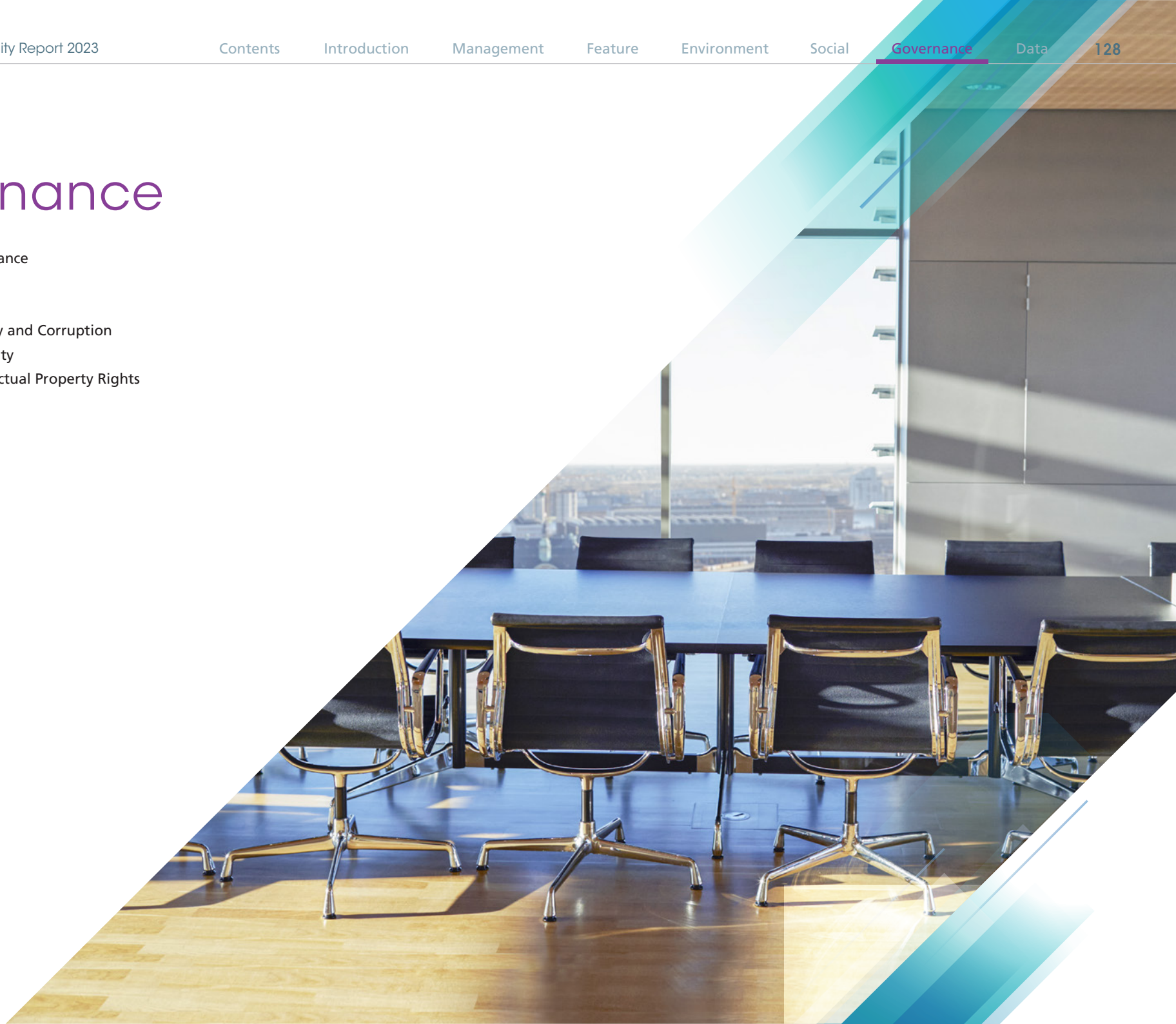


Governance

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Corporate Governance

Basic Policy

Further Boosting Corporate Value

Daikin believes that the role of corporate governance is to accelerate decision making and operational execution work in anticipation of and in response to changes in management tasks and the management environment while concurrently promoting consistently high levels of management transparency and soundness, thereby increasing the Group's corporate value. The Group will continue to raise corporate value by ensuring the increasing sophistication of speedy management and still-higher levels of transparency and soundness. We will achieve this by constantly reviewing and implementing optimal corporate governance and by spreading best practices throughout the entire Daikin Group.

Corporate Governance Structure

Management and Operational Execution Systems

Rather than adopt a U.S.-style "committee system" that completely separates decision making and work supervision from operational execution, Daikin Industries, Ltd. has adopted an "integrated management" system that provides more advanced management. We believe that this system is effective in speeding up decision making and execution considering the characteristics of our Group's business.

In an integrated management system, directors quickly make strategic decisions and conduct sound and appropriate supervision and guidance, thus achieving management responsibility through cooperation across all management and at the same time achieving work execution responsibility through prompt action. Numerous

external officers monitor the execution of operations from an independent perspective and offer appropriate supervision and advice during decision making, in the process taking responsibility for supporting our "integrated management" from the standpoint of transparency and soundness. To improve execution of operations, Daikin Industries, Ltd. has introduced an Executive Officer System, whose members are appointed by the Board of Directors. The goal of this system is to accelerate the speed of execution based on autonomous judgments and decisions in units handling each region, division, and function.

Directors are selected with an emphasis on having a diverse range of personnel representing people of varying genders, nationalities, and experience. As of July 1, 2023, we have 10 directors (including one woman and one non-Japanese national). These directors oversee prompt and strategic decision making and sound supervision and guidance throughout the entire Group.

