

[Translation]

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Daikin Industries, Ltd.

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<https://www.daikin.co.jp>

[English website: <https://www.daikin.com>]

Daikin Industries Corporate Governance

I. Corporate Governance Philosophy, Capital Structure, Corporate Attributes, Other Basic Information

1. Basic Philosophy

The Daikin Group strives to raise corporate value by through corporate governance. We carry out decision-making with foresight, as well as by executing business with greater speed, transparency, and soundness in response to challenges and changes in the business environment.

We strive to improve our current integrated management framework, under which directors assume responsibility for both business execution and management. In this way, we fulfill our responsibility for management, making strategic decisions quickly and providing appropriate supervision. We also seek to improve the monitoring function conducted by third parties, including multiple external directors.

We aim for management with greater speed, soundness, and transparency. We will continue to boost corporate value by seeking and implementing new ways to achieve optimal corporate governance, pursuing best practices in all facets and at all levels of the Daikin Group.

Main Points of Corporate Governance

- 1) Increase the speed of management decisions and action through our integrated management framework. Under this framework, directors work together in assuming responsibility for management and execution in response to the increasingly complex and wide-ranging management issues and key group-wide challenges we face.
- 2) Implement an executive officer system aimed at increasing speed through independent assessments and decisions conducted in each business, region, and function of Daikin.

Under this system, officers engage in speedy, strategic decision-making and sound management. The number of officers maintained is well suited to carrying out appropriate debate and decision-making on all issues. We have at least three external directors at all times. Currently, the board of directors consists of 10 members, including three external directors (including one female) and two non-Japanese directors.

- 3) The Group Steering Meeting is the highest deliberation organ in our management system. The role of this meeting is to speed the pace at which Daikin decides future direction and solves issues related to important management policy and strategies. The Group Management Meeting aims to ensure a unified opinion on all corporate action. We accomplish this by sharing major group management policy and basic strategy, and by better supporting Daikin Group companies in solving their problems. The Group Auditors Meeting strengthens auditing and control functions throughout the group, including those at overseas subsidiaries. This meeting ensures these functions are working effectively.
- 4) The Chief Global Group Officer leads efforts to strengthen the unifying force of the Daikin Group. This officer is responsible for enhancing corporate governance and the organizational management of Daikin as a multinational company.
- 5) The HRM Advisory Committee and Compensation Advisory Committee are chaired by external directors. The role of these committees is to improve the transparency and appropriateness of decisions related to personnel and compensation for officers.

【Reasons for not implementing the principles in the Corporate Governance Code】

The Company has implemented all principles as provided under the Corporate Governance Code post-revision as of June 1, 2018.

【Disclosure based on corresponding principles in the Corporate Governance Code】

[1.4 Cross-Shareholdings]

■ Policy for cross-shareholdings and actions of the board of directors

As our business becomes more complex and wide-ranging, alliances and partnerships with other organizations in various fields become more important for growth. We have determined it appropriate to hold shares of companies whose corporate value we expect to increase. This policy is the result of a strategic decision to engage in alliances and partnerships to grow our business quickly and to build our corporate value over the medium and long term.

The board of directors conducts a comprehensive review for each instance of cross shareholding to ensure original objectives are being met, carefully investigating the benefits and risks of each holding considering cost of capital and strategic aspects mentioned above. Based on these reviews, we intend to reduce any cross-holdings not deemed appropriate.

■ Standards for exercise of voting rights

We exercise voting rights based on a standard increasing corporate value in the medium and long term, as well as whether the company in question respects the interests of its shareholders.

[1.7 Related-Party Transactions]

Daikin requires management and employees to comply with the procedures specified in the Companies Act and internal regulations regarding conflicts of interest with directors. These procedures include timely resolution and reporting in board of director meetings. Our Group Philosophy also states that we observe all applicable laws and regulations in each country, we take action based on a high standard of ethics, and we conduct our business based on principles of fair competition. We apply this same policy to our transactions with business partners who are also major shareholders.

[2.6 Initiatives to Hire Individuals Qualified in Pension Plan Management]

Daikin has established the Pension Fund Management Committee, chaired by a director in charge of accounting and finance who is well-versed in asset management. This committee provides basic rules related to the management of funds and determines policies for plan

asset composition to ensure the plan achieves goals necessary for the sound maintenance of a pension plan. The committee deliberates and determines the selection of investment vehicles and investment managers, utilizing the expertise of external advisors. The committee also conducts regular monitoring of the status of investment management.

[3.1 Full Disclosure]

- (i) We have published our Group Philosophy and our *FUSION* five-year strategic management plan on our website.

Group Philosophy

(<https://www.daikin.com/corporate/overview/philosophy/>)

FUSION five-year strategic management plan

(<https://www.daikin.com/investor/management/strategy/>)

- (ii) For our basic views on corporate governance, see *I. 1. Basic Philosophy* in this report. 1.
(iii) Board policies and procedures in determining the remuneration of senior management and directors:

- (iv) Board policies and procedures in the appointment and termination of the senior management and the nomination of director and Audit and Supervisory Board member candidates:

Daikin operates a HRM Advisory Committee chaired by an outside director. This committee examines and investigates the appointment and dismissal of directors, the CEO, executive officers, etc. The Company's Compensation Advisory Committee, chaired by an outside director, examines and investigates remuneration principles and programs for directors, executive officers, and others. These principles and programs are subsequently deliberated and adopted by the board of directors. For details, please refer to *II. Administrative Organizational Structure Covering Decision-Making, Execution, and Supervision in Management Activities, and Other Corporate Governance Systems* in this report.

- (v) This report and our securities report provide reasons for the selection of senior management, the selection and appointment process of director and Audit and Supervisory Board member candidates, and the selection of external directors by the board of directors. Our securities report and convocation notice of the ordinary general meeting of shareholders describes the selection and appointment of directors and Audit and Supervisory Board members from among Daikin employees. The convocation notice of the ordinary general meeting of shareholders also states the reasons for the appointments of said persons. We will continue to provide more detailed explanations.

[4.1 Roles and Responsibilities of the Board(1)]

4.1.1

■ The board of directors resolves matters prescribed according to board of director meeting regulations: 1) Matters specified in the Companies Act, the company's Articles of Incorporation, and other laws and regulations; 2) Matters delegated based on the resolution at a general meeting of shareholders; and 3) Other important management matters as specified under board of directors meeting regulations.

