night, as well as planning drills for such a system.

We also consider it a top priority to guarantee the safety of those people living near our factories. Our Yodogawa Plant is particularly close to residential neighborhoods, so we use risk assessment to minimize environmental risks. We also maintain close relations with neighborhood associations through factory tours and other activities with the aim of having emergency measures in cooperation with local communities.

TOPICS

Disaster Drills Overseas

Daikin's overseas manufacturing bases hold drills to ensure safety and security at all times.

Daikin Fluoro Coatings (Shanghai) Co., Ltd. holds drill in preventing chemical leaks

Daikin Industries (Thailand) Ltd. holds a disaster prevention drill

Daikin Motor (Suzhou) Co., Ltd. holds drill in dealing with oil leaks

Reducing PFOA Emissions in Fluorochemical Products
Accelerating the Switch to Substitutes to Totally Eliminate PFOA by 2012

The Daikin Group is working towards its target of totally eliminating the use of PFOA (a fluorine compound that persists indefinitely in the environment) by 2012. PFOA is used in the production of fluorochemical products and is present in minute quantities in some products.

For details, see Reducing PFOA Emissions (Page 89)

Monitoring Environmental Standards

Strict Management at Manufacturing Bases Exceeds Legal Restrictions

The Daikin Group controls air and water pollution, as well as noise and vibration, using voluntary standards that are stricter than national and local government standards. We have set control values at approximately 60% of legal standards, and we regularly measure our various environmental impacts and work to either prevent or decrease them.

Monitored environmental data for Daikin Industries' four manufacturing bases is on the Daikin Web site.

Site Report (http://www.daikin.com/csr/environment/site_data/index.html)

Measures for Soil and Groundwater Pollution

Groundwater Cleanup Continues at Kashima Plant

In 2000, the concentration of organic chlorine-based compounds in groundwater at the Kashima Plant was found to exceed environmental standards. We therefore removed and cleaned the contaminated soil, pumped out and cleaned the groundwater, and took precautions to prevent pollution from spreading to outside the plant and to remediate all types of pollution.

Thanks to improvements in purification facilities, in fiscal 2009 the concentration of pollutants in the groundwater and soil continued to decrease. However, the cleanup will still take time and we will continue these efforts.

Storage and Treatment of PCBs

Strict Management of Equipment Containing PCBs

Daikin abides by national laws in properly managing equipment containing PCBs (polychlorinated biphenyls). We have already planned for the disposal of some of this equipment through early registration with the Japan Environmental Safety Corporation (JESCO).

Daikin's Storage of PCBs

Plant	Details
Shiga Plant	5 condensers, 126 fluorescent ballasts
Sakai Plant	4 ballasts, 36 liters of additional insulating oil
Yodogawa Plant, Kashima Plant	12 condensers, 476 ballasts

All of the above is stored in special storage containers in dedicated warehouses.

Environmental Accounting

Daikin's Environmental Accounting Philosophy

Daikin believes that environmental accounting, a measure of the cost and effectiveness of environmental efforts, is a vital part of the environmental information we provide, as well as an important tool in our environmental management.

Environmental accounting is thus the basis for the Daikin Group's efforts to most effectively and efficiently lessen the worldwide environmental impact of its worldwide business activities.

FY2009 Environmental Accounting Figures

Total environmental protection costs in FY2009 were ￥15.7 billion (investment in equipment: ￥3 billion; expenses: ￥12.7 billion), up 5% over the previous year. Research and development costs accounted for 69% of this.

For the air-conditioner business, we focused our R&D efforts on developing technologies for energy efficiency and refrigerants. Amidst rising concern about global warming, we have been developing basic technologies and equipment in a number of areas including inverters for improving air conditioner energy efficiency and heat pumps for use in space and water heating.

■ Accounting Method

The costs and effects of Daikin's environmental efforts were calculated based on the Environmental Accounting Guideline 2005 released by Japan's Ministry of the Environment.

Costs of Environmental Conservation

Expenses include labor costs but not depreciation expenses for investment in facilities. The expenses not full allocated to environmental protection were proportionally divided and totaled according to a relevant Daikin standard.

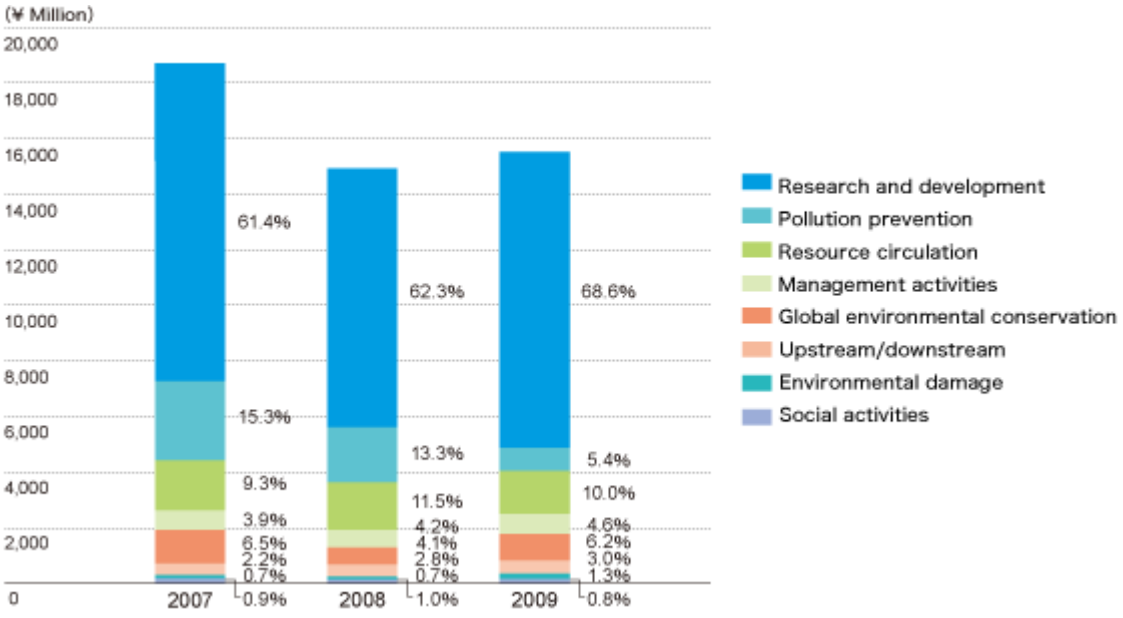
Effects of Environmental Conservation

Please see the relevant page for details of each item.

Economic Benefits of Environmental Conservation Efforts

The environmental conservation effects and economic benefits were calculated by comparing the adjusted output to the previous fiscal year.

■ Breakdown of environmental conservation costs (% of total)



Environmental Accounting in Internal Management

For some time now, we have been working to incorporate environmental accounting into our internal management. Currently, the level of investment in environmental protection and investment efficiency are assessed against trends, other companies, and other divisions in our company. The results are used to develop methods for making investment decisions. By prioritizing our environmental protection efforts, the worldwide Daikin Group can achieve more efficient use of environmental investment and more efficiently reduce environmental impact.

As part of these efforts, we are considering introducing an integrated assessment index for environmental impact; and material cost accounting, which we use to assess the cost of things like materials used and energy lost in production processes.

■ FY2009 environmental costs

(¥ million)

Cost of environmental conservation					
Category	Major activities	FY2008		FY2009	
		Amount of equipment invested	Expenses	Amount of equipment invested	Expenses
Cost in business area		1,370	2,948	810	2,600
1. Pollution prevention	Introduction, maintenance, and management of pollution prevention facilities/equipment, expenses for measurement/analysis of air pollution control, water pollution control, vibration, and noise.	948	1,040	239	611
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	326	291	511	469
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	96	1,617	60	1,520
Upstream/downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	119	300	28	446
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	30	604	24	705
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	2,090	7,230	2,185	8,602
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	5	150	0	122
Environmental damage	Costs for purification of polluted groundwater and soil.	2	108	0	205
Total		3,618	11,340	3,047	12,680
Total of investment in facilities within the period			60,600		28,400
Total of investment in R&D activities within the period			30,500		28,200

Effects of environmental conservation				
Effects			FY2008 figures	FY2009 figures
Effects corresponding with costs within business area	1. Effects of the resources used for business activities	Energy consumption	▲4,000 tons	▲65,315 tons
		Reduction in water consumption	▲77,000m3	▲1,173,562m3
	2. Effects against environmental impacts and waste resulting from business activities	Reduction in NOx emissions Reduction in SOx emissions Reduction in VOC emissions Reduction in fluorocarbon emissions Reduction in total COD of drain water Reduction in nitrogen Reduction in phosphorous emissions	▲3 tons 8 tons 96 tons 179 tons ▲12 tons ▲3 tons 0.3 tons	▲54 tons 1 tons 8 tons 53 tons ▲202 tons 19 tons 0.4 tons
		Reduction in waste materials	3,241 tons	▲2,738 tons
Effects to upstream/ downstream costs	Effects associated with benefits and services that are calculated and based on business activities	Number of residential air conditioners collected Amount of fluorocarbons recovered Amount of packaging material recycled	143,000 units 376 tons 36.3 tons	170,000 units 349 tons 129.1 tons

(¥ million)

Economic benefits of environmental conservation efforts (monetary benefits)			
Effects		FY2008	FY2009
Profit	Profit from sale of recycled waste	773	328
Reduction in expenses	Reduction in energy expenses resulting from energy conservation efforts	▲201	30
	Reduction in waste disposal expenses resulting from resource conservation or recycling resources	▲142	20

Environmental Education

Environmental Education that Leads to Employee Awareness and Action

Be it through educational or on-the-job opportunities, the Daikin Group promotes employee awareness of how our business affects the environment to encourage employees to take positive action for its preservation.

In Japan, we hold e-learning on the intranet once a year in order to enhance employees' understanding about the environmental issues most important to Daikin. We have an in-house environmental newsletter that introduces actions that each company division are taking. The intranet and Daikin newsletter also provide the useful tips to reduce the environmental impact at home such as how to save electricity and water usage.

To coincide with World Environment Day on June 5, since fiscal 2008, Daikin has had a range of environmental activities at the company and employees' homes. In fiscal 2009, 11,564 employees, or about 90% of all employees, took part. Daikin managed to reduce CO_2 emissions by 34 tons through activities including taking public transportation to work instead of driving, having all employees leave work at an appointed time and turning off lights and air conditioners, and using reusable tote bags for shopping.

■ Results in 2009

In-house environmental newsletter

E-learning textbook

Daikin newsletter introducing successful eco-action at work

Environment
Environmental Communication

The Daikin Group holds environmental seminars and education for children on a regular basis. This allows us to reflect what our stakeholders are saying in our business activities and to expand green hearts (think of the Earth and take care of the environment).

Environmental Seminars and Exhibits

Daikin Joins Environmental Exhibits

Daikin strives to educate the public by holding environmental seminars on energy, climate, and other issues closely tied to our business, and by taking part in exhibits of environmentally conscious products. We also release information to the community on the environmental impact of our business activities.

Read more

(See page 133)

- Environmental Seminars and Exhibits
- Daikin Cooperates in Formation of Environmental Policy
- Daikin Environmental Report

Environmental Education and Awareness Activities

Daikin Cooperates in Fiscal 2009 Children's Environmental Education Sponsored by Japanese Government

The Daikin Group conducts environmental education and awareness activities around the world with the aim of helping children develop better understanding about environmental issues and thus better able to lead future generations.

Read more

(See page 135)

- Efforts Overseas
- Efforts in Japan
- Employees' Daily Efforts
- Raising Awareness Among Daikin Family Members

Environmental Seminars and Exhibits

Exchanging Opinions on Key Issues at Air Conditioner Forum

Since 1995, the Daikin Group has held air conditioner forums where Daikin and noted names in the field exchange opinions on the future of air conditioning. With Daikin's rapid business expansion worldwide, we began holding forums in fiscal 2007 in Europe and North America as well.

Fiscal 2009 marked the start of these forums in China as well. Here, we introduce Daikin energy-saving technologies like inverters, heat pumps, and Air Conditioning Network Service System, and participants discuss government energy policies and trends in the air conditioning market.


Air conditioner forum

Daikin Joins Environmental Exhibits

To let as many people as possible know what Daikin is doing for the environment, we take part in exhibits and trade fairs around the world, and we hold environmental seminars for experts in construction and other industries.

International Air-Conditioning, Heating, Refrigeration Exposition (AHR Expo) (Las Vegas, Nevada, U.S.A.)


Seminar for the construction industry (Singapore)


Energy Challenge Fair 2009 (Singapore)

Daikin Cooperates in Formation of Environmental Policy

Provides Technical Information on Refrigerants

Emerging nations like India and China are considering switching to refrigerants other than HCFCs that do not deplete the ozone layer. These efforts are in line with provisions of the Montreal Protocol restricting the use of ozone-depleting substances.

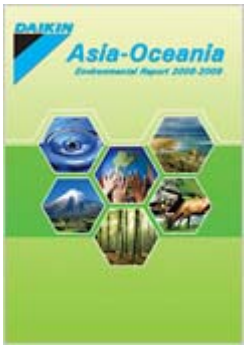
At conventions sponsored by the United Nations and various national governments, Daikin is taking part by providing technical information on refrigerants. We will continue to closely cooperate with them to decide which new refrigerants to use.

Daikin Environmental Report

Reports Published in Japan and Other World Regions

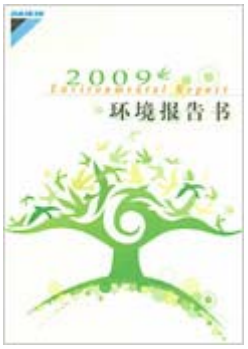
Since 1998, Daikin Industries has published an environmental report (now called the Corporate Social Responsibility Report) to inform all stakeholders of the Daikin Group's environmental philosophy and eco-actions. We supplement these reports with more detailed information on our Web site.

Our overseas Group companies also publish environmental reports once a year. There are versions for Asia and Oceania, Europe, and China.



Asia and Oceania

Europe



China

Environmental Education and Awareness Activities

Efforts Overseas

Employee Initiated Children's Environmental Seminars

The Daikin Group in China runs environmental seminars for elementary school students. Acting as instructors, Daikin employees use original teaching materials and games to help children learn the importance of the environment and what they can do every day to protect it.

After these seminars were started by Daikin Air Conditioning Technology (Beijing) Co.,Ltd. in fiscal 2005, they spread to sites in Shanghai and Hangzhou in fiscal 2006. In fiscal 2009, we used our product showrooms to hold seminars on Daikin's energy-efficient technologies and products, and approximately 700 elementary school students attended.



Seminar for elementary school children at a showroom in Hangzhou

Efforts in Japan

Participation in Sakai Environmental Education Project

The Sakai City Board of Education sponsored the Environmental Education Project for elementary schools in Sakai City, Osaka Prefecture, which is the home of Daikin Industries' Sakai Plant.

Daikin has been taking part in this project since fiscal 2008. In fiscal 2009, we developed an environmental education program and sent employees to three elementary schools to teach this to fifth and sixth grade students.

The lessons gave children a chance to think about environmental problems in their daily lives by introducing the relationship between worldwide issues and the way we live, and by showing examples of what Daikin is doing to protect the environment.


Daikin employees give an environmental lesson

Employees' Daily Efforts

Eco Activities Earn Employees Right to Join Commemorative Event

The Sakura Project was started in fiscal 2009 at Daikin Industries' Shiga Plant to raise employees' daily environmental awareness.


Sakura Project

Under this project, employees assess their own environmental protection activities, and points are awarded based on community volunteer work, and environmental protection at home and in the workplace. The 40 groups with the highest number of points earn the right to participate in the planting of 40 sakura (cherry) trees to commemorate the 40th anniversary of the Shiga Plant.

More than 90% of employees participate in these self assessments, and the increase in points shows that employees are gradually thinking more about the environment. We will continue to think of innovative ways to make employees ever more aware of protecting the environment.

Raising Awareness Among Daikin Family Members

Employees Take Eco Awareness Home

To get Daikin employees thinking as much about the environment at home as they do at work, we started an initiative to get them thinking and taking eco action in their daily lives.

Under this at-home eco action, for two months starting in February 2008, we gave employees an Eco-Action Kit that included a checklist of things any family can do—watch one hour less TV, shower for a minute less—and had them report on the weekly results. The efforts of the 3,300 who volunteered to take part resulted in CO_2 emission reductions of eight tons.

There is also a site on the Daikin intranet dedicated to this home eco action initiative, where users can download checklists, read articles written by participating employees and their families, and see figures showing the amount of CO_2 emissions this initiative has reduced.

Eco-Action checklist

Employees check off whether they did each of the 20 eco actions each day—such as shop with a reusable tote bag and set the air conditioning 1℃ higher. On the last day, participants can calculate how much their actions helped reduce CO_2 emissions.

History of Environmental Activities

	Daikin Group	Air Condtioning Divisions(Japan)	Chemicals Division(Japan)
1970s	Environmental Pollution Control System established Environmental Pollution Control Committee established Environmental Pollution Control Regulations enacted Environmental Month started		
1980s	Daikin Group Environmental Control Committee established Daikin Group Environmental Management Regulations enacted Began dealing with fluorocarbon problem		
1991			Began HFC mass-production
1992	Director responsible for environmental protection and Global Environment Dept.established		
1993	Actions Principles on Environmental Protection enacted Environmental Action Plan enacted		
1994	Began building environmental management system		
1995	Environmental audits launched	Released chiller using HFC refrigerant	Ceased production of CFC
1996	Acquired ISO 14001 certification in all Daikin Industries production bases in Japan		
1997	Began working towards ISO 14001 certification in overseas production bases		
1998	First Environmental Report published	Released Super Inverter 60 ultra-energy-efficient commercial air conditioner Released HFC multi-purpose air conditioner for buildings, HFC residential air conditioners	
1999	Environmental accounting introduced, Environmental Meetings launched		Established fluorocarbon destruction facilities

	Daikin Group	Air Condtioning Divisions(Japan)	Chemicals Division(Japan)
2000	Start of green procurement	Released Super Inverter ZEAS ultra-energy-efficient HFC air conditioner	
2001	Environmental Action Plan 2005 enacted Achieved zero waste emissions in Daikin Industries production bases in Japan (machinery divisions) Regional Environmental Meetings launched		
2002	Environmental Philosohy enacted	Began fluorocarbon recovery and destruction business Completed Conversion to HFC refrigerant for all major products (in Japan)	
2003	Aquired integrated ISO 14001 certification in Daikin Group in Japan		
2004	Achieved zero waste emissions in all Daikin Industries production bases in Japan		
2006	Environmental Action Plan 2010 enacted	Released heat pump-type hot water heaters and heating systems in 2006 in Europe	
2008	Formulated the latter half of the FUSION 10 strategic management plan, which stresses proactive contribution to solving environmental problems, as well as business expansion	Started Re: AIRCON Project for reforestation in Indonesia Released world's first VRV system using CO_2 refrigerant	

Responsibility to Stakeholders

Responsibility to Stakeholders

Customers

- Product Quality and Safety
- Customer Satisfaction
- Protecting Customer Information

Daikin's main responsibilities

Daikin products such as air conditioners, fluorochemical products, and hydraulic equipment are used by families and industries around the world. We provide products and services that anticipate society's needs. We believe these products must satisfy customers with safety and high quality.

Opportunities to express opinions and make requests

- Daikin Contact Center
- Customer satisfaction questionnaires
- Support seminars for dealers
- Service engineer offers helpful extra information during maintenance calls (the "five-minutes of extra care standard")

Employees

- Employee Evaluation and Treatment
- Workplace Diversity
- Work-Life Balance
- Labor Management Relations
- Occupational Safety and Health
- Fostering Human Resources
- Respect for Human Rights

Daikin's main responsibilities

Approximately 40,000 employees work at Daikin bases around the world. The growth of our employees—who sustain our business—is the growth of the Daikin Group. We stress fairness of opportunity and reward for all employees, regardless of age, sex, or nationality in order to make the most of their diverse abilities. We create an environment where they can work in safety and health, and consider their work-life balance.

Opportunities to express opinions and make requests

- Interviews based on employee self-assessments
- Labor-management council meetings, labor union council meetings
- Group Management Meeting

Business Partners

- Philosophy on Suppliers
- Working Closely with Suppliers
- Green Procurement Guidelines

Daikin's main responsibilities

The supply chain is made up of not only suppliers from whom we directly procure raw materials and parts but also those suppliers further upstream. We build a relationship of mutual growth and prosperity by communicating frequently and continuously with suppliers in order to ensure product quality and safety. A prerequisite to this is fair and honest business dealings.

Opportunities to express opinions and make requests

- Meetings for suppliers
- Award ceremonies for suppliers
- Technology discussions, quality and safety gatherings
- Quality and environmental audits
- Help Line for Corporate Ethics

Shareholders and Investors

- For Shareholders
- Information Disclosure Policy

Daikin's main responsibilities

We operate on capital provided by approximately 30,000 shareholders. We make the best use of capital to achieve solid profitability and a firm financial base to maximize corporate value and meet shareholder and investor expectations with stable dividends. We provide the necessary information promptly and continuously interact with shareholders and investors.

Opportunities to express opinions and make requests

- Ordinary General Meeting of Shareholders
- Briefings on financial results, briefings for investors
- Annual Report, business reports
- Information on Web site
- Inquiries by telephone and Internet

Communities

- Promoting Art and Culture
- Promoting Sports
- Contributing to Education
- Environmental Contributions to Society
- A Good Corporate Citizen —Activities in Each Community

Daikin's main responsibilities

At bases in more than 38 countries, we have a strong desire to form lasting bonds with local communities and economies and make a positive contribution as good corporate citizens. We contribute to regional industry and economy through our business, and ensure that our bases are safe and open to local communities. We encourage each Daikin base to think and take action that contributes to the community.

Opportunities to express opinions and make requests

- Public liaison person at each Daikin base
- Informing local community of emergency disaster drills
- Factory tours for local citizens
- Participation in local groups
- Involvement in local events

Environment

Daikin's main responsibilities

We strive to reduce greenhouse gas emissions in all business activities to achieve our most important mission: curbing global warming. We are also promoting our "green heart" philosophy to communities and to future generations through environmental protection activities.

Opportunities to express opinions and make requests

- Environmental seminars, environmental exhibitions
- Various forms of environmental PR
- Environmental education
- Green procurement briefings

Responsibility to: Customers

With the world's leading technologies in air conditioning and fluorochemicals, the Daikin Group meets society's needs for safe products that offer peace of mind. We also ensure customer satisfaction with advanced support systems.

Product Quality and Safety

Strict Design Review Ensures Safety: Our Top Priority for Customers

Our responsibility goes beyond simply satisfying customers; we believe that we also have a duty to society to offer products and services that are safe, high quality, and environmentally conscious.

Quality is a top priority during the development and production stages in our Air Conditioning Manufacturing Division and Chemicals Division, both of which have obtained the ISO 9001 (quality management system) certification. We also provide customers with the information they need to use our products safely.

And we continue to gather information on products in use in the market so we can improve their quality.

Read more

(See page 144)

- Product Quality and Safety Policy
- Product Quality Management Structure
  - Quality Control System
  - Quality Control Process
- Cooperation with Suppliers
- Employee Education
- Improving Quality During Development
  - Development Process Raises Quality
- Handling Product Accidents
- Product Safety Voluntary Action Guidelines
- Disclosing Product Information
- Universal Design in Product Development
  - Example of Universal Design

Customer Satisfaction

"Speed, Accuracy, and Good Manners" is Our Basic Policy to Pursue Customer Satisfaction

The Daikin Contact Center is open 24 hours a day, every day of the year to take repair requests and offer technical advice. We are also rapidly working on further enhancement of after sales service around the world for handling customer inquiries and thus achieve a service system geared to customer needs.

