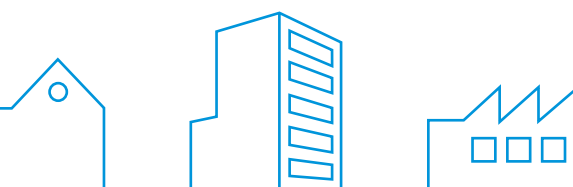




About us



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Frans Hoorelbeke (left)
Chairman
Daikin Europe N.V.

Masatsugu Minaka (right)
President
Daikin Europe N.V.



Message from management

Aiming for sustainable growth and a sustainable society through technological strength and outstanding human resources

Word of welcome

Air is something that surrounds us 24 hours a day.

At Daikin, the future of the world's air is our greatest concern.

We use our expertise about air, our feeling for innovation and our mastery of technology to improve the air we breathe. This is our mission.

For more information, visit daikin.eu

Our promise

Our promise is to ensure that our customers can depend on Daikin for the ultimate in comfort, so that they are free to focus on their own working and home lives. We promise to dedicate ourselves to technological excellence, a focus on design and the highest quality standards so that our customers can trust and rely on the comfort we deliver. Our promise to the planet is absolute.

Our products are at the forefront of low energy consumption and we will innovate to further reduce the environmental impact of HVACR (Heating, Ventilation, Air Conditioning, Refrigeration) solutions. We lead where others follow. We will continue our global leadership in HVACR solutions, as our specialist expertise in all market sectors combined with over 90 years' experience enable us to deliver added value in long-lasting relationships based on trust, respect and credibility.

Forward-thinking ethos

We promise to continue our forward-thinking ethos, treating challenges as opportunities to produce ever-better solutions. We will drive innovation and go the extra mile for our customers and our company. We will be smart and ready to do things differently. We will deliver on our brand's core values and enjoy sustainable success with continued growth.

Responsibility

Responsibility to protect the environment in everything Daikin does. All our policies, practices and processes are developed and implemented with environmental sustainability at their heart.