■ Executive directors and executive officers have responsibility for business execution, while the board of directors has responsibility to supervise business execution.

[4.8 Effective Use of Independent Directors]

The board of directors consists of 10 persons, three of whom are independent directors. Independent directors provide appropriate supervision and advice when the board of directors makes decisions. Independent directors also ensure that the board functions adequately to increase corporate value.

[4.9 Independence Standards and Qualification for Independent Directors]

As published in our securities report, decisions on nominations of independent director candidates are based on standards mainly for senior management of a publicly listed or equivalent company, the aim of which is to have such individuals participate in decision-making and supervision of management from an outside independent and neutral standpoint reflecting a wide-ranging and advanced perspective based on a wealth of experience and deep knowledge. The Company has not determined rules regarding standards and policies related to the independence of outside directors and outside members of the Audit and Supervisory Board; however, the Company makes such determinations in reference to the standards and regulations of the Tokyo Stock Exchange regarding independent directors. Daikin independent directors fulfill the requirements of Tokyo Stock Exchange, and we file the status of our independent directors with the Tokyo Stock Exchange.

[4.11 Preconditions for Board of Directors and Audit and Supervisory Board Effectiveness]

4.11.1

■ The Daikin business continues to grow globally in an ever-changing business environment. Accordingly, we seek an optimal balance for our board of directors when nominating

directors. We take into consideration not only the candidate's knowledge, experience, and expertise, but also the diversity represented in their backgrounds, including nationality, gender, and career.

■ For procedures related to the nomination of directors, please refer to *II. 2. Matters on Functions Related to Business Execution, Auditing and Supervision, Appointments, and Remuneration Decisions (Overview of Current Corporate Governance System)* in this report.

4.11.2

A board resolution is required any time a nominated director or member of the Audit and Supervisory Board also serves as an officer of another company. This resolution is a rational determination as to whether the individual has the ability to devote sufficient time and effort required of their roles and responsibilities at Daikin. Positions concurrently held by directors and members of the supervisory and audit committee are disclosed in the annual convocation notice of general meeting of shareholders.

4.11.3

The board of directors analyzes and evaluates the effectiveness and appropriateness of the board of directors itself and the corporate governance system through interviews with directors and Audit and Supervisory Board members and board meeting deliberations. The board of directors makes appropriate decisions based on open and active discussions, performing an effective role in increasing corporate value over the medium and long term. We will continue to increase board effectiveness based on results of analysis and evaluations, improving information sharing to external directors, etc.

[4.14 Training for Directors and Audit and Supervisory Board Members]

4.14.2

■ When appointed, directors and members of the Audit and Supervisory Board are provided opportunities to learn and update their knowledge to fulfill their roles and responsibilities as appropriate. We provide opportunities for outside officers in particular to understand the Daikin Group philosophy, business, financial status, organizational structure, etc. upon appointment and as necessary.

- We also provide group training regularly and consistently for confirmed board members. This training is conducted by third parties to discuss timely topics beneficial for corporate management. These topics include laws and regulations, accounting, product safety, knowledge related to company's business, finance, organizational structure, etc.

[5.1 Policy for Constructive Dialogue with Shareholders]

- Basic policy

Our Group Philosophy states that we strive to enhance our accountability and the timely and appropriate disclosure of information. We hold constructive and timely dialogue with shareholders to help shareholders and investors understand our policies, approach, and corporate culture.

- Investor Relations Framework

We have designated an officer in charge of investor relations, as well as a general affairs (SR) officer.

Our president explains his views on matters of concern to shareholders and investors directly through briefings and management strategy presentations. Prior to financial and other announcements, we hold internal discussions among related divisions and overseas group companies. These discussions address the content of planned disclosures and receive approval from the Information Disclosure Committee to ensure reasonableness and appropriateness of announcements

- Dialogue with shareholders and investors

Financial briefings (after second quarter and fiscal year end), business briefings, and factory tours (when necessary) are available for institutional investors and analysts.

Individual investors may view financial and business disclosures on our corporate website or ask questions via the contact e-mail address provided.

- Feedback mechanisms

Shareholders and investor opinions gleaned from dialogues are forwarded for discussion by management, including directors, and related divisions when necessary.

- Control of inside information

To ensure fair treatment of all shareholders and investors, we seek to uniformly disclose information in having dialogues with shareholders and investors. Also, we have adopted a *silent period* (from the day following the closing date of the fiscal period to the day the

financial statements are released), in which we do not make any comments concerning our financial results. We place strict controls over the use of inside information to prevent insider trading.

2. Capital Structure

Percentage of Shares Held by Foreign Nationals	More than 30%
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[Major Shareholders]

Name of Individual or Company	No. of Shares Held	Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	35,716,500	12.21
Japan Trustee Services Bank, Ltd. (Trust Account)	20,657,300	7.06
Sumitomo Mitsui Banking Corporation	9,000,000	3.07
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,356,900	1.83
Japan Trustee Services Bank, Ltd. Retirement Benefit Trust Account for the Norinchukin Bank	4,999,846	1.70
MUFG Bank, Ltd.	4,900,000	1.67
Japan Trustee Services Bank, Ltd. (Trust Account 4)	4,525,800	1.54
Japan Trustee Services Bank, Ltd. (Trust Account 7)	4,251,700	1.45
Government of Norway	4,144,350	1.41
JPMorgan Chase Bank 385151	4,115,000	1.40

Majority Shareholders (excluding parent company)	—
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Parent Company	None
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Supplementary Explanation

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3. Corporate Overview

Stock Exchange Listing and Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March 31
Industry Sector	Machinery
Number of Employees at End of Previous Fiscal Year	More than 1,000
Net Sales in Previous Fiscal Year	More Than ¥1 Trillion
Number of Consolidated Subsidiaries at End of Previous Fiscal Year	Between 100 and 299

4. Guidelines on Measures to Protect Minority Shareholders During Dealings with Majority Shareholders

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5. Other Special Conditions that May Have a Major Influence on Corporate Governance

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II. Administrative Organizational Structure Covering Decision-Making, Execution, and Supervision in Management Activities, and Other Corporate Governance Systems

1. Matters Related to Institutional Structure and Organizational Operations

Organizational Form	Company with Audit and Supervisory Board
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[Director Relationships]

Number of Directors Under Articles of Incorporation	15
Director Term of Service Under Articles of Incorporation	2 years
Chairperson of the Board of Directors	Chairman (Except When Chairman is Also President)
Number of Directors	10
Appointment of External directors	Appointed
Number of External Directors	3
Number of External Directors Designated as Independent Officers	3

Relationships to the Company (1)

Name	Category	Relation to Company*										
		a	b	c	d	e	f	g	h	i	j	k
Chiyono Terada	Member of another company								○			
Tatsuo Kawada	Member of another company											
Akiji Makino	Member of another company								○			

* Categories of Relationships to the Company

* A ○ icon indicates a category applicable to said person currently or recently. A △ icon indicates a category applicable to said person in the past.

