Supplier Operations Manual

4th Edition
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Daikin Applied Americas

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1.0 Daikin Industries Overview

Daikin Industries, Ltd. (DIL), headquartered in Osaka, Japan, is the world's No. 1 air conditioning company. DIL has products sold in over 150 countries with more than 90 manufacturing sites worldwide supporting over 70,000 employees.

2.0 Daikin Applied Americas Overview

Daikin Applied Americas (Daikin Applied or DAA) is a subsidiary of Daikin Industries, headquartered in Minneapolis, MN. With 6 manufacturing sites across North America, Daikin Applied designs and manufactures technologically advanced commercial HVAC system for customers around the world.

3.0 Preface

Daikin Applied is committed to providing our customers an exceptional life cycle experience with our products and services. We accomplish this through innovative quality designs, lean manufacturing processes, a strong supply base, and responsive post-sales support. We provide our customers with safe and compliant products delivered on time that meet or exceed their expectations. We develop our Suppliers to embrace our Supplier Operations Manual by utilizing our continuous improvement tools and ethics-based culture.

Suppliers play an integral role in ensuring the quality and cost-effectiveness of Daikin Applied products and shall comply with all requirements defined in this manual or communicate otherwise.

4.0 Scope

This Supplier Operations Manual applies to all Suppliers conducting business with Daikin Applied, unless they receive written approval from Daikin Applied. Individual Daikin Applied facilities may have additional site-specific requirements and will establish processes for carrying out these requirements. If a conflict exists between the requirements presented in this manual and the individual facility requirements, the more stringent requirements will apply. Quality requirements presented in this manual only apply to Suppliers of material used directly in our manufacturing process.

5.0 Expectations

5.1 Communication

In general, the following contact points should be used:

5.1.1 Supplier Website – Daikin Applied has a public website that anyone can access. It has links to documents including, but not limited to, our Supplier Operations Manual, Supplier Self-Assessment (SSA), On-site Audit checklist, Production Part Approval Process (PPAP), Supplier Corrective Action Request (SCAR) and Supplier Change Request (SCR).

https://www.daikinapplied.com/suppliers

5.1.2 Primary Contact – For all issues regarding supply chain activity, contact your buyer, site-logistics, or Daikin Applied logistics (Logistics@daikinapplied.com).

5.1.3 Product/Part Quality – For all issues regarding product quality, contact Supplier Quality personnel at the using Daikin Applied facility.

5.2 Basic Requirements:

5.2.1 Demonstrate and maintain compliance to all documented requirements, including design performance, reliability, process control, and capability.

5.2.2 Deploy expectations and controls equivalent to those presented in this document to the sub-tier supply chain.

5.2.3 Be accountable for quality of all sub-tier Suppliers, including “direct buy” sources.

5.2.4 Notify Daikin Applied of any condition or change that has an impact on Daikin Applied’s environmental/sustainability commitments or regulatory requirements.

5.2.5 Fully comply with the Daikin Applied Supplier Code of Conduct.

6.0 Quality

6.1 Quality System

Suppliers must establish and maintain a Quality Management System (QMS) that ensures production meets all customer requirements and expectations.

6.1.1 All Suppliers shall maintain an effective documented quality system that communicates, identifies, coordinates, and controls all key activities necessary to design, develop, produce, deliver, and support quality products or services. For more information on quality requirements and expectations, please visit the Daikin Applied Supplier Quality Website.

6.1.2 All Suppliers must be certified/registered to the latest version of one of the following international quality management standards by a recognized independent certified 3rd party registrar:

- ISO 9001: Quality Management Systems Requirements
- ISO/TS16949: Quality Management Systems (Automotive Requirements)
- SAE AS9100: Quality Management Systems (Aerospace Requirements)

NOTE: Suppliers must notify Daikin Applied immediately if their 3rd party registration expires or is revoked. Exceptions to this requirement must be approved by the Vice President of the Integrated Supply Chain and the Vice President of Quality.

6.1.3 Daikin Applied reserves the right to:

- Verify Supplier quality systems with an on-site audit.
- Verify a Supplier’s compliance to an applicable quality standard.
- Conduct an audit in lieu of, and/or in addition to, 3rd party certification.
- Disqualify Suppliers based on substandard performance. In such cases, full requalification will be required prior to resuming business.

6.2 Supplier Approval

Daikin Applied uses a Supplier Self-Assessment and On-Site Audits for Supplier approval. Both tools are consistent with ISO 9001 expectations.

6.2.1 Supplier Self-Assessment (SSA)

Daikin Applied will send the SSA to the Supplier, it should be completed and returned. Daikin Applied Supplier Quality, Integrated Supply Chain, and Engineering will review the results and decide if an on-site audit is required.

6.2.2 On-Site Audit

Daikin Applied may conduct a process qualification audit at the Supplier's manufacturing facility. Daikin Applied also reserves the right to outsource the audit to a 3rd party if circumstances require it. This audit focuses on the specific process quality controls that the Supplier has in place for the products being manufactured for Daikin Applied, as well as part/commodity specific process requirements. Additionally, Daikin Applied reserves the right to conduct such an audit at sub-tier Suppliers. Such audits shall not relieve the Supplier's responsibility to produce and deliver defect-free parts.

6.3 Part Approval

6.3.1 Drawing Interpretation and Part Application

It is the Supplier's responsibility to furnish materials produced to the current revision of Daikin Applied engineering drawings and specifications listed in the purchase orders and agreements. Suppliers are responsible for comprehending the drawing requirements. If any questionable areas appear to exist, the Supplier is to contact Daikin Applied for clarification immediately. Drawing clarifications are to be resolved before production tooling is finalized and production parts are made. Producing production parts to red lined drawing, initialed changes, or verbal, handwritten or email directives is not permitted.

6.3.2 Production Part Approval Process (PPAP)

Daikin Applied uses a PPAP process based largely on the AIAG system. Our standard PPAP workbook can be found on our Supplier website.

Our PPAP workbook contains five levels. Each higher level is inclusive of the lower levels and individual elements can be tailored to fit the risk level on any given part or situation. The checklist tab in the PPAP workbook defines which elements are required for any given situation. In most cases, Daikin Applied will issue a Purchase Order for PPAP samples but may communicate PPAP requirements earlier in the development process to give the Supplier adequate time to complete the requirements. See the 'Supplier Instructions' tab in the PPAP workbook for details on how to handle PPAP submissions, including sample shipments. Daikin Applied reserves the right to request additional information not listed above. Suppliers shall not start production without written approval from Daikin Applied.

6.3.3 Critical Characteristic Expectations

Where Critical Characteristics are marked on a Daikin Applied drawing, Suppliers are expected to hold a Cpk (Process Capability Index) of 1.33 and to be able to provide evidence of the Cpk with ongoing data at any time requested. Please ask your Supplier Quality representative if you have any questions on this requirement.

6.3.4 Reliability

Reliability is the conditional probability, at a given confidence level, that equipment of a given design life will perform its intended function for a specified time while operating in its operational environment.

Daikin Applied expects Suppliers to have prior knowledge of their part quality as well as reliability. In general, Supplier's reliability group, product development and research & development teams have the intimate knowledge of (i) reliability goal, (ii) design life, (iii)

accelerated test methods, etc. that were utilized during the product development. Therefore, their early involvement in reliability discussions with Daikin Applied helps expedite the initial part qualification.

6.3.4.1 Reliability Requirements for Reliability-Critical Parts

In mathematical form, Daikin Applied's reliability requirement for all Reliability-Critical Parts is:

R (Design Life) ≥ 99.9% at 95% confidence.

A Reliability-Critical Part can be mechanically, electrically, or electronically dynamic, and may include, but is not limited to, the examples in Appendix C.

6.3.4.2 Design Life

All ATS and AAH parts require a 15-year system level design life. All Chiller parts require a 20-year design life. A Reliability-Critical Part Supplier is required to know the definition of its functional usage duty cycle (FUDC). For example, a relay or a contactor would have 'one actuation' representing a FUDC. Daikin Applied's team and the Supplier's team then work to define the part design life in FUDCs. Daikin Applied's team can guide Suppliers with reliability testing (FUDCs to failure and survival) and data analysis with Weibull Analysis if requested. A sample size of 15 running 150% of the design life in FUDCs without failures generally satisfies Daikin Applied's reliability requirements.

6.3.5 Safe Launch

For any reason that may also drive the need for a PPAP, Daikin Applied may require Suppliers to participate in a Safe Launch to provide extra evidence that Suppliers will deliver conforming product. Safe Launch requires Suppliers to implement extra controls and inspections in addition to their standard control plan. Daikin Applied and the Supplier would agree on the extra inspection points, a timeline and exit plan, and requirements for reporting the results to Daikin Applied.

6.4 Supplier Corrective Action Request (SCAR)

Daikin Applied reserves the right to request corrective action from Suppliers on quality and delivery issues. Our form follows the 8D format, but other formats are acceptable if approved by Daikin Applied.

All SCAR's must be completed with a cross-functional team. It is not acceptable for one group (quality, engineering, operations, etc.) to complete a SCAR by themselves.

Daikin Applied expects containment complete in 2 business days. Containment, at a minimum, should include consideration of the following in the Supplier's value chain:

- Raw material inventory
- Work in process (WIP)
- Finished goods (FG) inventory
- Transit to Daikin Applied

Containment should also include consideration of short-term actions to prevent future escapes of the quality issue, such as quality alerts, additional inspections, and shipping holds. If shipping

holds are used, the Supplier must provide details on the steps needed before the shipping hold can be removed.