The many opinions and requests received by the center are reflected in our product development and service so that we can stay one step ahead of customer needs.

Read more

(See page 150)

- Customer Satisfaction Policy
- Customer Response and Support System
  - Daikin Global Service Network
- Support for Dealers
- Raising Customer Satisfaction
- Using Customer Opinions
  - Number of calls to the Daikin Contact Center
- Employee Education

Protecting Customer Information

Protecting Customer Information in Every Way

We established the Personal Information Protection Rules and Guidelines to properly protect and manage the range of customer information that we gather through repair requests and other means. Each division and group company has a personal information manager and carries out a variety of employee education on personal information.

Read more

(See page 153)

Customers

Product Quality and Safety

Product Quality and Safety Policy

We believe that when customers buy Daikin, they are buying quality.

With this in mind, we strive to stay ahead of customer needs by providing high-quality products and services based on our corporate policies of "Absolute Credibility", "Enterprising Management", and "Harmonious Personal Relations".

Our quality control is based on the idea that the added value we give to products is quality, and that this quality is what customers are buying. And each Daikin employee constantly puts quality ahead of everything else.

Product Quality Management Structure

ISO 9001-Compliant Quality Assurance System

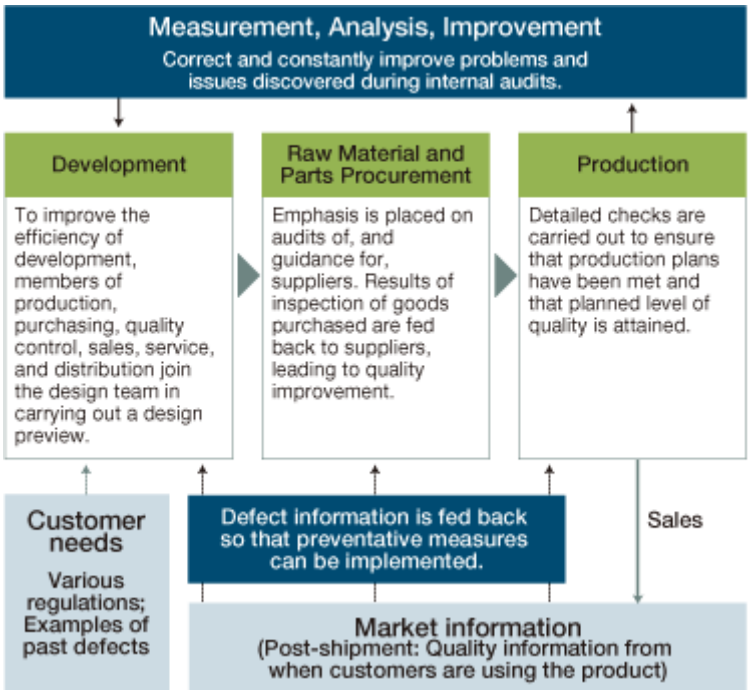
Company divisions build ISO 9001-compliant quality assurance systems so that they can maintain our high levels of product quality.

Each division is audited twice a year so that we can assess our quality situation and if necessary further improve it.

Based on our annual Daikin Group policy, each division formulates its key quality measures and targets, which are used to create a detailed quality program (fiscal year action plan) for all stages including design and development, materials and parts procurement, and production.

■ Quality Control System

■ Quality Control Process



Cooperation with Suppliers

Efforts with Suppliers to Raise Product Quality and Safety (See page 178)

Employee Education

Daily Meetings Raise Quality Awareness

The Daikin Group has numerous ways to educates employees in quality. Since 2004, the 19th of every month has been quality day, when each workplace in the Air Conditioning Manufacturing Division holds discussions on ways to improve quality.

Since November 2008, each division has held 10-minute daily quality meetings. These meetings are now an established way of keeping employees thinking of new ways to pursue quality and sharing up-to-date information of quality matters.

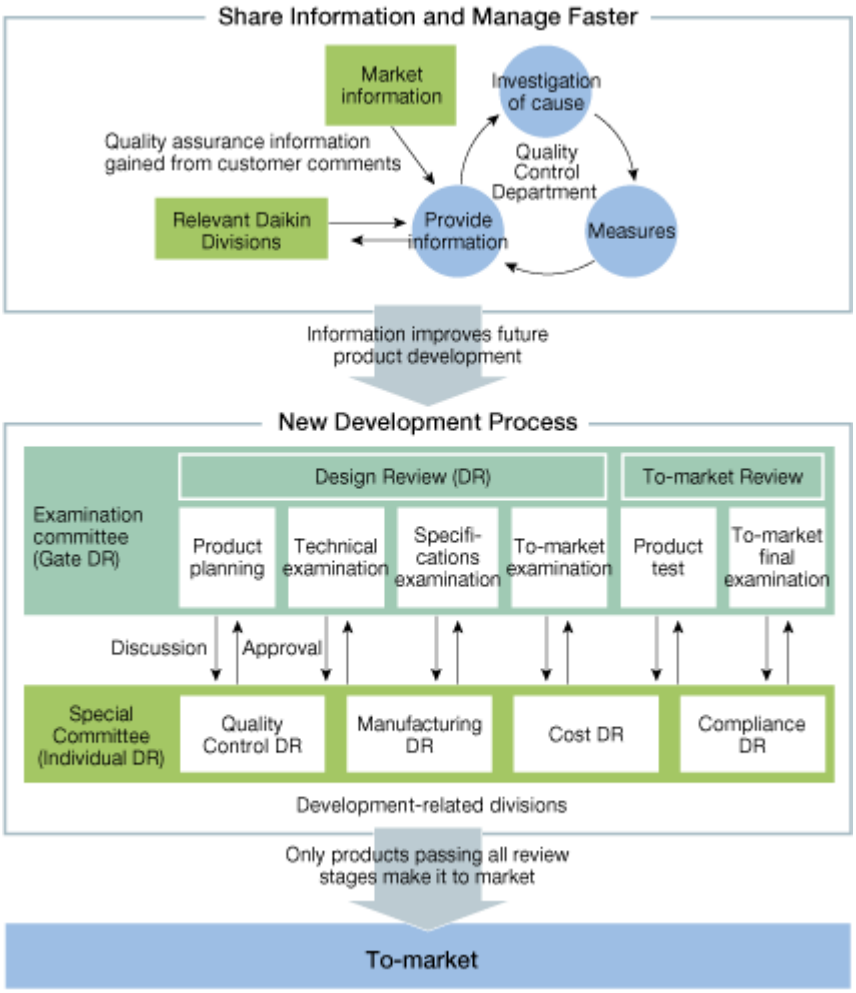
Improving Quality During Development

Only Those Products That Pass Our Strict Design Review for Product Safety Make It to Market

In fiscal 2005, the Air Conditioning Manufacturing Division reformed its development process with a stricter, more segmented design review (DR)*. First, the personnel in charge of the relevant divisions inspect the proposed products for conformity to Daikin standards using the four criteria of an individual design review (DR): product quality, monotsukuri (the art of manufacturing), cost-effectiveness, and compliance. Products that pass the individual DR are then subject to a gate DR: six stages of design reviews and to-market reviews by top management. Only those that pass all reviews make it to market. In August 2006, we further raised our product safety standards and now conduct reviews to ensure that products are absolutely safe to use and problems with previous models have been fixed.

Our next goal is to make even safer and higher quality products by ensuring that our development process detects problems and solutions early on and helps us predict potential problems during product use.

Development Process Raises Quality



* Design review: In a process involving the entire Daikin organization, products under development are assessed for quality of design and all other processes leading up to product realization. Only those that pass each stage can move forward.

Handling Product Accidents

Protocol for Promptly Handling Product Accidents

Daikin products are designed based on quality standards and design standards that ensure that, even if users err in operating the machinery or use it beyond recommended limits, there is no danger for the users; and even if there is a product accident, the danger to the user is minimized.

In case of a product accident, we have systems in place that allow us to quickly relay the necessary information and handle the problem, and minimize the impact on the product users and the general public.

We also place top priority on detecting product problems before they lead to a major accident. When the cause of a minor accident is discovered, we determine whether this could also cause a major accident and we reflect this into the development of future products.

Some Recalled Air Conditioner Had Not Been Inspected or Repaired

Daikin Industries recalled air conditioners manufactured between January 1995 and March 1998 (for free inspection and repair). But although the products had supposedly been inspected and repaired, there was fire damage inside one of the recalled outdoor air conditioner units in November 2009. An investigation into the cause revealed that a worker at a repair outlet labeled some units as repaired when in fact they had not been.

The products that had been in the care of this worker were once again inspected and repaired, and Daikin questioned all repair outlets to ensure there were no other such instances. As well, all repair staff were given exhaustive training in the repair work protocol and exactly what is involved in repair.

We will review our management systems so that we can offer customers an even higher quality of service.

▶ See (available in Japanese only)
（http://www.daikin.co.jp/taisetsu/2010/100209/index.html）

Some Air Purifiers Recalled for Free Inspection and Repair

Three models of residential air purifiers manufactured by Daikin Industries between August 2006 and July 2009 presented the danger of giving off smoke or fire due to a problem with the electric dust collecting section. And air purifiers with humidifying and dehumidifying functions manufactured between August 2007 and January 22, 2010 could possibly give off extreme heat if foreign particles became attached to the dehumidifying element.

Daikin informed customers of the models in questions through press releases and announcements in the mass media, and Daikin engineers conducted inspections and repairs free of charge.

Free Inspection and Repair
Customers owning the models in question should phone this number.
0120-330-696 (24 hours a day, every day; toll free in Japan only)
▶ For details on free inspections and repairs, see (available in Japanese only)
（http://www.daikin.co.jp/taisetsu/2010/100409/index.html）

Product Safety Voluntary Action Guidelines

The Daikin Group (hereinafter, "the Group") believes that its most important management task is to provide products that satisfy customers from the standpoint of our customer when designing and making products that have a high level of safety and quality. To this end, we have formulated the following basic policies on product safety in efforts to provide ever-greater levels of safety and quality in products.

1. **Legal Compliance**
   The Group shall observe the Consumer Product Safety Law and other product-related laws and safety standards.
2. **Ensuring Product Safety**
   The Group shall establish a quality management system and execute measures to maintain product safety in all processes extending from product design to production, sales, and after sales service.
   And the Group shall display appropriate, easy-to-understand instructions and warnings on products and in instruction manuals to ensure the safe use of our products by our customers.
3. **Collecting and Providing Product Accident Information**
   The Group shall actively collect information from our customers concerning accidents involving Daikin products and quickly report this information to our executive management while providing customers with suitable information.
4. **Immediate and Appropriate Response to Product Accidents**
   In the unlikely event of a safety problem occurring in the use our product, our first and primary concern shall be for the safety of our customers, and we shall take immediate actions to minimize and prevent the occurrence of a serious accident. Actions to be taken immediately shall include repairing or replacing the product in question, publicizing the problem through the appropriate media, and submitting a statutory report on the problem to the relevant authorities. All relevant people outside the company, including sales personnel, will be informed of the situation.
5. **Product Safety Promotion**
   The Group shall establish a quality assurance system that it uses to ensure product safety and quality. We shall ascertain information related to the safety and quality in the marketplace and provide accurate feedback to personnel within our company in order to reflect it into future product design and manufacture.
6. **Education, Training, and Monitoring**
   The Group shall constantly make every effort to promote the safety and quality of our product through widespread education and training in laws and regulations within the company on product safety. We also shall regularly monitor work to ensure product safety is being achieved.

Disclosing Product Information

Air Conditioning Business: Providing Information That Prevents Accidents from Product Degradation

The Consumer Product Safety Law obligates companies to design products for safety and provide consumers with information and warnings so that household product accidents can be avoided.

Based on the failsafe[*1] philosophy, Daikin's system of checks ensures that customer safety is the top priority in design and that design review (DR)[*2] leads to safe products.

Our home page also provides consumers with information including product model numbers and year of products already on the market. In April 2009, the Ministerial Ordinance of technical standards for the Electrical Appliance and Material Safety Law went into effect. We abide by this ordinance by placing labels on our residential air conditioners and ventilation fans (which are covered by this law) that state the duration of product use.

In Japan, where about one-third of the product accidents are the result of improper product operation, we believe it is important to provide customers with accurate, easy-to-understand information on using products. The Daikin Group complies with industry guidelines, such as the Guidelines for Labeling Household Products for Safe Use (4th edition, revised March 2009), published by the Association for Electric Home Appliances, and the Revisions Labeling Procedures (March 2010), published by the Japan Refrigeration and Air Conditioning Industry Association.

*1 Failsafe: Checks and measures are in place to ensure safety in case of a breakdown of mechanisms or systems.
*2 Design review: In a process involving the entire Daikin organization, products under development are assessed for quality of design and all other processes leading up to product realization. Only those that pass each stage can move forward.

TOPICS

The Eco-Cute "Easy User Guide Operation Manual" Wins the Excellence Award in the Japan Manual Contest 2009

In the Japan Manual Contest 2009, the "Daikin Eco-Cute Easy Guide" won an Excellence Award in the Sheet Manuals/Package Manuals category.

Why the Eco-Cute Easy User Guide Won

- The guide uses illustrations of the actual operation panel so users know exactly what buttons to press.
- The simple color coding makes it easy for any family member to learn how to use the Eco-Cute in a hands-on manner.

Chemicals Business: Cautioning Customers About Manufacturing Processes

Of the fluorochemical products handled by our Chemicals Division, customers must take particular care when processing and molding fluororesin. All Daikin products come with an MSDS* and important cautionary items are written on the spec sheets and product labels. All written information is confirmed with a checklist compliant with product liability laws, and discussed at a design review. We are also in the process of re-labeling to inform customers that fluororesin is not designed for use with medical applications.

Because simply touching hydrofluoric acid is dangerous, we do more than just label it: we hold workshops several times a year on how to handle it safely.

* MSDS (Material Safety Data Sheet): Included with shipments of chemical substances, these documents contain information on the safe use and handling of substances.

Universal Design in Product Development

Product Design Engineers Study Universal Design Philosophy

Daikin incorporates universal design into product development to enable even the elderly and physically disabled to operate products with ease.

In fiscal 2007, we teamed up with NPO Universal Design of Citizen Network to offer training in universal design. In this training, engineers learn the principles of universal design through discussions with general customers and participation in activities mimicking the challenges facing the physically disabled.

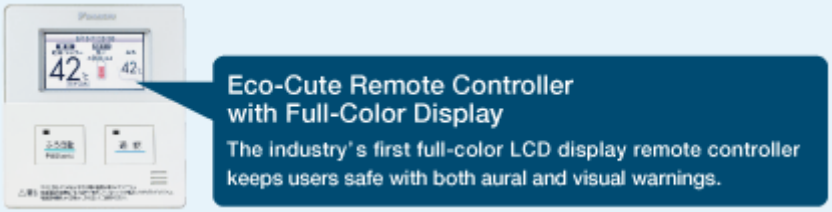
In April 2009, our product developers held discussion sessions with NPO Universal Design of Citizen Network to discuss the Eco-Cute heat pump water heater, and the results of these talks will be reflected in future products. Universal design is central to monotsukuri (the art of manufacturing), because it involves designing a product so that everyone, no matter what their age or physique, can use it with ease. We are continuing to offer universal design training so that the concept becomes second nature to all engineers.

■ Example of Universal Design

Simpler Remote Controller Makes the Most of the Energy Efficiency of the Eco-Cute Heat Pump Water Heater

Introduced in February 2010, the "Daikin Eco-Cute X-Series" has energy efficiency among the highest in the industry as well as an eco-confirmation function that helps users operate the product in the manner that is most energy efficient for their operating conditions. The display on the remote controller shows helpful advice and the effects of energy saving functions.

This remote controller boasts the industry's first full-color display, which enables any user to easily understand and operate the product. For example, when the Eco-Cute is dispensing hot water, red lettering warns users of this high temperature. This means users get both aural and visual information and are thus doubly safe in product use.



Customer Satisfaction Policy

The Ultimate in Quality Service: Speed, Accuracy, and Good Manners

Based on its service quality policy, the Daikin Group strives to continuously improve service through assessment and analysis by establishing an annual action plan of quality targets.

■ Daikin Group service quality policy

The ultimate in quality service through speed, accuracy, and good manners

1. Offer service that meets customer needs while complying with laws
2. Establish quality targets and revise these as necessary
3. Continuously improve the effectiveness of our quality management system

Customer Response and Support System

Building a Worldwide Customer Support System

The Daikin Contact Center is open 24 hours a day, every day of the year to take repair requests and offer technical advice to customers around the world. We are striving to enhance its service quality to ensure customers are satisfied with the responses they get from the Contact Center.

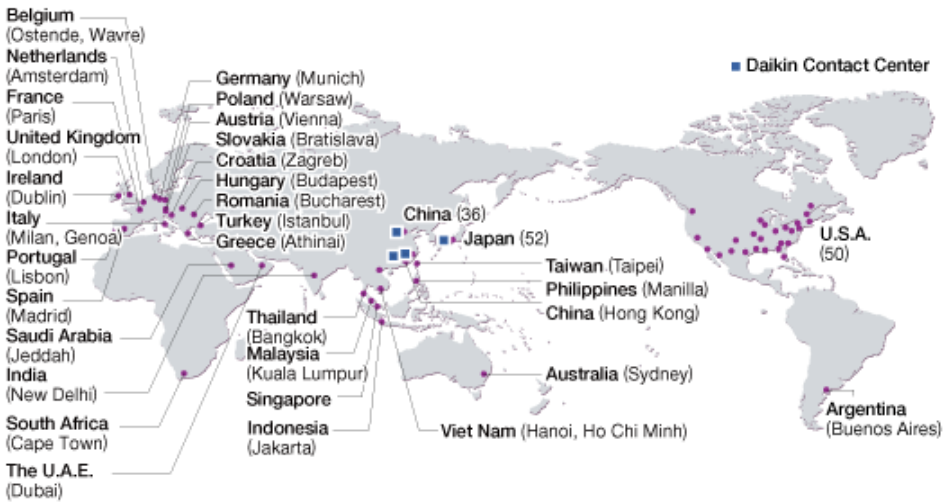

Shanghai Service Center

With more and more of Daikin's product sales occurring outside of Japan, we must offer a service network capable of meeting the needs of as wide a customer base as possible. That means taking our basic service quality policy—speed, accuracy, and good manners—to other countries by using the meticulous service know-how we have built up in Japan to satisfy the need for quality that is common to people around the world.

We have added service bases in countries like Spain, Singapore, and Italy through the integration of the service system of O.Y.L. Industries Bhd, which Daikin acquired in 2006. In North America and China, employees at O.Y.L company McQuay International are trained in Daikin's service quality management system to ensure the highest level of quality.

We will continue to enhance customer satisfaction in after sales service by establishing contact centers at all service bases and offering local language support.

■ Daikin Global Service Network



Support for Dealers

Online Support in Consulting Sales for Distributors

The Air Conditioning Sales Division provides distributors with marketing ideas. Online, distributors have constant access to technical information and 10 years of information on all products, as well as software for making product and service estimates and for making CO_2 reduction calculations and other energy- and cost-related calculations.

The site is also optimized for use with a mobile phone, so distributors can access it while they are out visiting a customer. They can also create proposals easily with their mobile phones.

To help distributors suggest ways for customers to cut their energy costs, we recommend they acquire the Eco Test (Certification Test for Environmental Specialist) just like the one members of Daikin's sales divisions get. In this way, we help them become more eco-wise and strengthen their consulting ability.

Raising Customer Satisfaction

Customer Surveys Go Towards Improving Service Quality

Daikin Group divisions conduct customer surveys to enhance customer satisfaction. By constantly surveying and analyzing the voice of customers, we can further boost the quality of our service.

The After Sales Service Division conducts annual surveys to determine the level of customer satisfaction with our after-sales service. As a result of efforts to complete repairs in a single visit, improve repair techniques through training, and get better at dealing with customers, all under our slogan of "Customer first," we have been able to gradually improve customer satisfaction since fiscal 2007.

The Air Conditioning Sales Division includes a questionnaire with products that allows us to determine customer needs and levels of satisfaction. User opinions about each product are then put on our home page.

In the Chemicals Division, we distribute questionnaires once a year that help us boost customer satisfaction. Customer opinions are analyzed and appropriate measures are created. After the fiscal 2008 survey showed insufficient communication with customers, we increased the number of customer opportunities for interacting with customers so that we could talk with them more often. The fiscal 2009 survey responses showed that customers now found communication had improved, a direct result of efforts to raise awareness of this issue with our employees. We will continue to use customer opinions to improve the level of customer satisfaction.

TOPICS

Recognition of Customer Satisfaction

- Daikin Second in Nikkei Business Ranking of After-Sales Service in Residential Air Conditioner Category
- Daikin Second in Ranking of Manufacturer Air Conditioner Repair During Summer Peak (according to RIC, publisher of home electronics magazines).

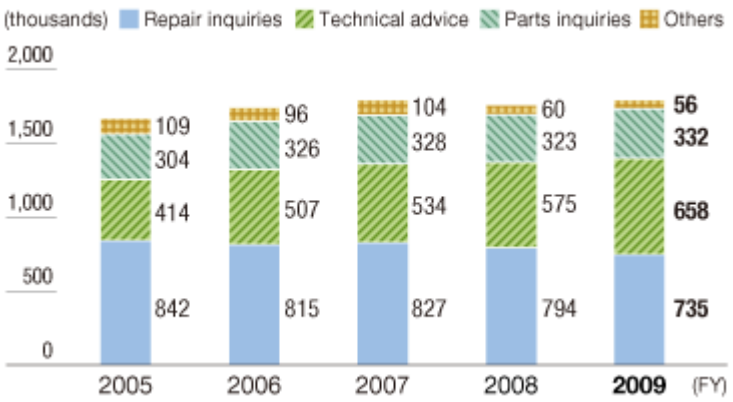
Using Customer Opinions

Customer Inquiries Used in Improving Products and Developing New Ones

Many of the 500,000 technical inquiries that the Contact Center gets from customers each year hold the clue to solving issues we face in the market at an early stage and making product quality better. The inquiries, including common key words and their frequency, are stored in a database that is shared with the relevant Daikin divisions and used to solve potential quality problems.

Information in the database is also used in the planning of new products. To stay one step ahead with products that meet customers' underlying needs, we explore new product concepts from customers.

Number of inquiries to the Contact Center (Japan)



See Key Activities, Discovering Latent Needs from Customer Opinions and Developing Products People Will Want Next. (Page 57)

Employee Education

Year-Long Training and Service Competitions Among Daikin Bases

The Daikin Group strives to improve the quality of service by teaching employees the necessary knowledge and techniques.

Besides basic training in service quality, a variety of training courses and license-certification course are offered to each management level and job description.

The After Sales Service Division has the year-long "Service University" training program. Just like in university, participants can choose the courses right for their job. They also have regular tests to ensure they are retaining what they have learned.

At service bases across Japan, teams are created that compete against each other in the annual Service League tournament. There, teams are quantitatively judged and awarded on the speed, accuracy, and good manners that constitute our after sales service policy. This makes for a fun way to raise our ability to offer customer satisfaction.

Boosting the Technical Expertise of Service Engineers

Service engineers' individual technical expertise is crucial to providing quality service.

Since fiscal 2006, we have been holding workshops and giving technical assessment tests to all service engineers. Our rule is that service engineers must be certified with a minimum level of skill before they can do repair work alone. To further improve their abilities, since fiscal 2008 we have been holding training for chief engineers and we currently have 830 employees who have passed our chief engineer test.

To help service engineers better deal with customers, in fiscal 2007 we started working with outside experts to hold service etiquette classes.

We will continue to give our service engineers to technical skills and people skills they need to make Daikin No. 1 in service in the eyes of customers.

