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Code Number: 6367

June 4, 2010

To Shareholders:

Yukiyoshi Okano  
President and COO  
Daikin Industries, Ltd.  
Umeda Center Bldg.,  
4-12, Nakazaki-Nishi 2-chome,  
Kita-ku, Osaka

### **Convocation Notice of the 107th Ordinary General Meeting of Shareholders**

Shareholders are hereby called to attend the 107th Ordinary General Meeting of Shareholders of Daikin Industries, Ltd. (“Daikin” or the “Company”) to be held as indicated below.

If you are unable to attend the meeting, please review the “Reference Documents for the General Meeting of Shareholders” attached hereto, and exercise your voting rights using one of the means described below by 5:30 p.m. on Monday, June 28, 2010.

#### **[Exercising your voting rights by means of the Voting Rights Exercise Form]**

On the enclosed Voting Rights Exercise Form, please indicate either approval or disapproval of each agenda and return the form by the deadline stated above.

#### **[Exercising your voting rights via electronic means (the Internet)]**

Please access the relevant website for the exercise of voting rights (<http://daiko-sb.gcan.jp>) using a personal computer or a mobile phone. Please enter the voting rights exercise code and password provided in the Voting Rights Exercise Form enclosed herein, and follow the instructions to proceed with your votes by indicating either approval or disapproval of each agenda, by the deadline stated above.

## Particulars

- 1. Date and Time:** 10:00 a.m., Tuesday, June 29, 2010  
**2. Venue:** “Shion Hall” (4F), Hotel Hankyu International  
19-19, Chayamachi, Kita-ku, Osaka, Japan

### 3. Meeting Agenda

#### Reports:

- 1: Business Report, Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 107th fiscal year (from April 1, 2009, to March 31, 2010)
- 2: Audit Reports on the Consolidated Financial Statements for the 107th fiscal year (from April 1, 2009, to March 31, 2010) by Accounting Auditors and the Board of Corporate Auditors

#### Resolution Items:

- First Item:** Appropriation of Surplus  
**Second Item:** Purchase of Treasury Stock  
**Third Item:** Election of Ten (10) Directors  
**Fourth Item:** Election of One (1) Substitute Corporate Auditor  
**Fifth Item:** Payment of Directors’ Bonuses

### 4. Procedural Rules Pertaining to the Convocation

#### [Handling of Voting Rights in the Event of Multiple Exercise]

- (1) In the event voting rights are exercised multiple times in writing, the last arriving vote shall be deemed to be effective.
- (2) In the event voting rights are exercised multiple times via electronic means, the last exercise of voting rights shall be deemed to be effective.
- (3) In the event voting rights are exercised in duplicate form between electronic means and in writing, the exercise of voting rights via electronic means shall be deemed to be effective.

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- \* Please submit the enclosed Voting Rights Exercise Form to the reception desk upon your attendance at the meeting.
- \* In the event that any errors are found in the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and the Non-Consolidated Financial Statements, corrections will be posted on our website (<http://www.daikin.co.jp>).

## Reference Documents for the General Meeting of Shareholders

### Agenda reference information

#### **First Item:** Appropriation of Surplus

The Company pays stable dividends to shareholders in comprehensive consideration of the ratio of dividends to consolidated net assets, consolidated operating performance, financial situations and capital demands.

However, we propose to pay a year-end dividend as follows, which is a dividend reduction of ¥3 per share from that of the preceding year, since we posted a lower profit for the fiscal year under review.

This dividend would result in an annual dividend—including the interim dividend—of ¥32 per share, a reduction of ¥6.

#### 1. Year-end dividends

##### (1) Amount of dividend assets to be allocated to shareholders

Cash of ¥16 per share of common stock of the Company

Total: ¥4,666,440,272

##### (2) Effective date of dividends from surplus

June 30, 2010

#### **Second Item:** Purchase of Treasury Stock

In accordance with Article 156 of the Corporation Act, we request approval to purchase, during the one-year period following the conclusion of this general meeting of shareholders, the number of the Company's common shares not to exceed 400,000 shares or a total acquisition cost of ¥1.8 billion, to use them as shares to be granted upon the execution of stock options.