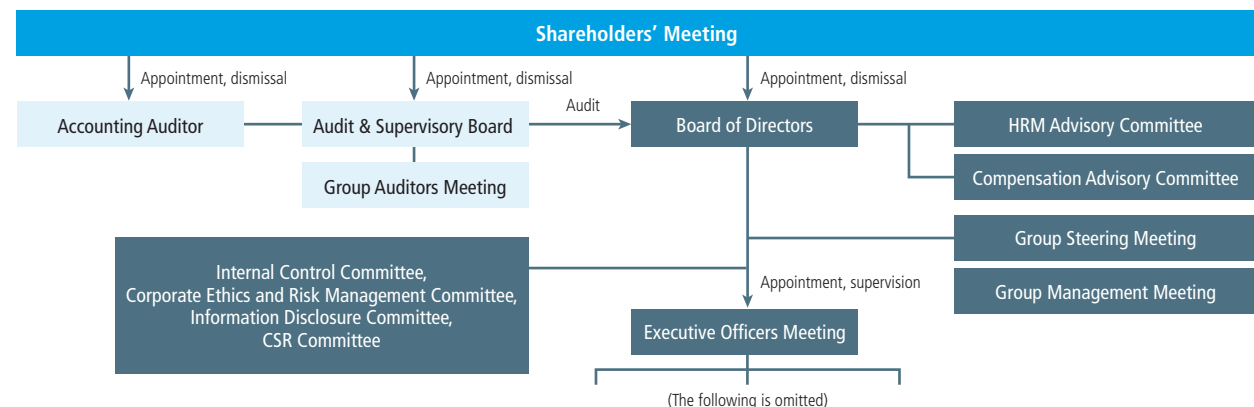
Daikin Industries, Ltd. appoints four external directors and three external Audit & Supervisory Board members

with no vested interest in our company. To ensure that the external directors can effectively contribute to Daikin Industries, Ltd.'s corporate governance system, the employees in the Corporate Planning Department are assigned to provide the external directors with early notice of Board of Directors meetings. In addition, in the case that an external director is not able to attend a Board of Directors meeting, the assistants provide the external director with related materials and subsequently provide the external director with an explanation of the proceedings of the meeting and provide other assistance.

 **Corporate Governance Report**

https://www.daikin.com/-/media/Project/Daikin/daikin.com/csr/new/pdf/governance/cg_report-pdf

Corporate Governance Structure (as of July 1, 2023)



Audit System

Daikin Industries, Ltd. employs an Audit & Supervisory Board. As of July 1, 2023, Daikin Industries, Ltd.'s five Audit & Supervisory Board members include three external Audit & Supervisory Board members. The principal nomination criteria for external Audit & Supervisory Board members are the same as those for external directors and include independence from the Company in terms of not having a relationship of interest with the Company.

The Audit & Supervisory Board members attend meetings of the Board of Directors as well as other important meetings and receive reports. In addition, they are able to express diverse opinions. To ensure effective audit functions, the Audit & Supervisory Board receives reports on important issues related to management and performance when necessary and also investigates relevant units, confirms approval of documents, and regularly exchanges opinions with representative directors, executive officers, and the independent auditors.

To ensure the effectiveness of Audit & Supervisory Board members, there is the Office of Audit & Supervisory Board Members. Staff of the Office carry out their duties to support the work of Audit & Supervisory Board members under the orders of Audit & Supervisory Board members. The opinions of the Audit & Supervisory Board are respected on matters related to personnel transfers, work evaluations, and other matters pertaining to the Office of Audit & Supervisory Board Member staff members.

The Audit & Supervisory Board stipulates Code of Audit & Supervisory Board Member Auditing Standards, in which it is written that members should strive to constantly educate themselves to improve the quality of audits. One way they educate themselves is through participation in working groups and training events sponsored by the Japan Audit & Supervisory Board Members Association. The Audit & Supervisory Board communicates closely with accounting auditors. It also receives advice when necessary from outside experts such as certified public accountants and lawyers.

Organizational Structure Supports Speedy Management Implementation

Daikin Industries, Ltd. is striving to ensure prompt decision-making by having a smaller number of directors and having them take part in practical debate on issues. Three organs—the Board of Directors Meeting, the Group Steering Meeting, and the Executive Officers Meeting—are the main management bodies.

The Board of Directors is the Group-wide decision-making body for items stipulated in laws, regulations, and articles of incorporation. It also provides sound, appropriate supervision and guidance in the execution of operations. In fiscal 2022, the Board of Directors Meeting was convened 16 times, with external directors attending on average 97% of the meetings and external Audit & Supervisory Board members attending on average 88% of the meetings.

To evaluate board effectiveness, each director is interviewed individually each year as a way to confirm his or her effectiveness and to conduct self-evaluations. During the evaluation of board effectiveness in fiscal 2022, we confirmed there were no issues in the operation of board meetings, as well as received opinions for further enhancing the board of directors. Going forward, we will continue to improve the operation of board meetings as well as further strengthen decision making and supervision functions to further improve board effectiveness.

The highest deliberation organ for the Group's management system is the Group Steering Meeting, which strives to constantly speed up the pace at which the Daikin Group decides on future direction and solves issues related to important management policy and strategies. The Group Steering Meeting was convened five times in fiscal 2022, covering the key themes of our strategic management plan, Fusion 25, including refrigerant business and space and water heater business.

The Executive Officers Meeting, established following the introduction of the Executive Officer System, promotes speedy implementation and thorough deliberation regarding important management tasks related to operational execution.

At the same time, to ensure the effectiveness of audits, we developed a system with the Internal Control

Committee, the Corporate Ethics and Risk Management Committee, the Information Disclosure Committee, and the CSR Committee positioned under the Board of Directors. We are strengthening governance as the foundation for sustainable growth.

HRM and Compensation Advisory Committees

To ensure the transparent management of its corporate officer personnel and remuneration processes, Daikin Industries, Ltd. has established the HRM Advisory Committee and the Compensation Advisory Committee. These committees engage in discussions and deliberations regarding issues including corporate officer nomination criteria, corporate officer candidates, and remuneration. As of the end of June 2023, the HRM Advisory Committee and the Compensation Advisory Committee consist of six members—four external directors, one internal director, and one Human Resources executive officer—and is chaired by one of the four external directors.

In addition, the suitability of candidates and their training plan for the successors of executives such as directors, CEOs, and executive officers, are to be first deliberated and examined by the HRM Advisory Committee, followed by the same process by the Board of Directors.