Protecting Customer Information

Personal Information Managers and Thorough Employee Education

The Daikin Group is entrusted with a range of customer information including data on repair requests. Because we consider it an important responsibility to protect this information, we have established the Personal Information Protection Rules and Guidelines, and each division and Group company has a personal information manager.

Our Compliance Action Guidelines state our policy of properly handling personal information, which we implement through company-wide education and training aimed at the highest level of personal information security.

■ Measures for Information Protection

FY	Approach
2005	• Encrypting of all information on PCs and recording media that is taken off company premises • Locking of PCs in company offices
2006	• Special tools for employees to properly erase data on PCs that will be discarded • Tools for encrypting all attachments to email going outside the company.
2008	• Remote locking function for mobile phones

Responsibility to: Employees

The Daikin Group's management are people-centered in the belief that people are the source of a company's competitiveness. We believe in the unlimited potential of every person and that the sum of the potential and talent of our diverse people forms the pillars of our company operations. By integrating the characteristics and ideas of our diverse range of employees, we can energize our company and strengthen our competitiveness. The Daikin Group is striving to build new corporate value through a strategy of management diversity.

Employee Evaluation and Treatment

Fairness of Opportunity and Reward

The Daikin Group offers "fairness of opportunity and reward": a a workplace where employees are rewarded for putting their motivation to work and taking every opportunity for success.

Read more

(See page 157)

- Employee Evaluation and Treatment Policy
- Employee Evaluation and Treatment
- Job Placement

Workplace Diversity

A Workplace Where Everyone Can Contribute

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—men and women of all ages, nationalities, races, and years of experience in the company—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 Compliance 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.

Read more

(See page 158)

- Workplace Diversity Policy
  - Employee Composition (Data for Daikin Industries)
- Putting More Women into Management Positions
- Hiring Women
  - Number of women periodically hired; percentage of all employees
- Re-employment of Retired Employees
  - Number of Retirees, Number of Re-employed Workers and Percentage Re-employed After Retiring
- Hiring More People with Disabilities
  - Number of Disabled People Employed
  - External Awards
- Diversity Education for Employees

Work-Life Balance

Full Range of Childcare Leave and Childcare Support Systems

Daikin Industries stresses a work life balance for employees. We have a range of work systems that allow employees to work flexible duties and flexible schedules.

The company has established an action plan for helping employees with children continue both work and home duties with peace of mind and has 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 childcare leave and childcare support.

Read more

(See page 163)

- Work-Life Balance Policy
- Helping Employees Match Work Schedule with Lifestyle
  - Number of employees leaving, employee turnover
- Support for Childcare
  - Leave before and after child is born, childcare leave, leave taken by men and women
  - Details of Second Action Plan
- Support for Family Care
  - Family care leave, leave taken by men and women
  - Other employee benefit systems

Labor Management Relations

Frank Exchanges of Opinion Create Favorable Labor-Management Relations

Daikin Industries 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.

Read more

(See page 166)

- Labor Management Relations Policy
- Dialog with Employees

Occupational Safety and Health

Keeping the Workplace Safe and Employees Physically and Mentally Fit

The Daikin Group's Group Compliance Guidelines state our top priority of ensuring a safe, healthy workplace where employees can work in peace of mind. 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.

Read more

(See page 167)

- Occupational Safety and Health Policy
  - Frequency Rate
  - Number of accidents resulting in time off work
- Occupational Safety and Health Management Structure
  - System for Occupational Safety and Health
- Employee Education and Training
- Employee Health Management
- Mental Health
- Shortening Working Hours
  - Percentage of Employees Taking All Paid Leave
  - Average hours of overtime per employee (Daikin Industries only)

Fostering Human Resources

Training Employees to Take the World Stage

The Daikin Group philosophy states that the cumulative growth of all group members serves the foundation for the group's development. Based on the belief that people grow through work experience, the Daikin Group develops employee capabilities through on-the-job training (OJT)*1. We also supplement this with off-the-job training (Off JT)*2, such as the Daikin Leadership Development Program for next generation executives, the Daikin Business School (D-BS) for executive management candidates of overseas bases. We also provide opportunities for independent learning through language training and correspondence courses.

*1 OJT: Employees learn and acquire the skills, knowledge, and degree of commitment required of their positions while performing their jobs.
*2 Off JT: Employees study outside of their workplaces in order to acquire the knowledge and skills needed for their jobs.

Read more

(See page 171)

- Philosophy
- Education Systems
  - Education System
- Passing on Skills
- Passing on Skills at Overseas Bases
- Fostering Young Engineers and Technicians
- Spurring the Creation of Intellectual Property
  - Number of Patent Applications

Respect for Human Rights

Basic Policy of Respect for Human Rights and Diversity, and Compliance with Labor Laws

Daikin Industries does all it can in educating employees about human rights so that we can establish a corporate group free of discrimination where everyone's rights are respected.

Read more

(See page 28)

Employee Evaluation and Treatment Policy

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.

Employee Evaluation and Treatment

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. We are planning to create 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.

TOPICS

Daikin Europe Selected a Top Employer

Daikin Europe N.V. was chosen one of the Top Employers* of 2010 for its outstanding human resource systems. Recognized for its working conditions, evaluation systems, and programs for employee education and training, Daikin Europe received its fifth selection in a row.

* Sponsored by CRF International, a company conducting research into best practices in human resources around the world.

Top Employers

Job Placement

Placing Employees in Desirable Workplaces

Whenever possible, Daikin Industries talks with employees and assigns them to departments and sections where they want to work.

All new employees are interviewed to determine their hopes and desired area of work in order to ensure they are placed in the most appropriate jobs.

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.

We will continue to build rewarding workplaces for our employees by matching their dreams and goals with those of Daikin.

Employees

Workplace Diversity

Workplace Diversity 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—men and women of all ages, nationalities, races, and years of experience in the company—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 Compliance Guidelines state our aim of becoming a group is passionate, strong, and forward-thinking and in which there is respect for a diverse range of values and work philosophies, and in which employees respect their differences and cooperate to pool their strengths so that each person can achieve his or her dream.

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) (Note: Number currently employed)

	The end of March 2006		The end of March 2007		The end of March 2008		The end of March 2009		The end of March 2010	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Number of employees	6,036	635	6,245	695	6,360	816	6,452	868	6,558	897
Average range of services (years)	19.0	12.0	19.0	12.0	19.0	12.0	18.9	12.0	17.9	10.8
Average age	42.4	34.8	42.2	34.3	41.9	32.9	41.6	32.8	41.8	33.6
Number of managers	949	10	958	9	969	12	925	13	886	14
Number of board members	34	1	41	1	41	1	47	1	45	1
Number of foreign nationals		22		27	28	12	28	12		53

Putting More Women into Management Positions

Making Enthusiastic, Talented Women into Managers

Daikin Industries strives to create identical working conditions for men and women because our goal is to use the talents of both sexes to the fullest. In 2001, we eliminated the barrier between general clerical work and management track jobs so that female employees have more career possibilities. We have also systematically increased the number of female managers from two in fiscal 2001 to 15 in fiscal 2009.

Future efforts such as giving more opportunities for self-development and hiring experienced personnel from outside the company for management positions will ensure that we get enthusiastic, talented women to lead Daikin.

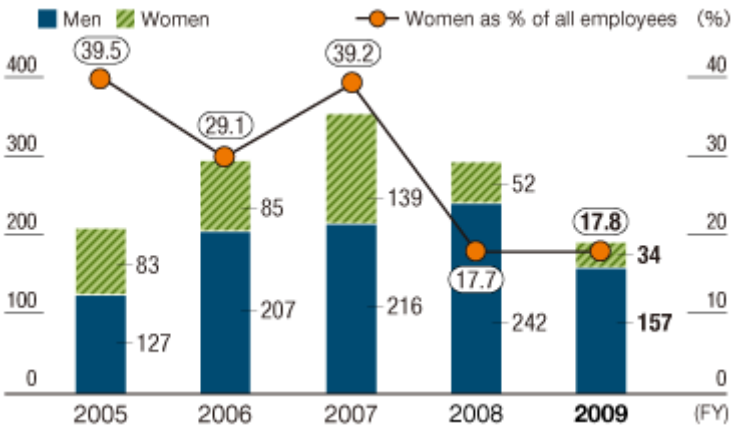
Hiring Women

Increasing Percentage of Female Employees and Average Number of Years Worked

As of March 2010, women accounted for 12.0% of all employees of Daikin Industries, an increase of 0.1% over 2009.

In the past, job applicants for technical and skills positions were mostly men, which kept the ratio of female employees low. We therefore set a goal of achieving the national average, 12%, for female employees as a percentage of total by fiscal 2009. As a result of efforts to hire as many women as possible, we achieved this goal in 2008, a full year ahead of schedule.

Number of women periodically hired; percentage of all employees



Re-employment of Retired Employees

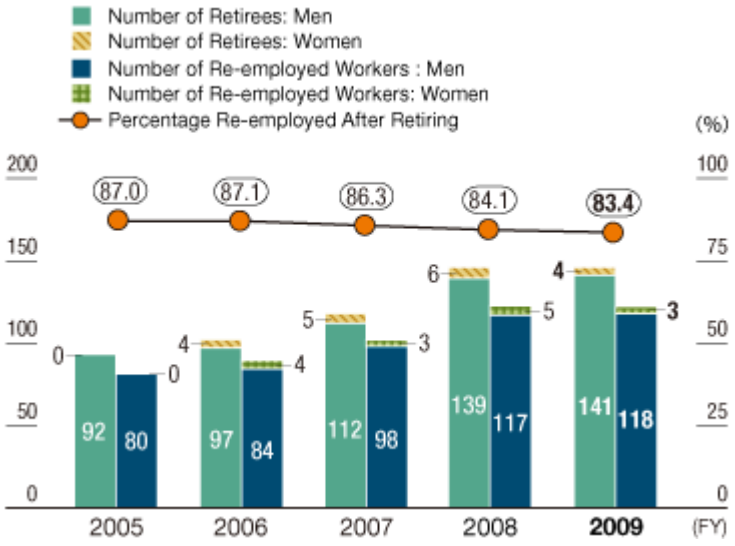
Re-employment System Makes the Most of Experienced Employees

In 2001, Daikin became one of the first companies in Japan to introduce a re-employment system in which retirees wishing to participate can work until they are 65, thus providing an opportunity for them to make the most of their skills and knowledge. Since introducing this system, over 100 have been re-employed each year. In fiscal 2009, there were 484 retirees working under this system at Daikin.

To comply with Japan's Law Concerning Stabilization of Employment of Older Persons, all group companies in Japan introduced this re-employment system in fiscal 2006. 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 are also sending these experienced workers to provide their skills and knowledge to overseas bases as Daikin expands on a global scale. 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



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 in 2006.

Hiring More People with Disabilities

Hiring More People with Disabilities across the Entire Group

The Daikin Group strives to hire the disabled based on its policy of providing opportunities for disabled people to grow personally and make contributions to society through production activities.

In 1993, Daikin Industries established Daikin Sunrise Settsu Co., Ltd., a cooperative venture with the Osaka Prefecture and Settsu City governments. Disabled persons form the nucleus of the workforce. As of March 2010, the company has 74 disabled employees who work side-by-side with their fellow workers.

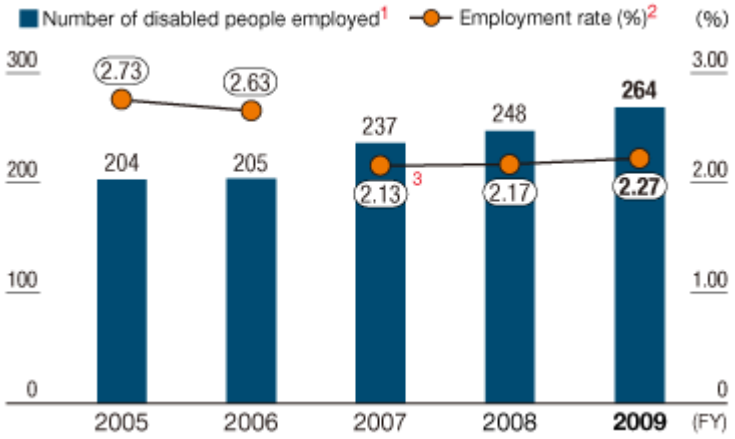
In June 2009, Daikin Sunrise Settsu's new plant was established, another step in hiring more disabled. The duties of these employees have also expanded from machine parts processing and assembly, and the manufacture of chemicals, to computer assisted design and the publication of documents.

After this success in Japan, Daikin Air-Conditioning (Shanghai) Co., Ltd. now also hires the disabled. As of the end of March 2010, the company had 59 disabled employees working on production lines and accounting for 7.7% of all employees.


Daikin Sunrise Settsu (Japan)


New plant of Daikin Sunrise Settsu

Number of Disabled People Employed



*1 Legally, 1 severely disabled person employed is counted as 2 disabled persons.
*2 Employment rate = number of disabled persons employed / number of persons employed.
*3 Disabled employment rate for only Daikin Industries until FY2006 and for the entire Daikin Group from FY2007.

The Slogans of Daikin Sunrise Settsu

1. Creating economic independence through individual effort and teamwork
2. Contributing to personal growth and community development through manufacturing
3. Creating a company in which employees, their families, and the region can take pride

External Awards

- "Model Improved Workplace Employing People with Disabilities," sponsored by the Japan Organization for Employment of Persons with Disabilities with the support of the Ministry of Health
  Labour and Welfare First Place Award (Labour Minister's Award, 1998) Outstanding Achievement Award (2002, 2003) Encouragement Prize (2005)
- First Asahi Corporate Citizenship Award (2004)
- "Businesses and Individuals That Provide Employment Opportunities for People with Disabilities" Ministry of Health, Labour and Welfare Award(2009)

TOPICS

Daikin Sunrise Settsu President Yoshio Ohtake Receives Minister of Health, Labour and Welfare Award

Daikin Sunrise Settsu (in Osaka Prefecture) President Yoshio Ohtake received the Fiscal 2009 Minister of Health, Labour and Welfare Award as an individual that provides employment opportunities for people with disabilities.

The award recognizes President Yoshio Ohtake and Daikin Sunrise Settsu an exemplary case of a workplace that promotes hiring of the disabled, thus arousing enthusiasm and an independent work spirit in the disabled, and deepening interest among businesses and the public in the hiring of the disabled.

President Yoshio Ohtake was honored as an individual contributing to hiring the disabled and providing them with steady employment. Besides Daikin Sunrise Settsu's efforts in hiring the disabled, the award was also the result of President Yoshio Ohtake's work educating the public about hiring the disabled, including his work as vice chairman of the Japan Association of Employers of persons with Severe Disabilities, and with the Osaka Shogaisha Koyo Shien Network (employment support service for people with disabled) .

Daikin Sunrise Settsu Certified as a Leading Company That Promotes the Employment of People with Disabilities by Japan's Health, Labour and Welfare Ministry

In March 2009, Daikin Sunrise Settsu was certified as a Leading Company That Promotes the Employment of People with Disabilities by Japan's Health, Labour and Welfare Ministry. This certification came after Daikin Sunrise Settsu passed minimum standards under a certification system for companies that are run by the Japan Association of Employers of persons with Severe Disabilities, which is under authorization of Japan's Health, Labour and Welfare Ministry. Certified companies may use the "Heartful Ribbon Mark" issued under this system.

Heartful Ribbon Mark

Daikin Named Certified Disabled Training Center in Shanghai

Using the experience of Daikin Sunrise Settsu in Japan, Daikin Air Conditioning Systems (Shanghai) Co., Ltd. has expanded its hiring of the disabled. Companies in Shanghai must have disabled account for at least 1.6% of their workforce. As of the end of March 2010, Daikin Shanghai had 59 disabled employees working on lines and in offices, accounting for 7.7% of all employees.

Production line run by disabled employees at Daikin Air-Conditioning (Shanghai)

In July 2006, the Shanghai Federation for the Handicapped certified the company as a vocational training center for the handicapped.

In 2005, Daikin Shanghai established a product packaging assembly line operated by the many disabled the company hired that year. This line was separated from the current production line in order to ensure the safety of the workers. As the company improved its work environment and these employees gradually improved their skills, they began working more and more with other employees. And like all other employees, the disabled are compensated based on an evaluation of their performance.

Diversity Education for Employees

Training Japanese Employees for Work at Overseas Bases

Daikin Industries 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.

This training has two goals. One is to improve understanding of the situation in the appointed region or country, the thinking and values of the people there, and the main considerations when doing business there. And because the Japanese employee will often be a manager, another goal is to teach that person about Daikin's basic stance on personnel and labor matters, particularly cultural differences that could be important when evaluating employees.

In 2009, 21 Daikin employees bound for bases in the United States learned about current affairs and day-to-day personnel and labor matters in that country, while five Daikin employees appointed to bases in China learned the essentials of doing business in that country. In 2010, training is being held for 27 Daikin employees heading for Mexico, Brazil, and other Latin American countries so that they can understand the intricacies of the culture and customs of these countries.

Employees

Work-Life Balance

Work-Life Balance Policy

Daikin Industries stresses a work life balance for employees. We have a range of work systems that allow employees to work flexible duties and flexible schedules. The company has established an action plan for helping employees with children continue both work and home duties with peace of mind and has 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 childcare leave and childcare support.

Helping Employees Match Work Schedule with Lifestyle

Flex Time and Discretionary Work System Allow Employees to Continue Working

To allow this diverse range of employees to work under flexible conditions and working hours, we introduced the flex time system in 1991. In 2001, we introduced a discretionary work system in use in the R&D department and other company departments to accommodate the needs of employees with specialized duties such as those involved in planning, proposals, and surveys related to company operations.

Number of employees leaving, employee turnover

Thanks to these efforts to give employees flexible working conditions and working hours, Daikin has an employee turnover of just 3.5% (including mandatory retirement age employees): this is far below the average of 14.6% for all industries in Japan (according to a 2008 survey by Japan's Ministry of Health, Labour and Welfare).

Support for Childcare

A Company Conducive to Both Working and Raising Children

Daikin Industries strives to create an environment where employees can continue their jobs even after having children.

In March 2007, we were certified for compliance with the Law for Measures to Support the Development of the Next Generation after reaching the targets of our first action plan. Our second action plan started in April 2007 with a number of support efforts.

One of these introduced in June 2007 was a childcare support system under which parents working overtime or taking business trips, or taking care of sick children, were eligible to receive financial aid from the company to cover part of the expenses such as babysitters. In fiscal 2009, 33 employees took advantage of this system.

Daikin Group companies in Japan are also doing all they can to help employees raise their children. Many companies allow employees with school-age children to choose from systems of flexible working conditions and staggered or flexible working hours.

Get-Together for Daikin Parents and Their Bosses

In June 2009, nine companies in West Japan held a get-together for employees with children and their bosses to hold frank discussions on the issues both sides face. This was the third such gathering for working parents since fiscal 2007. But since employees need to communicate frankly with their superiors in order to ensure a proper balance of their jobs and child-raising, the June 2009 event welcomed the participation of managers and others in company leadership positions for the first time. Of the 66 participants (28 managers, 38 working parents), Daikin sent 12 (five managers, seven working parents).

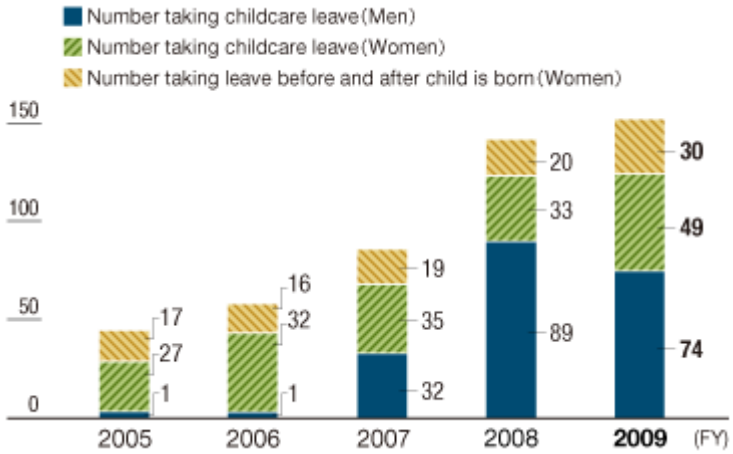
The event featured a panel discussion of employees, managers, and human resource personnel on the theme "Better communication between working parents and bosses makes for a stronger organization and teamwork." This was followed by participants exchanging opinions in small-group discussions.

74 Male Employees Take Childcare Leave

Daikin Industries revised its childcare leave systems so that more men could take childcare leave. This was an important part of the company's second action plan based on the Law for Measures to Support the Development of the Next Generation. The changes allow men with at-home spouses to take childcare leave until the child is 1 year old (compared to until eight weeks previously) and to take childcare leave twice (compared to once previously).

Daikin aggressively publicized these revisions to get as many men as possible taking advantage of them. As a result, 74 men took childcare leave in fiscal 2009.

■ Leave before and after child is born, childcare leave, leave taken by men and women (Daikin Industries only)



Daikin Industries 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.

Symbol Showing Certification as a Company Supporting Employees Childcare Efforts

■ 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 (implementation period: March 2007-March 2012).

■ Details of Second Action Plan

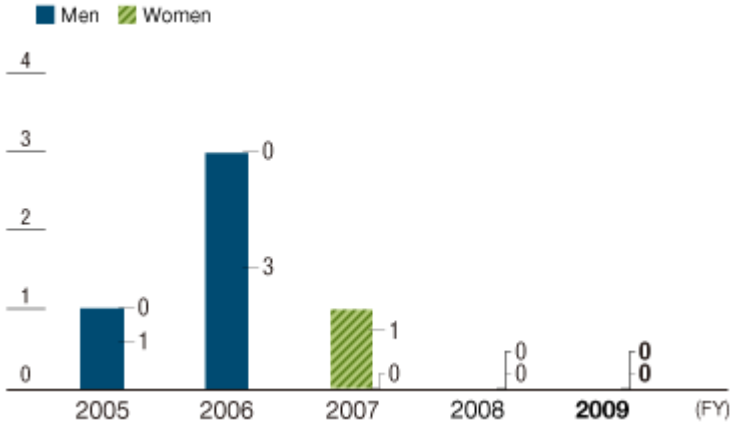
- **Childcare flextime system extended for longer period**
  Flexible working hours may now be used by parents of children still in elementary school (previously only for parents of preschool children).
- **New plan established to provide financial assistance for childcare expenses.**
  Parents working overtime or taking business trips, or whose children are sick, can choose to receive childcare services, with each family eligible to receive up to 200,000 yen a year in financial aid.
- **More men encouraged to take childcare leave.**
  We publicized changes to the system that make it easier for men to take childcare leave.
- **Conference held on best balance of work and family.**
  Information exchange conference allowed participants to share how best to balance work and family.
- **Efforts made to shorten working hours**
  We obligated employees to leave work at closing time at least once a week and prohibited them from coming to work on their days off.

Support for Family Care

Family Care Leave and Shortened Working Hours

With the enactment of Japan's revised Child Care and Family Care Leave Law in 2005, Daikin Industries revamped its own systems for childcare and family care leave. We are doing all we can so that employees can take leave to care for their family when necessary, with minimal stress, and therefore create an environment in which employees can continue working for Daikin under these circumstances.

■ Number taking family care leave (Daikin Industries only)



Under our family care leave system, each employee can take leave up to a maximum of 365 days. Under our system for shortened working hours for family care, every 365 days, each employee can shorten working time to six hours a day, using either staggered or flexible working hours.

■ 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.

Employees

Labor Management Relations

Labor Management Relations Policy

Daikin Industries 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 certain employees, everyone at Daikin Industries 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 2009, there were 26 such meetings. 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.