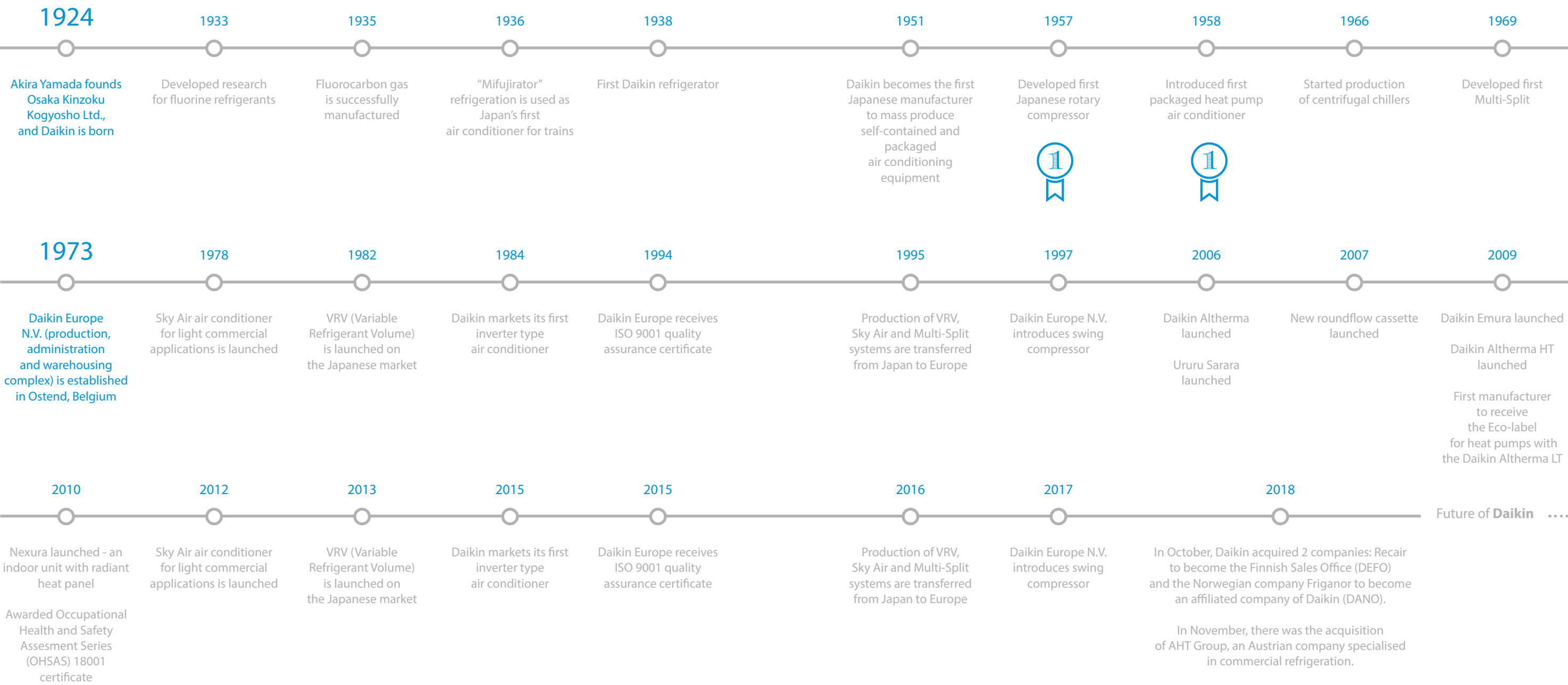
History of Daikin

The air you live in

Air is essential to our existence, and our role in protecting it continues to expand. Since we were founded in 1924, we have devoted ourselves with unbridled passion to overcoming the ever-evolving challenges of air, to become the leading manufacturer of air conditioning equipment. Using our unique cutting-edge technology, we deliver outstanding products and system solutions to ensure comfortable and sustainable living environments for all people and regions of the world.

That has been, and always will be, the Daikin mission.

It was in 1924 when our passion for innovation started. We believe innovation is part of our DNA, and is a factor that helps us not only to create and develop the best products in the HVACR market, but also to be a leader in delivering future air solutions.



Daikin around the world

Daikin, a true leader in climate solutions all over the world

Being unique

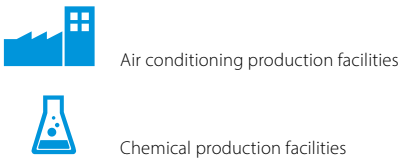
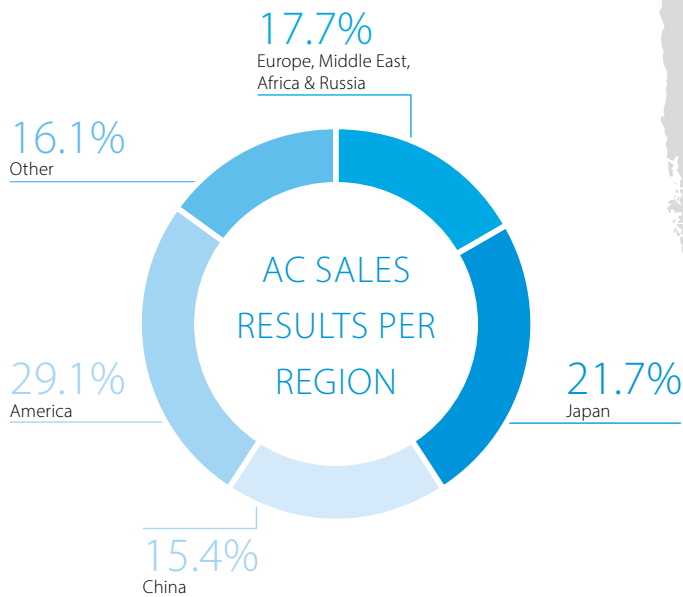
Daikin is the only manufacturer involved in all facets of the manufacture, sales and servicing of a wide range of air conditioning products. Manufactures its own compressors and research in chemicals and refrigerants.

Our teams of specialists meet the needs of every region, climate and culture by providing control over the four elements of air including temperature, humidity, airflow and cleanliness.

We have a worldwide presence in 145 countries. This gives us many advantages, not only in sales and manufacturing, but also in keeping in touch with local requirements and desires for the solutions that we provide. By being actively involved in all these regions and countries, we know what our customers want and can anticipate their needs. That is why we also manufacture in different regions all over the world.

Production facilities in detail

AC: stronger concentration in Asia
Compressors: similar situation
Chemicals: the headquarters for Europe is in Dusseldorf, with 2 production plants in Oss (NL) and Lyon (FR)
Recent acquisitions have resulted in new factories including: McQuay Cramlington, Cecchina and Milan, ROTEX (Güglingen GER), for Refrigeration: Zanotti, Hubbard, Tewis and AHT.

















Daikin's production in Europe

In addition to housing the European production and administration headquarters, Daikin Europe N.V. is home to the EMEA sales and marketing headquarters.

European production facilities in Pilsen and Brno (Czech Republic), as well as Cecchina and Milan (Italy), Cramlington (UK) and Hendek (Turkey) have added to capacity and optimised lead times to all markets.

With the acquisition of the German heating manufacturer ROTEX GmbH, Daikin Europe N.V. has strengthened its offerings and expanded its market presence in the heating market. And the acquisition of the Italian manufacturer Zanotti, Spanish manufacturer Tewis, Austrian manufacturer AHT and Hubbard in the UK. enlarges the product portfolio in the refrigeration market.