Group-Wide Governance

To ensure governance throughout the entire Group, including companies acquired by Daikin, the Group Management Meeting is held regularly with the aim for action based on unified opinion throughout the Group. It does this by sharing important Group policies and basic strategies, as well as providing support for problem-solving in Group companies.

The Group Auditors Meeting, made up of auditors from the main Group companies, works to strengthen auditing and control functions throughout the Group and ensure that these functions are working to the fullest.

To further raise corporate governance and Group management as a multinational company, Daikin has put a Chief Global Group Officer position in place. Under this position, the Group strives to further improve cohesiveness across global operations.

Corporate Governance Report

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/governance/cg_report-pdf

Management

<https://www.daikin.com/corporate/overview/summary/directors>

Disclosure Policy

<https://www.daikin.com/investor/management/disclosure>

Corporate Officer Remuneration

The Compensation Advisory Committee is chaired by an external director and a majority of its members are external directors. This ensures the validity of policies of remuneration for directors, along with the remuneration system and levels of remuneration, and to fully secure objectivity and transparency in decision making procedures related to individual remuneration, while closely monitoring the environment surrounding officer remuneration.

Specifically, from the perspective of ensuring the independence of judgment and enhancing the effectiveness of its functions as an advisory body, the Compensation Advisory Committee examines and deliberates from various angles the relative position of the Company's performance position and remuneration level among the group of comparative companies, appropriateness of remuneration, etc., while utilizing information gathering and advice from external specialized organizations. In turn, the committee confirms and deliberates the contents of proposals concerning the amount of remuneration, etc. for each individual director from an objective perspective and submits its opinions to the President and CEO. Following discretionary approval from the Board of Directors and based on the applicable reports, the President and CEO makes the final decision on the amount of individual compensation for directors.

Daikin Industries, Ltd.'s corporate officer remuneration system is designed in accord with the Group's management policy and respond to shareholders' expectations by increasing corporate officers' motivation to promote a sustained increase in Group performance over the medium to long term and thereby contributing to a rise in the Group's corporate value.

Directors' remuneration includes "fixed compensation," "performance-linked compensation" that reflects the Group's short-term performance (net sales and operating income) and each director's job responsibilities, and "stock options" that reflect the Group's medium- to long-term performance. The performance-linked compensation of Daikin directors is given a somewhat higher ratio of

linkage with performance than average to ensure that the incentive effect of that compensation is sufficient.

The remuneration of external directors and corporate auditors includes "fixed compensation" only.

Compensation levels are determined based on consideration of Daikin's performance and remuneration levels relative to other leading manufacturing companies in Japan based on analysis and comparison using an objective remuneration survey data collected by outside specialized institution on the remuneration of corporate officers (executive compensation databases of Willis Towers Watson), which is employed by around 300 companies listed on the Prime Market of the Tokyo Stock Exchange.

See below for corporate officer compensation, corporate officers with compensation over 100 million yen and accounting auditor compensation

 [161 Data ESG Data Governance](#)

Risk Management

Basic Policy and Management Structure

With the Daikin Group expanding rapidly around the globe, we have introduced company-wide, cross-organizational risk management in order to quickly get an overall picture of risks from a global point of view and reduce the risks. With our president as the highest ranking person in Daikin's risk management structure, we carry out risk management in the following three areas.

1. Strategic risk

Risk related to strategic decision-making in the management of Daikin (Division in charge: Corporate Planning Department)


2. Internal control risk in financial reports

Risk related to the reliability of financial reports (Division in charge: Finance and Accounting Division)

3. Operational risk

Management and operational risk related to internal and external causes (Division in charge: Corporate Ethics and Risk Management Committee)

Strategic risk is deliberated on by management members through platforms such as the Group Steering Meeting and the Executive Officers Meeting. As for risk related to the reliability of financial reports and operational risk, the Internal Control Committee, headed by the President and CEO, inspects these biannually to ensure that they are being properly managed within the Group's risk management and overall internal control structure.

 [033 Environment Environmental Management Environmental Risks and Opportunities](#)

Business-Related and Other Risks

The following are possible risks affecting the Daikin Group's financial situation, business performance, and other areas.

For details about each risk, see page 18 "Operating Risks" of Securities Report (available in Japanese only).

Business-Related and Other Risks

1. Risks related to market environment

1. Risks related to changes in market environment
2. Risks related to fluctuations in foreign exchange rates and financing environment
3. Risks related to fluctuations in the market value of securities


2. Risks related to business activities

1. Risks related to technologies, products or services
2. Risks related to acquisitions or partnerships with other companies
3. Quality and accountability for products and services
4. Risks related to procurement
5. Legal regulations
6. Information security

3. Risks related to the environment, such as climate change

4. Others

1. Impairment of long-lived assets
2. Natural disasters

 [Securities Report / Quarterly Report \(available in Japanese only\)](#)
<https://www.daikin.co.jp/investor/library/securities>


 [075 Social Customer Satisfaction Product Quality and Safety](#)

 [107 Social Supply Chain Management Responsible Procurement](#)

 [134 Governance Compliance](#)

 [139 Governance Information Security](#)

 [039 Environment Response to Climate Change](#)

 [064 Environment Environmental Impacts in Business Activities Managing and Reducing Emissions and Chemical Substances](#)

Operational Risks

The directors and executive officers in charge of a duty have the authority and responsibility to create a Group-wide, cross-organizational system that covers the entire sphere of that duty; for example, in terms of product liability and quality, safety, production and sales activities, and disasters.