Dialog with Employees

Hearings for Employees to Improve Working Conditions

Daikin Industries has about 10 hearings a year with at least 2% of its employees (approximately 160 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.

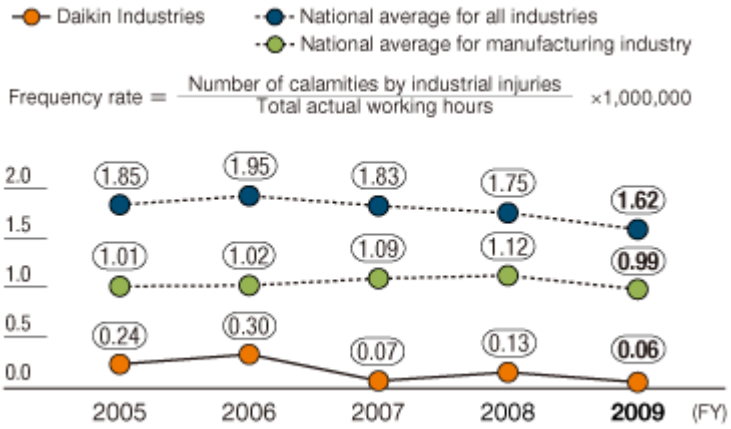
Besides salary, employees are also given hearings when there are matters to report from the company, such as new fiscal year policies, budget and performance reports, and a message from the president at bonus time. Other ways that we hold dialog with employees include meetings between managers and their workers during announcement of annual targets and employee evaluations. Listening to frank employee opinions ensures that we can continuously improve labor-management relations.

Occupational Safety and Health

Occupational Safety and Health Policy

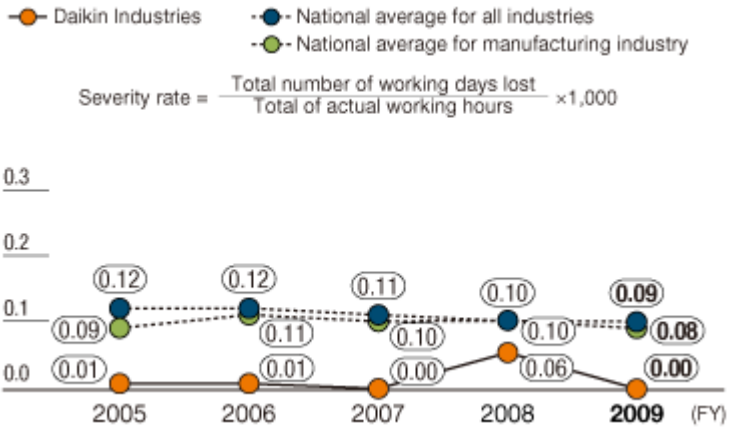
The Daikin Group's Group Compliance Guidelines state our top priority of ensuring a safe, healthy workplace where employees can work in peace of mind. To achieve this, we constantly strive to create a "zero accident" workplace where Daikin employees and subcontract employees work safely, both for their own sake and to instill a feeling of safety in the minds of residents around our factories.

Frequency Rate



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

Severity Rate



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

Number of accidents resulting in time off work

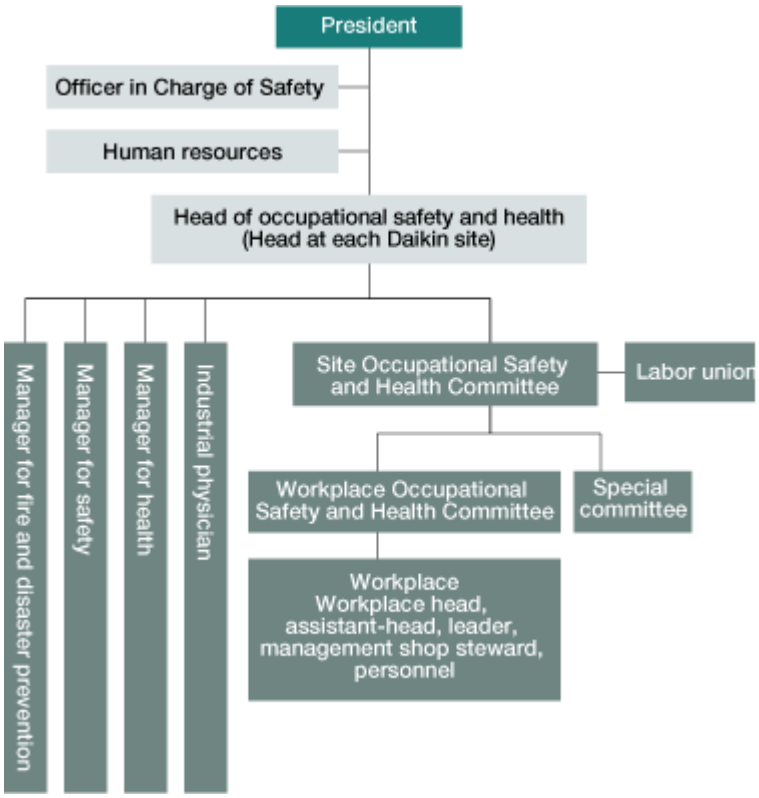
Occupational Safety and Health Management Structure

Occupational Safety and Health Committee at Each Daikin Site Leads Safety and Accident-Prevention Efforts

The chart below shows the Daikin Group's system for occupational safety and health and security. An Occupational Safety and Health Committee at each Daikin site leads efforts through the creation of voluntary annual policies and slogans.

These committees also ensure the safety of facilities and prevent accidents through risk assessments, conduct site patrols to make sure rules are being followed, and raise employee safety awareness through hand-on workshops. The committees also send members to other sites to exchange safety information with committee members there.

System for Occupational Safety and Health



Employee Education and Training

Raising Safety Awareness through Danger Prediction Drills

Each site of Daikin Industries conducts courses and training in occupational safety and health.

Special training is offered to licensed operators of equipment such as presses and forklifts. We also have danger prediction drills for all employees as well as employees of on-site partner companies with the aim of eliminating human error.

We also carry out near-miss educational activities to prevent accidents during work commutes and raise traffic safety within the premises.

TOPICS

Recognition of Occupational Safety and Health

Daikin Airconditioning (Singapore) Pte. Ranked BizSafe Level 3

Note: Ranked according to the implementation level of occupational safety and health.

BizSafe

Employee Health Management

Checkups and Counseling Support Employee Health

Daikin Industries strives to maintain employees' health by providing all employees with semi-annual health checkups, as well as checkups for those doing physically demanding labor and other specialized work.

Employees who are found to have problems are put under the direct guidance of the company health clinic, while employees with lifestyle-related diseases are taken care of by a public health nurse and nutritionist. We are trying to provide more opportunities for the employees themselves to use this health and nutrition advice for their own self improvement.

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.

We also work to increase employees' health awareness by holding seminars on preventing metabolic syndrome and lifestyle-related diseases, and providing information that helps employees who smoke kick the habit.

Mental Health

Determining Individual and Organizational Health, Providing Care by Professionals

Daikin Industries 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 health care measures are implemented at all bases: self-care, care by managers, care by dedicated in-house staff, and care by dedicated outside staff.

Specialized staff work closely with each workplace to create a working environment conducive to mental and physical well-being. Industrial physicians provide mental health checkups to employees who are transferred and to newly hired employees after three months, as well as to employees who questionnaires have showed are facing problems. We also have once-a-year mental health lectures for managers.

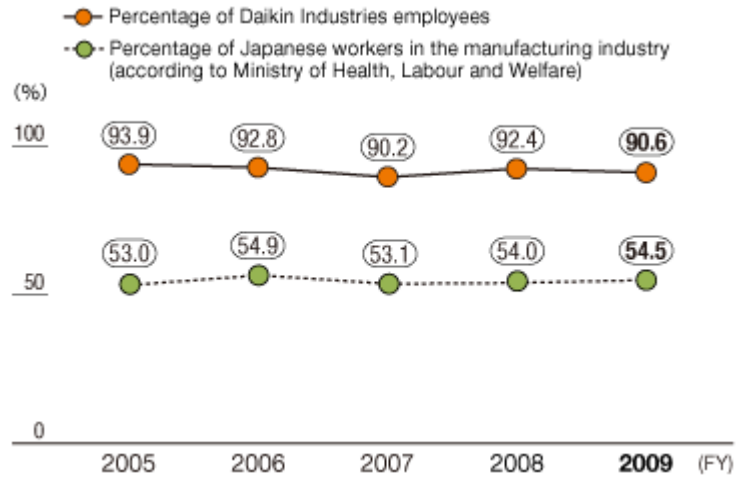
Shortening Working Hours

Shortening Work Hours by Obligating Employees to Leave at Closing Time and by Boosting Work Efficiency

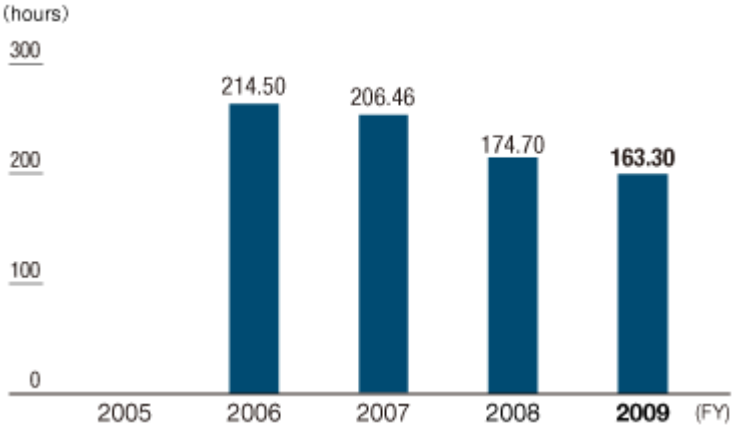
Since fiscal 2003, Daikin Industries has obligated employees to leave the office at closing time once a week and prohibited employees from coming to work on their days off. Yearly plans are made for each employee's duties and working hours, and to ensure that work and personnel management are in line with the plans, checklists are filled out to manage daily work and systems are in place to record daily attendance.

We will continue to do everything we can to shorten working hours, boost work efficiency, and eliminate unpaid overtime.

Percentage of Employees Taking All Paid Leave



Average hours of overtime per employee (Daikin Industries 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.
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.
4. **Clarify management of operations**
   Establish a work attendance system.
5. **Set goals to improve productivity and work efficiency in each division.**

Philosophy

The Daikin Group philosophy states that the cumulative growth of all group members serves the foundation for the group's development. Based on the belief that people grow through work experience, the Daikin Group develops employee capabilities through on-the-job training (OJT)*1.

We also supplement this with off-the-job training (Off JT)*2, such as the Daikin Leadership Development Program for next generation executives, the Daikin Business School for executive management of overseas bases. We offer provide opportunities for independent learning through language training and correspondence courses.

*1 OJT: Employees learn and acquire the skills, knowledge, and degree of commitment required of their positions while performing their jobs.
*2 Off JT: Employees study outside of their workplaces in order to acquire the knowledge and skills needed for their jobs.

Education Systems

Growth through Work Experience Helps Employees Take the World Stage

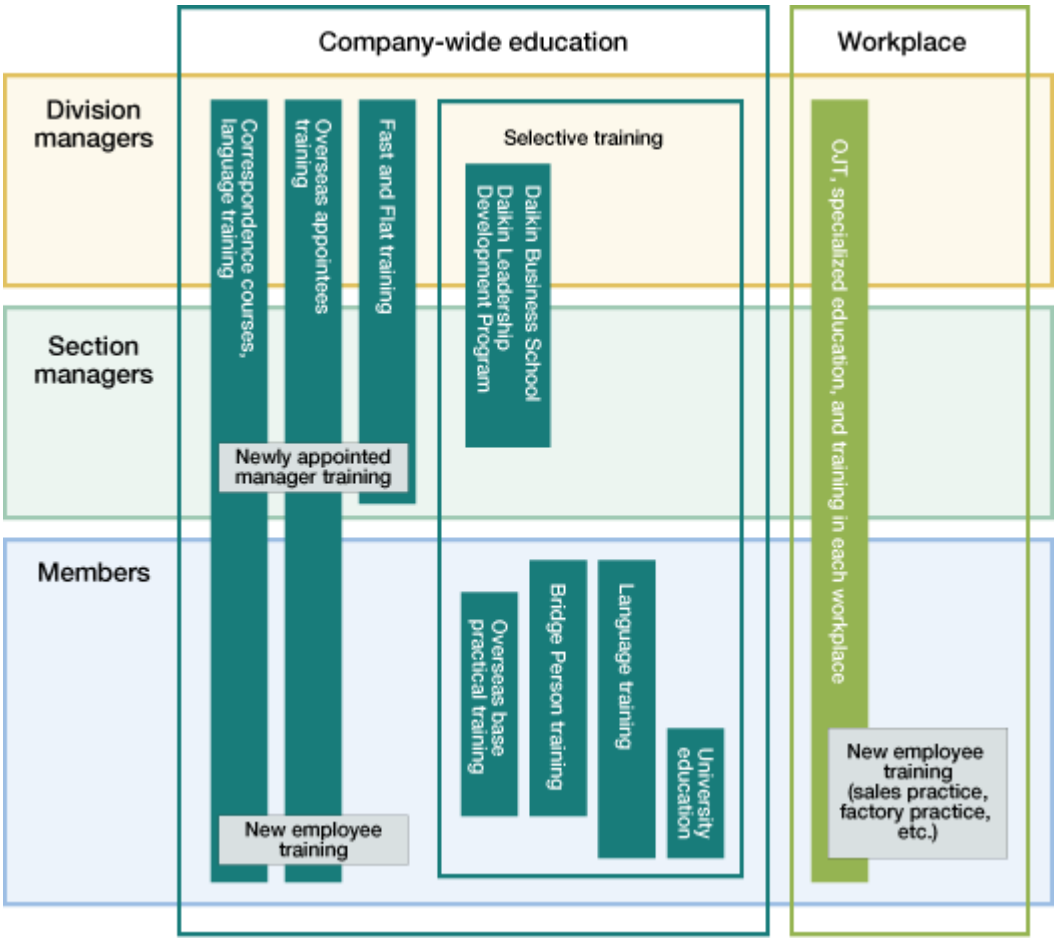
With the Daikin Group's business spreading worldwide, it is crucial that we train people to be leaders with the management skills to guide employees with a diverse range of values in a common direction. To this end, in May 2008, we established the Daikin Ales Aoya Global Training Center in Tottori Prefecture, Japan. Here, new intensive courses for all worldwide Daikin employees are geared to the changing needs of the times, such as Skills Leader Training for people leading our overseas production bases, and Bridge Person Training for people who will promote understanding and practice of the Group Philosophy worldwide.


Daikin Ales Aoya Global Training Center


Bridge Person Training

See Key Activities, Global Human Resource Development. (Page 60)

■ 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.

New employees also spend five nights and six days at the Daikin Ales Aoya global training center in Tottori Prefecture, Japan. There, hands-on, participatory training has new employee holding discussions and practicing concepts focusing on Daikin's People-centered Management and how to become an ideal employee.

Fast and Flat Training

This training focuses on improving the levels of leadership demonstrated by managers based on Daikin's concept of People-centered management. It is to facilitate Fast and Flat management of people and organization appropriate to each workplace. Between June 2006 and May 2007, all Daikin Industries' division managers took this training. In fiscal 2010, section managers will take Fast and Flat training.

Overseas Base Practical Training

To ensure we have internationally minded employees who can lead our global business in future, we send young employees (who have been with Daikin between two and nine years) to work at overseas bases for two years. Unlike other Daikin employees working overseas, these people make the most of their time in a foreign country, as they learn the practical side of all aspects of business by working with local dealers, suppliers, business partners, and universities, and acquiring firsthand the job skills and knowledge they need and learning about local cultures.

This program started in 1999 and as of the end of fiscal 2009, 91 employees had taken part.

Bridge Person Training
This training gives participants the work knowledge, experience, and networking and people skills that will make them a bridge between overseas bases and their Daikin divisions in Japan. Trainees learn to improve communication skills in English, and to gain a deeper understanding of foreign culture and Daikin Group's Philosophy.

This training began in 2008 and by the end of fiscal 2009, 32 employees had completed it.

Study Trips in Japan
Daikin sends young employees in Japan to universities such as Toyota Technological Institute and the International University of Japan in order to improve their technological skills, widen their perspective, and build human resource networks. There are currently nine Daikin employees studying at Toyota Technological Institute.

Daikin Leadership Development Program, Daikin Business School
Both the Daikin Leadership Development Program and the Daikin Business School foster the next generation of Daikin Executives; the former is for managers in Japan while the latter is for local nationals who are managers at Daikin's overseas bases. Centered on Our Group Philosophy, the program turns out executives who can lead and manage their company for the common good of the entire Daikin Group.

Passing on Skills

Meister and Expert Systems Foster a New Generation

In 2001, Daikin Industries 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 Meisters. As of March 2010, there are 18 designated Meisters in the skill areas of brazing, lathing, sheet metal working, arc welding, die making, and tooling. These Meisters teach their skills at Daikin bases worldwide, thus fostering future engineers and technical leaders.

The Chemicals Division has since 2006 had a system to designate Experts, who pass their advanced skills on to others. As of March 2010, there are four designated Experts working in plant operations.

Passing on Skills at Overseas Bases

Global Trainer Program Teaches Foreign Nationals to be Technical Leaders

Starting in 2002, Daikin Industries began sending experienced employees designated as Meisters overseas to help raise the skill levels at overseas Group production bases.



Training foreign nationals to be technical trainers

With Daikin Industries rapidly expanding on a global scale in recent years, we are rushing to improve the skills level of our employees. In May 2009, we started the Global Trainer Program in which Meisters lead training in Japan for international employees assigned to take up technical leader posts at their bases. Under this system, these foreign nationals are certified as trainers and return to the Daikin base in their countries to lead their colleagues in boosting technical expertise. In fiscal 2009, 11 joined the Global Trainer Program.

Fostering Young Engineers and Technicians

Experienced Workers Pass On Techniques and Skills

Since 1994, the Shiga Plant of Daikin Industries 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. The system began with training for mid-level employees but now focuses on passing on skills and techniques to young employees. A total of 96 employees took this training in fiscal 2009.

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.

While young workers pick up technical knowledge, they get a chance to interact with experienced workers, which help young workers develop a sense of professionalism.

Spurring the Creation of Intellectual Property

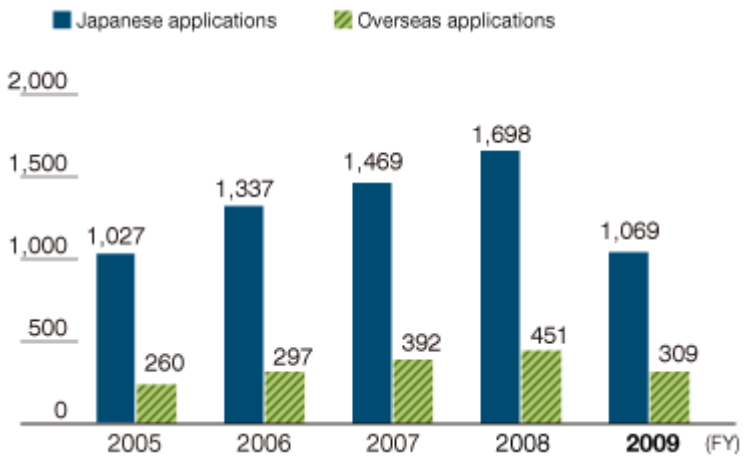
Two Systems Stimulate Creation of Intellectual Property

Daikin Industries has two systems for stimulating employees' motivation to invent and for spurring the creation of intellectual property.

The first is the Compensation System for Employee Inventions, a system in which Daikin pays employees for inventions created on the job that result in patent applications as well as successful uses of the patent. In fiscal 2009, Daikin compensated employees for 1,095 patent applications and 462 successful uses of the patent. The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. In fiscal 2009, we awarded incentive bonuses to the creators of 91 patents.

These systems have taken root and employees are increasingly interested in discoveries and patents. We now aim to devise ways to stimulate enthusiasm for inventions in a wider range of fields, as well as create a system of rewards that appropriately compensate employees for their success.

Number of Patent Applications



Responsibility to: Business Partners

The Daikin Group strives to build a relationship of trust with its suppliers. Through a synergistic relationship, both sides seek to meet each other's expectations for the sake of mutual growth and progress. To achieve this, we do our utmost to conduct fair and open dealings, and we constantly communicate with suppliers to ensure ever-improved quality and safety.

Philosophy on Suppliers

Open to All Suppliers of Any Nationality, Size, and Experience

In choosing our suppliers, we have an open-door policy in which potential business partners, whatever their nationality, can view our requirements for quality, cost, and delivery on our website before submitting a bid.

Read more

(See page 176)

- Philosophy on Fair Dealings
  - Purchasing Philosophy and Purchasing Policy
- Fair Dealings Management Structure

Working Closely with Suppliers

Growing and Evolving with Suppliers

We take every opportunity for communicating with suppliers so that we can develop a relationship of mutual understanding and trust.

In order to grow and evolve with suppliers, we help them build management systems offering better quality and safety, hold meetings jointly with suppliers where both sides can solve key problems, and offer training for employees of distributors.

Read more

(See page 177)

- Ensuring Legal Compliance in the Entire Supply Chain
- Helping Suppliers Build Quality Management Systems
- Raising Product Quality, Ensuring Safety
  - ZD Activities with Suppliers
- Making Plants Safer
- Training for Distributors
- A Relationship of Growth

Green Procurement Guidelines

Guidelines Require Suppliers to Carry Out Environmental Management and Chemical Substances Management

Daikin's Green Procurement Guidelines went into effect in fiscal 2000 to help our suppliers procure green parts and materials. These guidelines are consulted during the procurement stage in Japan, China and Southeast Asia, and the EU.

Read more

(See page 180)

Business Partners

Philosophy on Suppliers

Philosophy on Fair Dealings

Dealings Based on Our Purchasing Policy

The Daikin Group has a Purchasing Policy that is the basis for fair dealings with suppliers.

■ Purchasing Philosophy and Purchasing Policy

Purchasing Philosophy:
"Respect Independence" and "Cooperation and Competition"

Purchasing Policy:

- **Fair relations based on an open-door policy**
  Provide open, equal, and fair opportunities for all companies, regardless of their locality, size, and sales results.
- **Mutual growth through mutual trust**
  Create open conditions for business dealings and respect free competition.
- **Look for good partners**
  In procuring from overseas, look for companies to share common profit and offer society useful products.
- **Observe laws, and maintain confidentiality**
  Observe laws on business dealings and respect the spirit of these laws.

Fair Dealings Management Structure

Dealings Based on Our Purchasing Policy

The Daikin Group has an open door policy on choosing suppliers in which we welcome bids from any company, regardless of nationality, size, or years in business. Before starting business dealings, we ensure potential partners understand our Purchasing Policy and pass our assessment. And we continue to improve our business dealings by regularly assessing our suppliers.

In our air conditioning business, information on product specs, desired quality and cost, and delivery times is posted on our website in order to achieve equality of opportunity. Before we start transactions with new suppliers, we use the Supplier Assessment Standard Sheet to judge companies based on their administration, quality, price, delivery, and environmental measures. Besides ensuring that suppliers are in compliance with laws, we assess them in CSR aspects such as voluntary efforts to improve labor and environmental matters. All companies satisfying our criteria become eligible to do business with us. Suppliers continue to be assessed every year based on our Assessment System for Continuation of Business, of which we constantly update the criteria and standards to keep up with the changing times.

In our chemical business as well, we do business with any supplier meeting our criteria for quality, price, and delivery time. Once dealings begin, we use as many criteria as possible in order to evaluate our suppliers fairly: this includes discussing business with the supplier using multiple Daikin representatives, and making regular visits to the supplier.