-  Production Facilities
- **Daikin Europe N.V.**
 - Factory size 26,000m²
 - Production start 1973
 - Product range Daikin Altherma, Sky Air, VRV, Mini chiller, Refrigeration
- **Daikin Applied UK - Cramlington**
 - Factory size 14,214m²
 - Production start 1966
 - Product range Air handling units
- **Daikin Applied Europe - Milan**
 - Factory size 6,450m²
 - Production start 2008
 - Product range Air handling units
- **Daikin Applied Europe - Cecchina**
 - Factory size 21,000m²
 - Production start 1969
 - Product range Chillers + Compressors
- **ROTEX heating systems GmbH**
 - Factory size 14,970m²
 - Production start 1973
 - Product range Heating, Solar panels, Storage tanks
- **AHT Group - Rottenmann (AT)**
 - Production start 1983
 - Product range Commercial refrigerator and freezer showcases

- **Daikin Industries Czech Republic s.r.o.**
 - Factory size 43,319m²
 - Production start 2004
 - Product range Split, Sky Air & VRV, Heating
- **Daikin Device Czech Republic s.r.o.**
 - Factory size 24,361m²
 - Production start 2006
 - Product range Compressors, Accumulators, Pressure vessels, BS-box, Hydrobox, Domestic hot water tank
- **Daikin TURKEY AS**
 - Factory size 55,000m²
 - Production start 1999
 - Product range Residential air conditioning, Air handling units, Boilers, Fan coil units, Panel radiators
- **Zanotti - Pegognana (IT)**
 - Factory size 38,000m²
 - Production start 2016
 - Product range Refrigeration
- **Zanotti + Tewis - Valencia (ES)**
 - Factory size 6,500m²
 - Production start 2016
 - Product range Refrigeration
- **Zanotti - Ipswich (UK)**
 - Factory size 4,750m²
 - Production start 2016
 - Product range Refrigeration
- **Hubbard - Ipswich (UK)**
 - Production start 1968
 - Product range From transport to commercial refrigeration

Other European production facilities include J&E Hall, AAF, Refrigerant production



Daikin has won the Factory of the Future award

We are proud to announce Daikin Europe N.V. (DENV) is the winner of the 2017 Factory of the Future award.

Among 265 participating companies, (65% of which are SMEs), DENV was one of five companies recognised for their substantial growth and commitment to delivering world-class production. The Factory of the Future award is presented by Made Different, a joint organisation that promotes the future of manufacturing in Belgium.

Factories of the Future

What exactly defines a Factory of the Future? According to Made Different, a Factory of the Future embodies Industry 4.0 (the fourth industrial revolution), a vision based on seven criteria to measure the success of a manufacturing company in the 21st century. These seven criteria range from a factory's ability to incorporate world-class technologies, to developing smart and sustainable production with a focus on technology. Moreover, this vision also upholds a human-centric approach, viewing employees as a significant asset for the future development of a company.

Embracing change

As the regional headquarters for the multinational Daikin Industries, Ltd., DENV's production site in Ostend, Belgium, is responsible for the development, digital connection, testing, production and commercialisation of climate solutions for Europe, the Middle East and Africa. With the recent expansion of its Daikin Research & Development (R&D) Centre, DENV began implementing a "Factory Reform Plan," based on Kaizen, the Japanese philosophy of continuous improvement. Since starting the "Factory Reform Plan", DENV has achieved 30% higher productivity on the production line and in the press department, 30% reduced inventory, and a faster production plan. By focusing on change as the key to success, DENV strengthened its position as an innovation and development hub for Daikin Global.



Ready for the future

The PRIDE and enthusiasm of each employee are the driving forces behind our group strategy

Produce

- › Close to the market as a '3S' factory, strong against market changes
- › Smart, Simple, Slim

Reduce

- › The environmental impact of our products across the entire lifecycle

Innovate

- › Develop new smart products and solutions, focused on our customer's needs

Diversify

- › Expand the air conditioning business and invest in growth of heat pumps, refrigeration and applied products

Empower

- › Create a work environment where people work with enthusiasm and experience growth