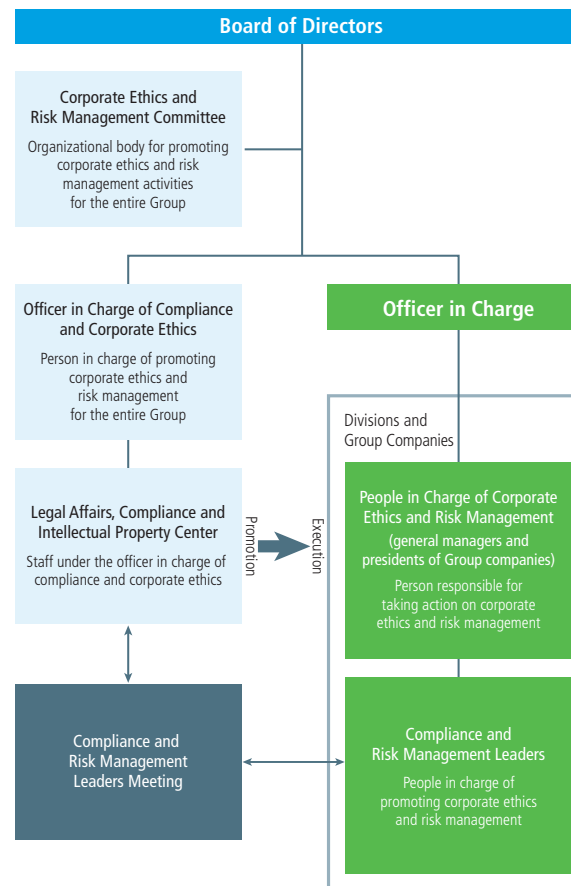
Risks facing the entire company are selected based on risk assessment results and after discussions held at risk assessment evaluation meetings led by the heads of corporate departments, and then finalized after deliberation by the Corporate Ethics and Risk Management Committee.

All divisions and major group companies around the world carry out annual risk assessments to determine the most important risks in line with the risks faced across the company. Based on this, companies propose and implement countermeasures to reduce risk. They also make reports on the progress of these measures and present and share them via the Corporate Ethics and Risk Management Committee.

Major Operational Risks in Fiscal 2022

- Natural disasters
- Product quality
- Harassment prevention
- Information management
- Strengthening of overseas crisis management
- Respect for human rights

Operational Risk Management Structure



Preparing for Other Major Risks

Revamping Natural Disaster Risk Measures and Stepping Up Safety Measures

With natural disasters such as typhoons and torrential rains occurring with increasing frequency, Daikin Industries, Ltd. is taking measures against natural disasters as a whole, not just earthquakes. To this end, we are making disaster response a key company-wide theme and we are building stronger, more comprehensive disaster measures that include both hard and soft aspects.

In preparation for earthquake risk, we have made and are implementing proposals in areas including reinforcement of earthquake resistance at our plants and flooding measures at our chemical plants, as well as evacuation drills to prepare for flooding. Despite various natural disasters occurring, the measures that we have in place allowed us to avoid any fatal damage.

We are also creating a business continuity plan (BCP), identifying risks, and making and implementing proposals to, for example, prevent production equipment from toppling, ensure stable procurement of parts and materials, and implement countermeasures for logistics.

Group companies are also proceeding with their own BCPs.

Measures to Deal with Information Leak

Daikin has made preventing information leaks one of its key company-wide themes. IT-related divisions and compliance-related divisions cooperate closely, and personal information managers and information security leaders in each division lead efforts to minimize the risk of information leaks.

In addition, we are working to reinforce our management capacities to prevent leakages of important technical information.

Compliance

Basic Policy and Management Structure

Daikin inspects and checks whether the group’s internal controls are functioning appropriately, including risk management, through the Internal Control Committee chaired by the President and CEO. In addition, the Corporate Ethics and Risk Management Committee carries out operational risk management and ensures compliance.

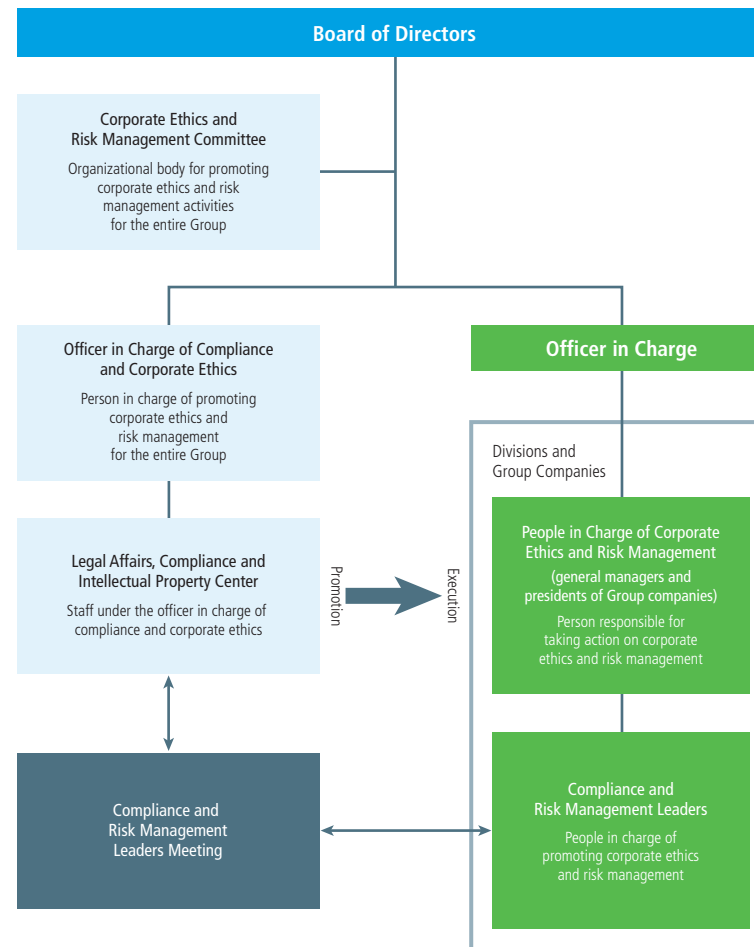
The Corporate Ethics and Risk Management Committee is the organ for leading group-wide corporate ethics activities. It is headed by the officer in charge of compliance and corporate ethics and made up of general managers and presidents of major group companies in Japan. At meetings held twice a year, the committee focuses on solving key issues and reports on efforts by overseas group companies to tackle compliance issues.