* A ● icon indicates a category applicable to a close family member currently or recently. A ▲ icon indicates a category applicable to a close family member in the past.

- Executive of a listed company or its subsidiary
- Executive or non-executive director of the parent company of a listed company
- Executive of a fellow subsidiary of a listed company

- d. Person of a listed company considered major client, or an executive of said company
- e. Major client of a listed company or an executive of said company
- f. Consultant, accounting expert, or legal expert receiving a large monetary sum or other property other than corporate officer remuneration
- g. Major shareholder of a listed company (if the major shareholder is a corporation, an executive of said corporation)
- h. Executive (said person only) of a client (not covered by items d, e, and f) of a listed company
- i. Previous executive (said person only) with connection to the mutual appointment of an outside member of the Audit and Supervisory Board
- j. Previous executive (said person only) of a listed company making donations
- k. Other relationship

Relationships to the Company (2)

Name	Independent Officers	Supplementary Explanation Related to Applicable Items	Reason for Selection
Chiyono Terada	○	Designated as independent officer	Chiyono Terada is the President and CEO of Art Corporation. Based on her abundant experience and deep insight as a corporate manager, Ms. Terada has been outstanding in executing her duties. She offers a broad and thoughtful perspective in, for example, management proposals (importance of brand, etc.) with a strong customer focus. She also provides insight on measures to maximize the talents of female employees. Despite the presence of business dealings, in the context of the scale and characteristics of these dealings, we have determined that they have no impact on Ms. Terada's impartiality.
Tatsuo Kawada	○	Designated as independent officer	As the Chairman and CEO of Seiren Co., Ltd., Tatsuo Kawada has abundant experience and deep insight as a corporate manager, including expertise in areas such as business model transition, innovation creation, and organizational culture reform. Mr. Kawada relies on this experience to provide impartial supervision. He also uses his extensive and advanced insight to make proposals on management matters, contributing to greater corporate value for Daikin Industries. Accordingly, we have selected Mr. Kawada as an external

			director. We have also determined that Mr. Kawada meets the standards for impartiality stipulated by the Tokyo Stock Exchange and that there is no potential conflict of interest with general shareholders.
Akiji Makino	○	Designated as independent officer	As the Chairman and CEO of Iwatani Corporation, Akiji Makino has abundant experience and deep insight as a corporate manager, including expertise in areas such as energy, environment, and services. Mr. Makino relies on this experience to provide impartial supervision. He also uses his extensive and advanced insight to make proposals on management matters, contributing to greater corporate value for Daikin Industries. Accordingly, we have selected Mr. Makino as an external director. Although there are business dealings between Daikin Industries and Iwatani Corporation, in the context of the scale and characteristics of these dealings, we have determined that they have no impact on Mr. Makino's impartiality.

Establishment of an optional committee corresponding to a Nominating Committee or Compensation Committee	Yes
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Establishment of an optional committee, members of the committee, and attributes of the chairperson of the committee

	Committee Name	Total Number of Members	Number of Full-time Members	Number of Inside Members of the Board of Directors	Number of Outside Members of the Board of Directors	Number of Outside Experts	Other Members	Committee Chairperson
Optional Committee Corresponding to the Nominating Committee	HRM Advisory Committee	5	0	1	3	0	1	Outside Members of the Board of Directors
Optional Committee Corresponding to the Compensation Committee	Compensation Advisory Committee	5	0	1	3	0	1	Outside Members of the Board of Directors

Supplementary Explanation

The HRM Advisory Committee determines selection and termination standards for directors, the CEO, executive officers, and other senior managers. Based on these standards, this committee deliberates and examines the appropriateness of candidates. The Compensation

Advisory Committee deliberates and examines compensation rules and systems for, directors, the CEO, executive officers and other senior managers. The HRM Advisory Committee and Compensation Advisory Committee consists of five members —three external directors, one internal director, and one Human Resources executive officer— and is chaired by one of the three external directors.

For Activities of the Compensation Advisory Committee, refer to *II. 1. Policy Regarding Granting Remunerative Incentives for Directors* in this report.

【Audit and Supervisory Board Member Relationships】

Audit and Supervisory Board	Yes
Number of Audit and Supervisory Board Members Under Articles of Incorporation	4
Number of Audit and Supervisory Board Members	4

Coordination Among Members of the Audit and Supervisory Board, Financial Statement Auditors, and Internal Auditing Division

Members of the Audit and Supervisory Board receive explanations and reports from financial statement auditors regarding audit plans, systems, methods, and conditions at Daikin subsidiaries in Japan and overseas. The Audit and Supervisory Board also coordinates and exchanges opinions with the financial statement auditors on a regular and ad hoc basis. Members of the Audit and Supervisory Board hold meetings and exchange information with the Internal Auditing Department when necessary to keep abreast of internal controls within the company. For example, members may accompany internal auditors in their duties, receiving explanations of audit plans audits beforehand and receiving reports of audit results.

Appointment of Outside Members of the Audit and Supervisory Board	Yes
Number of Outside Members of the Audit and Supervisory Board	2
Number of Outside Members of the Audit and Supervisory Board Designated as Independent Officers	2

Relationships to the Company (1)

Name	Category	Relationship to the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Ryu Yano	Member of another company													
Toru Nagashima	Member of another company										Δ			

* Categories of Relationships to the Company

* A ○ icon indicates a category applicable to said person currently or recently. A Δ icon indicates a category applicable to said person in the past.

* A ● icon indicates a category applicable to a close family member currently or recently. A ▲ icon indicates a category applicable to a close family member in the past.