Daikin Applied reserves the right to request Supplier personnel to travel to Daikin Applied facilities to participate in sorting and inspection of inventory at Daikin Applied. Further, Daikin Applied also reserves the right to hire a 3rd party to represent our interests, approved by Daikin Applied, and paid for by the Supplier, to inspect/sort/contain material at the Supplier's site or Daikin Applied's site if the Supplier is not able to provide the needed resources in a timely manner.

For root cause analysis, Daikin Applied prefers that Suppliers use the 5-Why's tool. It should be used at least twice: once for the occurrence of the problem (why did it happen), and once for the escape (why wasn't it caught). A third 5-Why's may also be valuable in some cases to analyze the QMS breakdown.

If 5-why's is not used, another structured problem-solving tool may be used in its place if approved by Daikin Applied.

6.5 Continuous Improvement

Daikin Applied expects Suppliers to implement a continuous improvement program throughout the organization. Aspects of a robust continuous improvement program should include employee training, standard tools and standard work, metrics, and corrective actions.

Standard tools could include Policy Deployment and all aspects of Lean and Six Sigma methods such as 5S, value stream mapping, Kaizen, Kanban, time studies and capacity planning, structured problem solving such as DMAIC, 8D, PDCA, MSA, capability studies, SPC, and other advanced statistical methods.

6.6 Advanced Product Quality Planning (APQP)

Suppliers should implement APQP techniques and must be able to demonstrate the techniques when requested by Daikin Applied, such as in a PPAP or on-site verification.

The APQP process should demonstrate methods to plan for products and process, and identify, analyze, and mitigate risk in those products and processes. The process can include:

Stage	Examples of Tools (not all inclusive)
Product Planning	Performance, Reliability, and Quality goals. Preliminary BOM and Process Flow.
Product Design and Development	DFMEA, Design Validation Plan and Testing, Prototypes, Critical Characteristic identification, Prototype builds, Engineering drawings
Process Design and Development	Flow Chart, PFMEA, Prelim Control Plan, Packaging plan, MSA
Product and Process Validation	Trial runs, MSA, Capability studies, final Control Plan, SPC

Suppliers are encouraged to use statistical methods to assure adequate process control and product quality. These techniques provide the means for minimizing the possibility of building and shipping defects, and if used properly lead to improved quality and productivity.

6.7 Supplier Change Requests

All requests for permanent changes or temporary deviations (one batch raw material, one manufacturing lot, etc.) shall be submitted to Daikin Applied Supplier Quality. Changes may include, but are not limited to, changes to designs, drawings, specifications, material, manufacturing equipment and tools, manufacturing locations, any production method or process, source of supply or manufacturing, assembly, or delivery process.

Suppliers should submit the request via DAA's Supplier Change Request form, but if a Supplier has their own customer change notification format, that is acceptable for the initial request as well. Based on the information provided, DAA will decide if more information is needed and what steps are required prior to approval. For changes that do not require validation via PPAP, the supplier will be notified of approval via the Supplier Change Request form. For changes that require PPAP, a signed PPAP will be used as authorization along with the Supplier Change Request form.

Suppliers that make unauthorized changes will be responsible for the accumulating expenses associated with the unauthorized change. Additional ramifications may include removal from our system as an approved Supplier.

Please refer to the table below for guidance on the minimum time of advanced notice required for permanent changes.

Type of Change	Notification needed
Design (form, fit, function, material, reliability, etc.)	6 months
Factory move	6 months
Other process change	3 months
Supplier Change (tier II supplier for DAA)	3 months

There is no minimum notification timeframe for temporary deviation requests, but all deviations must be approved by DAA prior to shipment. The deviation request should include the duration needed.

7.0 Performance Expectations

Daikin Applied uses Parts Per Million (PPM) and On-Time Delivery (OTD) as the primary metrics for quality performance. For any given timeframe, they are calculated as follows:

PPM = (Quantity of rejects) / (Quantity of receipts) * 1M

OTD = (Quantity of On-Time Receipts) / (Total Quantity of Receipts)

Daikin Applied expects Suppliers to comply with the performance requirements established in any written agreement with Daikin Applied. 5 days early or 2 days late from PO ship date is acceptable. 95% on time delivery is required. Supplier must adjust ship date based upon assumed lead time from buyer to Daikin Applied. If no such agreement exists, 500 PPM and 98% OTD shall be used as the expectation. Failure to maintain that level may result in a corrective action request and/or further action.

Other aspects of Supplier performance include response time and quality of response to informal quality notifications from Daikin Applied factories or customer sites, SCAR's, and PPAP's.

7.1 Non-Conforming Product

Under no circumstances shall a Supplier ship non-conforming product without first receiving written authorization from Daikin Applied. The following sections identify and explain key quality requirements that apply to non-conforming products.

7.2 Supplier Identified Non-Conforming Product

The Supplier may find products, through their quality control processes or from reports by other customers, which were produced outside of the specifications. In these instances, the Supplier is expected too immediately:

- Segregate these products and determine if this error may have occurred, undetected, in earlier production that may have been shipped to a Daikin facility.
- Prior to shipping any non-conforming product, the Supplier must notify Daikin Applied utilizing the Supplier Request (S.R.). Product may not be shipped until the S.R. has been fully approved.
- Reasons for S.R. include, but are not limited to:
    - If the non-conformance affects form, fit, or function of the part.
    - If the non-conforming product will affect deliveries to Daikin Applied.

The Supplier is responsible for the segregation and quarantine of non-conforming material. Non-conforming materials shall not be shipped unless a deviation is granted. Discrepant material received at Daikin Applied without an approved S.R. will be rejected and returned to the Supplier with all extra handling and shipping costs incurred by the Supplier. No discrepant material will be processed until a deviation is approved by required Daikin Applied personnel.

7.3 Daikin Applied Identified Non-Conforming Product

7.3.1 Non-Conformances Found Prior to Release to Customer

In the event Supplier-responsible non-conformances are discovered by Daikin Applied prior to release to the customer, the parts/components in question will be identified and segregated to preclude further use.

Daikin Applied's evaluation of the non-conformance will determine whether:

- Defects are accumulated and returned to Suppliers in accordance with plant procedures.
- Supplier sorts defects at Daikin Applied or at a local off-site location.
- Supplier reworks defects at Daikin Applied or at a local off-site location.
- Supplier contracts 3rd party to complete inspections at Daikin Applied or at a local off-site location.
- Contingent on contract specifics, Daikin Applied reworks defects and charges Supplier for rework costs and/or 3rd party containment activities.

7.4 Recovery

Daikin Applied reserves the right to recover costs from Suppliers. Cost recovery could be related to quality issues found in the field, in Daikin Applied factories, or due to late deliveries, and could include the cost of material, labor, and other as defined by Daikin Applied.

7.5 Warranty

Specific warranty obligations of Suppliers are provided in the Contract in force between the Supplier and Daikin Applied.

8.0 Social and Environmental Responsibility

Daikin Applied expects social responsibility regarding the environment from all our Suppliers. This means that, at a minimum, each Supplier must be in compliance with all local and federal laws

regarding the proper handling, treatment, and disposal of those items that are identified as a risk to the environment. When Daikin Applied makes a request, Suppliers shall provide the necessary information regarding their environmental controls. In cases when the provided information requires secrecy, please inform Daikin Applied so that we can properly handle the information.

Daikin Applied prefers Suppliers have a systematic approach to environmental controls, such as compliance to an environmental standard like ISO-14000.

9.0 Packaging

9.1 Overview

The purpose of this section is to clearly define packaging expectations of Daikin Applied facilities. These guidelines apply to material shipment to all Daikin Applied facilities and includes shipments to 3rd party warehouses linked to those facilities. These general guidelines may be customized for the unique needs of the Daikin Applied Receiving departments. Packaging and delivery efficiency can only be achieved when both the Supplier and the Daikin Applied facility receiving departments work together from proposal to implementation.

9.2 Guidelines

These guidelines have been developed to demonstrate packaging best practices that Suppliers are expected to adopt in order to best position themselves to provide defect-free parts, maximize production efficiency and ensure safety while minimizing overall packaging and transportation costs to meet each Daikin Applied facility operational requirements.

Daikin Applied strategic packaging objectives, container selection process, and operating procedures are outlined throughout this document. This document shall not supersede any contractual arrangement that a Supplier may otherwise have with Daikin Applied, nor shall adherence to these guidelines diminish a Supplier’s responsibility of delivering defect-free products.

Daikin Applied is focused on sound environmental, safety, and health operating practices. Practices that lead to decreased use of hazardous substances; reduced waste and emissions; improved energy and water conservation; greater reuse and recycling of materials; and the prevention of accidents and injuries across Daikin facilities.

Daikin Applied receiving departments must approve deviations or alterations from this guideline in advance of first shipments. We encourage our Suppliers to take an active role in the ongoing analysis of packaging methods, materials, and cost reduction.

9.3 Supplier Responsibility

It is the Supplier’s responsibility to pack and label their parts in a manner that ensures they arrive in good condition. The Supplier's quality obligations include, without limitation, packaging the materials for transport and storage at the receiving facility. Suppliers must quote for all business in compliance with these guidelines and include a breakdown of packaging cost elements identified by the Daikin Applied cost model.

Packaging design must protect the product, be ergonomic for users, and meet the lowest total cost requirements, particularly concerning efficient transport utilization and lean management demands (e.g., Line-side feeding, batch sizes). The Supplier is responsible for ensuring that correct labeling is provided for all packaging in line with this manual.

The Supplier is obligated to complete all the packaging shipping documents in accordance with these guidelines. As part of the Daikin Applied process of continuous improvement, alterations to the approved packaging may be requested by the receiving departments, Logistics, or Engineering.