Our Group Conduct Guidelines stipulate the appropriate behavior of our directors and employees, and compliance and risk management leaders (CRLs) are appointed in each division and major worldwide group company to ensure thorough compliance. By regularly confirming the state of compliance and risk management efforts, sharing information, and making the Group Conduct Guidelines second nature to everyone, we aim to cultivate a corporate culture and improve a system in which all employees ensure that they and their colleagues are always in compliance.

See below for our Group Conduct Guidelines

[168 Data Policies, Regulations and Guidelines CSR Philosophy](#)

Compliance Management Structure



Consistency in Compliance

Ensuring Constant Compliance with Conduct Guidelines through Self-Assessments, a Daikin Initiative

Every year, we conduct self-checks regarding compliance with the Group Conduct Guidelines using our proprietary self-assessment system. The results are used to glean issues facing each workplace and implement countermeasures, which are then reported to and shared with the Corporate Ethics and Risk Management Committee.

Based on the results of the self-assessment, we select departments and group companies subject to audits and the legal department conducts legal audits annually regarding the status of compliance initiatives. Additionally, we conduct a compliance survey.

The results of the self-assessment are shared with the internal auditing department and finance and accounting department and utilized in audits conducted onsite.

Handbook for Corporate Ethics Uses Concrete Examples to Familiarize Employees with Group Conduct Guidelines

Our Group Conduct Guidelines stipulate the appropriate behavior of our directors and employees globally including Group companies. The guidelines are available not only in Japanese, but they have also been translated into English and Chinese. To help directors and employees act in accordance with these guidelines, we have also created the Handbook for Corporate Ethics, which uses concrete examples to help all employees attain a thorough understanding of compliance.

Daikin Industries, Ltd. gives employees, along with this handbook, compliance cards that they must carry with them at all times so that they can be sure they are following rules and always be aware of the importance of compliance. In the area of legal compliance, compliance and risk management leaders in each division head efforts to gather the latest legal information and check to see if laws are reflected in company rules and manuals. There are also daily triple checks to ensure everyone is following laws and company rules and manuals.

Formulating Common Worldwide Rules and Sharing Them with Overseas Group Companies

Daikin has formulated common worldwide rules that it shares with each overseas group company for all Daikin bases around the world to carry out compliance and risk management. Each overseas group company has created a management system for its own region based on these common worldwide rules. Each of these systems has compliance committees and Corporate Ethics Handbooks, and they conduct regular self-assessments and risk management checks. In addition, members of the legal department of Daikin Industries, Ltd. join compliance committee meetings in each global region in efforts to confirm the state of compliance and risk management and to share information.

Meetings of the legal and compliance committee on such topics as respect for human rights, personal information protection, and anti-bribery were held online for Asia and Oceania in October 2022, for the Americas in January 2023, and for Europe and China in March 2023.

Compliance Efforts

Free Competition and Fair Business Dealings

Daikin conducts fair business practices based on our Group Conduct Guidelines, which state that we conduct free competition and fair business dealings.

Group Conduct Guidelines

2. Free Competition and Fair Trading

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

Daikin Industries, Ltd. prepares annual training plans based on the needs of each division to comply with Japan's Antimonopoly Act, Act against Unjustifiable Premiums and Misleading Representations, and Subcontract Act. We assign experts such as lawyers and employees in the legal department as instructors for division-based training courses. In this way, communication with each division ensures the most effective training. At the same time, self-assessments* include checks that relevant laws are being obeyed.

* A unique system developed by Daikin where individual employees check their own actions pursuant to the Group Conduct Guidelines. Self-assessments are conducted every year, based on which the issues of each organization are identified and compliance countermeasures taken.

Tax Compliance


Basic Policy and Management Structure

Daikin is working to improve tax transparency pursuant to Proper Handling of Accounting Procedures set forth in the Daikin's Group Conduct Guidelines. Based on these guidelines, we clarify our basic approach toward tax compliance and ensure thorough tax compliance. Tax related risks are overseen by the officer in charge of accounting and finance and reported to the board of directors. In case of uncertainty over the application or interpretation of tax laws, we respond appropriately after seeking out the advice of external professionals.

Group Conduct Guidelines

12. Proper Handling of Accounting Procedures

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

 [177 Data Policies, Regulations and Guidelines Basic Policy on Tax Compliance](#)

Tax Payment History

We disclose the amount of the Group's corporate income tax liability, including the differences from the statutory effective tax rate in our Securities Report and Integrated Report.

 [Securities Report / Quarterly Report \(available in Japanese only\)](#)

<https://www.daikin.co.jp/investor/library/securities>

 [Integrated Report](#)

<https://www.daikin.com/investor/library/annual>

Education

Focus on Educating Employees toward Thorough Compliance

At Daikin Industries, Ltd., compliance education is conducted each year targeting all employees based on the Group Conduct Guidelines. Additionally, employees who are studying look at case studies related to legal matters in specific areas, such as sales, production, and procurement. Education is also divided by employee category, with courses for directors, new employees, newly appointed managers, compliance and risk management leaders (CRLs), and other kinds of employees.

At Daikin Industries, Ltd., employees receive a company newsletter and an email every other month, which uses familiar case studies to raise employee awareness of the importance of compliance. Moreover, whenever there is an important revision to a relevant law or regulation, all employees take e-learning on the matter.

In fiscal 2022, we used our company newsletter to disseminate information on unauthorized removal of confidential information and conducted e-learning for all employees covering the changes in the revised Act on the Protection of Personal Information and revised Whistleblower Protection Act. We also conducted training on harassment as an important topic of self-assessments.

Overseas group companies conduct compliance education based on the laws of each country and rules of the company.

Major Legal Violations in Daikin in Fiscal 2022

The Daikin Group makes it a rule to publicly announce all instances of major legal violations related to business operations.

There were no cases of major legal violations in fiscal 2022 at Daikin.

Help-Line

Help-Line for Corporate Ethics Offers Counseling and Gathers Opinions both Inside and Outside Daikin Industries, Ltd.