Business Partners

Working Closely with Suppliers

Ensuring Legal Compliance in the Entire Supply Chain

Promoting Compliance Among Suppliers

The Daikin Group strives to achieve legal compliance throughout the supply chain by helping suppliers abide by laws.

In the air conditioning business, we raise supplier awareness through written requests for legal compliance and meetings five times a year at which we introduce case studies. When renewing agreements with suppliers, those that fail to meet our standards are asked to write up plans for improvement, which we follow up on. We believe it is important to constantly assess suppliers throughout the year to ensure that they are making improvements.

We also provide environmental support information on a special Web site for suppliers.

In the chemicals business, we carry out surprise spot audits. We know that we must continue to work with suppliers in order to eliminate excessive and unfair labor and to ensure human rights are respected.

Compliance with the Subcontract Act

Japan's Subcontract Act covers about 3,000 Daikin Industries' suppliers and subcontractors.

Our Subcontract Act Compliance Guidelines ensure that all Daikin divisions are in compliance with the Act in respect to matters such as prompt payment. All divisions are made constantly aware of the importance of compliance through both in-house and third-party seminars.

Comprehensive compliance inspections ensure that appropriate payment methods are being followed.

Helping Suppliers Build Quality Management Systems

Helping Suppliers Obtain ISO Certification

Daikin Industries' Green Procurement Guidelines state that suppliers must be ISO 14001 certified. And to promote more complete quality management systems, we provide the latest information on environment-related laws, and we request our primary suppliers, as well as their suppliers, to conduct green procurement and build a chemical management system.

The Chemicals Division requests that its suppliers obtain ISO 14001 certification, and it offers a range of advice on building quality management systems, improving production processes, and streamlining the organization so that suppliers can also obtain ISO 9001 certification.

- See Green Procurement (Page 109)
- See Green Procurement Guidelines (Page 180)

Raising Product Quality, Ensuring Safety

Suppliers Take Part in Quality Improvement Conferences, Receive Quality Guidance

Suppliers are indispensable to our goal of providing customers with reliable products. Daikin strives to raise quality by working closely with its suppliers.

In our air conditioning business, we hold briefings to enlist the help of suppliers in improving quality and achieving zero defects. To this end, the Air Conditioning Manufacturing Division and the Global Procurement Division hold the monthly Supplier Quality Conference, where we assess and analyze the quality of parts we purchase and, when necessary, ask that suppliers solve quality-related issues, even going so far as to visit their factories to offer assistance.

In our chemicals business, we hold an annual quality forum for sharing Daikin quality policies and giving suppliers a chance to report on their quality improvement activities. We also conduct quality audits at suppliers to ensure they are in compliance with laws and regulations. We will continue to work closely with suppliers to ensure our products are of the highest quality.

Supplier Quality Conference

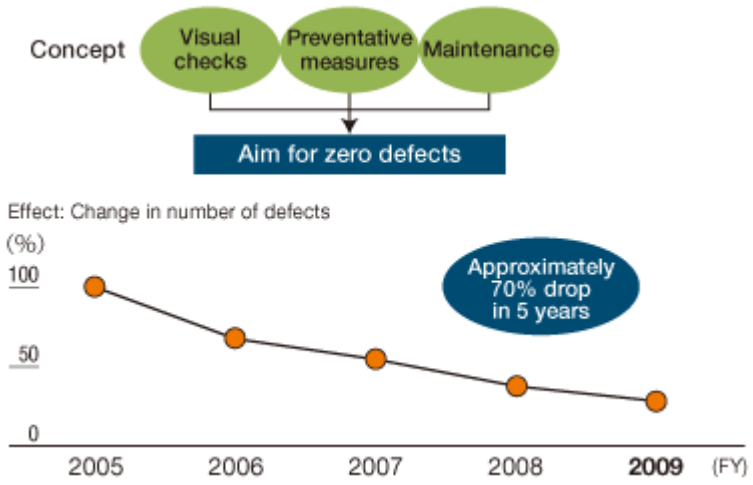
Annual Quality Forum

Aiming for Zero Defects through ZD Activities

Since fiscal 2007, the Air Conditioning Division has been working with suppliers taking part in the Supplier Quality Conference in an initiative called ZD (zero defect) activities. The goal is to achieve zero defects through 3S (visual checks), preventative measures (look for potential problems in production processes), and prevention of reoccurring problems (through regular maintenance).

As of fiscal 2009, 13 suppliers were taking part in ZD activities, which, combined with the Supplier Quality Conference, contributed to an approximately 70% drop in defects between fiscal 2005 and 2009.

ZD Activities with Suppliers



Making Plants Safer

Business Partners Contribute to Plant Safety

Daikin Industries asks for business partners' cooperation in making plants safer.

There are many employees of business partners working in Daikin plants, so it is essential we provide them with information and guidance on safe work practices and conduct safety patrols of the plants.

With so many vehicles entering and exiting plants, safe driving is crucial. At the Yodogawa Plant and Kashima Plant, for example, an accident with the chemicals produced there could mean disaster. That's why we hold regular driving safety seminars for delivery vehicle drivers to teach them traffic rules and promote safe driving.

In fiscal 2009, approximately 300 drivers joined these seminars.

Training for Distributors

52 Courses for Acquiring Air Conditioning Skills

Daikin Industries has five training centers around Japan where we hold a variety of courses so that distributors can learn design, installation, and service techniques. In October 2006, the Tokyo training center was moved to Tsukuba City, Ibaraki Prefecture, and named the Tsukuba Training Center. With the goal of offering customers service that is practical, easy to understand, and pleasant, the center uses the latest simulation machinery to offer realistic practice, as well as electronic blackboards and videos teaching materials, along with a range of other state-of-the-art teaching aids.


Tsukuba Training Center

Training includes systematic step-up training to improve trainees' levels, solution training that helps distributors meet their customers' needs, and certification classes. There are a total of 52 courses. Starting in fiscal 2010, we began a complete overhaul of our service-related courses, adding a new course called Air Conditioning Service Basics while updating two courses: Room Air Conditioner Service and Sky Air Service.


Electronic blackboards

Environmental Awareness Training Held in Conjunction with All Courses

We have developed two environmental courses to boost our eco-efforts, as well as four solution-based courses. Starting in fiscal 2008, we are aiming to raise awareness of the importance of environmental protection: trainees in all courses receive an eco-booklet containing general knowledge on global warming and ozone layer destruction, handling fluorocarbons, and steps to preventing global warming.


eco-booklet

A Relationship of Growth

Communication = Understanding and Trust

The Daikin Group takes every possible opportunity to communicate with suppliers and promote understanding and trust.

In the Air Conditioning Manufacturing Division, global purchasing officers, the head of the Global Procurement Division, and managers regularly visit suppliers for exchanges with their counterparts. Other ways we promote communication include supplier meetings, goodwill gatherings, and award ceremonies to recognize supplier achievements.


Workshop for dealers of the Oil Hydraulics Division

The Chemicals Division fosters good relations through the Quality Forum. It also has employees in charge of dealing with suppliers in five areas: main raw materials and auxiliary materials, packaging materials, equipment, outsourcing, and general purchasing. These employees work regularly and closely with suppliers to gather information and exchange opinions on issues including technology, quality, and price.


Quality Forum sponsored by the Chemical Division

Green Procurement Guidelines

Helping Suppliers be Legally Compliant

In fiscal 2000, the Daikin Group established the Green Procurement Guidelines, and it has been promoting environmental management throughout the entire supply chain in order to provide more environmentally responsible products.

At our major manufacturing bases in Japan, China, and Southeast Asia, we help suppliers abide by the Green Procurement Guidelines and inspect products from our suppliers to determine the chemical substances they contain.

To help suppliers comply with laws and regulations, we hold meetings to explain environmentally related laws and how the Daikin Group abides by these, and release information on our Web site.

In October 2009, we published the 5th edition of the Green Procurement Guidelines, which includes an updated list of restricted chemical substances.

Overview of the Green Procurement Guidelines (PDF file)

Guidelines　PDF Data (150KB) (Oct.2009 revised)

Green Procurement Inspection List　PDF Data (55KB)

You need the Adobe Reader application, offered by Adobe Systems Incorporated, to read PDF files. If it is not installed in your computer, please download an appropriate version of the application according to the model and specifications of your computer.
Download Adobe Reader

Responsibility to: Shareholders and Investors

Besides stressing CSR as part of its management, the Daikin Group strives to improve financial performance to maximize corporate value. Raising corporate value helps us meet shareholder and investor expectations and leads to further growth for our company.

For Shareholders

DOE of Plus 2.0% Means Stable Dividends

To offer shareholders and investors higher stock prices and stable dividends, we strive to make the best use of capital to achieve solid profitability and a firm financial base.

Read more

(See page 182)

- Maximizing Corporate Value
  - Fiscal year end stock prices
  - Operating income margin
  - Daikin Included in SRI Fund Indexes
- Distribution of Profit
  - Dividends
  - Dividends to shareholders equity
- Respect for Exercising Voting Rights
  - Voting Rights Exercised
  - Breakdown of shareholders

Information Disclosure Policy

Constant Efforts to Disclose Information, Including 300 Seminars a Year

The Daikin Group takes increasing responsibility to release information on its business situation promptly and properly. We are particularly diligent about being transparent with our shareholders and investors.

Read more

(See page 185)

- Disclosing Information in a Fair and Timely Manner

Maximizing Corporate Value

Short-Term Profit and Medium-to-Long-Term Growth Despite the Severe Economy

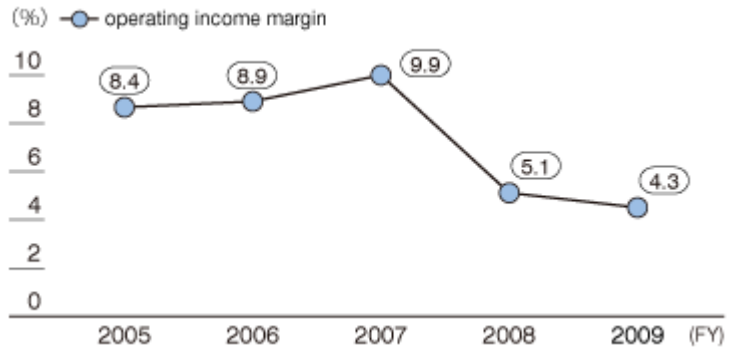
The Daikin Group works to boost business performance and raise corporate value in order to meet the expectations of shareholders, investors, and other stakeholders. To this end, we stress free cash flow (a management indicator that can be said to be the source of corporate value), boost earnings, and reduce accounts receivable and inventory.

Fiscal 2009 saw the first signs that the financial crisis and worldwide economic recession were coming to an end. Still, Daikin was hurt by unfavorable currency fluctuations brought on by a stronger yen, as net sales were 1.239 trillion yen, down 14.8% over the previous year, and operating income was down 28.3% to 44 billion yen.

This situation makes 2010, the final year of our FUSION 10 strategic management plan, a year in which we must increase income and profit. We believe that success this year will lead to sustainable growth and development in the longer term. To accelerate Daikin's journey to this success, the entire Group will work as one to expand global business and will put all its energies into developing and disseminating energy-saving products such as hot water and space heaters.

■ Fiscal year end stock prices

■ Operating income margin



TOPICS

Daikin Included in SRI Fund* Indexes

Daikin Industries has been selected for the seventh year in a row for inclusion in the Dow Jones Sustainability Indexes, which comprise approximately 300 leading companies worldwide selected through evaluation based on economic, environmental, and social criteria.

Daikin has also been selected for the Morningstar and other SRI* (socially responsible investing) funds.

* SRI Fund: SRI funds are made up of companies that, in addition to being rated as financially sound, demonstrate outstanding environmental protection and social responsibility in areas such as legal compliance and the promotion of human rights.

Bronze Class Rating for Daikin in SAM's Corporate Sustainability Assessment

Daikin Industries underwent a corporate sustainability assessment conducted by Sustainable Asset Management (SAM), a Swiss asset management company, and was given a Bronze Class rating. SAM ranks companies into Gold Class, Silver Class, or Bronze Class based on criteria including economic, environmental, and social sustainability.

This year SAM evaluated 2,500 companies in 58 sectors, with 246 selected (including 39 Japanese companies). In the Industrial Engineering sector, in which Daikin is classified, two companies achieved the Silver Class and four companies achieved the Bronze Class. Daikin Industries was the only Japanese company among these six.

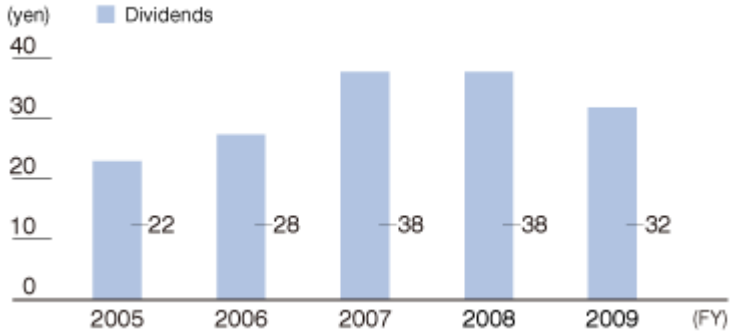
Distribution of Profit

Dividends according to Profits Based on Stability

By setting a target of maintaining at least a 2.0% ratio of dividends to shareholders equity, we strive to pay stable dividends that take into account a range of factors including consolidated performance, financial situations, and capital needs. The dividend for fiscal 2009 is expected to be 32 yen, down 6 yen from the previous fiscal year.

With regard to internal reserves, we will allot them to strategic investments aimed at strengthening the management structure, accelerating the development of global business, promoting the development of environmentally conscious products, achieving business expansion, and improving competitiveness.

■ Dividends



■ Dividends to shareholders equity

Respect for Exercising Voting Rights

Helping More Shareholders Exercise Voting Rights

To ensure that shareholders have more time to consider new proposals before voting at the Ordinary General Meeting of Shareholders, we send announcements of the meeting a week earlier than is legally required. To remedy the discrepancy in information available in Japan and other countries, we translate announcements of shareholder meetings into English and send these to overseas institutional investors, and we have an English version of our Web site.

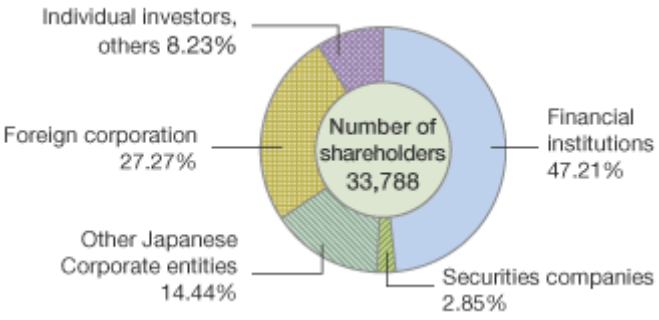
Since fiscal 2003, shareholders have been able to vote over the Internet. This means that those who cannot attend meetings in person can still exercise their voting rights by personal computer or mobile phone. In fiscal 2006, we adopted a platform for exercising voting rights, which made it even easier for institutional investors to vote.

As a result of these efforts, the percentage of voting rights exercised reached 81.5% in fiscal 2009. The number of votes cast over the Internet also increased to 897,490 in fiscal 2009 (779 shareholders).

■ Voting Rights Exercised

	Voting rights exercised	Votes cast over the Internet	Shareholders voting online
Fiscal 2007	81.72%	903,216	691
Fiscal 2008	85.43%	864,879	926
Fiscal 2009	81.50%	897,490	779

■ Breakdown of shareholders



Disclosing Information in a Fair and Timely Manner

Information through Briefings and Our Web Site

Daikin Industries fulfills its responsibility to keeping stakeholders informed by stressing timely, accurate disclosure of information. Particularly in regard to shareholders and investors, we believe we must improve the transparency of our management and provide as much information as possible through a variety of IR activities.


End-of-year financial performance briefing for analysts and institutional investors

For analysts and institutional investors, we hold interim and end-of-year financial performance briefings, and conference calls every first and third financial quarter. As well, we visit and hold talks with institutional investors in Japan and other countries. In fiscal 2009, we spoke with investors on nearly 300 occasions.

We try to provide a wealth of information on the IR site of our home page and disclose information—including documents required by law such as securities reports and documents related to our business performance—in a prompt, fair, and timely manner.

The opinions from shareholders and investors are reflected in our management. We will continue to release appropriate information in order to improve the transparency of the Daikin Group.

Responsibility to: Communities

Employees are front and center in community service that covers arts and culture, human resource development, and environmental protection. We strive to provide each region with the support it needs.

Promoting Art and Culture

Daikin Supports National Museum of Art

Established to promote art and culture, the Daikin Industries Foundation to Promote Modern Art supports a wide range of activities including exhibitions by the National Museum of Art, lectures, academic research, and publications. Overseas as well, we support local culture through the sponsorship of music festivals and other events.

Read more

(See page 188)

- Policy on Contributing to Furthering Art and Culture
- Supporting Art and Music
  - National Museum of Art, Osaka
  - Kansai Philharmonic Orchestra
  - Other Organizations Supported by Daikin Industries

Promoting Sports

Daikin Employees Run Golf Tournament and Foster Future Golfers

With the aim of deepening relations between Okinawa and mainland Japan, every spring we sponsor the Daikin Orchid Ladies' Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour.

Held in conjunction with the tournament is the Orchid Bounty Foundation, which collects donations to support local arts, culture, and education.

Read more

(See page 190)

- Policy on Promoting Sports
- Daikin Orchid Ladies' Golf Tournament

Contributing to Education

Support Education for Youth

The Daikin Group, through its local companies, supports education for youth by donating financial aid and offering technical courses.

Read more

(See page 192)

- Policy on Contributing to Education
- Efforts in Japan
  - Other Educational Activities in Japan
- Efforts Overseas
  - Singapore
  - Thailand
  - Other Education Efforts Overseas

Environmental Contributions to Society

Employees Worldwide Volunteer to Plant Trees

Daikin Industries works with the NGO Conservation International in a new reforestation project in Indonesia. Daikin overseas group companies also conduct their own tree-planting activities in efforts to contribute to the absorption of CO_2.

See Key Activities, Biodiversity Preservation. (Page 54)

Read more

(See page 195)

- Policy on Environmental Protection
- Efforts in Japan
- Efforts Overseas
  - Italy
  - Thailand
  - Other Tree-Planting Activities Overseas

A Good Corporate Citizen—Activities in Each Community

Employees Will Continue to Be Front and Center by Listening to the Needs of the Community

We want to be a good corporate citizen by being keen to the problems of the communities we operate in and conducting activities that lead to solutions.

Employees at regional Daikin bases have planned ways to interact with local communities. Employees will continue to be front and center by listening to the needs of the community: this will make Daikin a known and trusted member of local society.

Read more

(See page 197)

- Philosophy
- Hiring More People with Disabilities
- Building Trust with Communities
  - Safety and disaster prevention at plants (Japan)
  - Local cleanup activities (Japan)
  - Contributing to local safety (Japan)
- Exchanges with Local Communities
- Exchanges with Local Communities in Overseas
  - China
  - Regional independent activities (Overseas)
- Charitable Activities
  - The diagram below shows Daikin's donations in fiscal 2009
  - Daikin Aids Victims of Quinhai Earthquake in China
  - Helping the Needy

Communities

Promoting Art and Culture

Policy on Contributing to Furthering Art and Culture

Established to promote art and culture, the Daikin Industries Foundation to Promote Modern Art supports a wide range of activities including exhibitions by the National Museum of Art, lectures, academic research, and publications. Overseas as well, we support local culture through the sponsorship of music festivals and other events.

Supporting Art and Music

The Daikin Industries Foundation to Promote Modern Art

The world's outstanding artistic and cultural works transcend national borders. Daikin is committed to bringing the joy of these works, and the creativity they inspire, to a wider audience. This desire has compelled Daikin to focus on promoting art and music.

In March 1996, Daikin Industries established the Daikin Industries Foundation to Promote Modern Art to mark the company's 70th anniversary on October 25, 1994. In the foundation's first year, Daikin Industries donated ￥200 million for the basic fund, followed by another ￥200 million after three years. With another donation of ￥100 million in 2004, Daikin's 80th anniversary, total founding so far amounts to ￥500 million yen.

The foundation supports a wide range of projects designed to teach art appreciation, such as exhibitions at the National Museum of Art, Osaka (NMAO), lectures, publications, surveys, and research. Our goal is to contribute to the revitalization of culture and art in our home territory of Osaka by promoting museum activities.

■ National Museum of Art, Osaka (4 Nakanoshima, Kita-ku, Osaka, Japan Museum director: Akira Tatehata)

Established in 1977 in Expo Park, Suita, NMAO was established to collect, preserve, and research works of art in order to contribute to Japanese art and spotlight its relationship to art worldwide.

Beloved as Osaka's only national museum, the NMAO was relocated to Nakanoshima in November 2004 due to aging of its former facilities. All the exhibition halls are located below ground in a temperature- and humidity-controlled environment. The new museum contains 13,487 square meters of floor space.

The museum strives to represent new artistic trends by presenting exhibits focusing on modern art. In recent years, it has hosted a wide range of educational projects for both adults and children. It clearly plays an important role in promoting the Japanese art world.

Daikin Supports the Kansai Philharmonic Orchestra

Kansai Philharmonic Orchestra

Daikin Industries supports the Osaka-based Kansai Philharmonic Orchestra. Formed in 1970, it became a specified nonprofit corporation in 2003. The orchestra is an integral member of local society, giving community concerts at its practice hall and hiring as many local musicians as possible.

Daikin has supported the Kansai Philharmonic Orchestra and since 2007 Daikin CEO Noriyuki Inoue has been a director on the orchestra's committee.

Other Organizations Supported by Daikin Industries

- New National Theatre, Tokyo
- National Museum of Ethnology
- Kaitokudo
- Kyoto National Museum
- Osaka Wasso Cultural Exchange Association

Communities

Promoting Sports

Policy on Promoting Sports

With the aim of deepening relations between Okinawa and mainland Japan, every spring we sponsor the Daikin Orchid Ladies' Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour.

Daikin Orchid Ladies' Golf Tournament

"Ever Onward With Okinawa": Boldly Taking on the Future, Together With Okinawa

In order to expand the circle of interaction among people through sports, Daikin Industries sponsors the Daikin Orchid Ladies' Golf Tournament, a pro event. Our hope is that our promotion of sports will contribute to the advancement of life in Okinawa.

The Daikin Orchid Ladies' Golf Tournament was inaugurated in 1988 as the opening round of the Japan Ladies' Pro Golf Tour. As its sponsor, Daikin contributed the slogan "Ever Onward With Okinawa," indicating our desire to join with Okinawa in boldly addressing the challenges of the future.

A number of participants in the amateur tournament have gone on to take part in the pro tour

Local Amateur Golfers Invited to Participate in Daikin Orchid Ladies' Golf Tournament

The Daikin Orchid Ladies' Golf Tournament was created to help develop and revitalize the Okinawa golf scene. It has been an open tournament since 1997, giving Okinawa's amateur golfers the chance to compete with top professional players. Those aspiring to play in the tournament proper must first qualify in the Daikin Orchid Ladies' Amateur Golf Championship, which has been the proving ground for many professional female golfers active today such as Ai Miyazato, Shinobu Moromizato (Daikin Industries' pro), and Mika Miyazato.

Midori Yoneyama was the winner of the tournament's 20th edition

Bridging Okinawa and the Mainland

The pro and amateur tournaments and the pre-tournament festival enable representatives of local and mainland businesses to interact in an informal setting and gain a better understanding of each other's perspectives. This has led to the emergence of the Okinawa Konwakai, an organization created to consider future development in Okinawa. The association organizes a variety of vibrant activities that include forums and presentations on how to promote and develop Okinawa.