9.4 Request for Quote (RFQ) and Packaging Plans

These guidelines are to be used during the development of packaging plans prior to submitting a quotation for production parts. The guidelines are intended to close the gap between part quotation and product delivery expectations.

The decision to use expendable or returnable packaging is a consideration for the facilities. To aid in the decision-making process, Suppliers should quote the part packaging costs and record the container size and density assumptions made while preparing the RFQ.

Parts with quotes that involve a multi-tiered supply chain should quote the part cost with the assumption that Daikin Applied returnable packaging (Metal Cages) is used only for the finished part shipment. Labor associated with packaging is to be included in the manufacturing burden rates, not included with the packaging material cost.

The pack design and part count (pieces per container) shall not vary, and containers are to be shipped filled, except when a release is marked in a way to flag its exception. Multiple part numbers should not be placed in the same container. There should only be 1 part number per box or container.

General Information		
SBU	Plant Location	Project Name
Pkg. Contact	Phone #	Project Type
Design Responsibility	Funding Responsibility	

Part Information		
Part/Model Number	Part Name	Rev. Level

Packaging Cost Breakdown	
Packaging Material	Cost/Ea

Required Internal Dunnage	
	
Packaging ID #	T.B.D.
Dimensions Inches.	48 x 45 x 17.5
Tare Weight	65.5 Lbs
Gross Weight	161.5
Part quantity	64
Description	6parts/layer-8 cells/layer-4 layer
Comments	

Primary Pack	
Insert Photo	
Packaging ID #	
Dimensions Inches	
Tare Weight	
Gross Weight	
Part quantity	
Description	
Comments	

Pallet Configuration	
	
Packaging ID #	
Dimensions Inches	48 x 45 x 17.5
Tare Weight	65.5 lbs
Gross Weight	161.5 lbs
Part quantity	64
Load	4 layers / 64 total parts
Comments	

9.5 Packaging Design

It is the responsibility of the Supplier to design and develop packaging. Packaging must provide adequate protection to ensure the safe delivery of parts and optimize the shipping container. It is important to begin the design process early in the part development cycle. Daikin Applied must review the proposed packaging to ensure that it meets ergonomic requirements. Although Daikin Applied may assist in the packaging process, the Supplier is responsible for the performance of the packaging. A firm packaging plan should be in place and validated as part of the PPAP (Production Part Approval Process) and indicate a complete production plan for the parts.

9.6 Ergonomic Requirements

Safety and ergonomics are a primary concern for Daikin Applied. Suppliers must consider human interaction when designing packaging to ensure safety and prevent injuries both at Daikin Applied and Supplier facilities. Suppliers are encouraged to initiate ideas to improve safety, quality, cost, loading optimization, and efficiency of any existing product packaging. Consideration of human tolerance to fatigue must be given priority when developing packaging to prevent injuries. Daikin Applied has a 35-pound weightlifting restriction. Any package weighing more than 35 pounds should display the container weight and be labeled with a "Heavy" designation.

9.7 Supplier Performance Implications

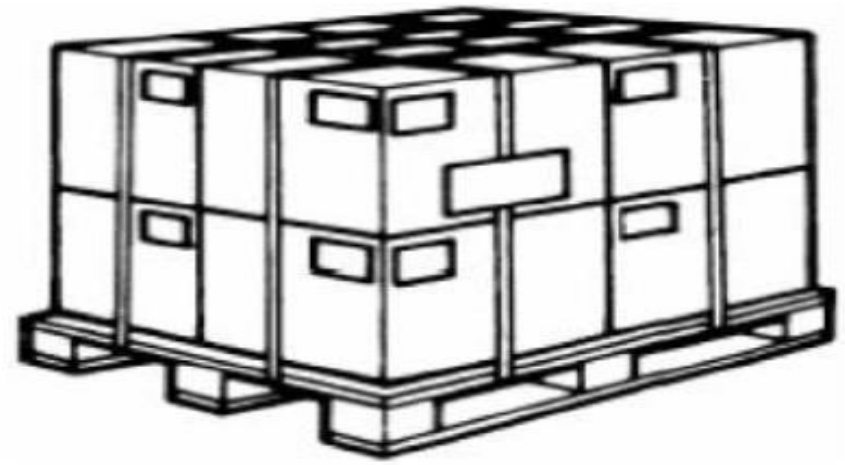
Having developed a package suitable for the intended distribution cycle, it is mandatory for the Supplier to continue to supply material in the appropriate container in accordance with the relevant shipping guidelines. The receiving facilities will monitor packaging received to ensure conformance. The Supplier rating will be negatively impacted by non-compliance with these guidelines. It may result in an automatic rejection of shipment and/or a negative impact on the overall Supplier rating.

The measurement and monitoring of a Supplier's performance may be managed differently by each receiving site, or by the Corporate Supplier Quality group.

10.0 Labeling - Identification of Packaging

Each carton on a pallet should be individually labeled as described below and a master label should be used. Please place two labels per box so that the labels are on the outside of the pallet and can be seen without moving the boxes. Parts that are large and packed with several item per package such as compressors, motors, etc. must include a label on the part with the Daikin part number in additional to the package label. Please place two master labels per pallet as this reduces the time in the scanning processes for boxes.

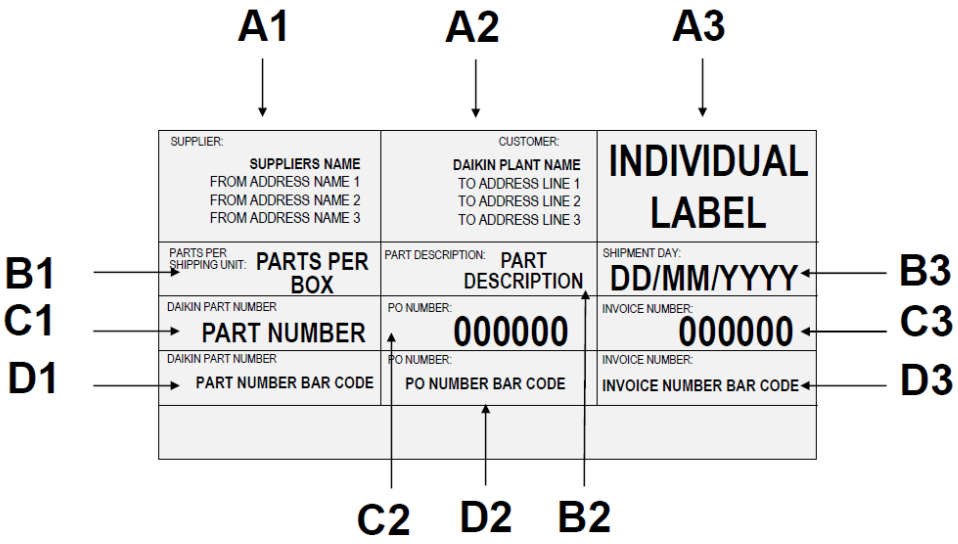
Mixed material within a single container is not permitted without written approval from a Daikin Applied Buyer. Mixed load pallets should have a label indicating it as a mixed load pallet if approved. Label should consist of human readable print for part number, quantity per box, weight, and PO number. The label should also have the part number in bar code format.



10.1 Required Label Format

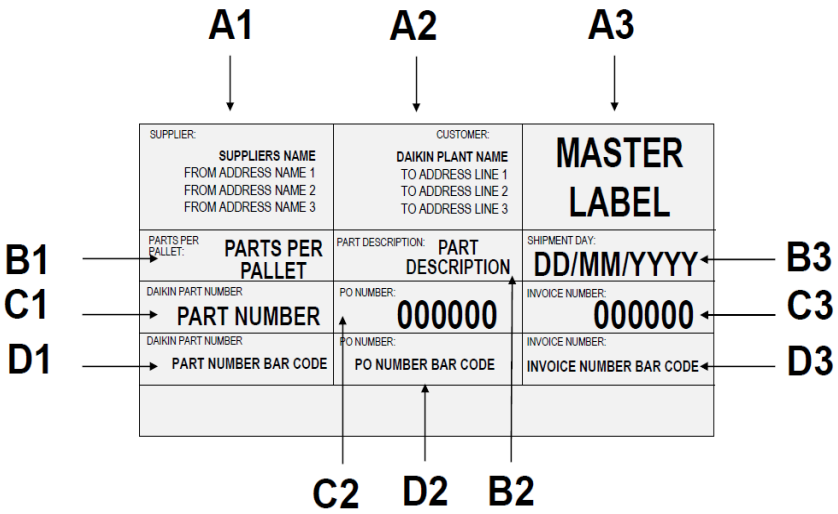
The label format must appear like the examples in this section depending on the contents of the package.

10.1.1 Individual Label: label placed on the shipping unit to identify the material it contains (box, container, crate, etc.)