#### **Third Item:** Election of Ten (10) Directors

The terms of office for all of the ten (10) Directors will expire as of the conclusion of this general meeting of shareholders. Therefore, we propose the election of ten (10) Directors.

The candidates for Director are as follows.

Candidate number	Name (Date of birth)	Brief personal history, ranks within the Company and areas of responsibility [Significant positions concurrently held]	Number of the Company shares owned
1	Noriyuki Inoue (March 17, 1935)	<p>March 1957 Entered the Company</p> <p>February 1979 Director of the Company</p> <p>February 1985 Managing Director of the Company</p> <p>June 1989 Senior Managing Director of the Company</p> <p>June 1994 President, Representative Director of the Company</p> <p>May 1995 Chairman of the Board and President, Representative Director of the Company</p> <p>June 1996 President, Representative Director of the Company</p> <p>June 2002 Chairman of the Board and CEO, Representative Director of the Company (Current position)</p> <p>[Significant positions concurrently held]</p> <p>Chairman of Daikin Foundation for Contemporary Arts</p> <p>Chairman of the Kansai Philharmonic Orchestra</p> <p>External Director of the Kansai Electric Power Co., Inc.</p> <p>External Director of Hankyu Hanshin Holdings, Inc.</p> <p>Vice Chairman of Kansai Economic Federation</p>	63,200 shares

2	Yukiyoshi Okano (November 8, 1940)	April 1964	Entered the Company	35,600 shares
		June 1994	Director of the Company	
		June 1998	Managing Director of the Company	
		June 2001	Senior Managing Director of the Company	
		June 2002	Vice President, Representative Director of the Company	
		June 2004	President and COO, Representative Director of the Company (Current position), Chairman of Corporate Ethics Committee of the Company	
		August 2005	Chairman of the Committee in charge of “Creating the System to Confirm Operational Appropriateness” of the Company (Current position)	
		October 2005	Chairman of the CSR Committee of the Company (Current position)	
		July 2006	Chairman of the Disclosure Committee of the Company (Current position)	
		September 2007	Chairman of the Corporate Ethics & Risk Management Committee of the Company (Current position)	

3	Chiyono Terada (January 8, 1947)	<p>June 1976      Founded Art Hikkoshi Center</p> <p>June 1977      Established Art Hikkoshi Center Co., Ltd. (currently, ART CORPORATION), became a President and Representative Director of the above company (Current position)</p> <p>June 2002      Director of the Company (Current position)</p> <p>July 2006      Chairman of the Personnel and Compensation Advisory Committee of the Company (Current position)</p> <p>[Significant positions concurrently held]</p> <p>President and Representative Director of ART CORPORATION</p> <p>President and Representative Director of Art Planning Co., Ltd.</p> <p>President and Representative Director of Coty Co., Ltd.</p> <p>President and Representative Director of Grace Co., Ltd.</p> <p>External Director of Rock Field Co.,Ltd.</p> <p>External Director of Keihan Electric Railway Co., Ltd.</p>	7,000 shares
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4	Kosuke Ikebuchi (March 4, 1937)	<p>April 1960 Entered Toyota Motor Co., Ltd. (currently, Toyota Motor Corporation)</p> <p>September 1988 Director of the above company</p> <p>September 1994 Managing Director of the above company</p> <p>June 1996 Senior Managing Director of the above company</p> <p>June 1999 Executive Vice President, Representative Director of the above company</p> <p>June 2001 Vice Chairman, Representative Director of the above company</p> <p>June 2005 Senior Advisor to the Board and Executive Technical Advisor of the above company</p> <p>June 2006 Director of the Company (Current position)</p> <p>July 2006 Member of the Personnel and Compensation Advisory Committee of the Company (Current position)</p> <p>July 2009 Special Advisor to the Board and Senior Technical Executive, Toyota Motor Corporation (Current position)</p> <p>[Significant positions concurrently held]  President of Nagoya Grampus Eight, Inc.  Chairman of Central Japan Industries Association (ChuSanRen)  External Corporate Auditor of DAIHATSU MOTOR CO., LTD.  External Corporate Auditor of HINO MOTORS, LTD.</p>	2,000 shares
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5	Guntaro Kawamura (January 8, 1945)	April 1967 June 1996 June 2000 June 2002 September 2003 June 2004	Entered the Company Director of the Company Managing Director of the Company Senior Managing Director of the Company General Manager of Yodogawa Plant of the Company (Current position) Director and Vice President, Executive Officer (Current position), in charge of the Chemicals business of the Company (Current position)	24,800 shares
6	Masanori Togawa (January 11, 1949)	April 1973 June 2002 June 2004 June 2007 October 2007	Entered the Company Director, in charge of General Affairs (Current position), General Manager of Secretarial Office of the Company (Current position) Director and Managing Executive Officer of the Company, in charge of Human Resources of the Company (Current position) Director and Senior Executive Officer (Current position), in charge of Corporate Communication (Current position), General Manager of Human Resources Division of the Company (Current position) In charge of Facilities of the Company (Current position)	10,100 shares