Local Volunteers Contribute to a Successful Tournament

Local volunteers from the city of Nanjo can be counted on to provide their invaluable time and labor to help run the tournament. Launched in 1997, the volunteer program now brings together more than 400 local volunteers every year. In appreciation of their efforts, Daikin donates books to the local Tamashiro Junior High School every year.

The Orchid Bounty Foundation: Promoting the Culture and Sports of Okinawa

All competitors in the professional and amateur tournaments provide their assistance by raising money through the "Orchid Bounty" fundraiser. These funds, augmented by donations from the sponsors, are used to aid the development of Okinawa prefecture, the tournament venue. Specifically, funding is provided to public organizations and individuals promoting artistic, cultural, sporting, and educational activities.

At the 23rd tournament in 2010, ￥7.4 million was donated to a total of 12 organizations and individuals, bringing the total contributions since 1995 to ￥91.4 million.

Local Junior High School Students Invited to Watch Tournament

Many students from the local Tamashiro Junior High School are invited to watch the tournament every year. This gives the students a valuable opportunity to learn about and experience the joy of golf. Japan LPGA Chairperson Hisako Higuchi gives a briefing to the students before the event. By getting a close-up look at the demanding world of the professional golfer and seeing how a professional tournament is run, the students get a firsthand view of the amazing world of professional sports.

Policy on Contributing to Education

The Daikin Group, through its local companies, supports education for youth by donating financial aid and offering technical courses.

Efforts in Japan

Participation in Sakai Environmental Education Project

The Sakai Board of Education sponsored an environmental education project for elementary schools in Sakai City, Osaka Prefecture, home to a Daikin Industries plant. Daikin Industries has taken part in this project since fiscal 2008.

Other Daikin production bases around Japan, meanwhile, invite elementary school students for factory tours.

See Environmental Communication. (Page 135)

Environmental Education Program Focuses on Biodiversity

Daikin Industries, with the help of NGO Conservation International, has developed an environmental education program, called Circle of Life, to teach children how their lifestyles relate to the environmental problems that our world faces today. The program focuses on Daikin's reforestation efforts in Indonesia.

Circle of Life is a partner program to the Children's Eco-Club, an initiative of Japan's Ministry of the Environment. Starting in fiscal 2010, elementary schools across Japan receive learning materials for this program.

See Circle of Life program (Japanese version only) (http://www.daikin.co.jp/csr/edu/index.html)
See Reforestation in Indonesia (http://www.daikin.com/csr/environment/reforestation/index.html)

Other Educational Activities in Japan

Site	Activity	Overview, results
Sakai Plant	Support for the Sakai Rugby School 	The Kanaoka Factory lends its field three times a month to the Sakai Rugby School. In fiscal 2009, about 130 elementary and junior high school rugby players took part.
	Factory tours to educate local elementary school students about working society 	In fiscal 2009, 374 students from three schools took tours.
	Work experience days to educate junior high school students on company life 	In fiscal 2009, three students took a one-day course hosted by the Sakai Plant.
Shiga Plant	Factory tours to educate elementary schools in the city about local industry	In fiscal 2009, the new strain of influenza caused the tours to be cancelled. Instead, Daikin gave DVDs showing the factory to schools that requested them.
	Daikin field opened to the public	Daikin opened up its field to the public to use for baseball, pitch-and-putt golf, softball, and other activities.
	Others	• Daikin invited children from day care centers to see the cherry blossoms in the plant's front garden. • The tennis courts and other facilities were opened to the public.
Yodogawa Plant	Kendo Training Hall for Children	Classes were held three times a week, with 10 students each time.
	Factory tours for local elementary schools	In fiscal 2009, only one elementary school (69 children visited) took tours because of restrictions due to the new strain of influenza.
	Yodogawa Plant field opened to the public (Contract with governments of Osaka Prefecture and Settsu City)	On weekends, the field was opened for the general public to use.
Soka Station	Activities plaza of the field opened to the public	On weekends and holidays, children and teenagers used the field for sports, while the activities plaza was used for pitch-and-putt golf.
Tsukuba Training Center	Support for junior high school field trips 	Daikin hosted junior high school field trips. The goal was to show students how people work and live, and to get them to think about what it's like to work and set targets for what they want to do in future. In fiscal 2009, two students took part.

Efforts Overseas

Daikin Supports Air Conditioner Technical Training in Singapore

Daikin Air Conditioning (Singapore) Pte. and the Singapore government jointly developed a training program for the air conditioning industry and has been certified by the government as the training institute at which the program will be run.

Because Singapore previously had no government-certified, licensed programs for the air conditioning industry, Daikin Industries developed and implemented the framework and training program for such certification, in the process helping both the government and industry.

Providing Thai Students with Education and Job Prospects

Daikin Industries (Thailand) Ltd. runs a program in which outstanding students from impoverished regions who cannot afford to attend university receive two years of education and a guaranteed job with Daikin upon completion. So far, 38 have completed the program and are working mainly at manufacturing jobs.

Also under this program, young employees of Daikin Industries (Thailand) Ltd. eager to gain new knowledge are given the chance to take two years off work to get an education.


Lecture for students


Practicing on a production line


Graduation ceremony

Other Education Efforts Overseas

Managed by	Activity name	Overview	No. of participants	Duration
Daikin (China) Investment Co., Ltd.	Environmental seminar for children	Tours of Solutions Plaza were held throughout the year, and children learned about energy-efficient technologies and products.	700 throughout the year (in Shanghai, Hangzhou, Beijing)	
Daikin Compressor Industries Ltd. (DCI)	Long-term internship program	Signed an agreement with a technical high school for long-term internships in the northeast of the country, where job opportunities are few. The students took a 10-month course to help them become machine engineers.	104	Year long
McQuay International	Mentorship	Took part in the school's skills improvement program. Offered year-round support as mentors to the students.	5 students	Year long
	Internship program	Sponsored interns from an engineering university. Students earned university credits for working at the company and getting experience in their major.	More than 20	Year long

Policy on Environmental Protection

Daikin Industries works with the NGO Conservation International in a new reforestation project in Indonesia. Daikin overseas group companies also conduct their own tree-planting activities in efforts to contribute to the absorption of CO_2.

Efforts in Japan

Sakai Plant in Tree-Planting at Forest of Coexistence

On reclaimed land in Sakai City, Osaka Prefecture, about 100 hectares of forest have been planted for the Forest of Coexistence, an effort to renew forest land and create a habitat for a variety of life. As of the end of March 2009, about 12,000 seedlings had been planted in an approximately 18,000m^2 area.

The goal is to take this reclaimed land—built from a bitter legacy of 30 years of industrial waste— and give it life by making it into an urban environment where a range of life forms can thrive. In April 2009, the first Forest Day was held with participation from citizens of Osaka Prefecture.

A number of employees from Daikin Industries' Sakai Plant took part as volunteers, and the company received a letter of thanks from the Sakai municipal government.

Sakai's "Cool City Sakai" initiative is its proclamation to create a low-carbon metropolis, and Daikin has been on the executive committee since 2009. Our goal is to work with local NPOs, citizens' groups, and the government as a good corporate citizen of Sakai.

Efforts Overseas

Reforestation in Indonesia (Re: AIRCON Project)

Daikin Industries works with the Indonesia Ministry of Forestry and the NGO Conservation International in a reforestation project in which seedlings are raised and planted in a national park in Indonesia.

- For details, see Key Activities: Biodiversity Preservation (Page 54)
- See Reforestation in Indonesia (http://www.daikin.com/csr/environment/reforestation/index.html)

Italy: Tree-Planting Aims to Absorb CO_2 from Business Activities

Daikin Airconditioning Italy S.p.A (DACI) has taken part in the Impatto Zero Project since 2005. The project calls on Italian companies and organizations (over 500 are taking part so far) to plant enough trees to absorb the CO_2 that they emit through their business activities.

Since 2005, DACI has planted trees in national parks in Costa Rica and Italy over an area of approximately 2.3 km^2.

DACI took this project one step further in fiscal 2007 by pledging to plant enough trees to absorb the CO_2 emitted as a result of using the Ururu Sarara residential air conditioners purchased by DACI customers in Italy.

Thailand: Employees Plant Mangrove Trees

Daikin Compressor Industries Ltd. (DCI) plants mangrove trees. Mangroves prevent shoreline erosion and coastal flooding, purify the seawater, and provide a home to a variety of marine life and thus protect biodiversity of the ocean. But mangroves around the world have been cut down in recent years to make way for human development. DCI has been planting mangrove trees since 2007 and in fiscal 2009 planted more than 8,000 trees.

In DCI's home of Amata City, the company has been striving to reduce the environmental impact of its plant operations by taking part in city-sponsored tree-planting projects as well as tree-planting projects on Mother's Day and Father's Day.

Thailand: Planting Endangered Tree Species

In September 2009, Daikin Industries (Thailand) Ltd. planted about 450 trees of an endangered species on the grounds of the Kaset Suwan Temple(Wat Kaset Suwan) about 100 km away. This new forest will be used as a nature classroom for children and as a meditation spot for the monks.


Learning how to plant trees


Families plant trees together


About 200 employees and their families took part

Other Tree-Planting Activities Overseas


Tree-planting (Guangzhou)


Planting trees in front of the office (at J&E Hall)


Tree-planting (at OYL Manufacturing)

Philosophy

We want to be a good corporate citizen by being keen to the problems of the communities we operate in and conducting activities that lead to solutions.

Employees at regional Daikin bases have planned ways to interact with local communities. Employees will continue to be front and center by listening to the needs of the community: this will make Daikin a known and trusted member of local society.

Hiring More People with Disabilities

Hiring More People with Disabilities across the Entire Group

The Daikin Group strives to hire the disabled based on its policy of providing opportunities for disabled people to grow personally and make contributions to society through production activities.

In 1993, Daikin Industries established Daikin Sunrise Settsu Co., Ltd., a cooperative venture with the Osaka Prefecture and Settsu City governments. Disabled persons form the nucleus of the workforce and the company has operated profitably.

See Responsibility to Employees. (See page 158)

Building Trust with Communities

A Safe Plant Open to the Community

The Daikin Group does all it can to make its plants safe so that nearby residents can live in peace of mind. When there is noise or vibration from operations of a plant, we set up a number that residents can call so that we can quickly deal with any complaints.

In particular, we make safety a top priority at the Yodogawa Plant, a chemical production facility located in a residential area. Through efforts such as risk assessment and near-miss training, we strive to eliminate the potential causes of disasters and accidents. We hold disaster prevention drills four times a year in cooperation with local authorities, and we have protocols for informing the authorities of any emergencies. At the Sakai Plant, in addition to talks with local authorities once a year, we are in close contact with the municipal government, police, fire fighting bureau, and labor standards office. At the Soka Station, Daikin works towards safety and peace of mind for residents through activities with the local traffic safety association and crime prevention association.

Also as part of efforts to be a trusted and valuable member of society, we hold factory tours, summer festivals, and other events to promote communication and understanding between Daikin and communities.

Disaster Relief and Disaster Prevention Drills

The Daikin Group has measures in place should there ever be a natural disaster. Besides providing its factories as evacuation shelters in the event of a disaster, Daikin companies have supplies of food, water, and emergency equipment.

In 2009 at the Yodogawa Plant, we reinforced buildings to withstand a magnitude 6 earthquake and thus protect employees and minimize the impact damaged facilities would have on surrounding residents. We also have safety confirmation systems that can confirm the whereabouts and safety of all employees on-site within 20 minutes. At the Kashima Plant, a typhoon measures conference meets when storms are approaching to come up with ways to ensure safe plant operation and temporary shut-down.

The Soka Station, Soka City, and five neighboring communities signed an agreement to cooperate in preparing for natural disasters, in which all parties come up with measures to implement immediately following a major earthquake. An expert panel of the Central Disaster Management Council of the Japanese government's Cabinet Office recognized the Soka Station as an outstanding example of a corporation acting as a bridge between local citizens and local government in supporting disaster relief. The Soka Station was also cited as an outstanding example at a United Nations conference on international disaster strategy in fiscal 2008.

13 Daikin Employees Act as Volunteer Fire Fighters in Settsu

Employees at the Yodogawa Plant are taking part in fire-fighting activities as volunteer fire fighters for Settsu City. Unlike full-time firefighters who are on call all day, every day in case of fires, members of the Settsu City volunteer fire unit are locals who have other jobs. This means these people cannot always get away from their day jobs to fight fires. In response, Settsu City introduced fire departments with separate functions so that more personnel would be available on weekdays. Daikin and two other companies in Settsu with fire engines are taking part.

As of January 2010, in the event of a large fire Daikin fire fighters drive fire engines to the scene and provide support under the direction of the Settsu City Fire Department. This is the first time in Japan that a corporate fire fighting unit is using its fire engines to help fight fires nearby, and it is drawing the attention of other local governments around the country.

- Safety and disaster prevention at plants (Japan) (See page 202)
- Local cleanup activities (Japan) (See page 204)
- Contributing to local safety (Japan) (See page 205)

Exchanges with Local Communities

Exchanges with Local Communities

In 1973, Daikin became one of the first companies to create a Local Community Section within its organization. Since then, it has been strengthening ties and trust with communities through activities such as festivals and sporting events.

Daikin's goal is to be a good corporate citizen that creates closeness among all people and works with communities in order to enrich lives and lifestyles. We will continue to value our relationship with nearby citizens and strive to be a company known and loved for its contributions to society.

Annual Summer Bon Dance Event
Daikin-sponsored Bon Dance a Summer Traditional Along the Yodogawa River

The Daikin-sponsored Noryosai Bon dance is a major event attracting large crowds of locals every summer. Employees make the most of this chance to bring joy to citizens in this corporate-sponsored traditional Japanese event. It has become such a successful example of corporate citizenship that it has been reported in news around the world.

In 1971, an event initially planned as a social gathering for young employees of our Yodogawa Plant expanded into a program open to the community. It eventually grew to encompass the entire area. Initially attracting about 6,000 participants, it was run entirely by our employees and was intended to foster good relations with people of the region. Today, the event attracts 25,000 participants and has evolved into one of Japan's largest corporate-sponsored Bon dance events. It is now established as a much-anticipated major summer event in the region.

The Noryosai Bon dance is held at all Daikin bases in Japan. At the event at the Sakai Plant, local citizens' groups have stalls selling food and other goods. Locals take center stage as performances by high school brass bands and elementary school traditional dance troupes liven the proceedings. At the Kashima Plant, local taiko (Japanese drum) groups perform to help keep this traditional art alive. At the Soka Station, employees apply to work the Bon dance event and gain valuable experience in dealing with the public.

The Bon dance has also spread to Daikin's overseas bases: employees at our bases in the United States (Daikin America), China (Daikin Shanghai), and Belgium (Daikin Europe) organize Bon dance events for locals.

China (Daikin Shanghai)

At Daikin Europe, local members of the taiko (Japanese drum) team delighted about 2,000 locals with a spirited performance of this traditional art. The Decatur Plant of Daikin America in Alabama holds a festival intended to introduce more people to Japanese culture. For this event, the plant distributes specially designed traditional Japanese happi coats (anglicized as "happy coats"). Participants also enjoy the food stalls selling delicacies such as yakisoba and takoyaki. Now a major event attracting 10,000 visitors, the festival gains in popularity every year thanks to its friendly, welcoming atmosphere.

By introducing people to Bon dance and other interesting and fun aspects of Japanese culture, such events help residents near Daikin bases understand our corporate culture and philosophy.

Rugby School

"All for one, and one for all." This indomitable spirit, typical of rugby players, carries lessons that Daikin seeks to impart to children. With this in mind, Daikin, the City of Sakai, the Sakai Higashi Police Department, Seikeikai Hospital, and Nippon Steel collaborated in 1987 to launch Sakai Rugby School. Daikin is in charge of the playing field and secretariat.

At the three monthly practices, the children's cheering reflects discipline combined with fun. The Sakai Rugby School is among the toughest competitors in its games against other schools.

Kendo Training Hall for Children

The Kendo Training Hall for Children opened in 1975 for elementary school children living near the Yodogawa Plant. The goal of the school is to promote health through the martial art of kendo. Daikin employees who hold kendo rankings (dan) provide the instruction. When the school opened, expectations were exceeded when 108 children applied. Clearly, the school has been well received by local residents.

In 1983, a new school —more than double the size of the original— was completed. Named "Yushinkan" by then-president Minoru Yamada, the school has since helped many young local kendo enthusiasts gain skills in this outstanding sport. Excited young voices can often be heard within its walls.

Daikin Plants Clean Up the Neighborhood

Employees at the Daikin plants in Yodogawa, Shiga, Sakai, and Kashima regularly pick up litter and pull up weeds in the surrounding areas. The Yodogawa Plant has a monthly litter pickup, and it takes part in a yearly cleanup of local ditches. At the Shiga Plant, employees join in local neighborhood cleanups four times a year, and the amount of litter both inside and outside the company premises has decreased.

Besides local cleanups, we support local beautification: we cover a portion of the cost of local park maintenance (Kashima Plant), help maintain the cherry trees inside and near the plant premises (Shiga Plant), and we have local children paint pictures on the outside of the fence of our plant (Yodogawa Plant).

At Daikin Air Conditioning Systems (Shanghai) Co., Ltd., about 700 employees take part in a cleanup of nearby parks on the 18th of each month.

Factory tours

We open our plants to the community by hosting local government officials and elementary school children for tours.

Exchanges with Local Communities in Overseas

China: Aiming to Take Root in China

On the occasion of the Daikin Group's 10th anniversary of business in China in 2005, full-fledged social contribution activities were begun in earnest with the aim of making Daikin a locally rooted company. Daikin aims to contribute in the three areas of social welfare, education, and environment.

Examples of Contributions

1. Social welfare contributions
   Established a division in the plant in Shanghai to employ mainly people with disabilities for the purpose of furthering employment of the disabled.
2. Education contributions
   Created the Daikin Future Air Grand Prize to further air-conditioning technology and foster human resources in China.
3. Environmental contributions
   As a dedicated air-conditioner manufacturer, Daikin is active in creating standards related to the environment, energy conservation, and air-conditioners

Regional independent activities (Overseas) (See page 207)


Students from Singapore's Institute of Technical Education take a factory tour

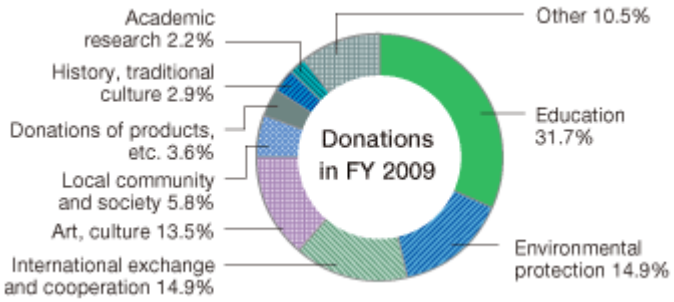

OYL Manufacturing gives a factory tour

Charitable Activities

Donating to a Range of Causes

The Daikin Group donates money to numerous arts, culture, sports, and educational programs as part of its social contribution efforts. Besides donating on a regular basis for the promotion of culture and sports in Okinawa and the Daikin Industries Foundation to Promote Modern Art, we have in recent years been giving more to international exchange and cooperation causes as we strive to contribute to societies around the world.

The diagram below shows Daikin's donations in fiscal 2009.



Daikin Aids Victims of Quinhai Earthquake in China

The Daikin Group (Daikin Industries, along with group companies in China including Daikin (China) Investment Co., Ltd. and McQuay Air Conditioning) donated a total of 1.25 million yuan (approximately $184,500) to help victims and contribute to restoration following the Quinhai earthquake, which occurred on April 14, 2010.

Helping the Needy

McQuay International (U.S.) has a charity program in which employees and their families make donations to the needy in their communities.


Over 200 employees and their family members took part in a program to donate Christmas presents to the needy.

Donating food for needy families. Food items were donated by more than 1,000 employees.

Safety and Disaster Prevention Activities at Plants (Japan)

	Site	Activity	Overview, results
Support for firefighting	Sakai Plant	Formation of in-house firefighting unit	The plants formed an in-house firefighting division, and in each division a firefighting unit was formed.
	Shiga Plant	Formation of in-house firefighting unit	The plants formed an in-house firefighting division, and in each division a firefighting unit was formed.
	Yodogawa Plant	Joined the special firefighting team of Settsu City 	Thirteen employees from the Yodogawa Plant joined the special firefighting team of Settsu City, which is the first of its kind in Japan. Since January 2010, in the case of a large fire that may affect surrounding areas, the Yodogawa Plant firefighters drive their fire engine to the scene and help under the guidance of the Settsu City Fire Department.
	Tokyo Office	Formation of in-house firefighting unit	A firefighting unit was formed in each division, and these are overseen by the Health and Safety Committee.
Communication with neighboring companies and residents	Shiga Plant	Formation of a rescue support system for local disaster victims	Daikin helps the local government to rescue disaster victims.
			The plant is provided for use as an emergency shelter for nearby residents (for example, the field is opened up to the public).
	Yodogawa Plant	An emergency rescue team was formed	There are 140 employees living nearby who are registered. When necessary, a team is gathered by rounding up employees either from their homes or workplace.
	Kashima Plant	Communication with neighboring companies	To administrate local matters, Daikin joins with local companies to be the contact point for local government and citizens.
	Soka Station	Regional disaster agreement	An agreement for made between the Soka Station, Soka City, and five neighboring towns. These three groups have agreed to work together regularly on plans to implement after major earthquakes occur.
Use equipment during disasters, and secure supplies for emergencies	Sakai Plant	Secure supplies for emergencies	Secured emergency supplies such as water, food, and fire prevention equipment.
	Sakai Plant	Lend equipment to disaster relief	Daikin is registered as a corporate supporter of firefighting activities. (In emergencies, Daikin lends equipment like forklifts.)
	Yodogawa Plant	Use of equipment during disasters, and secure supplies for residents for emergencies	The plant makes effective use of site equipment (fire engines, firefighting equipment; sends employees as well).
			Sufficient supplies have been set aside for all local residents in case of a major earthquake.
	Shiga Plant	Secure supplies for emergencies	Emergency supplies are stocked (megaphones, flashlights, food and water, etc.).
	Tokyo Office	Secure emergency supplies, hold evacuation training drills	Emergency supplies are stocked (megaphones, flashlights, food and water, etc.); these are inspected regularly.
			Evacuation training is held with other tenants.

	Site	Activity	Overview, results
Earthquake measures	Shiga Plant	Make buildings earthquake-proof, hold evacuation drills	All buildings on-site have been inspected for earthquake resistance. Building structures are being reinforced.
			Fiscal 2009 drills were held in June, September, and November.
	Yodogawa Plant	Make buildings earthquake-proof	In fiscal 2009, buildings were reinforced to withstand a magnitude 6 earthquake, which can endanger employees and nearby residents.
Typhoon measures	Kashima Plant	Meeting on typhoon measures	A meeting was held to examine measures to take in case of a typhoon. Preventative measures were drawn up for safe operation or stoppage of machinery.
Safety confirmation system	Yodogawa Plant	Safety confirmation system	A system was established that can confirm the safety of employees approximately 20 minutes after a disaster occurs.
			Emergency materials and equipment for searching and restoration are placed in all major buildings.
	Tokyo Office	Safety confirmation system	Established a system for confirming the safety of employees after a disaster occurs.