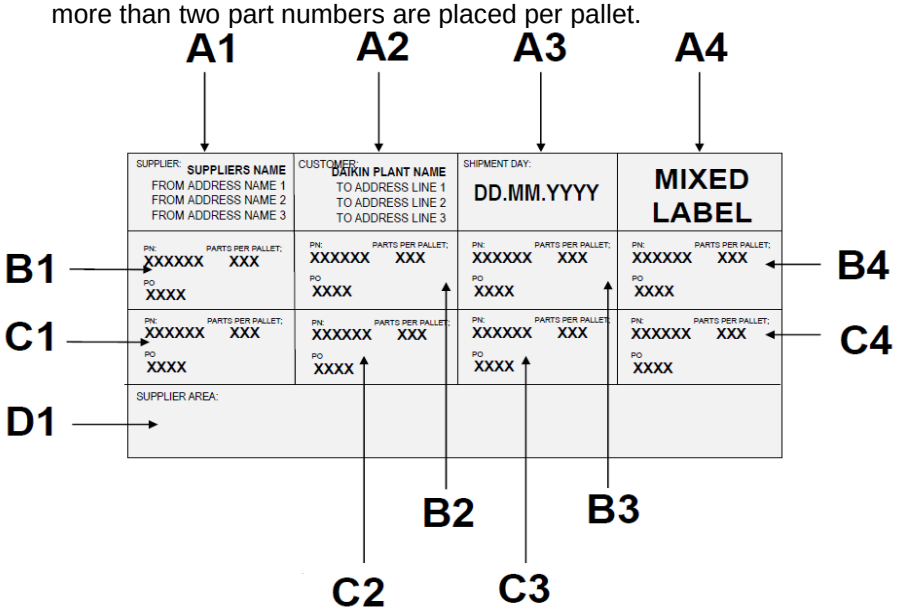
A1	SUPPLIER:	SUPPLIERS NAME + ADDRESS
A2	CUSTOMER:	CUSTOMER NAME + ADDRESS
A3	TYPE OF LABEL:	INDIVIDUAL LABEL
B1	PARTS PER SHIPPING UNIT:	QUANTITY OF PIECES PER SHIPPING UNIT
B2	PART DESCRIPTION:	PART DESCRIPTION
B3	SHIPMENT DAY:	DATE ON WHICH THE MATERIAL IS SHIPPED: DAY/MONTH/YEAR (DD.MM.YYYY) SEPARATED BY SLASH
C1	DAIKIN PART NUMBER:	PART NUMBER BELONGING TO DAIKIN
C2	PO NUMBER:	PURCHASE ORDER NUMBER
C3	INVOICE NUMBER:	INVOICE NUMBER
D1	DAIKIN PART NUMBER BARCODE:	BARCODE OF THE PART NUMBER
D2	PO NUMBER BARCODE:	BARCODE OF THE PURCHASE ORDER NUMBER
D3	INVOICE NUMBER:	INVOICE NUMBER

10.1.2 Master Label: label placed on the pallet to identify its contents. This label only applies to one part number per pallet and only one purchase order per pallet.



A1	SUPPLIER:	SUPPLIERS NAME + ADDRESS
A2	CUSTOMER:	CUSTOMER NAME + ADDRESS
A3	TYPE OF LABEL:	MASTER LABEL
B1	PARTS PER PALLET:	QUANTITY OF PIECES PER PALLET
B2	PART DESCRIPTION:	PART DESCRIPTION
B3	SHIPMENT DAY:	DATE ON WHICH THE MATERIAL IS SHIPPED: DAY/MONTH/YEAR (DD.MM.YYYY) SEPARATED BY SLASH
C1	DAIKIN PART NUMBER:	PART NUMBER BELONGING TO DAIKIN
C2	PO NUMBER:	PURCHASE ORDER NUMBER
C3	INVOICE NUMBER:	INVOICE NUMBER
D1	DAIKIN PART NUMBER BARCODE:	BARCODE OF THE PART NUMBER
D2	PO NUMBER BARCODE:	BARCODE OF THE PURCHASE ORDER NUMBER
D3	INVOICE NUMBER:	INVOICE NUMBER

10.1.3 **Mixed Label**: label placed on the pallet to identify its contents. This label is used when more than two part numbers are placed per pallet.



A1	SUPPLIER:	SUPPLIERS NAME + ADDRESS
A2	CUSTOMER:	CUSTOMER NAME + ADDRESS
A3	SHIPMENT DAY:	DATE ON WHICH THE MATERIAL IS SHIPPED: DAY,MONTH,YEAR (DD.MM.YYYY)
A4	TYPE OF LABEL:	MIXED LABEL
B1		PN + PARTS PER PALLET+ PO
B2		PN + PARTS PER PALLET+ PO
B3		PN + PARTS PER PALLET+ PO
B4		PN + PARTS PER PALLET+ PO.
C1		PN + PARTS PER PALLET+ PO
C2		PN + PARTS PER PALLET+ PO
C3		PN + PARTS PER PALLET+ PO
C4		PN + PARTS PER PALLET+ PO
D1	SUPPLIER AREA:	THE SUPPLIER MAY WRITE SOME NECESSARY SPECIFICATIONS.

10.2 Barcoded Packing Lists

Barcoded packing list and labels enable faster receiving with just a scan. The underlying data has already been transmitted electronically. As a result, the receiving staff only needs to scan the barcode at the top of the packing list, or the separate subtitles then scan the part, package, or pallet.

Barcoding reduces Dock to Stock time as goods can be received with a few keystrokes. Appropriate corrective actions can be taken when there are shortages or defects detected during receiving and provides In-Transit visibility. Once goods are received, the Supplier can see the receipt details in their ERP system. (Please see Appendix A and B)

If you do not currently have the capability to barcode, there are many resources available online for simple barcoding services. Please refer to the link below for a free barcode generator -

https://barcode.tec-it.com/en

10.2.1 Barcoded packing list must accompany each shipment and be attached to the outside of the pallet inside an envelope that is clearly marked. Whenever possible, attach a packing slip to each individual pallet to facilitate receiving.

10.2.2 Barcoded information on a packing list must contain:

- Supplier Name and Address
- Quantity Shipped and total number of packages
- Material Description
- Supplier Part Number
- Daikin Applied Part Number
- Daikin Applied PO Number
- Daikin Applied PO Line Number
- Daikin Applied PO Release Number
- Date shipped
- Country of Origin (COO)
- Advanced Shipping Notice (ASN)

10.2.3 Barcoded data should not contain any prefix or additional characters.

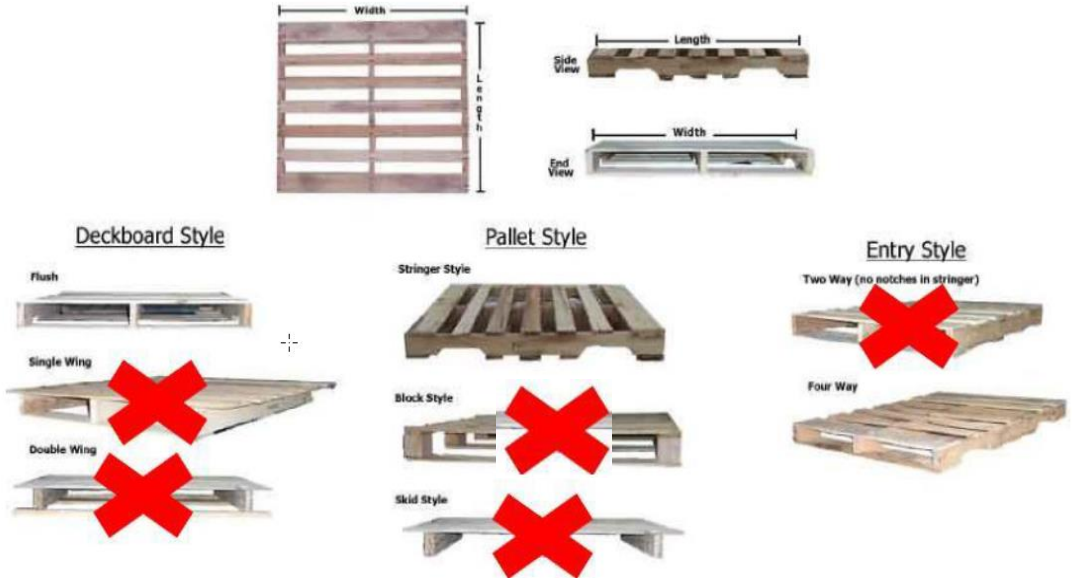
11.0 Pallet and Unit Load Information

All incoming pallets should be documented and approved by Daikin Applied. Used pallets are acceptable, but they must be inspected and free from damage, as this poses safety and facilities concerns. At no time should pallets of less than B Grade quality be provided. All pallets must conform to the following requirements.

11.1 Pallet Construction

All incoming material must be four-way notched stringer pallets. They must be flush (no winged) reversible or nonreversible stringer pallets. For safety considerations, block style pallets are generally not accepted. Standard pallet size is 40” x 48”.

Wood, metal, and plastics are acceptable materials if the pallets meet the criteria in this document. **For shipments into the San Luis Potosi facility, all material must arrive on wooden pallets. This does not apply to materials required by express delivery (FedEx, UPS, etc.).** Expendable corrugated pallets are not acceptable unless approved by a Daikin Applied Engineer.