- Executive of a listed company or its subsidiary
- Non-executive director or accounting advisor of a listed company or its subsidiary
- Executive or non-executive director of the parent company of a listed company
- Audit and Supervisory Board member of the parent company of a listed company
- Executive of a fellow subsidiary of a listed company
- Person of a listed company considered major client, or an executive of said company
- Major client of a listed company or an executive of said company
- Consultant, accounting expert, or legal expert receiving a large monetary sum or other property other than corporate officer remuneration
- Major shareholder of a listed company (if the major shareholder is a corporation, an executive of said corporation)
- Executive (said person only) of a client (not covered by items f, g, and h) of a listed company
- Previous executive (said person only) with connection to the mutual appointment of an outside corporate officer
- Previous executive (said person only) of a listed company making donations
- Other relationships

Relationships to the Company (2)

Name	Independent Officers	Supplementary Explanation Related to Applicable Items	Reason for Selection
Ryu Yano	○	Designated as independent officer	Ryu Yano is Chairman of the Board of Sumitomo Forestry Co., Ltd. Based on his abundant experience and deep insight as a corporate manager, Mr. Yano has been outstanding in executing his duties, using his broad and thoughtful perspective built up through his vast experience in conducting business around the world. Although there are business dealings between Daikin Industries and Sumitomo Forestry Co., Ltd., in the context of the scale and characteristics of these dealings, we have determined that they have no impact on Mr. Yano's impartiality. We have also determined that Mr. Yano meets the standards for impartiality stipulated by the Tokyo Stock Exchange and that there is no potential conflict of interest with general shareholders.
Toru Nagashima	○	Designated as independent officer	As the President and CEO of Teijin Limited, Toru Nagashima has abundant experience and deep insight as a corporate manager, including experience in implementing the paradigm shift from manufacturing products to creating services. Mr. Nagashima was chosen as an outside member of the Audit and Supervisory Board to provide this expertise in the oversight of management matters and to introduce an even higher level of competence to our auditing. Although there are business dealings between Daikin Industries and Teijin Limited, in the context of the scale and characteristics of these dealings, we have determined that they have no impact on Mr. Nagashima's impartiality.

【Independent Officer Relationships】

Number of Independent Officers	5
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Other Items Related to Independent Officers

【Incentives】

Policy Regarding Granting Remunerative Incentives for Directors	Performance-Linked Compensation, Compensatory Stock Options
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Supplementary Explanation of Related Matters

The Daikin officer remuneration system is designed to increase motivation for directors to improve the ongoing and medium- to long-term performance of the company, responding to the expectations of our shareholders in accordance with our management philosophy. Director remuneration (excluding external directors) consists of three components: (1) Fixed compensation; (2) Performance-linked compensation (reflecting short-term group earnings and division earnings); and (3) Compensatory stock options (reflecting medium- to long-term earnings). The remuneration of external directors and members of the Audit and Supervisory Board consists of fixed compensation only.

Compensation levels are determined after analyzing and comparing data for large companies in the manufacturing industry by a third-party institution specializing in surveying the remuneration of corporate officers active in approximately 300 Japanese companies listed on the First Section of the Tokyo Stock Exchange. Net sales growth rate, operating income margin, and ROE (return on equity) are used as the three basic indicators in this formula. Decisions are based on Daikin's position relative to the performance and compensation of the companies used for comparison, including considerations of improvements in medium- and long-term corporate value.

We have made the correlation between performance and compensation higher than Japan's manufacturing industry average in our performance-linked compensation for directors. This is to ensure directors have a greater incentive to improve company performance.

We chose three indicators by which to assess company-wide performance: Net sales, operating income margin, and operating income. These indicators have a clear and mutual relation to Daikin Industries' numerical management targets. Further, these indicators facilitate comparison with the performance of other companies in the industry. We chose the same indicators to assess divisional performance, as these indicators represent the targets of the work that each division carries out daily. Net sales and operating income margin are calculated according to single-year performance versus budget. Operating income is calculated according to growth linked to medium- and long-term management plans.

Performance-linked compensation for the chairman and president uses a performance-linked coefficient derived from company-wide performance-linked indicator. Performance-linked compensation for directors other than the chairman or president is determined using a performance-linked coefficient derived from company-wide performance-linked indicator, adjusted by single-year performance versus budget for net sales and operating income for their respective divisions (serving as indicators that represent the targets of the work that each division carries out daily) and individual priority initiatives carried out over the short, medium, and long term.

Remuneration policy for directors is determined by the board of directors, having received a report about deliberations from Compensation Advisory Committee.

Maximum remuneration for directors and members of the Audit and Supervisory Board are as determined according to a resolution of the 111th General Shareholders' Meeting (June 27, 2014) for directors and members of the Audit and Supervisory Board in sum (maximum of ¥1.3 billion per year for directors, a maximum ¥60 million of which is allocated to external directors, and a maximum of ¥190 million for members of the Audit and Supervisory Board). The exact remuneration is subject to a resolution of the board of directors (upon receipt of a report from the Compensation Advisory Committee) for directors and an agreement with the members of the Audit and Supervisory Board for said members. Besides the chairman, the Compensation Advisory Committee consists of three external directors, one internal director, and one Human Resources executive officer. An external director serves as the chair of the committee.

Persons Eligible for Stock Options	Inside Directors, Employees
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Supplementary Explanation

Executive officers are also granted stock options.

【Matters Related to Director Compensation】

Disclosure of Individual Directors Compensation	We disclose a certain information about individual director compensation
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Supplementary Explanation

We disclose the total amount of compensation for inside directors, external directors, members of the Audit and Supervisory Board, and external corporate auditors. We provide a separate disclosure if the total amount, including related compensation, is at ¥100 million or

greater.

Policy for Determining Compensation Amount and Method of Calculation	Yes
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Information Disclosure for Regarding Policy for Determining Compensation Amount and Method of Calculation

Refer to *II. 1. Policy Regarding Granting Remunerative Incentives for Directors* in this report.

【Support System for External directors (and Outside Members of the Audit and Supervisory Board)】

Assistants are assigned to external directors in the Corporate Planning Department and to external auditors in the Internal Auditing Department. These assistants provide information about Daikin, post notices of Board of Directors meetings as early as possible, and provide meeting agenda beforehand. For particularly important agenda items, assistants will explain these beforehand to the external directors and outside members of the Audit and Supervisory Board. If an external director or member of the Audit and Supervisory Board cannot attend the meeting, the assistant will afterwards explain what was discussed at the meeting.

【Status of Individual(s) Resigning as Representative Director and President, etc.】

Name(s) of counselors, advisors formerly serving as representative director and president, etc.