7	Takeshi Ebisu (September 1, 1962)	April 1988 June 2005  June 2006  June 2007	Entered the Company Executive Officer, Member of Technology and Innovation Center Development Department of the Company (Current position) Director and Executive Officer of the Company, General Manager of the Corporate Planning Department of the Company (Current position) Director and Senior Executive Officer of the Company (Current position)	10,000 shares
8	Jiro Tomita* (August 7, 1949)	April 1970 January 1995  November 1996  February 2000 June 2008 November 2009  May 2010	Entered the Company Department Manager of Production Technology Development Center in Machinery Technology Laboratory of the Company General Manager of First Manufacturing Department of General-Purpose Airconditioning Manufacturing Division of the Company Seconded to Daikin Europe N.V., Director of the company Full-time Officer of the Company Vice President and Director of Daikin Europe N.V., DJ Project Leader of the Company (Current position) Executive Officer (Current position), General Manager of Airconditioning Manufacturing Division (Current position), Chairman of PD Alliance Committee of the Company (Current position)	1,300 shares

9	Koichi Takahashi* (May 24, 1956)	<p>April 1979 July 1998</p> <p>October 1999</p> <p>June 2006</p> <p>June 2007</p>	<p>Entered the Company General Manager of Administration Department of Finance and Administration Division, in charge of budget of the Company</p> <p>General Manager of Corporate Planning Department, in charge of management planning of the Company</p> <p>Executive Officer (Current position), General Manager of Finance and Administration Department, in charge of finance and administration of the Company</p> <p>In charge of finance, accounting and budget (Current position), General Manager of Finance and Accounting Division of the Company (Current position)</p>	4,800 shares
10	Osamu Tanaka* (March 5, 1963)	<p>April 1986 May 2007</p> <p>May 2008</p> <p>May 2009</p> <p>June 2009 May 2010</p>	<p>Entered the Company Group Leader of Multi-Applied Product Group of Airconditioning Manufacturing Division, Chief Engineer of the Company</p> <p>Group Leader of Multi-Product Group of Airconditioning Manufacturing Division, Chief Engineer of the Company</p> <p>Deputy General Manager of Airconditioning Manufacturing Division (Current position), DJ Project Sub-leader of the Company (Current position)</p> <p>Full-time Officer of the Company</p> <p>Executive Officer (Current position), In charge of Airconditioning development (including Applied solutions and Cryogenic) of the Company (Current position)</p>	1,000 shares

Notes:

1. Mr. Noriyuki Inoue is Chairman of Daikin Foundation for Contemporary Arts and Chairman of the Kansai Philharmonic Orchestra as well. For this reason, the Company makes donations and provides sponsor fees to Daikin Foundation for Contemporary Arts and provides support to the

Kansai Philharmonic Orchestra. Other candidates do not have any special-interest relationship with the Company.

2. Ms. Chiyono Terada and Mr. Kosuke Ikebuchi are candidates for External Directors.
3. We propose reelection of Ms. Terada as External Director in the hope that she will continue to provide advice from a broad perspective based on extensive management experience and personal experience in cultivating venture enterprises.

We propose reelection of Mr. Ikebuchi as External Director in the hope that he will continue to provide advice from a broad perspective based on extensive manufacturing business management experience, including production innovation.