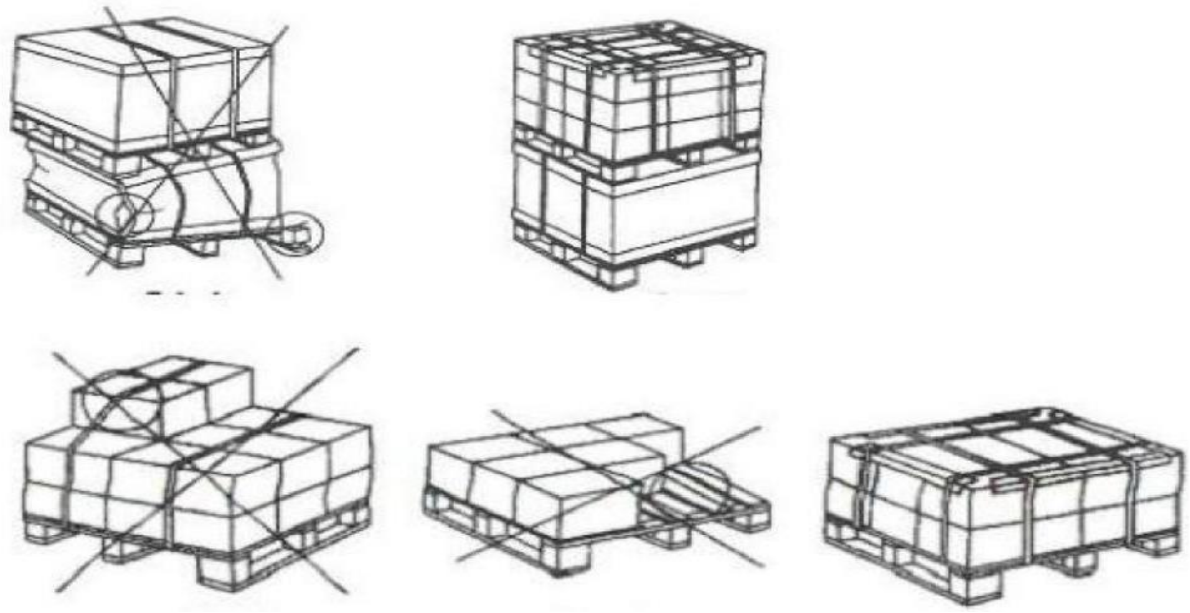
11.2 Pallet Loading

Supplier will guarantee the stability and stackability of the packaging and handling units. Incomplete layers shall be avoided. Edge protection and strapping shall be used if it is required by the security of the handling unit or fixed in the packaging instructions.

Unit loads should be modularized to maximize the cubic load of the shipping conveyance. Pallets should be loaded flat, to allow stacking both in the trailer as well as in the warehouse. Product is not permitted to hang over the edge of the pallet. All packs must have sufficient vertical strength and stability to withstand a tiered height of 100” inches. Dynamic loading is generally 3 times static loading. Pallet and product may not exceed 2000 lbs. in weight (stacked) unless approved by Daikin Applied Engineering, Logistics, or the Receiving department. Consolidate the same part number onto a single pallet to avoid having mixed part number pallets as much as possible. **(Total stacked height for multiple pallets is 100”/2200 mm.)**

All packages must be secured to prevent the load from shifting during transit. Nonmetal (plastic) strapping is required. Stretch film may be necessary to ensure the load does not shift during transit and should be used in addition to nonmetal banding. Metal banding and/or seals are allowed on an exception basis only. It is the Supplier’s responsibility to secure all loads with adequate banding.

Pallets that cannot be stowed must be identified to avoid being stowed. Place an identification sheet of 8.5 x 11 inches (US letter size) with the text “DO NOT STACK” on each side of the pallet totaling four labels.



12.0 Material Handling

Warehouse operations seek to store and deliver parts effectively to assembly lines without damage to parts and with minimal waste utilizing lean principles. It is the Supplier's responsibility to provide quality parts in specified packaging to prevent damage during transportation and delivery. To maximize warehouse storage and efficiency, the following considerations will be taken during the development and testing of packaging programs:

- Packaging dimensions should not exceed current material presentation equipment (racks, conveyors, etc.)
- Packaging weight should not exceed Daikin Applied forklift requirements of 2,000 lbs. (based on site location - please contact your local supplier quality representative for questions).
- Expendable packaging (metal cages) must be designed to be stored outdoors.
- Packaging must conform to all local government and transportation rules and regulations.
- The packaging must deliver the part to the point of use, in a production-ready and damage-free condition, assuming normal handling in transportation, storage, and in-plant movement.
- Container systems should be designed to withstand temperature variations from -30ºF to +150ºF (34.4ºC to 65.6ºC) and able to withstand 90% humidity at 150ºF/65.6ºC exposure.

13.0 iSupplier

13.1 Overview

The Daikin Applied iSupplier Portal is a secure web portal for Suppliers to directly access procure-to-pay (P2P) information online and communicate with your Daikin Applied representatives digitally. Specifically, rather than mailing or faxing or picking up the phone, Suppliers can access critical purchasing transactions immediately, in real-time.

This capability provides visibility across the P2P life cycle, building a collaborative relationship where Daikin Applied and Suppliers become integrated partners, as both parties can access the same information over the internet to ensure Suppliers have the necessary information to conduct business effectively and efficiently with Daikin Applied.

13.2 Expectations

The iSupplier portal will be the primary vehicle for outbound (from Daikin Applied to a Supplier), in addition to inbound (from Supplier to Daikin Applied) communications in the following capacities:

13.2.1 Daikin Applied will communicate to our Suppliers via the iSupplier portal:

- **New Purchase Orders:** When a new purchase order is created, the PO will be communicated via email to the Supplier, in addition to being immediately visible on the iSupplier Portal. Suppliers are expected to check the iSupplier portal daily and process new purchase orders within 24 hours of receipt. New purchase orders can be recognized with a "revision 0" numbering sequence.
- **Updated Purchase Orders:** An updated purchase order will contain an incremental numbering sequence, for example Purchase Order Revision 1. A Supplier is expected to recognize that the subsequent revisions of a Purchase Order are not new purchase orders, but updates to existing items. PO Change history can be used to identify changes/updates that have been processed.

13.2.2 Suppliers will communicate with Daikin Applied via the iSupplier portal:

- **Purchase Order Acknowledgement:** For each new purchase order that is received by a Supplier, the Supplier will send a "PO Acknowledgement" via iSupplier to Daikin Applied to notify Daikin Applied that the order was received and will be fulfilled. This "acknowledgement" must be completed within 24 Daikin business hours of sending the purchase order.
- **Purchase Order Change Requests:** Purchase Orders, at times, need to be adjusted for a variety of business reasons. Suppliers are required to submit adjustments to the following document types to the Daikin Buying representatives:
    - Promise (delivery) date changes.
    - Price changes.
    - Quantity changes.
    - Split shipments.

  NOTE: Submitting one of the above changes for review will result in an approval or rejection of the proposed change. Suppliers will be notified when an approval or rejection has occurred.

- **Advanced Ship Notices (ASN):** Advanced Ship Notices, or ASNs, are required to facilitate warehouse planning, receiving, and execution.
- **Invoices:** Suppliers are expected to submit payment requests timely and accurately to minimize disruption and payment delays. One Invoice must be linked to a single Purchase Order.

13.2.3 Further, Daikin Applied requires that Suppliers review iSupplier portal information before contacting Daikin Applied for updated information relating to:

- **Invoice Payment Status:** Suppliers are expected to research current and upcoming scheduled payments for submitted invoices via the iSupplier portal – which includes contacting your Daikin Buyer to resolve any invoice holds that are preventing payment from occurring. Should the information not be available on the iSupplier portal, Suppliers may contact the appropriate Accounts Payable representative.

13.2.4 It is the Suppliers responsibility to maintain the following master data components in the iSupplier portal:

- **iSupplier Users:** To facilitate accurate Purchase Order communication flows, and Supplier access accounts to perform required iSupplier functions, the designated "Account Administrator" will maintain appropriate contact directory which includes adding and removing accounts as Supplier resources change in addition to ensuring automated communication is flowing as expected and facilitating localized-Supplier training as requested.
- **Purchasing and Payment addresses:** Daikin Applied maintains an address book for each Supplier to enable 'purchasing sites' to be associated to each purchase order, and 'remittance sites' to be tied to each payment invoice. If changes or additions are required, designated "account administrators" will perform these functions in the iSupplier portal. Following submission of proposed changes, Daikin Applied will review and apply required updates.

13.3 Documentation and Resources

Daikin Applied has published comprehensive self-guided training manuals and videos consisting of step-by-step directions and further definition of the iSupplier processes above which can be found: https://www.daikinapplied.com/suppliers

13.4 Contact Information

Should you have questions about the use of iSupplier, expectations, or process best-practices, please contact:

- Your primary Daikin Applied Buyer or Strategic Sourcing Manager.
- The Daikin Applied iSupplier helpdesk via email: isupplier@daikinapplied.com

14.0 Electronic Data Interchange (EDI)

14.1 Overview

Daikin Applied has enabled the capability to send and receive PO transactions through Electronic Data Interchange (EDI). EDI is the preferred long-term process for Suppliers to receive and acknowledge purchase orders and to receive and acknowledge PO change orders from Daikin Applied. It also enables Suppliers to submit PO change requests, Advanced Shipment Notices (ASN's) and Invoices electronically to Daikin Applied. SPS Commerce has been engaged to facilitate the onboarding, integration, and ongoing support of EDI transactions between Daikin Applied and its Suppliers. Through the EDI onboarding process, each Supplier decides either to receive and submit EDI transactions using the SPS Fulfillment Portal or use their existing EDI transaction processors. When SPS has confirmed the completion of EDI onboarding for each Supplier, that Supplier can then coordinate with Daikin Applied on the timing for future purchase orders to be sent via EDI.

In similar fashion to iSupplier, rather than mailing or faxing or picking up the phone, Suppliers can access critical EDI purchasing transactions immediately, in real-time. EDI integration allows purchase orders to be received directly into the Supplier's system for more immediate processing, and for ASN's and Invoices to be received directly into Daikin Applied systems.

This capability provides visibility across the P2P life cycle, building a collaborative relationship where Daikin Applied and Suppliers become integrated partners, as Suppliers have the necessary information to conduct business effectively and efficiently with Daikin Applied.