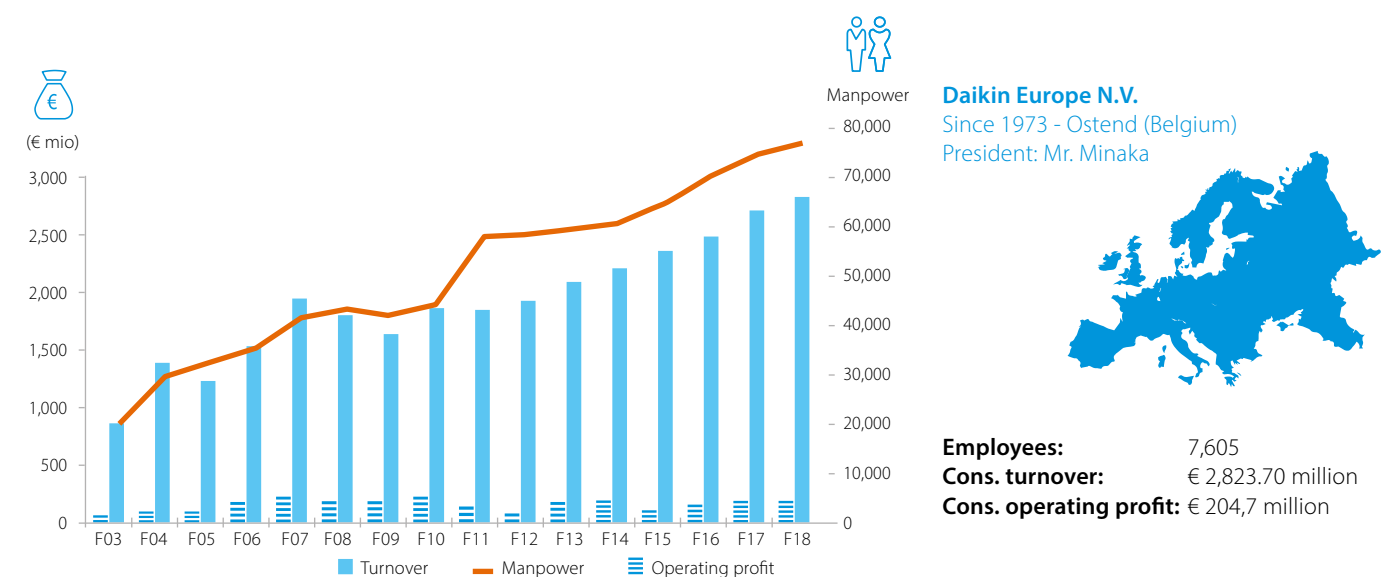
Facts & figures

76,484 shoulders supporting our enterprise

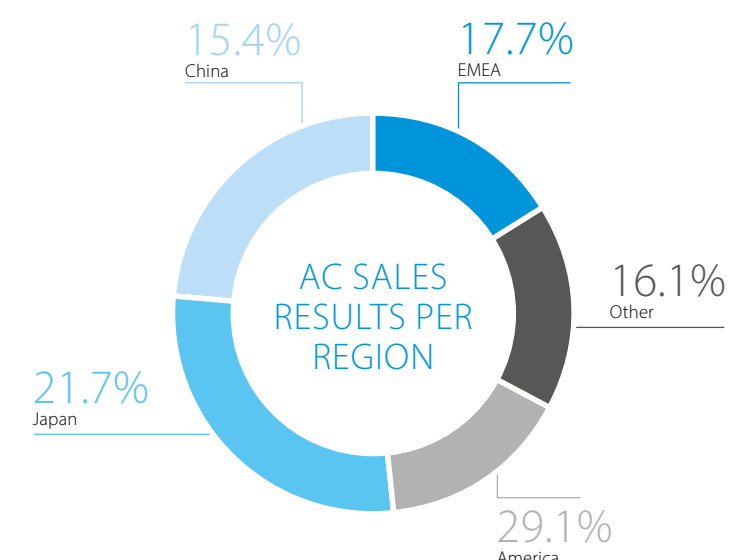
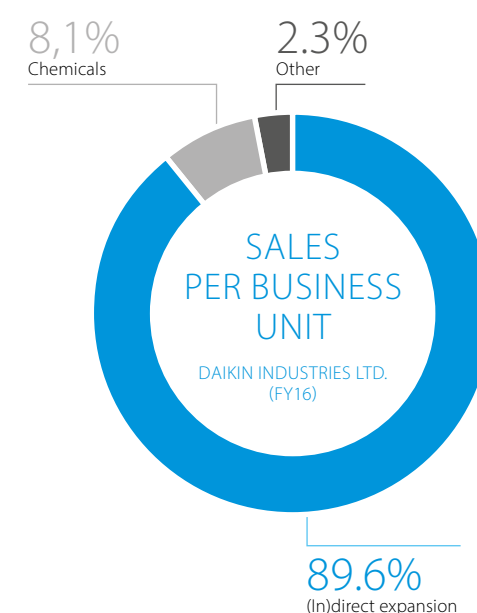
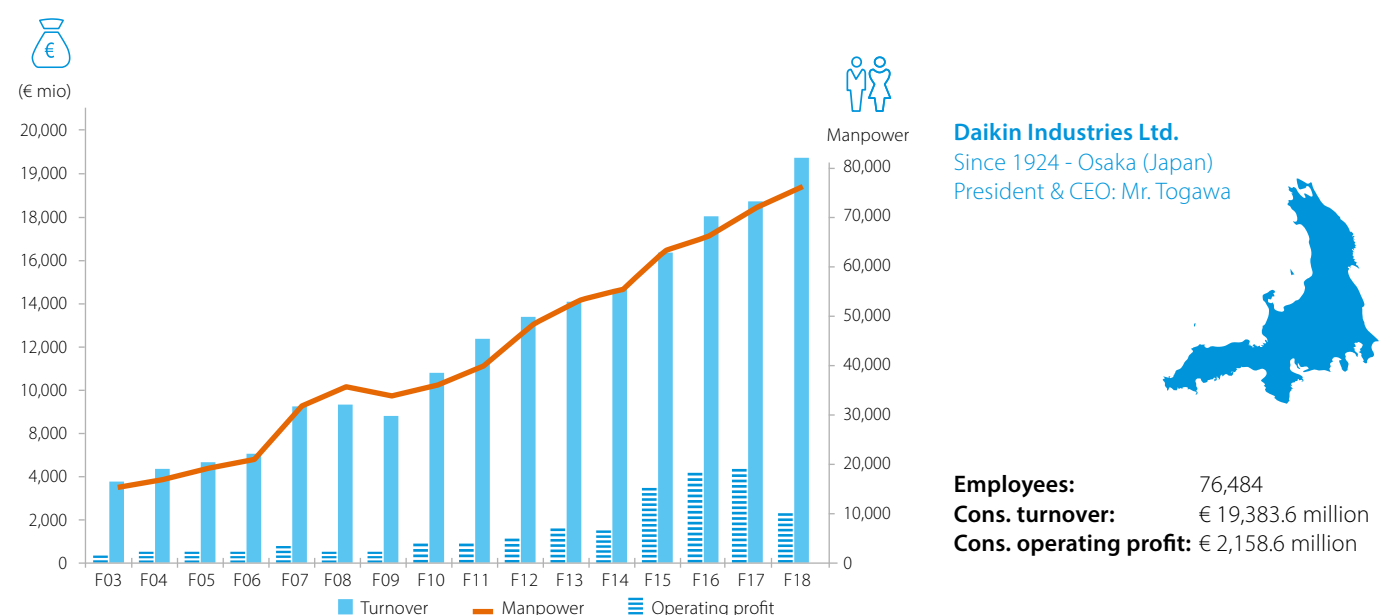
A company is only as good as the people who work in it. As a worldwide player, we have no fewer than 76,484 passionate employees working hard every day. Each of these employees is prepared to provide the best solutions to create the perfect climate for you, no matter where in the world you live.