Local Cleanup Activities (Japan)

Site	Activity	Overview, results
Sakai Plant	Continued participation in "Adopt a Road" cleanup initiative 	Under Sakai City's public cleanup campaign, employees took turns cleaning up the streets once a month. The area around the plant and nearby sidewalks were cleaned.
	Use of E3 bio-gasoline 	Company cars were used in a trial sponsored by Osaka Prefecture.
	Anti-noise measures	Employees patrolled the plant at night to ensure there was no disturbing noise or vibration that would disturb nearby residents.
	Tree-planting	Employees took part in tree-planting in a seaside district to plant 10,000 trees in the Forest of Coexistence.
Shiga Plant	Weeding and cleanup	Employees removed weeds that had spread to adjoining public roads and picked up litter.
	Cleanup 	Litter was picked up around the plant (4 times a year).
	Greenery enhancement 	Weeding, flower planting, and care for the cherry trees was carried out. Cherry trees were planted in fiscal 2010 to mark the plant's 40th anniversary.
Yodogawa Plant	Cleanup	• Areas around the site cleaned up (once a month). • Employees took part in cleanup of local waterways (once a year). • Area around main and west gates (near bus stops) was cleaned up (everyday).
Kashima Plant	Cleanup around the plant 	Cleanup staff were sent out (twice a month), cleanup days of plant held (once a month), meeting of activity managers held (once a year).
	Took part in cleanup of industrial park along with other companies	The association of 24 companies in the industrial park held a cleanup twice a year.
Soka Station	Was Yashio City representative at Soka City environmental conference	

Contributing to local safety (Japan)

Site	Activity	Overview, results
Head Office	Support for local safety activities	Daikin worked with the Kinki Regional Police Bureau in a safety patrol campaign.
Sakai Plant	Support for local safety activities	Daikin took part in the North Sakai Police Crime Prevention Committee and the North/West Sakai Traffic Safety Association.
	Children's protection shelter	The Sakai Plant is registered as a place children can take sanctuary from threats.
Shiga Plant	Disaster training	Disaster training was held once a year for the plant grounds and employee dormitory; fire hydrant usage competition held (July); plant disaster training held (June, November); evacuation training for earthquakes held.
	Participation in the Fire Prevention Association	The Shiga Plant took part in a disaster prevention training convention in unison with the fire department.
	Participation in local safety activities 	In October, the Shiga Plant took part in a firefighting competition. In November, it took part in joint disaster training for private companies.
	Letter of agreement signed for support of fire prevention in case of disaster	Under this agreement, the Shiga Plant will dispatch industrial physicians and its in-house fire-fighting unit, and offer the plant as an evacuation shelter.
Yodogawa Plant	Special firefighting team of Settsu City	Thirteen employees from the Yodogawa Plant joined the special firefighting team of Settsu City, which is the first of its kind in Japan. Since January 2010, in the case of a large fire that may affect surrounding areas, the Yodogawa Plant firefighters drive their fire engine to the scene and help under the guidance of the Settsu City Fire Department.
	Joint disaster training held (with participation of local fire and police departments)	• Control damage, confirm people's safety (evacuation), hold earthquake training. • Installed breathing apparatus, held fire hydrant usage competition (once a year).
	Participation in local safety activities	Participated in disaster training held by Osaka Prefecture and Settsu City (once a year). Took part in nighttime patrols. Took part in nationwide awareness activities for fire prevention (in spring and autumn). Took part in nationwide traffic safety campaign.
	Held safety seminars	Safety courses held for distributors and delivery companies (twice a year).
	Children's protection shelter	The Yodogawa Plant is registered as a place children can take sanctuary from threats.

Site	Activity	Overview, results
Kashima Plant	Disaster training	Disaster training held twice a year in cooperation with the Fire Hydrant Association
	Participation in local safety events 	Joint disaster training was held with the fire department as part of cooperation among companies in the industrial park (once a year). As part of cooperation among companies, once-a-year training was held with firefighters, labor board personnel, and police officers as instructors. The goal was to raise safety and disaster awareness.  Rescue training Participation in disaster training events with the fire department, labor board, and police department.
	Safe driving course held	Police officers were invited to be instructors at a traffic safety training conference (once a year) to help drivers improve their road manners.
	Campaign to stop drunk driving over the winter season.	Traffic safety committee members handed out drunk driving leaflets urging people to follow the rules.
	Held Safe Work Environment Day	Activities were held to raise awareness about safe driving and operation of forklifts and company cars (May 2009).
Soka Station	Contest to prevent accidents and abide by rules of the road	The Soka Plant took part in a rules-of-the-road contest held annually by the Police Department. (August 2009 - January 2010).
Tokyo Office	Participation in meeting of Tokyo Metropolitan Police Department to prevent organized crime.	The Tokyo Office took part in scheduled meetings and training sessions, as well as responded to various requests.

Regional Independent Activities (Overseas)

Site	Activity	Overview, results
Daikin Europe N.V.	Donation of air purifiers	The prize money from the CEO Award (an annual award in the Daikin Group) was used to purchase 55 air purifiers that were given to schools with children suffering from diseases.
	Donation of coloring books	Coloring books were donated to the children's section of a general hospital near the Oostende Plant.
	Support of orphans foundation	Employees took part in a candle sale activity sponsored by an orphans foundation.
	Christmas presents to local residents	Christmas presents were given to local residents. (This took the place of the fiscal 2009 Bon dance festival, which had been cancelled.)
Daikin Industries Thailand	Blood donation	A blood donor clinic was held twice a year.
	Children's day activity	The second Saturday of January is Thai Children's day. DIT joins with the community to provide many activities for children.
	Air conditioner donations	To celebrate DIT's 20th anniversary, a total of 18 air conditioners were donated to six schools and two government organizations.
Daikin Airconditioning (Singapore) Pte.	Support for medical center charity show	Donations were made to Ren Ci Hospital & Medical Centre (a charity hospital).
	Charity golf tournament held	DSP sponsored the 25th edition of a golf tournament with a total of 306 participants. The money donated went to a number of charity organizations.
• Daikin AC (Americas) Inc. • Daikin Air Conditioning (Shanghai) • Daikin Europe N.V.(Belgium)	Daikin summer festival	Daikin bases in the U.S., China (Shanghai), and Belgium carry on this tradition. Employees plan and run the festivals, which are open to not just Daikin but also the customers of affiliates and local residents. These events strengthen ties among employees, Daikin affiliates, and residents.
OYL Manufacturing Company	Visit to orphanage  	Employees visited the orphanage and sang songs and played games with the children.

Site		Activity	Overview, results
McQuay International		Financial Support of River Bend Nature Center	Financial support was provided to the River Bend Nature Center in Minnesota. The donation supports school program resources and equipment, and scholarships.
	Owatonna	Support for Kids Safety Camp	A donation was made to the camp, which covers topics such as bike safety, injury prevention, and electrical/fire/water safety. Employees also volunteered as coordinators at the camp.
	Faribault, Owatonna, Plymouth	Participation in Toys for Tots	Employees donated presents to the nationwide program, which provides Christmas presents to children whose families would not otherwise be able to afford gifts at Christmas.
	Staunton	Participation in Salvation Army Angel Tree Program  	Employees donated presents to the nationwide program, which provides Christmas presents to children whose families would not otherwise be able to afford gifts at Christmas.
	Plymouth	Hat and mitten donations	Employees joined with the West Financial Credit Union in donating winter hats and mittens to children whose families would not otherwise be able to afford them.
	Owatonna	Toys for Tots Soup Luncheon 	Employees put on a homemade soup luncheon and sold tickets to raise money. The money collected was used to purchase toys for the the Toys for Tots program.
	Faribault, Owatonna, Plymouth, Service	Donations to the Food Bank program 	Employees donated food to the Gleaners Community Food Bank, which was distributed to over 1,000 families in need.
	Staunton	Donations to the Food Bank program	Employees donated their holiday turkey to the food bank to provide meals for families in need.
	Faribault, Owatonna, Plymouth, Staunton, Service	Donations to United Way	Monetary donations from employees go to many community programs to help families in need or in crisis.

Site		Activity	Overview, results
McQuay International	Plymouth	Sponsorship of Scholarly Excellence in Equity and Diversity (SEED) Program	McQuay sponsored the student breakfast of the SEED Award program, which honors high-achieving students at the University of Minnesota with diverse identities, including students of color, women, and students with disabilities.
		Volunteering at Minneapolis Resource Center (MRC)	McQuay employees taught students interviewing and resume writing at the MRC, which meets the needs of individuals with disabilities or other barriers to self-sufficiency, by providing customized career services through effective community partnerships.
		Support of Plymouth & Monticello Fire Fighters	McQuay contributed money to support the local volunteer fire fighter departments.
		Volunteering in People Serving People 	McQuay employees volunteered to serve meals with People Serving People, a meal program for people who are homeless.
		Volunteering at the Ronald McDonald House	McQuay employees donated Valentines cards/gifts for families staying at the Ronald McDonald House, a residence where family members of children with cancer can stay during the children's treatment. The company also donated proceeds from candy vending machines.
		Donation to Plymouth Music in the Park	McQuay makes monetary donations to Plymouth Music in the Park, a community music event. It originally began in the parking lot at the McQuay building and is now held at a community park.
		Raising money for hospitalized employee	Employees held a craft/bake sale and donated the proceeds to an employee who is hospitalized.
		Donation to Drug Abuse Resistance Education ("DARE") Program	Proceeds from candy vending machines were donated to DARE, a charity program that serves to educate children on the dangers of drugs.
	Plymouth, Faribault, Owatonna	Blood donations	Employees participated in the Red Cross mobile blood donor clinics.

Data

Pages focusing on environmental performance information and social performance indicators can be found here.

Companies covered by data:

D Daikin Industries **JG** Including group in Japan

OG Overseas group companies only

OJG Including group companies in Japan and overseas

Quality & Customer Satisfaction

■ Number of Inquiries to the Contact Center **JG**

(thousands)

	2005	2006	2007	2008	2009
Repair inquiries	842	815	827	794	735
Technical advice	414	507	534	575	658
Parts inquiries	304	326	328	323	332
Others	109	96	104	60	56

■ Number of compliance violations, countermeasures **JG**

Fiscal 2009	Details
0	No laws or regulations were broken

Low Impact Products

■ Materials used **JG**

(tons)

	2005	2006	2007	2008	2009
Iron	69,888	65,585	69,178	57,512	40,637
Copper	14,397	22,172	24,358	18,684	15,698
Aluminium	10,771	15,314	16,797	13,319	8,962
Refrigerants	4,165	4,228	4,254	3,711	2,872
Plastics	8,626	11,552	13,712	13,928	9,147
Chemicals (PRTR-designated)	14,967	140,212	132,743	102,322	92,325
Packaging	8,767	11,613	9,778	9,644	7,579

■ Recycling of Residential Air Conditioners JG

		2005	2006	2007	2008	2009
Residential air conditioners collected by 4 major manufacturers (including Daikin) (units: 1,000)		1,990	11,620	1,890	1,970	2,150
Residential air conditioners collected by Daikin only (units: 1,000)		120	120	130	140	170
Amount Recycled (tons)		5,508	5,218	4,702	5,294	5,927
Recycling ratio (%)		83	84	84	85	84
(Breakdown)	Iron (%)	40	49	47	44	42
	Copper (%)	7	9	9	8	8
	Aluminium (%)	6	7	6	8	7
	Mixture of non-ferrous and iron composite materials (%)	26	28	31	32	34
	Other valuable materials (%)	5	7	7	8	9
Refrigerants recovered (tons)		72	69	76	85	100

■ Daikin Eco Products as percentage of all products JG

(%)

	2005	2006	2007	2008	2009
Daikin Eco Products	87 (Previous Standard)	90	92	14 (New Standard)	39

Note: We revised our voluntary environmental standards in fiscal 2008.

Low Impact Production

Fiscal 2009 for OYL : Data for OYL Industries Bhd. and its subsidiaries, which the Daikin Group acquired in fiscal 2006.

1) Greenhouse Gas Emissions

■ Greenhouse Gas Emissions for the Entire Group (Production) OJG

(10,000 tons-CO_2)

	Base year*	2005	2006	2007	2008	2009	OYL2009
CO_2 (Energy)	15	43	47	47	44	41	5.5
HFC	946	72	66	49	26	18	1.2
PFC	72	168	140	83	25	24	0
Total	1,033	283	253	178	94	83	6.7

* CO_2: 1990, HFC and PFC: 1995

Note that since not all calculations have been completed, the following data is not included in the base year data: CO_2 emissions from overseas energy consumption and fluorocarbon emissions in the machinery divisions.

■ HFC, PFC Emissions and Global Warming Impact OJG

(tons)

	2005	2006	2007	2008	2009	OYL2009
HFC	198.9	150.8	247.5	113.7	71.2	8.4
PFC	199.2	164.7	100.2	31.2	28.6	0
Global warming impact with fiscal 2005 set as 100% (%)	100%	86%	55%	21%	18%	-

■ CFC, HCFC Emissions and Global Warming Impact **OJG**

(tons)

	2005	2006	2007	2008	2009	OYL2009
CFC	3.1	2.2	0.7	0.3	0.1	0
HCFC	839.6	447.4	381.8	346.2	234.7	1.9
Global warming impact with fiscal 2005 set as 100% (%)	100%	59%	50%	44%	30%	-

■ Total CO_2 Emissions **OJG**

(10,000 tons-CO_2)

	2000	2005	2006	2007	2008	2009	OYL2009
Japan	18.7	17.9	18.9	17.4	14.7	14.0	-
Overseas	12.4	25.4	28.0	29.2	28.5	26.8	5.5
Total	31.2	43.3	47.0	46.6	43.3	40.8	5.5

■ CO_2 Emissions per Sales **OJG**

(tons per 100 million yen)

	2000	2005	2006	2007	2008	2009
Emissions per sales (consolidated)	59	55	52	44	44	47

■ CO_2 Emissions per Sales from Transportation (Air-conditioning) **D**

(%)

	2001	2005	2006	2007	2008	2009
CO_2 emissions per sales with FY2001 set as 100%	100	82	80	72	74	72

■ Recovered Fluorocarbons (at time of repair and at time of disposal) **D**

(tons)

	2005	2006	2007	2008	2009
Recovered fluorocarbons at time of disposal	52.5	44.3	36.3	41.3	34.4
Recovered fluorocarbons at time of repair	245.4	245.4	299.5	335.0	314.6

2) Energy Consumption

■ Energy Consumption **D**

	2005	2006	2007	2008	2009
Electricity (MWh)	161,289	172,376	162,628	145,850	133,472
City Gas (m^3)	42,420,000	43,300,000	45,000,000	37,240,000	35,660,000
LPG (tons)	0	0	131	0	45
Steam (GJ)	305,396	353,382	334,637	256,617	235,670
Petroleum (kl)	471	496	459	471	547

3) Green Procurement

■ Green Procurement Rate (Japan) **JG**

(%)

	2005	2006	2007	2008	2009
Green Procurement Rate	97 (Previous Standard)	80 (New Standard)	95	97	99

■ Green Procurement Rate by Region*1 **OJG**

(%)

	2005	2006	2007	2008	2009
Japan	97	80	95	97	99
Thailand	-	-	-	85	97
China	-	-	-	79	89
Europe	-	-	-	69	63
Oceania	-	-	-	-	85

*1 Green procurement rate=
Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured
*2 New standard starting in fiscal 2006

4) Water

■ Water used **OJG**

(10,000 m3)

	2005	2006	2007	2008	2009	OYL2009
Japan	354	337	326	292	302	-
Overseas	323	331	334	323	302	6.9
Total	677	668	660	615	604	6.9

■ Waste water **OJG**

(10,000 m3)

	2005	2006	2007	2008	2009	OYL2009
Japan	305	272	247	219	206	-
Overseas	260	276	288	268	238	2.7
Total	565	548	535	487	444	2.7

5) Water pollutant and air pollutant emissions

■ Water pollutant emissions **D**

(tons)

	2005	2006	2007	2008	2009
COD	17	17	14	12	7

■ Water pollutant emissions **JG**

(tons)

	2005	2006	2007	2008	2009
COD	17	18	15	13	9

■ Water pollutant emissions **OG**

(tons)

	2005	2006	2007	2008	2009
COD	881	909	992	925	928

■ Air pollutant emissions **D**

(tons)

	2005	2006	2007	2008	2009
NOx	44	53	49	49	63
SOx	0.8	0.5	0.4	0.4	0.0
VOC	294	306	132	43	32

■ Air pollutant emissions **JG**

(tons)

	2005	2006	2007	2008	2009
NOx	44	54	50	50	63
SOx	0.8	1.2	1.4	1.3	0
VOC	298	311	137	48	35

■ Air pollutant emissions **OG**

(tons)

	2005	2006	2007	2008	2009
NOx	84	98	82	78	55
SOx	36	42	20	10	6
VOC	406	439	304	184	105

6) Chemical substance emissions

■ Release of Substances Designated by PRTR Law **D**

(tons)

	2005	2006	2007	2008	2009
Release of Substances Designated by PRTR Law	931	558	341	201	115

Compilation of PRTR Substances (PRTR substances of which at least 1 ton was handled) JG

2009					
Substance name	Amount emitted (tons)			Amount transported (tons)	
	Air	Public waterways	Soil	Sewage	Waste
Tetrafluoroethylene	42.24	0.00	0.00	0.00	0.00
Chlorodifluoromethane (also called HCFC-22)	38.54	0.00	0.00	0.00	4.53
Dichloromethane (also called methylene chloride)	27.68	0.00	0.00	0.00	0.06
Toluene	2.70	0.00	0.00	0.00	0.34
1,1-dichloro-1-fluoroethane (also called HCFC-141b)	1.93	0.00	0.00	0.00	0.81
Xylene	0.78	0.00	0.00	0.00	0.70
Chloroform	0.67	0.00	0.00	0.00	1.30
Ethylbenzene	0.28	0.00	0.00	0.00	0.00
1-chloro-1,1-difluoroethane (also called HCFC-142b)	0.24	0.00	0.00	0.00	0.00
Hydrogen fluoride and other water-soluble salts	0.17	0.00	0.00	0.00	57.00
1,1,1-trichloroethane	0.05	0.00	0.00	0.00	0.00
2-aminoethanol	0.02	0.00	0.00	0.00	4.36
Acetonitrile	0.01	0.00	0.00	0.02	2.10
N,N-dimethylformamide	0.00	0.00	0.00	0.00	6.30
Carbon tetrachloride	0.00	0.00	0.00	0.00	0.00
Polyoxyethylene alkyl ether (those whose alkyl group carbon number is between 12 and 15, or compounds of these)	0.00	0.00	0.00	0.11	18.00
Acrylic acid	0.00	0.00	0.00	0.00	14.00
Antimony and antimony compounds	0.00	0.00	0.00	0.00	3.20
Polyoxyethylene octyl phenyl ether	0.00	0.00	0.00	0.01	2.10
Hydroquinone	0.00	0.00	0.00	0.00	1.90
Allyl alcohol	0.00	0.00	0.00	0.00	1.10
Water soluble lead compounds	0.00	0.00	0.00	3.00	0.72
Ethylene glycol	0.00	0.00	0.00	0.00	0.33
Polycondensates of 4,4-isopropylidene diphenyl and 1-chloro-2,3-epoxypropane (also called bisphenol A epoxy resin) (only in liquid state)	0.00	0.00	0.00	0.00	0.10
Molybdenum and molybdenum compounds	0.00	0.00	0.00	0.00	0.00
2-Chloro-1,1,1,2-tetrafluoroethane (also called HCFC-124)	0.00	0.00	0.00	0.00	0.00
Styrene	0.00	0.00	0.00	0.00	0.00
Bis (hydrogenated tallow) dimethylammonium chloride	0.00	0.00	0.00	0.00	0.00
Methacrylic acid, 2-ethylhexyl ester	0.00	0.00	0.00	0.00	0.00
Total	115	0	0	3	119

7) Waste

■ Amount Recycled and Amount Disposed of (Japan) JG

(tons)

	2005	2006	2007	2008	2009
Disposed	461	507	180	167	61
Recycled	30,539	31,469	34,112	33,233	21,784

■ Amount Recycled and Amount Disposed of (Overseas) OG

(tons)

	2005	2006	2007	2008	2009
Disposed	13,635	11,196	13,393	9,080	9,995
Recycled	13,025	17,713	24,708	22,791	18,470

8) Calculation standard

■ Calculation standard

Item		Indicator	Calculation method
During production	Greenhouse gas emissions	CO_2 emission coefficient for electricity use	Japan Eco-Action 21, formulated by Ministry of the Environment in 1998
			Overseas Japan Electrical Manufacturers Association.
		CO_2 emission coefficient for energy use	Japan Eco-Action 21, formulated by Ministry of the Environment in 1998
			Overseas Eco-Action 21, formulated by Ministry of the Environment in 1998
		CO_2 Emissions per Sales	Japan CO_2 emissions/japan consolidated sales
			Overseas CO_2 emissions/overseas consolidated sales

Environmental Management

Fiscal 2009 for OYL : Data for OYL Industries Bhd. and its subsidiaries, which the Daikin Group acquired in fiscal 2006.

■ Report from Audits JG

	2005		2006		2007	
	Problems found from internal environmental audits	Problems found by third-party certification institutes	Problems found from internal environmental audits	Problems found by third-party certification institutes	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non-conformance	2	0	1	0	0	0
Minor non-conformance	92	4	95	0	56	4
Items improved	305	5	226	5	192	46

	2008		2009	
	Problems found from internal environmental audits	Problems found by third-party certification institutes	Problems found from internal environmental audits	Problems found by third-party certification institutes
Major non-conformance	0	1	3	0
Minor non-conformance	31	8	99	1
Items improved	111	71	214	10

■ Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification OJG

(%)

	2005	2006	2007	2008	2009	OYL2009
Japan	100	100	100	100	100	-
Overseas	82	85	95	99	99	57

■ Number of compliance violations, countermeasures OJG

Fiscal 2009	Details
0	No laws or regulations were broken

Employees

1) Number of employees, hiring, etc.