Daikin Industries, Ltd. has a Help-Line for Corporate Ethics both inside and outside the company, where employees can give opinions or receive consultation on all corporate ethics matters. Through the helpline, all advice sought and opinions expressed are kept strictly confidential, and reported matters are dealt with promptly and appropriately. No retribution is taken against either those persons reporting problems and seeking advice, or those persons helping investigate the reported matters. Department heads and managers also receive education on harassment in newly appointed manager training, etc. so that they can appropriately deal with the information provided during counseling with their staff.

The legal department investigates all queries and opinions to the Help-Line, and works with related company divisions to decide on measures to prevent the reoccurrence of problems. This makes for the smooth creation of measures and the solution of problems.

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

In fiscal 2022, we made improvements to increase employee accessibility to the Help-Line, including accepting submissions via online form accessed by 2D barcode.

Overseas, we are in the process of establishing a whistleblower system after examining the situation and legislation of each region.

Prohibiting Bribery and Corruption


Basic Policy and Management Structure

With the progress of a global economy, demand for anti-corruption is increasing while regulations are being tightened not only domestically but also in international business. Daikin has established its policy on “Free Competition and Fair Trading,” “Practicing Moderation in Entertainment and Gift Exchanges,” and “Maintaining a Firm Attitude against Anti-social Activities” in its Group Conduct Guidelines. The legal department spearheads the prevention of corruption and bribery under the supervision of the Executive Officer in charge of Corporate Ethics and Compliance.

At each division and our principal Group companies in Japan and abroad, we confirm compliance with internal rules and guidelines using self-assessments.* Based on the results, each company plans and implements their own countermeasures.

Each company reports and shares the status of these initiatives with the Corporate Ethics and Risk Management Committee, with the results reported to the Internal Control Committee chaired by the President and CEO. Furthermore, the Company’s risk response is reported to the Board of Directors.

* A unique system developed by Daikin where individual employees check their own actions pursuant to the Group Conduct Guidelines. Self-assessments are conducted every year, based on which the issues of each organization are identified and compliance countermeasures taken.

 [168 Data Policies, Regulations and Guidelines CSR Philosophy](#)

Group Conduct Guidelines

2. Free Competition and Fair Trading

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

Group Conduct Guidelines

13. Practicing Moderation in Entertainment and Gift Exchanges

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

Group Conduct Guidelines

14. Maintaining a Firm Attitude against Anti-social Activities

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

Thoroughly Implementing Compliance Guidelines for Preventing Bribery of Public Officials, Etc.

We created our Compliance Guidelines for Preventing Bribery of Public Officials, Etc., which give detailed directives related to entertaining, gift exchanges, and invitations for government officials. These guidelines are being strictly implemented throughout the Daikin Group. These guidelines are always applied to companies that newly join the Daikin Group through M&A in an effort to prevent wrongdoing with regard to the guidelines Groupwide.

The guidelines stipulate policies in areas such as entertainment, gift exchanges, and invitations for public officials, and outsourcing to third parties. The goal is to have standards and approval processes regarding dining and other interactions with public officials and others. The guidelines are also for preventing the dispersion of profit indirectly to public officials and others via third parties such as by hiring dealers, agents, or consultants. To this end, third party business partners are selected through a strict screening process and are required to sign a contract covering anticorruption. When there are questions regarding interpretation and application of laws, we have a consultation hotline in the legal department, which we constantly encourage concerned parties to make use of.

We confirm compliance with the guidelines by conducting self-assessments.* Any compliance problems found and their countermeasures are shared by reporting them to the Corporate Ethics and Risk Management Committee. We are also working to roll out the guidelines to newly acquired companies as well.

Educational Activities

Daikin holds training for managers and employees so that each and every one is knowledgeable and thoroughly aware of compliance with laws and company regulations. The training is conducted to ensure that employees obey rules on sound and transparent relations with government offices, are compliant with the Political Funds Control Law and the Public Offices Election Act, and conduct entertainment and gift exchanges with business partners in moderation. Since the Compliance Guidelines for Preventing Bribery of Public Officials, Etc. were introduced, we have striven to ensure they are familiar to all employees by holding briefings for each division and group company around the world and providing e-learning for all employees of Daikin Industries, Ltd.

For employees of divisions and group companies in frequent contact with public officials, members of our legal department visit and lead periodic educational sessions.

Monitoring

Since formulating the Compliance Guidelines for Preventing Bribery of Public Officials, Etc., we have carried out audits in divisions and group companies that do business in countries and regions where corruption is prevalent to ensure that bribes are not occurring.

The Internal Auditing Department spearheads the monitoring of divisions and Group companies inside and outside of Japan. If an issue arises, the department is ready to respond immediately.

Guideline-related issues discovered during the audits are dealt with by creating solutions in collaboration with relevant divisions and groups, and these are reported to the Board of Directors and the Internal Control Committee. In addition, issues and successful countermeasures are shared via the Corporate Ethics and Risk Management Committee and Global Legal and Compliance Meetings attended by compliance and risk management leaders in each worldwide region.

Help-Line System

Daikin Industries, Ltd. has an internal and external Help-Line for Corporate Ethics, through which employees can give opinions or receive consultation on all corporate ethics matters, including bribe-related issues.

In fiscal 2022, there were no incidents involving bribe-related violations or sanctions.

 [136 Governance Compliance Help-Line](#)

Information Security

Basic Policy on Information Security

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

Daikin's Group Conduct Guidelines state that we manage and use confidential information appropriately. We also established the Information Security Basic Policy. Daikin stipulates that information leaks from internal information systems, Daikin products and services, and plant equipment systems constitute a major company-wide risk. Therefore, information security leaders in each division lead efforts in making Basic Regulations of Information Security and Common Security Guidelines. We also strictly manage confidential information we are holding that is the property of other companies.

And with the increasingly widespread problems of companies losing information over the Internet, we are striving to raise the awareness of employee regarding managing their information; for example, we have strict company policy regarding use of social media.

In fiscal 2022, there were no incidents involving the inappropriate management of information or information leakages.