Daikin Europe N.V. is a part of Daikin Industries, Ltd. Turnover and employment have consistently risen over the years to meet the growing demand for Daikin products worldwide, as reflected in the most recent Daikin Industries, Ltd. and Daikin Europe N.V. figures.

Daikin Europe N.V. at a glance (FY18)



Daikin Industries Ltd. at a glance (FY18)



Sustainable Development Goals as a guideline towards value creation

Daikin is contributing to the Sustainable Development Goals by creating value for the comfort and health of people, the cities they live in and the environment they depend on.

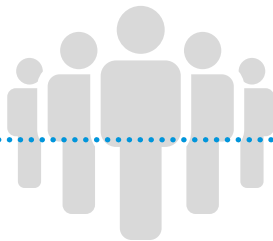
The Sustainable Development Goals or SDGs, defined by the United Nations in 2015, are a set of 17 global development goals that aim to contribute to global sustainable development and aim to tackle broad topics such as poverty, health, education, energy, global warming and gender equality. The target goal set for the SDGs to be achieved is 2030. For more information on the Sustainable Development Goals, please visit: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

References to the SDGs can be found throughout this environmental report.

Value creation for people

Daikin aims to contribute to people's health and comfort by applying innovative technologies to provide cooling, heating, humidity and overall better air quality.

In addition, by providing refrigeration solutions, Daikin seeks to contribute to the reduction of global food loss by providing solutions for an optimal food cold chain.



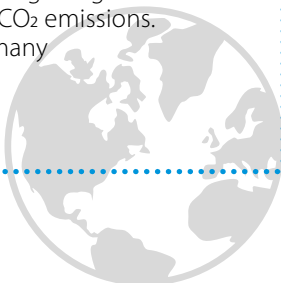
Value creation for cities

Daikin aims to create value for cities by expanding our business focus from just equipment lifecycles to encompassing building and city lifecycles, and making buildings and entire cities more energy-efficient and sustainable.



Achieve net zero CO₂ emissions Value creation for the Earth

Daikin aims to achieve net zero CO₂ emissions by recovering and recycling refrigerants while at the same time creating products and solutions that minimise CO₂ emissions. Additionally, Daikin invests in forest protection and is contributing to many reforestation projects around the world.