Name	Title	Duties	Employment Terms (Full-time, part-time, compensation, etc.)	Date Retired as President, etc.	Term of Office
—	—	—	—	—	—

Total number of counselors and advisors who formerly served as representative director and president, etc.

0

Other matters

Not applicable, although a system is in place for this eventuality.

2. Matters on Functions Related to Business Execution, Auditing and Supervision, Appointments, and Remuneration Decisions (Overview of Current Corporate Governance System)

- 1) We strive to ensure prompt decision-making by appointing a limited number of directors who take part in practical debates on issues. The Daikin board of directors makes decisions and conducts post-resolution monitoring of business plans, important investments, etc. During fiscal 2018, directors attended virtually all board meetings. Our Group Steering Meeting is the highest deliberation organ in our management system. This meeting is designed to speed up the pace at which Daikin decides on our future direction and solves issues related to important management policy and strategies.
- 2) We established the Executive Officers Committee in conjunction with the introduction of an executive officer system. This committee encourages thorough deliberation and prompt execution of important management issues related to business execution. The board of directors, the Group Steering Meeting, and the Executive Officers Meeting are the main decision-making bodies of the group. These organizations convene monthly as a rule.
- 3) The HRM Advisory Committee and Compensation Advisory Committee decide the standards for selecting directors and executive officers and determines who are appropriate candidates for these positions. The committee deliberates and considers the rules and systems for director and executive officer compensation. Each of these committees consists of five members (three external directors, one internal director, one Human Resources executive officer) chaired by an individual selected from among the external director members. The Daikin board of directors deliberates and determines the appointment or dismissal of directors, the CEO, executive officers, and other senior managers based on the results of examinations and investigations conducted by the HRM Advisory Committee. In addition, the board of directors conducts sufficient deliberations related to the successors and candidates for senior management positions, as well as for plans related to the training thereof. Remuneration for senior managers is deliberated and determined by the board of directors based on the results of examinations and investigations conducted by the Compensation Advisory Committee.
- 4) The Audit and Supervisory Board presently consists of four members, two of which are external members, conducting audits of regular management activities, including activities of directors. Members of the Audit and Supervisory Board attend board of director meetings, exercise legal authority (including receiving reports from directors, employees, and financial statement auditor), visit business locations and group

company sites (including two staff members), and engaged in other activities to understand the status of and provide guidance for improving internal controls.

- 5) Daikin has established an Internal Auditing Department (18-member staff) to identify significant latent risks and issues within the group's expanding business. This office performs audits contributing to business management that emphasizes propriety, compliance, and efficiency in business operations. Further, in connection with the adoption of an internal controls and reporting system, this office works toward closer coordination with internal audit departments at major Daikin group companies inside and outside Japan, striving to share information and improve operations.
- 6) Daikin has contracted with Deloitte Touche Tohmatsu LLC to conduct financial statement audits based on the Companies Act and the Financial Instruments and Exchange Act of Japan. The names and organization of the certified public accountants and assistants conducting audits of Daikin financial statements are as described below.
Designated Limited Liability Partners and Engagement Partners Yasuhiro Onishi, Seiji Kawazu, Yutaka Ito
Audit Assistants Certified public accountants: 17 Associate members of the Japan Association of Certified Public Accountants, etc.: six Other staff: 18

3. Reasons for Selecting Current System of Corporate Governance

Daikin Group corporate governance is designed to raise corporate value by facilitating decision-making with foresight and by executing business with increasingly greater speed, transparency, and soundness, all in line with Group management challenges and changes in the business environment.

We strive to improve our current form of integrated management framework. Under this framework directors work together in assuming responsibility for both management and execution. This framework allows us to make management decisions and take action more quickly, ensuring coordinated governance operates effectively and in a sound, transparent manner. We will continue to raise corporate value by seeking and implementing new ways to achieve optimal corporate governance as we incorporate best practices in all facets and at all levels of the Daikin Group.

III. Measures for Shareholders and Other Stakeholders

1. Efforts to Boost Participation in General Shareholders' Meetings and to Facilitate Exercise of Voting Rights

	Supplementary Explanation
Send General Shareholders' Meeting Invitations Early	We send invitations at least three weeks prior to the general shareholders' meeting.
Electronic Exercise of Voting Rights	We allow voting by computer, smartphone, or mobile phone.
Improve Voting Environment for Institutional Investors (Participation in the Electronic Voting Platform, Etc.)	We participate in the Electronic Voting Platform, which allows institutional investors to vote.
Invitations (Overview) Sent in English	We publish information in English on our corporate website and on the website of the Tokyo Stock Exchange.
Other efforts	Prior to mailing general shareholders' meeting invitations, we publish a convocation notice (Japanese and English) on our corporate website and on the website of the Tokyo Stock Exchange.

2. Investor Relations Activities

	Supplementary Explanation	Explanation from Representative
Creation and Announcement of Disclosure Policy	We publish disclosure policy on our corporate website for shareholders and investors.	
Periodic Explanatory Meetings for Individual Investors	We hold annual explanatory meetings for individual investors.	No
Periodic Explanatory Meetings for Analysts and Institutional Investors	We hold meetings in Tokyo to announce fiscal year and interim business results.	Yes
Periodic Explanatory Meetings for Overseas Investors	We hold explanatory meetings for institutional investors in Europe, North America, and other regions.	Yes

IR Documents on Website	We publish business results documents (earnings summary, explanatory documents) and timely disclosure documents on our corporate website.	
Establishment of Investor Relations Department	We appoint an investor relations manager from the Corporate IR Group within the Corporate Communication Department.	