Group Conduct Guidelines

5. Proper Management and Utilization of Information

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

 [168 Data Policies, Regulations and Guidelines CSR Philosophy](#)

Information Security Basic Policy

The Daikin Group recognizes that one of our most important management issues is to deliver safe and highly reliable products and services and protect our information assets as well as customers' information assets in our possession from various types of threats by addressing information security risks which increase on a daily basis. To deal with these issues, we established the Group basic information security policy and united as the Daikin Group to further reinforce information security.

1. Our Group complies with rules and regulations, national guidelines, and other social standards in connection with information security.
2. Our Group establishes and complies with internal rules related to information security based on the basic information security policies.
3. Our Group implements appropriate security measures from personnel, organizational, and technological perspectives to protect and manage information.
4. Our Group provides continuous education and awareness programs for information security to all employees.
5. Our Group properly collects information and quickly reports to top management in the event that a security problem occurs on information assets. In addition, we rapidly investigate the cause and strive to minimize the damage and prevent recurrence.
6. Our Group inspects the information security management system and its initiatives and continuously reviews and improves them.

Information Security Management System

Daikin's Information Security Committee is a deliberation body chaired by the officer in charge of information security. This committee discusses revisions to group-wide information security strategy, policy measures, and common rules (regulations and guidelines). It operates under the Corporate Ethics and Risk Management Committee, to which it reports important information security matters, as well as notifications that must be sent to all employees and strictly followed. Matters decided on by the Corporate Ethics and Risk Management Committee are reported to the Internal Control Committee, chaired by the President and CEO, as well as to the Board of Directors. The officer in charge of information security also chairs the Corporate Ethics and Risk Management Committee.

We are taking steps to strengthen the information security management systems of our Group companies both in Japan and overseas by assigning information security leaders and establishing company rules.

Thorough Information Security

Daikin Industries, Ltd. has put into place a system for reporting and addressing information security incidents to prevent them from occurring and to minimize damages should one occur. Employees who discover an incident or situation that could lead to a security threat are required to report to the information security leader of their department and then follow his/her instructions. Information security leaders in turn report to the IT Development Department, which serves as the secretariat of the Information Security Committee, following the incident response standards. The IT Development Department spearheads efforts to investigate the cause and prevent the recurrence of these incidents.

Information Security Education

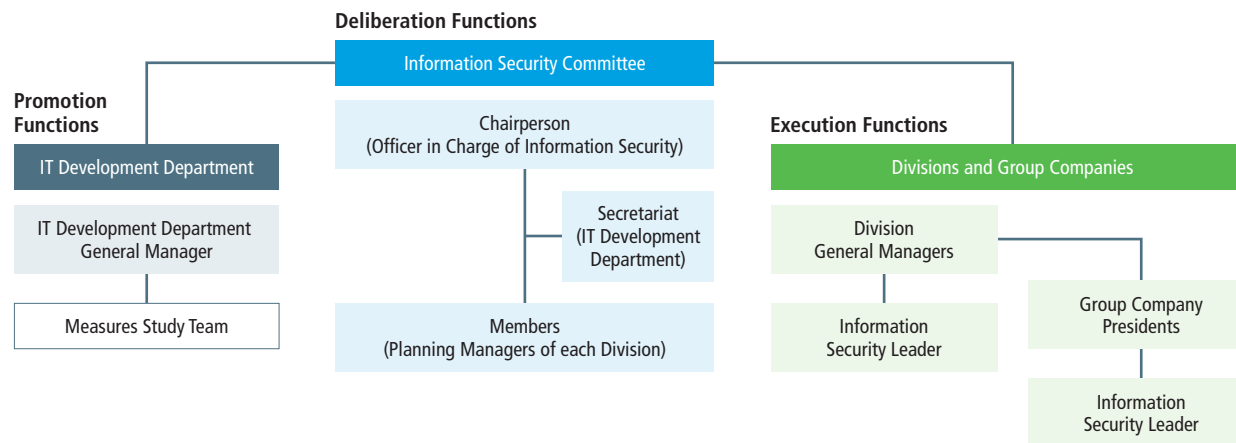
Daikin Industries, Ltd. strives to raise information security awareness among all members through training for officers, managers, and employees. General employees took courses on in-house rules in which they conducted self-assessments.* There were also articles in Daikin's in-house magazine aimed at raising security awareness. In addition to these educational opportunities, we provide training on targeted email attacks.

In fiscal 2022, we held a training session for information security leaders on security governance and risk management led by an outside expert.

For information security leaders outside of Japan, we conducted basic security training using e-learning.

* Daikin's proprietary system for checking the conduct of each and every employee pursuant to the Group Conduct Guidelines. Implemented annually, these checks identify issues within organizations that lead to compliance countermeasures.

Information Security Management System



Information Security Inspections and Results

Daikin Industries, Ltd. performs in-house checks on information security matters as part of Daikin's proprietary self-assessment system. Every year, we conduct tests of incident response procedures to check the workflow of incident response and the established scenarios. These tests reveal deficiencies and issues, which help us to strengthen countermeasures. Also, we check the status of countermeasures against information leaks following the Ministry of Economy, Trade and Industry's Management Guidelines for Trade Secrets.

As a result of audits and inspections, problems that have come to light and their countermeasures are reported to the Information Security Committee. As for major issues and matters that all employees must be notified of and strictly follow, these are reported to the Corporate Ethics and Risk Management Committee, the Internal Control Committee, and the Board of Directors.


Protecting Customer Information

Personal Information Managers and Thorough Employee Education

To properly protect the range of customer information entrusted to us, Daikin has a Personal Information Protection Policy, as well as various in-house rules for information protection. In the Daikin Group in Japan, we hold annual conferences of personal information managers and others in each division in an effort to reduce risk related to confidential information and personal information.

Particularly in divisions that handle repair information data on customers on a daily basis, we do everything possible to keep this information secure. To continually monitor and improve on our information security system, employees conduct their own self-assessments, the legal department conducts legal audits, and the Internal Auditing Department conducts operational audits.

See below for our response to personal data regulations

 [104 Social Respect for Human Rights](#)

Respect for Intellectual Property Rights

Basic Policy

Acquiring and Utilizing Intellectual Property Rights While Respecting That of Other Companies as Well

Daikin understands that intellectual property rights constitute a valuable company asset. We thus strive to both protect these rights and use them effectively. Our Group Conduct Guidelines state that we will respect other companies' intellectual property rights and ensure that our inventions do not infringe on these rights.