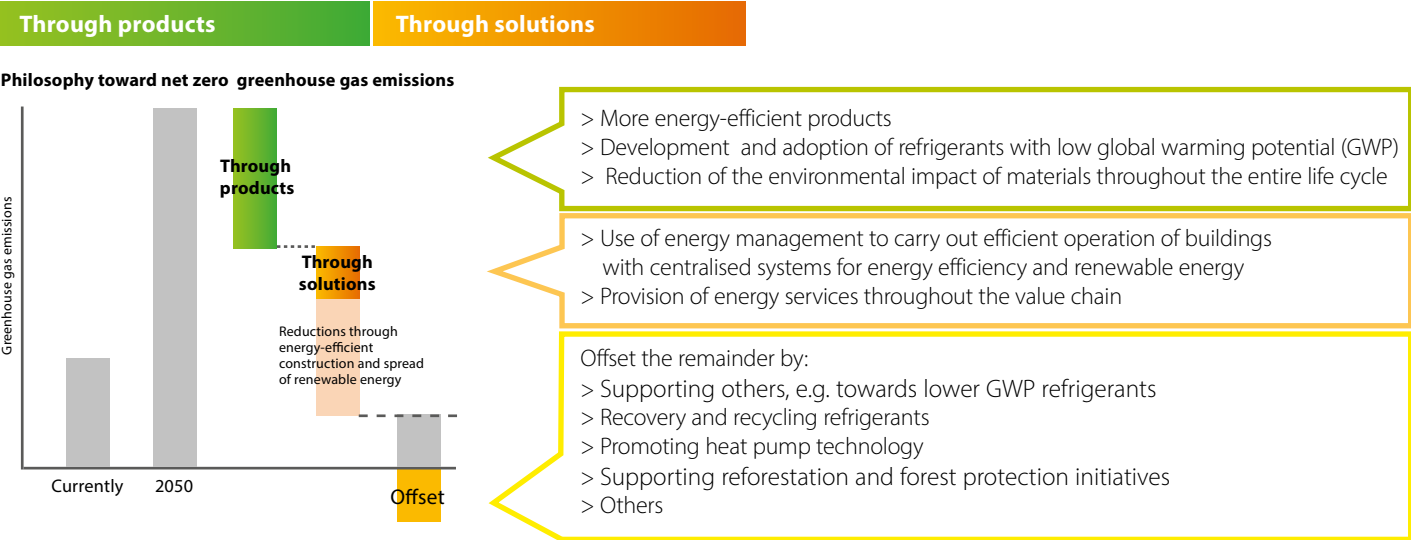
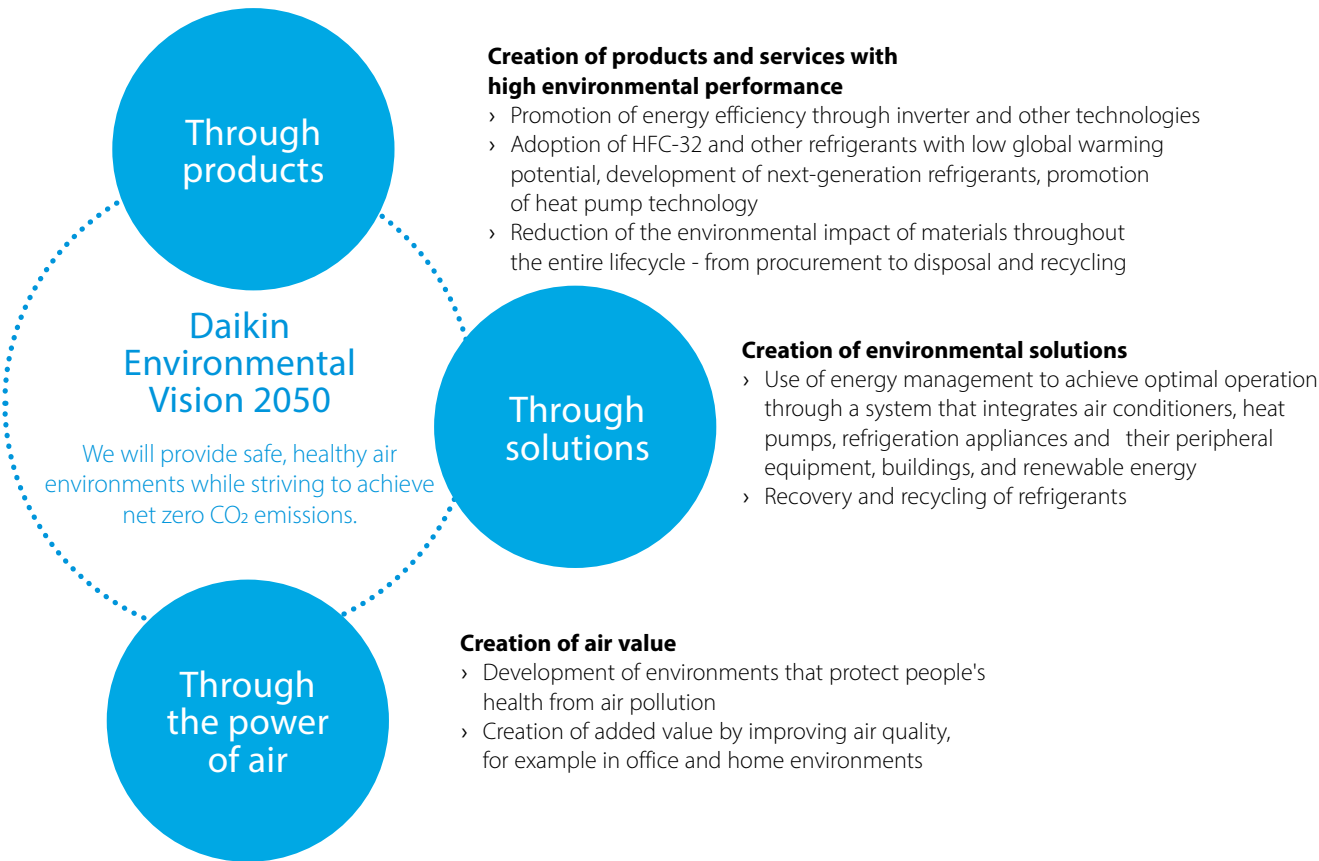