3. Respecting the Position of Stakeholders (Updated)

	Supplementary Explanation
Stipulation of Rules for Respect for Stakeholders' Position Based on Internal Regulations	We state these rules in Our Group Philosophy.
Implementation of Environmental Protection Activities and CSR Activities	We report these activities in the Daikin Sustainability Report.
Formulation of Guidelines Related to Information Provision for Stakeholders	We state these guidelines in our Group Philosophy.
Other	<p>Daikin Industries considers diversity management to be a pillar of our company. We strive to take advantage of the many strengths and diverse personalities of our employees, regardless of gender, nationality, age, or disabilities. In particular, we believe that maximizing the talents of women is essential to growing and advancing our business.</p> <p>Our policy is to foster motivated and talented employees by putting them in challenging situations, promoting proven employees to management and senior management positions regardless of gender. Guided by this policy, we launched a project during 2011 that focused on a variety of policies, including accelerating the training of female managers and senior managers, changing the mindset of male managers, and helping employees make a smooth transition back to the workplace following childcare leave. During fiscal 2015, we expanded our systemic training of</p>

	<p>female employees to encourage more female managers. Specifically, we set aside management posts in each division for female manager training positions, systematically training candidates for these positions. We have also adopted a sponsor system (proven effective among Europe and American companies in promoting female to management positions) and a mentor system (encouraging motivation and aspirations for females). In combination, Daikin has also conducted female leadership training and fostering female subordinates as part of management training. During fiscal 2018, 59 females serviced in management positions, compared to 20 in fiscal 2011.</p> <p>As a measure to prevent career interruptions related to birth and child-rearing, Daikin provides support for employees to transition quickly from childbirth back to work. We also provide a nursery school assistance service which offers comprehensive support for activities to find nursery schools for children. Daikin has increased the maximum for child-rearing services subsidies offered to employees for employees who return to work within one year after childbirth. These are several examples of expanding support for families at Daikin. During fiscal 2018, 31 female employees (49%) returned to work within one year of child-rearing leave, compared to nine (32%) in fiscal 2011. We also provide support for male employees participating in child-rearing, with 75% of eligible male employees taking child-rearing leave during fiscal 2018.</p> <p>To increase the speed at which we maximize the talents of women, we have set a goal for the end of fiscal 2020 to have at least one internally hired female officer and 100 female managers. Our target for women as a percentage of all employees is 17 percent, above the average of Japan's manufacturing industry with more than 1,000 employees (approximately 15 percent). To achieve this goal, we plan to hire about 100 women every year as part of an active regular recruitment program.</p>
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	<p>While keeping our sights on reaching these numerical targets, we will continue to train and support female leaders to make the most of the talents of both male and female employees, creating an active, positive working environment for all.</p>
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IV. Matters Related to Internal Control Systems

1. Basic Philosophy and Creation of Internal Control Systems

This section describes Daikin Group systems and activities to ensure compliance with the Companies Act of Japan and the Ordinance for Enforcement of the Companies Act. Our Internal Control Committee inspects and confirms the status and operation of internal controls related to each activity, providing reports to the board of directors. This committee is chaired by the president and CEO (Masanori Togawa) and consists of the Finance and Accounting Division general manager (Koichi Takahashi, senior executive officer), the Legal Affairs, Compliance and IP Center general manager (Masafumi Yamamoto, executive officer), the Corporate Planning Department general manager (Toshio Ashida, executive officer), the Internal Auditing Department general manager and the Corporate Communication Department general manager. Full-time members of the Audit and Supervisory Board (Kosei Uematsu, Hisao Tamori) also participate in the committee as an observer.

(Status of Major Activities During Fiscal 2018)

- The Internal Controls Committee convened twice during fiscal 2018.

1. Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws, Regulations, and Articles of Incorporation

We have set compliance systems in place, while ensuring the group strives to keep abreast of, and quickly resolve, compliance issues. Several examples of this system follow.

- 1) Individuals take the initiative in executing their duties and conducting themselves in accordance with our basic management direction and the codes of conduct stipulated in Our Group Philosophy (2002) and the Handbook for Corporate Ethics (revised in 2008)
- 2) The Corporate Ethics and Risk Management Committee is made up of corporate officers and department heads. Operating under this is the Legal Affairs, Compliance and Intellectual Property Center, which leads efforts to ensure thorough group-wide legal compliance. Each division and group company appoints a compliance risk management leader to ensure obedience to the law and compliance. Each division and group company also convenes a Compliance and Risk Management Leader Council and a Group Compliance and Risk Management Leader Council, where attendees share information, look into issues, and enact measures.
- 3) Daikin Industries operates a self-assessment system under which all divisions and

group companies perform annual self-checks related to legal compliance and risk management. Based on the results of these self-assessments, the Legal Affairs, Compliance and Intellectual Property Center conducts legal audits at divisions and group companies. At the same time, our Internal Auditing Department confirms legal compliance as part of their operational audits.

- 4) The Help Line for Corporate Ethics gathers reports and information about problems from employees. The Legal Affairs, Compliance and Intellectual Property Center then investigates these reports, holding discussions with the concerned Daikin divisions to conceive and implement company-wide measures to prevent recurrences.
- 5) In response to anti-social forces that threaten social order and sound corporate activities, we take action with a firm resolution in accordance with the Handbook for Corporate Ethics.
- 6) We conduct regular and ad hoc training on matters including compliance and corporate ethics for both management and general employees. We continue to improve and update these trainings.

(Status of Major Activities During Fiscal 2018)

- The Corporate Ethics and Risk Management Committee convened twice, sharing and deliberating measures for company-wide issues related to compliance. The Compliance and Risk Management Leader Council was convened 11 times to spread awareness of legal obedience and compliance measures. We convened a Global Law and Compliance Council at major group companies overseas, as well as a Regional Compliance Council in ASEAN/Oceania, Europe, and Greater China.
- Each division and group company conducted self-assessments and risk assessments, the results of which were discussed at the Corporate Ethics and Risk Management Committee.
- We conducted training for officers related to harassment and CSR initiatives.

2. Systems for the Storage, Management, and Disclosure of Information Related to the Execution of Duties by Directors

The minutes of important conferences and committee meetings shall be retained, each for a specified number of years of storage, based on Daikin Industries' internal rules. The Information Disclosure Committee ensures the completeness and appropriateness of important information to be disclosed externally to ensure the highest level of accountability.

(Status of Major Activities During Fiscal 2018)

- According to internal rules, minutes for board of director meetings and other important

meetings/committees were recorded and preserved.

- The Information Disclosure Committee convened prior to the announcement of quarterly financial results, deliberating on the appropriateness of the content of documents related to financial results.

3. Rules and Systems to Manage the Risk of Loss, Etc.

Directors and executive officers in charge of operations have the authority and responsibility to create a group-wide, cross-organizational system for said operations. Product liability and quality, safety, production and sales activities, and natural disaster response are examples. Officers in charge of compliance and corporate ethics work through the Legal Affairs and Compliance and Intellectual Property Center to identify major risks. This assessment is based on risk management rules, which are deliberated by the Corporate Ethics and Risk Management Committee to formulate risk countermeasures.