Group Conduct Guidelines

4. Respect and Protection of Intellectual Property Rights

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

See below for our Group Conduct Guidelines

[168 Data Policies, Regulations and Guidelines CSR Philosophy](#)

Based on the Group Conduct Guidelines, we formulated more detailed points in our Compliance Action Guidelines, which state that we will acquire patents and avoid infringement by having the person in charge of R&D at Daikin be the person responsible for a patent and having the researcher/developer understand that he/she is the sole developer of the product or invention.

In new product and new technology development, part of the design review process involves verification that these products and technologies do not infringe on existing patents. In collaborations with other companies, we distinguish between open technologies and confidential technologies, and confidential technologies are designated as such and kept out of reach.

System for Protection of Intellectual Property

Intellectual Property Manager in Research Department

To actively support researchers/developers, the intellectual property department assigns an intellectual property manager in each division.

The intellectual property managers stay connected with each other, and manage the variety of intellectual property matters that come up daily, which includes filing/acquisition of rights in Japan and abroad, reduction of risk of infringement upon and infringement by other companies, and analysis of intellectual properties. They also educate employees of various ranks and levels on intellectual property and reward Daikin patent awardees. Using this approach, we are strategically implementing intellectual property activities jointly involving researchers/developers and sales representatives.

We will continue to strive to better manage our intellectual property rights by acquiring and using a greater number of patents and higher quality patents.

Strengthening the Intellectual Property Rights System in Line with Globalization of Business and R&D Bases

Overseas, we are building an intellectual property rights system tailored to the unique situation of each region to facilitate the globalization of our business operations.

In North America, we have built out an intellectual property rights system centered around our in-house team of patent lawyers, while in Europe, we assign key persons in intellectual property rights to our development bases to step up patent applications based on regional needs. In China, the intellectual property team of each subsidiary actively applies for patents including utility models while working closely with external patent offices. We are also increasing patent applications and effective design applications in response to counterfeiting in emerging countries such as India, Brazil and those in Southeast Asia.

In response to the globalization of business, we work closely with each of our business bases outside of Japan to acquire and maintain necessary trademark rights and to proactively combat infringing products.

In fiscal 2021, we again shared Daikin's intellectual property policy with our overseas Group companies following the launch of the Fusion 25 Strategic Management Plan and began consolidating information from each base. The Global Intellectual Property Meeting, which shares and discusses information on intellectual properties across the Group, was held online largely divided into three regions.

In fiscal 2022 and beyond, we will strengthen our collaborative system by kicking off meetings to build teamwork in terms of intellectual properties in each region as needed.

Encouraging Employees to Create Intellectual Property

Two Systems Stimulate Creation of Intellectual Property

Daikin Industries, Ltd. has two systems for stimulating employees' motivation to invent and for spurring the creation of intellectual property.

The first is the Compensation System for Employee Inventions, a system in which Daikin pays employees for inventions created on the job that result in patent applications as well as successful uses of the patent. In fiscal 2022, in addition to paying compensation for patent applications, Daikin compensated employees for 511 successful uses of patents.

The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. This includes differentiation technologies that greatly contribute to sales, technologies with high expectations as future contributors to business, and patents with a certain level of patent income. In fiscal 2022, we awarded incentive bonuses to the creators of 106 patents.

While these systems are aimed at stepping up Daikin's intellectual creativity, they also represent an effort to promptly tackle pressing issues, such as increasing the quality and quantity of patents in competitive fields, and increasing the number of patents in our key technological fields, in particular in emerging countries. In fiscal 2021, we applied for 1,190 patents in Japan and 597 patents overseas.



Awarding incentive bonuses to inventor group representatives

In fiscal 2022, in the air conditioning divisions, the number of patent applications again increased; this covered everything from development of new products that we intend to release, to near-future products that make use of AI and IoT technologies. In the chemicals divisions, we increased the number of patent applications by clarifying and implementing strategies in each product and technology area.

We will also continue to conduct thorough advance patent surveys so that we can deal with problem patents early on and thus ensure that we eliminate patents that could hinder our development. We will also step up patent efforts worldwide.

Scientific Technology Transfer

Worldwide Free Access to Patents for Equipment Using Next-Generation Refrigerant


To encourage the worldwide adoption of R-32, which has a low global warming potential (GWP) compared to conventional refrigerants, in September 2011, Daikin began offering companies in emerging countries 93 patents related to the manufacture and sales of air conditioners that use R-32 free of charge. In September 2015, these patents were offered to companies worldwide, including developed countries.


In July 2019, we announced our non-assertion pledge describing the grant of free access to our pledged patents, all 176 of which have been filed in 2011 and later, for the manufacture and sale of air conditioners using R-32 single-component refrigerant. Free access to the pledged patents without our prior permission or without a contract in writing enabled other companies to make use of these patents quicker and easier, which represents a step forward in promoting the use of R-32.

In July 2021, we newly added 123 patents to this pledge for use of our patents without prior permission related to the manufacture and sale of air conditioners using single-component refrigerant R-32.


In July 2022, we added another 120 patents, including 30 jointly held with Daikin Europe N.V., our European subsidiary.

Today, we have made a total of 419 patents accessible to any party without fee and the need for prior permission or contract.


 [049 Environment Response to Climate Change Reducing the Impact of Refrigerants and Building a Refrigerant Eco-cycle](#)

 [Press release: Daikin Offers Worldwide Free Access to Patents for Equipment Using Next-Generation Refrigerant](#)

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/governance/press_20150910-pdf

 [Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32](#)

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/governance/press_20190701-pdf

 [Press release: Daikin Expands Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32 \(published July 1, 2021\)](#)

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/governance/press_20210701_02-pdf

 [Press release: Daikin Expands Patent Non-Assertion Pledge for Air Conditioners Using Low GWP Refrigerant HFC-32 \(published July 1, 2022\)](#)

https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/governance/press_20220701_2-pdf