Environmental vision 2050

Daikin has formulated an Environmental Vision 2050, the aim of which is to contribute to solving increasingly serious global environmental problems over the long term.

With the aim of reducing to net zero the CO₂ emissions caused by our business activities and our products and services, we set targets and implement measures every five years under our Fusion strategic management plans.

Using the Internet of Things (IoT), Artificial Intelligence (AI) and open solutions, we will meet the world's needs for air solutions that provide safe and healthy environments, while at the same time contributing to solving global environmental problems.



Environment



Our environmental policy is based on the following fundamental principles

1. Taking the total product life cycle into account, we will design our products and processes to minimise the use of energy and resources. This includes recycling where possible, and limiting packaging waste.
2. Measures will be taken to efficiently manage refrigerant and to stimulate the design and manufacture of refrigerant-based products with a reduced environmental impact.
3. The necessary information and training will be given to employees in order to continually realise these policy objectives.
4. Our environmental management initiatives will be communicated in such a way that all levels of the organisation are well informed concerning its objectives and application.
5. These environmental management initiatives will be periodically evaluated via checks and audits in order to continuously improve our environmental performance.
6. All Daikin products, processes and services will meet at least the applicable legislation.

Daikin Europe N.V. environmental objectives

Use energy sustainably

Daikin Europe N.V. is constantly looking for ways to reduce the energy consumption of its production facilities and to make use of sustainable energy sources.

Reduce environmental impact from refrigerants and improve the energy efficiency of our products

Daikin Europe N.V. is committed to reducing its products' greenhouse gas emissions by reducing the impact of refrigerants and improving energy efficiency.

Increase product recycling and waste reduction

Daikin Europe N.V. takes recyclability into account in the product development phase by making use of the principles of Lansink's ladder*. This concern for recycling and waste reduction continues through all phases of the product (production, transport and logistics, installation, maintenance, etc.), up to and including dealing with the product responsibly at the end of its useable life.

Manage chemical substances and preparations

Daikin Europe N.V. strives for optimum safety regarding the handling and storage of chemicals. This includes the search for newer and safer products to replace existing technologies.

Develop products with reduced environmental impact

Daikin Europe N.V. is committed to complying with all environmental legislation. In addition, its green procurement guidelines further ensure that its products are state-of-the-art with respect to reduced environmental impact.