(Status of Major Activities During Fiscal 2018)

- The Corporate Ethics and Risk Management Committee deliberated on the major risks during the fiscal term, stipulating these as risks as earthquakes, product liability/quality, intellectual property, information management, and overseas risk management. The committee formulated measures to deal with each of these risks.

4. Systems to Ensure That Directors Execute Duties Efficiently

- We have established an effective system for business execution based on two practices: (1) Ensuring prompt decision-making by employing a limited number of directors who take part in practical debate on issues and (2) An executive officer system aimed at improving speed through independent assessments and decisions conducted in each business, region, and function of the group.
- The Group Steering Meeting is the highest deliberation organ for the Group's management system, and it strives to speed up the pace at which Daikin decides on future direction and solves issues related to important management policy and strategies.
- We have established a system related to the authority and decision-making of directors and corporate officers based on internal rules, including board of director regulations, executive officer regulations, and internal decision request regulations. This system is designed to ensure directors and executive officers perform their duties appropriately and efficiently.
- We maintain three permanent external directors with no vested interest in the company. These external directors provide checks and balances that boost the efficiency of

management execution. These individuals also provide advice and opinions in management decision-making from an independent, objective standpoint.

(Status of Major Activities During Fiscal 2018)

- Executive officer meetings attended by executive officers were convened 19 times during the year.
- The Group Steering Meeting convened four times, mainly to discuss strategic plans for the FUSION20 Latter-Half Three-Year Plan.
- The Board of Directors convened 15 times, with the three external directors attending nearly every meeting and providing input related to management issues.

5. Systems to Ensure Appropriate Business Within Industry Bodies Made Up of Concerned Limited Companies and Their Parent Companies and Subsidiaries

- Daikin Industries and group companies strive to raise corporate value and fulfill corporate social responsibility through actions based on our Group Philosophy. Group companies maintain close communications to share directives and orders, as well as to share guidance, advice, and evaluations. We work to ensure all group business is conducted in the most appropriate manner.
- With the exception of inside information, key decisions made by the board of directors and Executive Officers Committee are shared within the group. We execute corporate actions based on consensus to ensure appropriate decisions are made to the satisfaction and agreement of all relevant parties.
- The head office establishes divisions responsible for managing and supporting group companies. The head office maintains constant and close contact with group companies to provide operational support for performing necessary measures. At the same time, the Group Steering Meeting leads in the sharing of information group-wide, disseminating basic policy, while and promoting and supporting solutions to issues at group companies.
- Key decisions at our subsidiary companies are subject to Management Regulations to Limit Authority of Daikin Group Companies, revised in April 2008. These regulations provide a basis for prior consultation and participation, as well as fact-finding to determine the status of conditions at subsidiaries.
- In August 2005, we began creating and upgrading our system for internal control over financial reporting to satisfy requirements for internal controls and report systems as provided in the Financial Instruments and Exchange Act. Today, our systems ensure the appropriateness business processes that influence financial reporting across the group. We ensure the effective and appropriate submission of internal control reports

as stipulated in Article 24, Paragraph 4, Item 4 of the Financial Instruments and Exchange Act. We perform ongoing evaluations to confirm the mechanisms we have built are functioning properly. When necessary, we revise these mechanisms as we confirm that we are compliant with the Financial Instruments and Exchange Act and other related laws and regulations. In fiscal 2008, in conjunction with our internal control and reporting system, we formulated our Global Accounting Regulations, which we have disseminated to Daikin worldwide. These regulations improve the effectiveness and appropriateness of our accounting and accounts settlements.

- In March 2009, it was determined that the Daikin Industries After Sales Service Division and several subsidiaries had engaged in improper accounting practices. In response, we continued on the previous year's efforts to improve the accounting functions in divisions and subsidiaries. We stepped up the thoroughness of accounting audits by the Finance and Accounting Division, and we instituted special audits by the Internal Auditing Department, combined with self-monitoring by all divisions. Accounting managers receive training, the Finance and Accounting Division performs monitoring, and the Legal Affairs, Compliance and Intellectual Property Center has improved its functions for notifying all employees of the importance of compliance. The Daikin Group has worked to create measures that ensure improper accounting practices never recur, and we create and improve mechanisms for appropriate and reliable financial reporting.

(Status of Major Activities During Fiscal 2018)

- The results of proceedings at board of directors meetings and Executive Officers Committee were conveyed to divisions and group companies for the sake of sharing information on company-wide issues.
- We assessed the creation and status of internal controls over financial reporting. Necessary revisions were made and reports on the assessments submitted to the board of directors.
- Ongoing measures to prevent the recurrence of improper accounting practices include financial statement audits and special audits. We also performed joint financial statement audits and operational audits at overseas group companies. At the same time, we discussed the progress of our related initiatives in the Corporate Ethics and Risk Management Committee.

6. Ensuring Viability of Audits by Audit and Supervisory Board Members

- Besides participating in meetings of the board of directors, members of the Audit and Supervisory Board participate in the Executive Officers Committee and Corporate Technology and Product Committee, where they receive reports and offer their opinions.

To ensure the viability of audits, the Audit and Supervisory Board receives regular reports about key issues that affect company management and performance.

Meanwhile, directors, executive officers, and employees of Daikin Industries and the Daikin Group companies report promptly and appropriately to the Audit and Supervisory Board members on necessary matters related to the execution of their duties. Daikin Industries and group directors understand that such reports must not be used to the disadvantage of the group.

- Members of the Audit and Supervisory Board hold periodic opinion-exchange meetings with representative directors, executive officers, and independent auditors.

A group-wide framework is in place for the unhindered exercise of authority by members of the Audit and Supervisory Board. This framework allows members to, for example, take part in key meetings, investigate relevant business units, and confirm approvals of internal memos. To ensure that this framework is implemented, auditors are appointed in major group companies for the purpose of facilitating the smooth flow of information. Members of the Audit and Supervisory Board call together auditors at the Group Auditors Meeting. At these meetings, attendees exchange information and auditors are trained in auditing methods. Expenses related to work performed by members of the Audit and Supervisory Board are paid as incurred.

- Members of the Audit and Supervisory Board Members are assigned support staff. The Office of Audit & Supervisory Board provides assistance for auditing work. Office of Audit and Supervisory Board Members staff carry out their duties under the orders of the Audit and Supervisory Board. Decisions on employee transfers and evaluations take into account the opinions of the Audit and Supervisory Board.