14.2 Expectations

EDI transactions become the primary vehicle for both outbound communications (from Daikin Applied to a Supplier) and inbound communications (from Supplier to Daikin Applied) in the following capacities:

14.2.1 Daikin Applied will communicate to Suppliers via EDI integrations:

- **New Purchase Orders:** When a new purchase order is created, the PO (EDI 850 transaction) is sent directly through SPS Commerce into the Suppliers' system. Suppliers are expected to acknowledge new purchase orders within 24 hours of receipt. New Purchase orders can be recognized with a "revision 0" numbering sequence.
- **Updated Purchase Orders:** An updated purchase order will contain an incremental numbering sequence (example: Purchase Order Revision 1). Updates to Purchase Orders are made through PO Change Orders (EDI 860 transaction). A Supplier is expected to recognize that the subsequent revisions of a Purchase Order are not new purchase orders, but updates to existing items.

14.2.2 Suppliers will communicate with Daikin Applied via EDI integrations:

- **Purchase Order Acknowledgement:** For each new Purchase Order received by a Supplier, the Supplier will send a "PO Acknowledgement" (EDI 855 transaction) to notify Daikin Applied that the order was received and will be fulfilled. This "acknowledgement" must be completed within 24 business hours of the purchase order receipt.
- **Purchase Order Change Requests:** Purchase Orders, at times, need to be adjusted for a variety of business reasons. Suppliers submit adjustments to the Daikin Applied buyers by sending PO Change Requests (EDI 865 transactions) for the following:
  - Promise (delivery) date changes.
  - Price changes.
  - Quantity changes.
  - Split shipments.

NOTE: Submitting one of the above changes for review will result in an approval or rejection of the proposed change. Suppliers will be notified when an approval or rejection has occurred.

- **Advanced Ship Notices (ASN):** Advanced Ship Notices, or ASNs (EDI 856 transactions) are required to facilitate warehouse planning, receiving and execution. ASN's can include lines from multiple purchase orders in a single ASN.
- **Invoices:** Suppliers are expected to submit payment requests timely and accurately to minimize disruption and payment delays. Each Invoice (EDI 810 transaction) can only apply to a single Purchase Order.

14.2.3 While P2P transactions are now being processed through EDI, the Daikin Applied iSupplier portal remains available for suppliers to review transaction information before contacting Daikin Applied, including:

- **Receipt Details**: Suppliers can use the "View Receipts" link in the iSupplier Portal to see if shipments have been received at Daikin Applied locations.
- **Invoice Payment Status:** Suppliers are expected to research current and upcoming scheduled payments for submitted invoices via the iSupplier portal.

14.3 EDI Documentation and Resources

Daikin Applied has high-level overviews of the EDI processes, transactions, and shipping documents available for view on the Supplier Website. Training documentation for the SPS Fulfillment portal is available from the SPS representative and support resources identified for each supplier during the EDI onboarding process.

14.4 Contact Information

Should you have questions about the use of EDI, expectations, or process best practices, please contact:

- Your primary Daikin Applied Buyer or Strategic Sourcing Manager.
- The Daikin Applied EDI helpdesk via email: edi@daikinapplied.com

15.0 Invoicing

15.1 Invoice Requirements

To process invoices in a timely manner it is imperative all the information needed to process an invoice be included on each invoice sent, including:

15.1.1 Valid PO number must be included on all invoices:

- Purchase orders are 7-digit numbers.
- One PO per invoice is preferred.
- When one PO on an invoice is not possible, the PO's must be labeled on each line of the invoice.
- Each invoice line should reference either a PO line number or a release number.

15.1.2 Blanket Purchase Orders require release numbers associated with all orders:

- One release number per invoice is preferred.
- When more than one release is included on an invoice, clearly mark the invoice lines with the correlating release number.
- Release number summaries are not acceptable such as (releases 100-105).

15.1.3 Addressing requirements:

- Remit to Payee name and Address.
- Ship to Address with a Daikin Contact or departmental reference.

15.1.4 Preferred information:

- Payment terms.
- Supplier Contact phone number.
- Supplier Contact email address.

15.1.5 Invoice line information:

- Article or item number.
- Description.
- Quantity shipped.
- Unit of measure.
- Unit price.
- Line total price.

15.2 Invoice Submission

Initial submissions of invoices with a Purchase Order should be sent to APInvoices@daikinapplied.com – Invoices should only be sent to this address once. iSupplier and EDI also have invoice submission capabilities.

Inquiries on invoices that are Past Due should be directed to AP@daikinapplied.com.

If an order was accepted without a PO, the invoice should be sent directly to the buyer or Daikin Applied employee who placed the order.

NOTE: Accounts Payable cannot process or help on invoices that do not have a PO unless it is received from the Daikin Applied employee who ordered from the Supplier.

15.2.1 Invoice Submission - San Luis Potosi, Mexico

San Louis Potosi, Mexico has special submission requirements for invoices. Please follow the below guidelines when shipping to Mexico.

- Initial submission of invoices with a Purchase Order should be sent to the Buyer by email and to facturas.daikin@daikinapplied.com.
- All invoices need to be delivered to San Luis Potosi (SLP) Warehouse/ Receiving Clerk so that receipts can be entered in Oracle. The Daikin Buyer will complete this activity for suppliers shipping from outside of Mexico.
- After the receipt is entered, the receiving clerk will deliver invoices to Accounts Payable to be processed for payment.
- All Mexican suppliers will also have to submit invoices through the FACEL portal to comply with accounting regulations in Mexico. To submit invoices through the FACEL portal, Suppliers will need the corresponding receipt transaction number related to every invoice from the SLP Daikin Receiving Clerk so they can link it with the .xml file.

  Note: As part of the 2014 Mexican tax reform and its Tax Resolution for 2014 Electronic Media Accounting, companies in Mexico are required to maintain accounting records through electronic systems that can create XML format files with information about their transactions.

- Inquiries from Suppliers on invoices that are past due should be directed to:
  - Invoices that are on MXP currency: Ana.Garcia@daikinapplied.com
  - Invoices that are on USD currency: Octavio.Hernandez@daikinapplied.com
- For invoices that do not have a Purchase Order, Daikin employees who placed the order will provide the “Solicitud de Pago por Anticipado” (Payment in Advance Request) form to Accounts Payable so that the invoice can get paid.

15.3 Financial Communication Expectations

15.3.1 Issue Resolution (in order):

- Check iSupplier portal for invoice information.
- Contact Buyer.
- Contact Accounts Payable and provide copies of all invoices being inquired about.

15.3.2 Credit Holds:

- Daikin Applied is to be contacted by email and phone prior to any holds being placed.
- Contact Daikin Applied Buyer and Accounts Payable prior to any holds being placed.
- If a credit hold is placed, record the contacts made or attempts prior to placing the credit hold. This will be imperative for Daikin Applied to investigate and correct any issues that lead to the credit hold.

15.4 Financial Communication Methods

15.4.1 Suppliers are expected to research current and upcoming scheduled payments for submitted invoices via the iSupplier portal – which includes contacting your Daikin Applied Buyer to resolve any invoice holds that are preventing payment from occurring. Should the information not be available on the iSupplier portal, Suppliers may contact the appropriate Accounts Payable representative.

15.4.2 If email is preferred, contact your Accounts Payable representative directly. If the contact is unknown, send your email to AP@daikinapplied.com

15.4.3 Phone 763-553-5330 and follow prompts for Accounts Payable.

15.5 Payment Processing

15.5.1 Payruns

- All invoices due are processed for payment on the last workday of each week, typically Friday.
- These pay runs process all invoices input that are input and due prior to the next pay run.

15.5.2 Payment methods

- Paper check mailed to the remittance on file.
- ACH
  - ACH services are provided by Paymode, a third-party provider.
  - Paymode can be contacted directly by phone at 1-877-443-6944 or email at memberservices@paymode-x.com.
- WIRE
  - Wire payments are reserved for foreign entity vendors.

16.0 Inbound Transportation

16.1 Daikin Applied Locations & Shipping/Receiving Hours

Daikin Applied Americas 13600 Industrial Park Blvd Minneapolis, MN 55441	**Headquarters** Monday-Friday 8:00 am–3:30 pm 763-553-5330
Daikin Applied Americas 1001 21st Ave Owatonna, MN 55060	**Manufacturing** Shipping and Receiving open 24/7 with exception: 4:00 pm Saturday to 6:00 am Sunday 507-451-1838 507-446-2171 507-446-2186
Daikin Applied Americas 1205 Park Dr. NE Owatonna, MN 55060	**Warehouse** Shipping and Receiving open 24/7 with exception: 4:00 pm Saturday to 6:00 am Sunday 507-451-5690
Daikin Applied Americas (FBS) 300 24th St. NW Faribault, MN 55021	**Manufacturing** Steel Receiving M-Th 6:30 am to 3:30 pm All other Receiving 6:00 am to 4:00 pm Shipping 6:00 am to 4:00 pm M-F 507-333-3049
Daikin Applied Americas (FBN) 15620 Acorn Trail Faribault, MN 55021	**Manufacturing and Warehouse** Steel Receiving M-F 8:30 am-3:30 pm All other Receiving: 1st Shift M-F 7:30 am-3:30 pm 2nd Shift M-Th 4:30 pm-1:30 am 507-400-6439 Shipping: M-F 8:30 am–3:30 pm

Daikin Applied Americas 207 Laurel Hill Road Verona, VA 24482	**Manufacturing** Receiving M-F 7:00 am to 2:30 pm 540-292-5906/540-280-6041 Shipping M-F 7:00 am to 5:00 pm 540-280-1813
Daikin Applied Americas 131 Laurel Hill Road Suite 301 Verona, VA 24482	**Manufacturing** Receiving M-F 7:00 am to 2:30 pm 540-292-5906/540-280-6041 Shipping M-F 7:00 am to 5:00 pm 540-280-1813
Daikin Applied Americas 2915 Needmore Road Dayton, OH 45414	**Warehouse** Receiving M-F 7:00 am to 3:30 Only accept deliveries until 2:30 937-742-4160 Shipping M-F 11:00 am to 7:30 pm
Daikin Applied Americas 4940 W. Lower Buckeye Road Phoenix, AZ 85043	**Manufacturing** Receiving M-Th 7:00 am to 2:30 pm Shipping by Appointment only Office Phone (602) 362-1128 Mobile (480) 244-2215
Daikin Applied Americas (Arkansas Whse) 501 South Fresno Ft. Smith, AR 72916	**Warehouse** Receiving M-F 7:00 am to 2:30 pm Shipping M-F 7:00 am to 2:00 pm 479-806-5116

16.2 Shipments From US and Canada

Daikin Applied has selected Ruan Transportation to manage our transportation and supply chain network in the United States and Canada. These instructions cover inbound shipments (FCA Origin) to all Daikin Applied facilities located in the United States, including the operations in San Luis Potosi, Mexico, unless otherwise stated in a written agreement with Daikin Applied. Daikin Applied and Ruan will be providing the Daikin Applied/RTMS Supplier Portal to manage all non-parcel transportation requests.