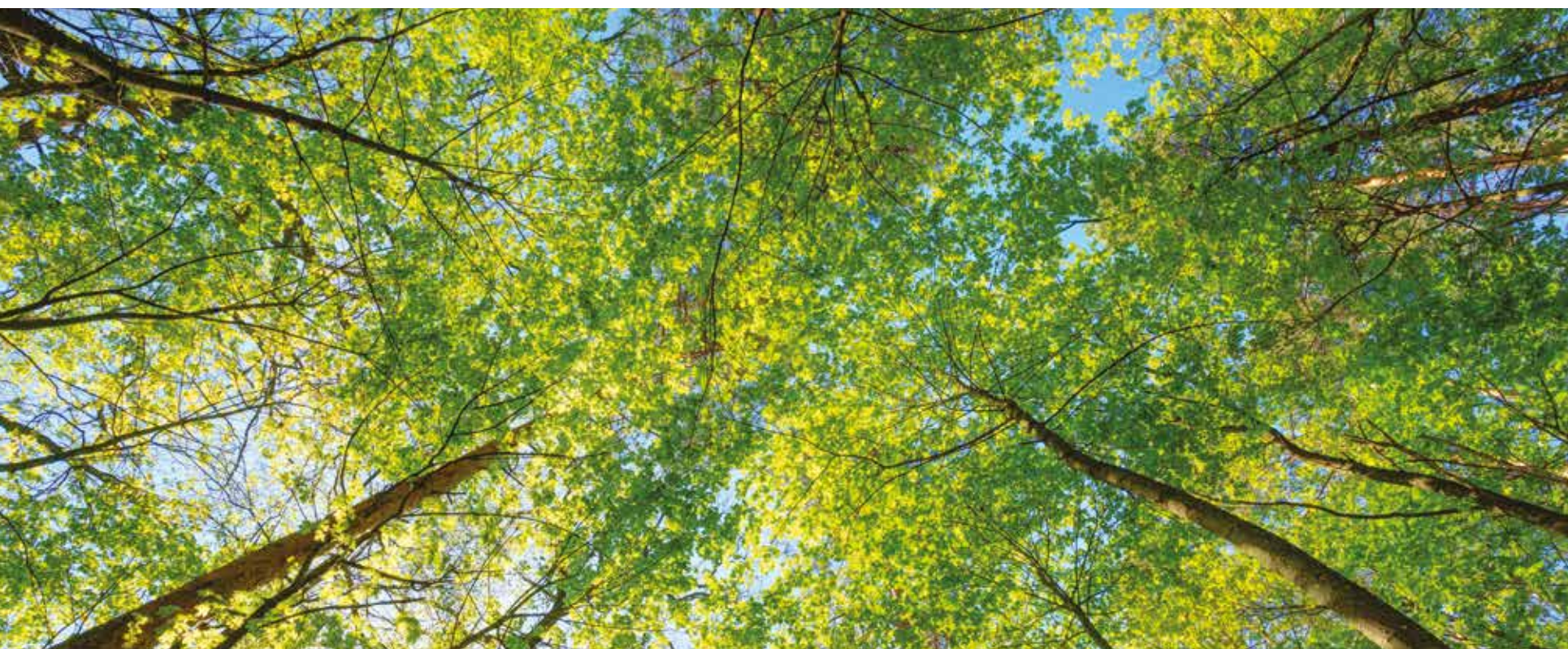
Continue efforts on a European level

Daikin Europe N.V. continually adapts its environmental policy to the changing global, European and local legislative frameworks. It stimulates and promotes the strict application of all relevant legislation and formulates recommendations to facilitate implementation.

Be a model of environmental responsibility

Daikin Europe N.V. intends to be a model company by providing training and information about the environmental impact of its activities. It supports and communicates with external organisations, its neighbours and the community at large, and is represented in working groups within the relevant industries.

* Lansink's ladder: principles or methods of waste management established by a Dutch Member of Parliament, Ad Lansink, represented by a ladder with a number of rungs. The rungs represent a hierarchy of increasingly better ways to deal with waste in an environmentally responsible manner.





Corporate Social Responsibility (CSR)

Technology and Innovation Center (TIC) in Japan

Corporate Social Responsibility

Daikin has grown rapidly as a global corporate group. This expansion has brought with it greater demands from society and a need for greater Corporate Social Responsibility (CSR).

Our view of CSR

CSR helps us to fulfil our social responsibilities in all our relationships with our stakeholders, worldwide. It raises our corporate value and contributes to society's sustainable development. We will contribute to society via our business activities, based on legal compliance and ethics. We will be highly sensitive to the needs of every region while we make our contribution to society. We will make CSR a continuous and integral part of our business activities so that they contribute to better business performance. Our CSR activities will always be carried out through open, two-way communication with society and will ensure that we are always accountable for, and transparent in, everything we do.

Key CSR themes

Four key themes have been defined for the value we provide:

- › The environment
- › New value creation
- › Customer satisfaction
- › Human resources

We have established five CSR themes fundamental to our business activities:

- › Corporate governance
- › Respect for human rights
- › Supply chain management
- › Stakeholder engagement
- › Communities

Our Core Values

Daikin's foundation is based on three key corporate principles which are promoted strongly among our employees:

- › Absolute credibility
- › Enterprising management
- › Harmonious personal relations

We aim to evolve individually by challenging ourselves to accomplish our ambitious goals and by believing in our infinite potential. And together, we strive to become an overwhelmingly first-class global corporate group. A group in which our employees can have pride and enthusiasm, and where they are supported by deep relationships of mutual trust between management and employees.

Experts through experience

We can safely say that we got to where we are today through years of experience. This concept of continuous improvement allows us to adapt and evolve as a company.

We are able to do so because:

- › We are the only manufacturer to produce (in)direct expansion, compressors and refrigerants.
- › Our aim is to always produce first-class products, which is only possible if we are supported by a premium quality policy, e.g. immediately testing during the production process.
- › We have a fully developed network of distributors, affiliates, dealers and installers supported by sales consultants.
- › We have a fully developed sales network supported by the Service Department.

It's because of each of these elements that we are able to have a strong and sophisticated network in the HVACR market.

Technology and Innovation Center (TIC) in Japan

The Technology and Innovation Center (TIC) aims to create new value based on the world's best technologies and highly differentiated products. For this reason, people from diverse backgrounds gather across national borders from inside and outside the company to consolidate their strengths and passion in making TIC a venue for the challenge of realising collaborative innovation.

Products from Europe, for Europe

Daikin Europe N.V. has launched an extensive European Development Centre (EDC). The EDC will evolve in the future into an important European R&D centre, based in Ostend and with satellites in the Czech Republic and Germany.



Notes



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