(Status of Major Activities During Fiscal 2018)

- Members of the Audit and Supervisory Board held information exchange meetings twice with the representative director, 20 times with directors and executive officers, and 12 times with independent auditors.
- We held a Group Auditors Meeting, calling together group company auditors from major group companies around the world.

2. Philosophy and Systems for Dealing with Anti-Social Forces

The Daikin Handbook for Corporate Ethics includes a section titled, “Maintaining a Firm Attitude against Anti-Social Activities.” This section details ways in which we implement these guidelines. Compliance and risk management leaders are kept up to date on all related matters, holding meetings to educate employees on dealing with anti-social forces.

V. Other Matters

1. Anti-Takeover Measures

Anti-Takeover Measures	None
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Supplementary Explanation

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2. Other Matters Related to Corporate Governance

This section describes the state of internal systems related to the timely disclosure of corporate information.

1) Basic Philosophy

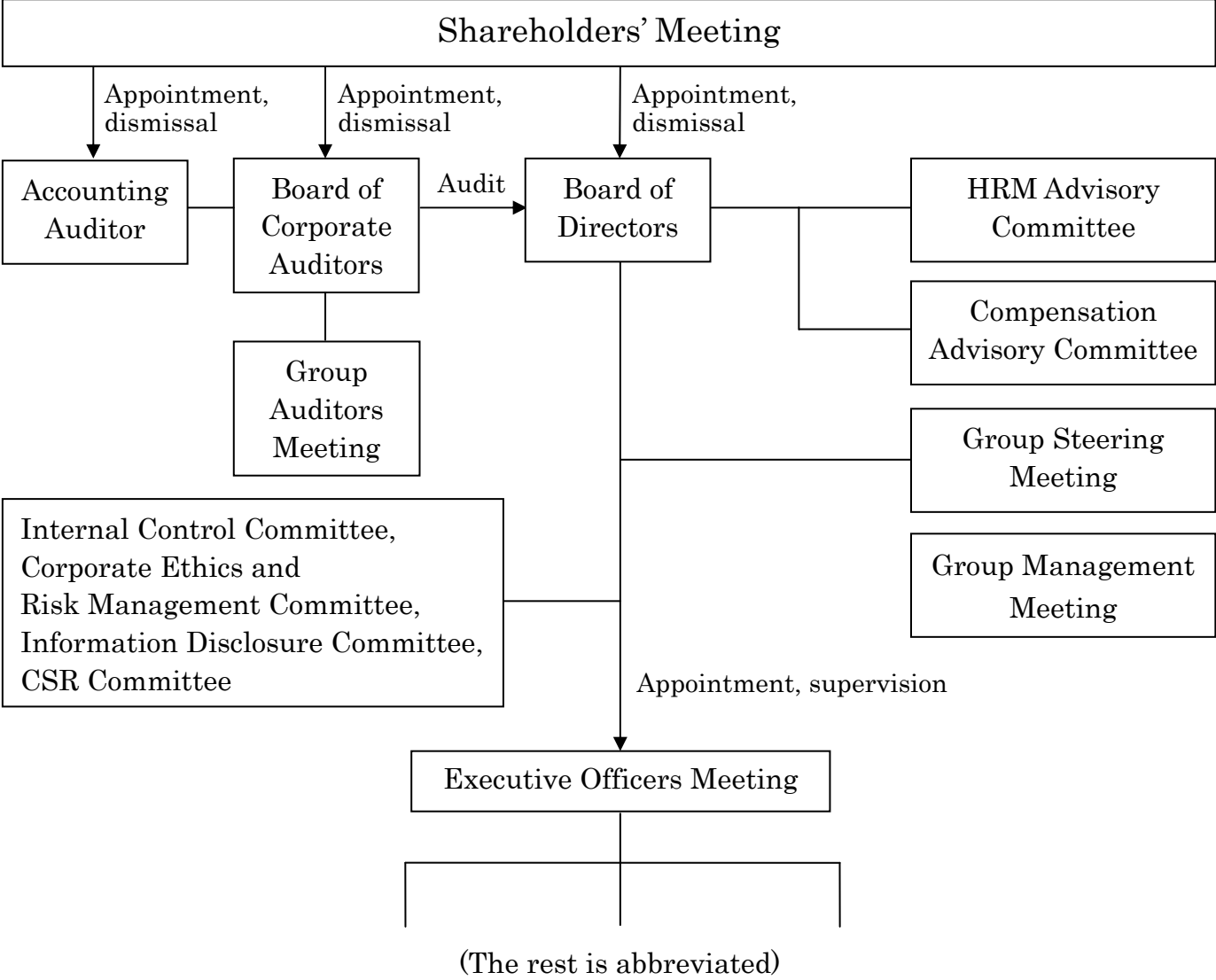
The Daikin Industries Handbook for Corporate Ethics includes a section on timely and proper disclosure of corporate information. Our basic guidelines related to information disclosure are designed to ensure that Daikin Industries is a highly transparent company trusted by society.

2) Internal Systems Related to Timely Disclosure

- We have established an Information Disclosure Committee chaired by the executive officer in charge of legal affairs. The mission of this committee is to ensure timely and proper disclosure of information, raising our reputation for integrity.
- In the event of an incident, the division responsible for the information in question reports to the division in charge of managing said information. If the incident is subject to matters stipulated in the Board of Directors Regulations, a report is also provided to the board of directors. The division in charge of managing the information in question gathers documents related to the event, providing a report to the Information Disclosure Committee. The Information Disclosure Committee decides whether to publish a timely disclosure and propose a related resolution. Next, the Information Disclosure Committee contacts the Corporate Communication Department, which will make a public announcement according to direction of the manager in charge of handling the information in question (the officer in charge of Corporate Communications).
- Matters for decision and financial settlement information are submitted to the board of directors by the division responsible for the information. A report is also provided to the division in charge of managing the information in question. This division gathers factual documents and reports to the Information Disclosure Committee. The Information

Disclosure Committee decides whether to publish a timely disclosure and propose a related resolution regarding disclosure content. Next, the Information Disclosure Committee contacts the Corporate Communication Department, which make a public announcement according to from the direction of the manager in charge of handling the information in question (the officer in charge of Corporate Communications).

- Timely disclosures are published after the information is reported to and confirmed by the president of the company.



【Overview of System for Timely Disclosure】