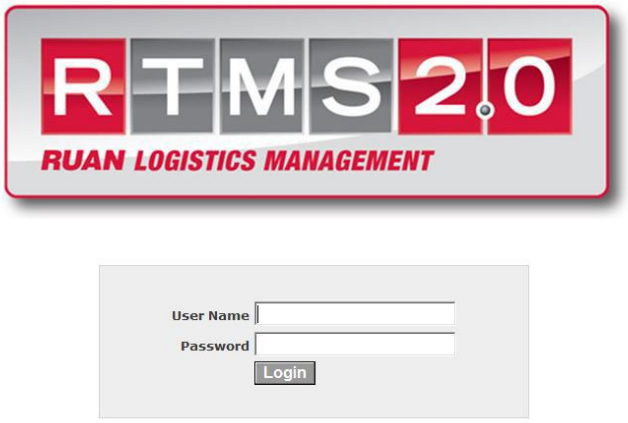
16.3 Daikin Mexico Shipping Instructions

For shipments less than 120 pounds (parcel) please ship via UPS ground under account #V61A32 to the Ship to Address shown below (Jamco Laredo).
For shipments greater than 120 pounds (LTL) please ship via RUAN, using the Daikin/RTMS Supplier Portal.

The Daikin/RTMS Supplier Portal supplier can be accessed at the following URL: https://logistics.ruan.com from any of the following internet browsers

a. Internet Explorer (IE) Version 11
b. Mozilla Firefox 38.3
c. Google Chrome version 46

The following screen will appear:



Your login credentials are the following:
User Name: Daikin Vendor ID
Password: Daikin Vendor ID
Your 5 or 6 digit Daikin Vendor ID can be found on the Standard PO Order form under the VENDOR information section (highlighted in yellow):


DAIKIN PURCHASE ORDER

Daikin Manufacturing Mexico S. de R.L. de C.V.

PURCHASE ORDER NO.	REV.	PAGE
890061	0	1

SHIP TO:
Daikin Manufacturing Mexico
c/o ProTrans
110 Consolidation Point
Laredo,TX 78045
United States

BILL TO
Daikin Manufacturing Mexico S. de R.L. de C.V.
Parque Industrial Millennium
Av. Del Siglo No. 360
Zona Industrial Rural
San Luis Potosí, S.L.P. C.P. 78395

VENDOR:
ABRAHAM TECHNICAL SERVICES INC - DB
12560 Fletcher Lane, Suite 100
Rogers, MN 55374
United States

CUSTOMER ACCOUNT NO.	VENDOR NO.	DATE OF ORDER / BUYER	REVISED DATE / BUYER
	######	22-APR-19 A Reyes	
PAYMENT TERMS: 30 NET		SHIP VIA	F.O.B.
FREIGHT TERMS		REQUESTOR / DELIVER	CONTACT / TELEPHONE (463) 428-3170

ITEM	PART NUMBER / DESCRIPTION	"IN-HOUSE" DATE	QUANTITY	UNIT	UNIT PRICE	EXTENSION	TAX

Av. del Siglo 360, Parque Industrial Millennium, 78395 San Luis Potosí, San Luis Potosí

If you cannot locate your Daikin EBS Supplier ID, please reach out to your Daikin Buyer contact for this information.

All shipments should be routed to the JAMCO Laredo Warehouse for cross-dock services at the following address which will be an option when the Daikin Transportation Request is initiated under the <Consignee Daikin Plant / Locations> field option.

SHIP TO:
DAIKIN MANUFACTURING MEXICO C/O JAMCO INTERNATIONAL, INC.
8405 Milo Road (FM3464)
Laredo, TX 78045
Phone: 956-717-3322

All Commercial invoices and related documents must be uploaded via the Daikin/RTMS Supplier Portal within 48 hours once shipped to support customs clearance.

These are the documents that suppliers will need to provide for customs purposes:

Invoice – Must contain at least the following information:

- Invoice number
- Invoice date
- Complete name and address of the supplier (must match with the information of the W9)
- Complete name and address of Daikin Manufacturing Mexico, as follows:

  DAIKIN MANUFACTURING MEXICO S DE RL DE CV
  AV. DEL SIGLO # 360
  ZONA INDUSTRIAL RURAL
  SAN LUIS POTOSI, SLP, 78395 MEXICO
  RFC (TAX ID): MME110315EYA

- Part number and description
- Qty and unit of measure
- Unit price
- Total cost
- Country of Origin

Packing List – Must be printed and included on each shipment so when it arrives to Laredo the broker can perform the physical review against it.

USMCA Certification of Origin (if applicable) – The USMCA does not have a specific form/template to be used but the certificates must comply with regulations set for in Annex 5-A (Minimum Data Elements attached).

Serial Numbers List (if applicable) – If the material is physically identified (labeled) with serial numbers, we will need the list of serial numbers to be provided on each shipment.

Mill & Quality Certificates (if applicable) – For steel products (such as sheets, plates, etc.) it will be necessary to provide the mill certificates corresponding to the material included on each shipment (on some specific manufactured steel products such as pipes, tubes, chains, wire rod, mesh, etc. it will be necessary to have the quality certificates of the products in addition to the mill certificate).

As defined in the Foreign Trade Regulations (15 CFR Part 30), Daikin Manufacturing Mexico (FPPI) authorizes Jamco International, Inc. to prepare and Transmit Electronic Export Information (EEI) as Routed Transactions. Daikin Manufacturing Mexico certifies that all necessary and proper documentation to accurately transmit the information electronically is and will be provided, prior to export, to the said Authorized Agent. The FPPI further understands that civil and/or criminal penalties may be imposed for making fraudulent statements or for the violation of any U.S. laws or regulations on exportation and agrees to be bound by all statements of said Authorized Agent based upon information or documentation provided by the FPPI to said Authorized Agent.
Daikin Manufacturing Mexico will not be responsible for any related freight costs if these shipping instructions are not followed.

16.4 Daikin Applied/RTMS Supplier Portal

Inbound Daikin Applied Transportation Requests (DTR) should be entered in the Daikin Applied/RTMS Supplier Portal. If the items, you are shipping total less than 150 lbs. (no package exceeds 70 lbs or over 130” length and girth combined) proceed to ship them using United Parcel Service (UPS). Daikin Applied/RTMS Supplier Portal entry is NOT required on small parcel shipments.

The Daikin Applied/RTMS Supplier Portal can be accessed at the following URL: https://logistics.ruan.com.

The RTMS Supplier User Guide can be found on the RTMS Supplier Portal menu.

16.4.1 Billing on Shipments from US and Canada

All shipments should be shipped "PREPAID" and billed as follows:

Daikin Applied Americas Inc.
% LOGISTICS BILLING RUAN TRANSPORTATION
PO BOX 9319, DES MOINES, IA 50309

16.4.2 Customs Documentation on Canadian Shipments

After you have entered a shipment pick up request in Ruan's Portal, please upload the customs documents to the shipment request and email copies to Expeditors' Northern Border Team at BorderPreAlerts@expeditors.com. If you need urgent assistance with a clearance, please contact Expeditors' 24 hour PAPS line 734-857-5150.

16.4.3 US Customs Broker Contact Information:

Expeditors International of Washington
580 Opperman Dr, Suite 500
Eagan, MN 55123

Phone: 651-683-9922

16.5 Shipments From Outside the US and Canada

16.5.1 Daikin Applied has selected Expeditors International of Washington to manage our international transportation and supply chain network. These instructions cover inbound shipments (FOB Origin or FCA Origin) to all Daikin Applied facilities located in the United States. For shipments originating outside the United States, Supplier must contact their local Expeditors office to arrange for shipment or Logistics@daikinapplied.com for assistance.

16.6 Parcel Shipments

16.6.1 Definition of a Small Parcel

- Package weight not to exceed 70 lbs. Total shipment weight under 150 lbs.
- Packages can be up to 130 inches in length and girth combined.

16.6.2 Using UPS for Small Parcel Shipments

- Shipments that meet the above-mentioned weights and dimensions should automatically be shipped via UPS (standard UPS ground is default).
- Shipments should be made on collect or 3rd Party Billed to Daikin Applied. Supplier should refer to purchase order or request UPS account number from Daikin Applied Buyer.
- Any excess service levels should be approved by Daikin Applied Buyer prior to shipping.

17.0 International Logistics Compliance

17.1 Trade Compliance Requirements for Suppliers

17.1.1 Commercial Invoice Requirements: Commercial invoices must conform to Customs Regulations per 19 C.F.R. 141.86 – 141.89 and 142.6, which are available at https://gov.ecfr.io/cgi-bin/EC.F.R.?page=browse. A list of required data elements and a sample commercial invoice template can be used as guidelines for buyer instructions to provide to foreign Suppliers.