■ Employee Composition (Data for Daikin Industries) (Note: Number currently employed) D

		As of end of March 2006		As of end of March 2007		As of end of March 2008	
		Men	Women	Men	Women	Men	Women
Daikin Industries	Number of employees	6,039	635	6,245	695	6,360	816
	Average range of services (years)	19.0	12.0	19.0	12.0	19.0	12.0
	Average age	42.4	34.8	42.2	34.3	41.9	32.9
	Number of managers	949	10	958	9	969	12
	Number of board members	34	1	41	1	41	1
	Number of foreign nationals	22		27		28	12
Total		7,798		8,084		8,345	

		As of end of March 2009		As of end of March 2010	
		Men	Women	Men	Women
Daikin Industries	Number of employees	6,452	868	6,558	897
	Average range of services (years)	18.9	12.0	17.9	10.8
	Average age	41.6	32.8	41.8	33.6
	Number of managers	925	13	886	14
	Number of board members	47	1	45	1
	Number of foreign nationals	28	12	37	16
Total		8,451		8,558	

Employee make-up by region OJG

	2005		2006		2007	
	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees
Daikin Industries (Only)	1	5,391	1	5,646	1	5,979
Domestic Group (Excluding Daikin Industries)	46	3,958	46	4,214	45	4,231
China	16	4,564	25	7,476	28	8,387
Southeast Asia, Oceania	14	3,992	41	6,902	41	7,619
Europe, Middle East, Africa	16	3,385	53	5,234	48	5,799
North and South America, Other	7	457	25	4,008	30	4,285
Total	100	21,747	191	33,480	193	36,300

	2008		2009	
	Number of companies	Number of employees	Number of companies	Number of employees
Daikin Industries (Only)	1	6,186	1	6,379
Domestic Group (Excluding Daikin Industries)	40	4,432	42	4,665
China	31	10,551	31	10,072
Southeast Asia, Oceania	41	8,298	40	7,968
Europe, Middle East, Africa	61	6,006	58	5,654
North and South America, Other	29	4,423	27	4,136
Total	203	39,896	199	38,874

Number of employees leaving, employee turnover D

		2005	2006	2007	2008	2009
Japan	Men	163	168	207	241	225
	Women	31	38	24	48	36
	Employee turnover	3%	3.1%	3.3%	3.9%	3.5%

Number of women periodically hired; percentage of all employees D

	2005	2006	2007	2008	2009
Men	127	207	216	242	157
Women	83	85	139	52	34
Total	210	292	355	294	191
Women as % of all employees	39.5%	29.1%	39.2%	17.7%	17.8%

2) Occupational Safety and Health

■ Frequency Rate* D

	2005	2006	2007	2008	2009
Daikin Industries	0.24	0.30	0.07	0.13	0.06
National average for all industries	1.85	1.95	1.83	1.75	1.62
National average for manufacturing industry	1.01	1.02	1.09	1.12	0.99

Note: This shows the frequency of work-related calamities, expressed in number of calamities for every 1,000,000 working hours.
Frequency rate = Number of calamities by industrial injuries / Total actual working hours × 1,000,000

■ Severity Rate* D

	2005	2006	2007	2008	2009
Daikin Industries	0.01	0.01	0.00	0.06	0.00
National average for all industries	0.12	0.12	0.11	0.10	0.09
National average for manufacturing industry	0.09	0.11	0.10	0.10	0.08

Note: 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 of actual working hours × 1,000

3) Re-employed Workers

■ Number of Re-employed Workers D

	2005		2006		2007		2008		2009	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of Retirees:	92	0	97	4	112	5	139	6	141	4
Number of Re-employed Workers	80	0	84	4	98	3	117	5	118	3
Percentage Re-employed After Retiring	87.0%		87.1%		86.3%		84.1%		83.4%	

4) Disabled People Employed

■ Number of Disabled People Employed* JG

	2005	2006	2007	2008	2009
Number of disabled people employed*	204	205	237	248	264
Employment rate**	2.73%	2.63%	2.13%***	2.17%	2.27%

* Legally, 1 severely disabled person employed is counted as 2 disabled persons.
** Employment rate = number of disabled persons employed / number of persons employed
*** Disabled employment rate for only Daikin Industries until FY2006 and for the entire Daikin Group from FY2007

5) Work-Life Balance

■ Leave before and after child is born, childcare leave, leave taken by men and women D

		2005	2006	2007	2008	2009
Number taking leave before and after child is born	Women	17	16	19	20	30
Number taking childcare leave	Men	1	1	32	89	74
	Women	27	32	35	33	49

■ Number taking family care leave D

		2005	2006	2007	2008	2009
Number taking family care leave	Men	1	3	0	0	0
	Women	0	0	1	0	0

■ Number of accidents resulting in time off work D

		2005	2006	2007	2008	2009
Number of accidents resulting in time off work	Accidents resulting in time off work	11	9	12	13	6
	Commuting accidents resulting in time off work	2	3	2	18	4
Frequency Rate		0.24	0.30	0.07	0.13	0.06
Severity Rate		0.01	0.01	0.00	0.07	0.00

■ Percentage of Employees Taking All Paid Leave D

(%)

	2005	2006	2007	2008	2009
Percentage of Daikin Industries employees	93.9	92.8	90.2	92.4	90.6
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	53.0	54.9	53.1	54.0	54.5

6) Patent Applications

■ Number of Patent Applications

	2005	2006	2007	2008	2009
Japanese applications	1,027	1,337	1,469	1,698	1,069
Overaseas applications	260	297	392	451	309

Shareholders and Investors

Consolidated Sales by Business Segments

(%)

	2005	2006	2007	2008	2009
Air Conditioning/Refrigeration Equipment	80.9	82.5	87.7	88.1	88.7
Chemicals	13.5	12.8	9.0	8.5	8.4
Oil Hydraulics, Defense Systems and Others	5.5	4.7	3.3	3.4	2.8

Consolidated Sales by Region

(%)

	2005	2006	2007	2008	2009
Japan	53.6	48.5	35.7	39.6	37.6
China	18.1	19.8	24.1	23.8	14.1
Asia and Oceania					12.8
Europe, Middle East, and Africa	22.6	25.8	27.5	25	22.4
The Americas and Others	5.7	5.9	12.7	11.6	13.1

Net Sales

(¥ billion)

	2005	2006	2007	2008	2009
Consolidated	792.8	911.7	1,291.1	1,202.4	1,024.0
Non-consolidated	435.2	454.1	499.2	424.9	365.4

Total Assets

(¥ billion)

	2005	2006	2007	2008	2009
Consolidated	719.4	1,161.4	1,210.1	1,117.4	1,139.7
Non-consolidated	499.2	791.7	786.4	766.7	783.2

Ordinary Profit

(¥ billion)

	2005	2006	2007	2008	2009
Consolidated	68.2	78.3	121.7	52.0	43.8
Non-consolidated	32.1	34.1	38.2	(5.2)	15.0

Fiscal year end stock prices

(yen)

	2005	2006	2007	2008	2009
Fiscal year end stock prices	4,120	4,100	4,290	2,680	3,825

Dividends

(yen)

	2005	2006	2007	2008	2009
Dividends	22	28	38	38	32

Breakdown of shareholders

	2005			2006		
	Number of voters	Shares held	As % of all shareholders	Number of voters	Shares held	As % of all shareholders
Financial institutions	135	115,193,006	43.7%	149	118,319,706	44.8%
Securities companies	56	3,520,930	1.3%	64	7,155,113	2.7%
Other corporations	310	30,070,360	11.4%	342	36,054,260	13.7%
Foreign corporation	417	96,628,254	36.6%	409	83,444,832	31.6%
Individuals, other	10,590	18,401,423	7.0%	14,116	18,840,062	7.1%
Total	11,508	263,813,973	100.0%	15,080	263,813,973	100.0%

	2007			2008		
	Number of voters	Shares held	As % of all shareholders	Number of voters	Shares held	As % of all shareholders
Financial institutions	181	141,302,883	48.2%	183	149,285,576	50.9%
Securities companies	86	7,181,326	2.5%	65	4,408,469	1.5%
Other corporations	571	40,848,052	13.9%	621	43,053,817	14.7%
Foreign corporation	469	81,575,368	27.8%	479	70,912,586	24.2%
Individuals, other	28,422	22,206,344	7.6%	35,580	25,453,525	8.7%
Total	29,729	293,113,973	100.0%	36,928	293,113,973	100.0%

	2009		
	Number of voters	Shares held	As % of all shareholders
Financial institutions	171	138,391,233	47.2%
Securities companies	65	8,358,282	2.9%
Other corporations	567	42,336,605	14.4%
Foreign corporation	472	79,918,106	27.3%
Individuals, other	32,513	24,109,747	8.2%
Total	33,788	293,113,973	100.0%

Dividends to shareholders equity

(%)

	2005	2006	2007	2008	2009
Dividends to shareholders equity	47.7	34.4	45.3	42.2	43.5

Voting Rights Exercised

	2005	2006	2007	2008	2009
Voting rights exercised (%)	78.6%	81.3%	81.72%	85.43%	81.5%
Votes cast over the Internet	4,335	457,012	903,216	864,879	897,490
Shereholderes voting online	385	289	691	926	779

Business / Financial Data (Consolidated)

	2006	2007	2008	2009	2010
	Years ended March 31, 2007	Years ended March 31, 2008	Years ended March 31, 2009	Years ended March 31, 2010	(Forecast)
Net Sales (¥Million)	911,794	1,291,081	1,202,419	1,070,000	1,155,000
Operating Income (¥Million)	80,754	128,098	61,394	44,037	73,000
Ordinary Income (¥Million)	78,285	121,708	52,007	43,768	69,000
Net Income (¥Million)	45,419	74,822	21,755	19,390	37,000
Earnings Per Share (yen)	172.66	262.24	74.51	66.44	-
Overseas Business Ratio (%)	52	64	63	62	-
Free Cash Flow (¥Million)	1,300(*)	6,100	▲7,000	80,700	-
Return on Assets (%)	5.9	6.3	1.9	1.7	-
Return on Equity (%)	12.3	15.8	4.3	4	-
Shareholders' Equity Ratio (%)	34.4	45.3	42.2	43.5	-
Plant-and-Equipment Investment (¥Million)	41,100	51,300	60,600	28,400	-
Reseach & Development Costs (¥Million)	27,200	32,100	30,500	28,200	-
Liability with Interest Ratio (%)	39.2	29.4	37.4	35	-
Employees	33,776	36,406	40,126	39,132	-

(*)not include the OYL acquisition

The diagram below shows Daikin's donations D

(%)

	2005	2006	2007	2008	2009
Education	37.4	43.2	51.8	22.9	31.7
Environmental protection	4.8	2.0	0.9	8.3	14.9
International exchange and cooperation	15.3	11.5	10.3	18.2	14.9
Art, culture	17.3	11.7	10.7	11.7	13.5
Local community and society	3.7	5.9	2.3	10.2	5.8
Donation of products, etc.	2.0	11.3	8.2	1.9	3.6
History, traditional culture	5.6	1.9	2.8	1.2	2.9
Academic research	3.5	2.8	1.7	1.3	2.2
Other	10.4	9.7	11.3	24.3	10.5

Governance

Executive compensation

		2006	2007	2008	2009
Directors	Number	11	11	12	10
	Amount of compensation (million yen)	666	816	748	717
Corporate Auditors	Number	4	4	4	5
	Amount of compensation (million yen)	79	86	93	90
Total	Number	15	15	16	15
	Amount of compensation (million yen)	746	903	842	808

Note: About compensation amounts
For fiscal 2006, bonuses to directors included.
From fiscal 2007, bonuses to directors (excluding outside directors) include expenses related to stock acquisition rights given to directors as stock options.
For fiscal 2008, the compensation amount for the term of office of two directors who retired during the period is included; however, the JPY 146 million for retirement benefits is not included.
For fiscal 2009, the compensation amount for the term of office of one auditor who retired is included.

Starting salary

(yen)

	2005	2006	2007	2008	2009
University grad	200,000	202,000	204,000	215,000	215,000
Masters	227,800	229,800	231,800	234,800	234,800
PhD	252,800	254,800	256,800	258,800	258,800

Number of compliance violations, countermeasures OJG

Fiscal 2009	Details
0	No laws or regulations were broken

Overview of GRI Guidelines

GRI Sustainability Reporting Guidelines 2006 (G3)

See Data, environmental performance information and social performance indicators can be found here. (Page 210)

Indicators		GC Principle	WEB
1.Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.		Message from the Chairman
1.2	Description of key impacts, risks, and opportunities.		
2.Organizational Profile			
2.1	Name of the organization.		Daikin's CSR
2.2	Primary brands, products, and/or services.		
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.		
2.4	Location of organization's headquarters.		
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		
2.6	Nature of ownership and legal form.		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		
2.8	Scale of the reporting organization, including: -Number of employees; -Net sales (for private sector organizations) or net revenues (for public sector organizations); -Total capitalization broken down in terms of debt and equity (for private sector organizations); and-Quantity of products or services provided.		
2.9	Significant changes during the reporting period regarding size, structure, or ownership including:-The location of, or changes in operations, including facility openings, closings, and expansions; and-Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).		-
2.10	Awards received in the reporting period.		Honors for Daikin
3.Report Parameters			
Report Profile			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.		Editorial Policy
3.2	Date of most recent previous report (if any)		
3.3	Reporting cycle (annual, biennial, etc.)		
3.4	Contact point for questions regarding the report or its contents.		

Indicators		GC Principle	WEB
Report Scope and Boundary			
3.5	Process for defining report content, including: -Determining materiality; -Prioritizing topics within the report; and Identifying stakeholders the organization expects to use the report.		Editorial Policy
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.		
3.7	State any specific limitations on the scope or boundary of the report8.		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		-
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.		-
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).		-
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		-
GRI Content Index			
3.12	Table identifying the location of the Standard Disclosures in the report.		This page
Assurance			
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).		Independent Opinions
4. Governance, Commitments, and Engagement			
Governance			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.		CSR Management
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).		
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		Corporate Governance
			Responsibility to Shareholders and Investors
			Labor Management Relations
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).		-
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		CSR Management
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.		CSR Philosophy

Indicators			GC Principle	WEB
Governance				
4.9		Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		CSR Management
4.10		Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		-
Commitments to External Initiatives				
4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organization.		Compliance and Risk Management
				Product Quality and Safety
4.12		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		Global Compact
4.13		Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: -Has positions in governance bodies; -Participates in projects or committees; -Provides substantive funding beyond routine membership dues; or Views membership as strategic.		Daikin Cooperates in Formation of Environmental Policy
Stakeholder Engagement				
4.14		List of stakeholder groups engaged by the organization.		Responsibility to Stakeholders Responsibility to Stakeholders
4.15		Basis for identification and selection of stakeholders with whom to engage.		
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.		
5. Performance index				
Economic				
Management Approach				
		Goals and performance		Responsibility to Shareholders and Investors Investor Relations
		olicy		
		Additional Contextual Information		
Economic Performance				
Core Indicators	EC1.	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.		For Shareholders
				Charitable Activities
	EC2.	Financial implications and other risks and opportunities for the organization's activities due to climate change.	GC principles 7,8	Message from the Chairman
				Environmental Accounting
	EC3.	Coverage of the organization's defined benefit plan obligations.		-
	EC4.	Significant financial assistance received from government.		-
Additional Indicators	EC5.	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	GC principle 6	-

Indicators			GC Principle	WEB
Economic				
Market Presence				
Core Indicators	EC6.	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		Responsibility to Business Partners
	EC7.	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	GC principle 6	Feature 6: Global Human Resource Development
Indirect Economic Impacts				
Core Indicators	EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		Responsibility to Communities Charitable Activities
	EC9.	Understanding and describing significant indirect economic impacts, including the extent of impacts.		Environmental Accounting
Environmental				
Management approach				
		Goals and Performance	GC principles 7,8,9	Environmental Action plan 2010
		Policy	GC principles 7,8,9	Towards an Environmentally Advanced Company Environmental Philosophy
		Organizational Responsibility	GC principles 7,8,9	Environmental Management System
		Training and Awareness	GC principles 7,8,9	Environmental Education
		Monitoring and Follow-up	GC principles 7,8,9	Environmental Audits
		Additional Contextual Information	GC principles 7,8,9	-
Materials				
Core Indicators	EN1.	Materials used by weight or volume	GC principle 8	Overview of Environmental Impact
	EN2.	Percentage of materials used that are recycled input materials.	GC principles 8,9	-

Indicators			GC Principle	WEB
Environmental				
Energy				
Core Indicators	EN3.	Direct energy consumption by primary energy source.	GC principles 8	Overview of Environmental Impact
	EN4.	Indirect energy consumption by primary source.	GC principles 8	
Additional Indicators	EN5.	Energy saved due to conservation and efficiency improvements.	GC principles 8,9	Daikin Eco-products
	EN6.	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	GC principles 8,9	Feature 1: Products That Contribute to Global Warming Mitigation Daikin Eco-Products Promoting the Use of Inverter Products Promoting the Use of Heat Pump Space and Hot Water Heaters
	EN7.	Initiatives to reduce indirect energy consumption and reductions achieved.	GC principles 8,9	-
Water				
Core Indicators	EN8.	Total water withdrawal by source.	GC principles 8	Overview of Environmental Impact
Additional Indicators	EN9.	Water sources significantly affected by withdrawal of water.	GC principles 8	-
	EN10.	Percentage and total volume of water recycled and reused.	GC principles 8,9	-
Biodiversity				
Core Indicators	EN11.	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	GC principles 8	-
	EN12.	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	GC principles 8	Feature 4: Biodiversity Preservation
Additional Indicators	EN13.	Habitats protected or restored.	GC principles 8	-
	EN14.	Strategies, current actions, and future plans for managing impacts on biodiversity.	GC principles 8	Feature 4: Biodiversity Preservation
	EN15.	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	GC principles 8	-

Indicators			GC Principle	WEB
Environmental				
Emissions, Effluents, and Waste				
Core Indicators	EN16.	Total direct and indirect greenhouse gas emissions by weight.	GC principles 8	Overview of Environmental Impact
				Preventing Global Warming - Production, Transportation
	EN17.	Other relevant indirect greenhouse gas emissions by weight.	GC principles 8	
Additional Indicators	EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved.	GC principles 8,9	Preventing Global Warming - Production, Transportation
Core Indicators	EN19.	Emissions of ozone-depleting substances by weight.	GC principles 8	Overview of Environmental Impact
				Preventing Global Warming - Production, Transportation
				Recovering and Destroying Fluorocarbons from Customers' Air Conditioners
	EN20.	NO, SO, and other significant air emissions by type and weight.	GC principles 8	Overview of Environmental Impact
	EN21.	Total water discharge by quality and destination.	GC principles 8	
	EN22.	Total weight of waste by type and disposal method.	GC principles 8	Overview of Environmental Impact
				Reducing Waste
	EN23.	Total number and volume of significant spills.	GC principles 8	Environmental Risk Management
Additional Indicators	EN24.	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	GC principles 8	-
	EN25.	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	GC principles 8	-
Products and Services				
Core Indicators	EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	GC principles 8,9	Low Impact Products
	EN27.	Percentage of products sold and their packaging materials that are reclaimed by category.	GC principles 8,9	3R & Repair

Indicators			GC Principle	WEB
Environmental				
Compliance				
Core Indicators	EN28.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	GC principles 8	Environmental Risk Management
Transport				
Additional Indicators	EN29.	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	GC principles 8	Overview of Environmental Impact
				Preventing Global Warming - Production, Transportation
Overall				
Additional Indicators	EN30.	Total environmental protection expenditures and investments by type.	GC principles 8	Environmental Accounting
Social				
Labor practices and Decent Work				
Management Approach				
		Goals and performance	GC principles 3,6	Message from the Chairman
		Policy	GC principles 3,6	Employee Evaluation and Treatment Policy Workplace Diversity Policy Work-Life Balance Policy Labor Management Relations Policy Occupational Safety and Health Policy Fostering Human Resources Philosophy Policy and Management Structure
		Organizational Responsibility	GC principles 3,6	-
		Training and Awareness	GC principles 3,6	Fostering Human Resources Occupational Safety and Health
		Monitoring and Follow-Up	GC principles 3,6	-
		Additional Contextual Information	GC principles 3,6	-

Indicators			GC Principle	WEB
Social				
Labor practices and Decent Work				
Employment				
Core Indicators	LA1.	Total workforce by employment type, employment contract, and region.		Daikin's CSR
				Workplace Diversity
	LA2.	Total number and rate of employee turnover by age group, gender, and region.	GC principles 6	Work-Life Balance
Additional Indicators	LA3.	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	GC principles 6	-
Labor/Management Relations				
Core Indicators	LA4.	Percentage of employees covered by collective bargaining agreements.	GC principles 1,3	Labor Management Relations
	LA5.	Minimum notice period (s) regarding operational changes, including whether it is specified in collective agreements.	GC principles 3	-
Additional Indicators	LA6.	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programs.		-
Occupational Health and Safety				
Core Indicators	LA7.	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.		Occupational Safety and Health
	LA8.	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		Employee Health Management
Additional Indicators	LA9.	Health and safety topics covered in formal agreements with trade unions.		-
Training and Education				
Core Indicators	LA10.	Average hours of training per year per employee by employee category.		Feature 6: Global Human Resource Development
				Fostering Human Resources
Additional Indicators	LA11.	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		Feature 6: Global Human Resource Development
				Fostering Human Resources
	LA12.	Percentage of employees receiving regular performance and career development reviews.		
Diversity and Equal Opportunity				
Core Indicators	LA13.	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	GC principles 1,6	Workplace Diversity
	LA14.	Ratio of basic salary of men to women by employee category.	GC principles 1,6	-

Indicators			GC Principle	WEB
Social				
Human Rights				
Management Approach				
		Goals and performance	GC principles 1,2,4,5,6	Message from the Chairman
		Policy	GC principles 1,2,4,5,6	Respect for Human Rights
		Organizational Responsibility	GC principles 1,2,4,5,6	CSR Management Structure Compliance and Risk Management
		Training and Awareness	GC principles 1,2,4,5,6	Respect for Human Rights
		Monitoring and Follow-Up	GC principles 1,2,4,5,6	Suppliers Must Be in Legal Compliance Compliance and Risk Management
		Additional Contextual Information	GC principles 1,2,4,5,6	-
Investment and Procurement Practices				
Core Indicators	HR1.	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	GC principles 1,2,4,5,6	-
	HR2.	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	GC principles 1,2,4,5,6	Suppliers Must Be in Legal Compliance
Additional Indicators	HR3.	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	GC principles 1,4,5	CSR Management Respect for Human Rights
Non-Discrimination				
Core Indicators	HR4.	Total number of incidents of discrimination and actions taken.	GC principles 1,6	Legal Compliance Audits, Compliance
Freedom of Association and Collective Bargaining				
Core Indicators	HR5.	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	GC principles 1,3	-
Child Labor				
Core Indicators	HR6.	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	GC principles 1,5	Compliance and Risk Management Respect for Human Rights

Indicators			GC Principle	WEB
Social				
Human Rights				
Forced and Compulsory Labor				
Core Indicators	HR7.	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	GC principles 1,4	Compliance and Risk Management Respect for Human Rights
Security Practices				
Additional Indicators	HR8.	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	GC principles 1,2	-
Indigenous Rights				
Additional Indicators	HR9.	Total number of incidents of violations involving rights of indigenous people and actions taken.	GC principles 1	-
Society				
Management Approach				
		Goals and performance	GC principles 10	Message from the Chairman
		Policy	GC principles 10	Compliance and Risk Management Group Compliance Guidelines
		Organizational Responsibility	GC principles 10	CSR Management Structure
		Training and Awareness	GC principles 10	Compliance and Risk Management
		Monitoring and Follow-Up	GC principles 10	Compliance and Risk Management
		Additional Contextual Information	GC principles 10	Compliance and Risk Management
Community				
Core Indicators	SO1.	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	GC principles 1	-
Corruption				
Core Indicators	SO2.	Percentage and total number of business units analyzed for risks related to corruption.	GC principles 10	Compliance and Risk Management Prohibiting Bribes
	SO3.	Percentage of employees trained in organization's anti-corruption policies and procedures.	GC principles 10	
	SO4.	Actions taken in response to incidents of corruption.	GC principles 10	

Indicators			GC Principle	WEB
Social				
Society				
Public policy				
Core Indicators	SO5.	Public policy positions and participation in public policy development and lobbying.	GC principles 10	Daikin Cooperates in Formation of Environmental Policy
Additional Indicators	SO6.	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	GC principles 10	-
Anti-Competitive Behavior				
Additional Indicators	SO7.	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.		Compliance and Risk Management Free Competition and Fair Business Dealings
Compliance				
Core Indicators	SO8.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.		Compliance and Risk Management Legal Compliance Audits, Compliance
Product				
Management Approach				
		Goals and performance		Responsibility to Customers
		Policy		Product Quality and Safety Product Safety Voluntary Action Guidelines
		Organizational Responsibility		Product Quality Management Structure
		Training and Awareness		Product Quality and Safety
		Monitoring and Follow-Up		Product Quality and Safety
		Additional Contextual Information		-
Customer Health and Safety				
Core Indicators	PR1.	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		Responsibility to Customers Product Quality and Safety
Additional Indicators	PR2.	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		

Indicators			GC Principle	WEB
Social				
Product				
Product and Service Labeling				
Core Indicators	PR3.	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	GC principles 8	-
Additional Indicators	PR4.	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	GC principles 8	Product Quality and Safety
	PR5.	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		Customer Satisfaction
Marketing Communications				
Core Indicators	PR6.	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		-
Additional Indicators	PR7.	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		Product Quality and Safety
Customer Privacy				
Additional Indicators	PR8.	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		Protecting Customer Information
Compliance				
Core Indicators	PR9.	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.		Product Quality and Safety

See Data, environmental performance information and social performance indicators can be found here. (Page 210)