17.1.2 Wood packaging material must meet the ISPM 15 (https://ispm15.com/) Standards.

17.1.3 Requirements of Importer Security Filing for ocean shipments:

- The Supplier is to complete the 10+2 ISF Worksheet for their ocean shipments and supply it to the ISF-filer at least 72 hours before vessel departure to allow the timely and accurate preparation of the ISF filing.
- Even though the Supplier normally completes the ISF Worksheet, it is the importers responsibility for the accuracy of the information.

17.1.4 Country of Origin Marking requirements:

- 19 C.F.R. §134 requires that every article of foreign origin imported into the United States, unless excepted by law, shall be marked with the name of the country of origin of the goods. Merchandise must be marked in a conspicuous place as legibly, indelibly, and as permanently as the nature of the product will permit. This marking should indicate to an ultimate purchaser the country of origin, in English, and the purchaser should be able to see the marking easily and read it without strain.
- If a label contains a U.S. address or any reference to a location that is not the country of manufacture, the actual country of origin is to appear on the label in close proximity to such words, and at least in comparable size. The name of the country of origin is to be preceded by “Made in,” “Product of,” or other words of similar meaning. Failure to properly mark merchandise will result in financial penalties, as well as delays in clearing shipments through U.S. Customs.
- Refer to 19 C.F.R. Part 134 for regulations related to country of origin marking. Articles appearing on the J-List of marking exceptions (such as masking plugs, tape, etc.) do not have to be marked to reflect their country of origin, but the outermost shipping containers must be marked with the articles’ country of origin. General exceptions to marking are found at 19 C.F.R. § 134.32. Specific (J-List) exceptions are found in § 132.33(a)-(p).

17.1.5 Customs recommends that boiler plate instructions be provided to foreign Suppliers when creating purchase orders so that sufficient and correct information, certifications and/or declarations are included on the commercial invoice and packing list, and to ensure that all packages and products are marked with the correct and accurate country of origin information. See Appendix C.

17.2 Goods Produced by Convicts, Forced or Indentured (Including Child) Labor

17.2.1 Section 307 of the Tariff Act of 1930 (19 U.S.C. § 1307) prohibits the importation of merchandise mined, produced, or manufactured, wholly or in part, in any foreign country by forced labor – including prison labor and forced child labor. Such merchandise is subject to exclusion and/or seizure and may lead to criminal investigation of importers.

17.2.2 When information reasonably, but not conclusively, indicates that merchandise within the purview of this provision is being imported, the Commissioner of Customs may issue withhold release orders pursuant to 19 C.F.R. § 12.42(e). If the Commissioner is provided with information sufficient to decide that the goods in question are subject to the provisions of 19 U.S.C. § 1307, the Commissioner will publish a formal finding to

that effect in the Customs Bulletin and in the Federal Register pursuant to 19 C.F.R. § 12.42(f).

17.2.3 The Customs regulations state that any person, who has reason to believe that merchandise produced by forced labor is being, or is likely to be, imported into the United States, may communicate their belief to any Port Director or the Commissioner of Customs by submitting a detailed formal petition to Customs. See 19 C.F.R. § 12.42.

NOTE: Violations may also be reported via the e-Allegations Online Trade Violation Reporting System at https://eallegations.cbp.gov/home/index2. Allegations may be reported anonymously.

17.3 Free Trade Agreements

Daikin Applied expects Suppliers who are providing free trade certificates to verify they are validating the product prior to completing the certificate.

Daikin Applied will follow 19 C.F.R. Part 181 for USMCA and other Customs regulations related to free trade agreements including recordkeeping requirements.

18.0 After Market Parts Requirements

18.1 Packaging

All products must be reviewed for individual packaging based on size and fragility. Example: Motors, compressors and coils must be individually packaged for shipments into Dayton, Ohio.

Suppliers must keep in mind the distribution channel for their products being provided. All packaging must have the integrity to withstand the transportation being provided to the final customer destination. This includes small parcel, skid-level product, and crates.

Supplier may choose to assign a distinct part number to signify packaging requirement.

All above stated requirements apply for this area of the business. This includes, but not limited to quality, pallet configuration and reliability, and labeling needs.

For each inbound shipment, a packing slip must be included outlining the contents. Without inclusion, the receiving process will be delayed until proper documentation is provided,

19.0 Drop Shipments

19.1 Finished Goods

Daikin Applied may direct Suppliers to drop-ship purchase orders of finished goods directly to their customers. Packing list and Bill of Lading (BOL) should reference the following:

- Daikin Applied Purchase Order
- Daikin Applied Sales Order
- Job Name if referenced

A signed Bill of Lading needs to be forwarded to the Buyer to process a receipt and invoice.

19.2 Replacement Parts

Daikin Applied may direct Suppliers to drop ship critical replacement parts directly to their customers. Shipment should reference the following:

- Daikin Purchase Order
- Daikin Sales Order

Any expedited service should be approved by Daikin Applied's Buyer before ship.

A signed BOL needs to be forwarded to the Buyer to process a receipt and invoice.

NOTE: Packing slips for drop shipments should never include cost information.

Appendix A

Packing List

76231584

DAIKIN MCQUAY INCORPORATED
2915 NEEDMORE ROAD

DAYTON
OH 45414

Ship Date:
Order: 7111305574
Reference:
Customer PO: 1200967

Delivery: 76231584
Wave: 7-03177370
Stage: S-FXFE
BOL: B429970525

Line Item	Part Number	Customer Part Number	Description	Order Qty	Ship Qty	B/O Qty
1.1	AS-104518-01		MICRO CHANNEL COIL BENDING ASSY	1	1	0
2.1	62-102860-07		INTEGRATED FURNACE CONTROL	5	5	0
3.1	ZR32K5E-TFD-800		COMPRESSOR	1	1	0
4.1	AS-90900-12		COMPLETE COIL ASSEMBLY	1	1	0
5.1	55-102477-06S		COMPRESSOR ZPT134KCE-TFD	1	1	0
6.1	44-17402-17		CRANKCASE HEATER PT#02-4918-00 TUTCO	3	3	0
7.1	47-25349-09		LIMIT CONTROL (140F) TDL-44880 TOD R/03	1	1	0
8.1	83-100632-22		DISTRIBUTOR CAP/TUBES	1	1	0
9.1	70-42572-04		FAN BLADE MORRISON	15	15	0
10.1	PD955607		WIRING HARNESS	1	1	0

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5/6/2020 11:29:47AM

Appendix B

Date: 05/04/2020
Time: 13:03:53

Page: 1/1

Packing List (2K) 80796786

From:	Sold To: Daikin Applied - MC 81653 **Carrier:** MISC CARRIER/CUSTOMER COLLECT SHPMT	Ship To: Daikin Applied-Dayton Parts Dist. 2915 NEEDMORE ROAD DAYTON OH 45414 3rdptybill: Logistics billing Ruan, P.O BOX 9319, DES MOINES, IA, 50309,

Delivery# : 80796786
Ship Date : 05/04/2020
Freight Terms: COLLECT
Bill of Lading:
Trailer#:
Pro#: LANDSTAR DA27058

SalesOrder(Z)	Item(1Z)	Quantity(Q)	U/M(3Q)
1648881	20	10.000	PC

Purchase Order(K)	Customer Part No(P)	Supplier Code(V)
252799	500510601	

Material(P)	Material Description	Tagging	Gr Wgt	Box#
124088701	500510601		1700	10

Quantity Received(_____)

Del.Item
10

Total Lines: 1

Total Weight(2Q)
1700

Total quantity: 10.000

Received_____ Pieces in good condition by_____ on / /

Appendix C

Description of Supplied Subsystems/Modules/ Components	Objective Evidence of Meeting Reliability Requirements Required? (Ex: Weibull Plots)	
	Examples	Yes/No
Supplied part has **mechanically** dynamic components?	Compressor, compressor's geared portion, expansion valves, actuators, bearing systems, dampers, fans (fan blade assembly), check (non-return) valves, 3-way valves, solenoid valves, directional flow control valves, suction shut-off valves (butterfly valve), power transmission belts, pumps, mechanical float valves, seals (hydraulic, moisture seals on covers), fitting seals, wiring harnesses connectors, press buttons	Yes
Supplied part has **electrically** dynamic components?	Heating elements, motors (stepper motor, fan motor, oil pump motors, compressor motors), relays, thermostats, on/off switches, starters, solenoids, magnets, transformers, flow switches, contactors, power meters, ground fault detection devices	Yes
Supplied part has **electronically** dynamic components?	Touch screens, printed circuit boards (PCB's), transducers, sensors with PCB's, control units with PCB's, VFD, IGBT, operating system stick, controllers, controller modules	Yes

20.0 Revision History

Revision Date	List of changes	Section
1/5/2021	Initial Release	
7/27/2021	PPAP workbook updated from three levels to five levels	6.3.2
7/27/2021	Table added that defines the type of supplier change requests	6.7
7/27/2021	Additional clarification added around On Time Delivery requirements	7.0
7/27/2021	Information on barcoding support added	10.1
7/27/2021	New section added on EDI (Electronic Data Interchange)	14.0
7/27/2021	New instructions on invoice submission in Mexico	15.2.1
8/7/21	Mohawk contacts updated to Expeditors	16.4.2
8/7/21	Expeditors' address added	16.4.3
8/7/21	Revision History added	20.0
6/20/22	Daikin Mexico Shipping Instructions	16.3
6/20/22	Accounts Payable email address updated	15.2
6/20/22	Required Label Format Specifications added	10.1