4. As of the conclusion of this general meeting of shareholders, Ms. Terada will have been an External Director for eight years, and Mr. Ikebuchi for four years.
5. The Company has concluded a limitation of liability agreement with Ms. Terada and Mr. Ikebuchi, in accordance with Article 427, Paragraph 1, of the Corporation Act and the regulation of the Company's Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Corporation Act. In the event that reelection of them is approved, the Company intends to continue the said agreement with them.
6. After the last election of Ms. Terada and Mr. Ikebuchi as External Directors, it became clear during their term of office that inappropriate accounting treatment had been carried out in the After Sales Service Division and a subsidiary of the Company. They had not recognized the said fact until it became clear. They usually call attention to the importance of compliance with laws at meetings of the Board of Directors and on other occasions. Also, they took necessary measures after the aforementioned fact had been found out, including making proposals to prevent recurrence.
7. DAIHATSU MOTOR CO., LTD., at which Mr. Ikebuchi serves as External Corporate Auditor, was advised by the Yodogawa Labor Standards Inspection Office in January 2009 to correct nonpayment of wages for overtime work. He usually gives his views about risk management concerning issues such as safety, the environment and quality and about compliance at meetings of the Board of Directors and the Board of Corporate Auditors of the Company. In the wake of the aforementioned fact, he has expressed his opinion that the internal control system should be further enhanced, including measures to prevent recurrence.
8. Candidates with asterisks are candidates for Directors to be elected newly.

**Fourth Item:** Election of One (1) Substitute Corporate Auditor

Based on the provisions of Article 329, Paragraph 2, of the Corporation Act, we propose the election of one (1) substitute Corporate Auditor to prepare for the possibility that the number of External Corporate Auditors as defined in Article 335, Paragraph 3, of the Corporation Act may become insufficient.

This proposal has been approved by the Board of Corporate Auditors.

The candidate for substitute External Corporate Auditor is as follows.

Name (Date of Birth)	Brief personal history [Significant positions concurrently held]	Number of Company Shares Owned
Masanao Iechika (July 18, 1933)	April 1962 Registered as a lawyer (Current position) April 1981 Vice Chairman of the Osaka Bar Association March 1988 Member of the Corporation Act Section of the Legislative Council of the Ministry of Justice July 1994 Examination Member, National Bar Examination April 2004 Professor, Graduate Law School of KONAN University [Significant positions concurrently held] Executive partner of Daiichi Law Office, P.C. Corporate Auditor of Capcom Co.,Ltd. External Corporate Auditor of Keihan Electric Railway Co., Ltd. External Corporate Auditor of Mitsubishi Tanabe Pharma Corporation External Corporate Auditor of FURUNO ELECTRIC CO., LTD. External Corporate Auditor of ES-CON JAPAN Ltd.	0 shares

Notes:

1. Mr. Masanao Iechika does not have any special-interest relationship with the Company.
2. Mr. Iechika is a candidate for External Corporate Auditor.
3. We believe that Mr. Iechika is an appropriate candidate because we anticipate that his activities as a lawyer will enable him to contribute to the Company's audit activities in an objective and impartial manner, primarily from a legal perspective.
4. Mr. Iechika has not participated in corporate management other than as External Director or External Corporate Auditor. However, owing to his extensive insight into corporate management, based on abundant experience and expertise as a lawyer, he has been judged to fulfill the duties of External Corporate Auditor.
5. Mitsubishi Tanabe Pharma Corporation, at which Mr. Iechika serves as External Corporate Auditor, was subject to administrative punishment by the Ministry of Health, Labor and Welfare in April 2010 because of a subsidiary's violation of the Pharmaceutical Affairs Law, including falsification of data in a regulatory application for permission to manufacture drugs. He usually gives his views about and calls attention to management control systems in general from the standpoints of compliance and establishment of internal control systems at meetings of the Board

of Directors and the Board of Corporate Auditors of the Company. After the disclosure of the said data falsification, he has expressed his opinions particularly about the need to investigate the cause of falsification, measures to prevent recurrence and other matters.

6. If Mr. Iechika is selected as Corporate Auditor, the Company intends to conclude a limitation of liability agreement with him, in accordance with Article 427, Paragraph 1, of the Corporation Act and the Company's Articles of Incorporation. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1, of the Corporation Act.

**Fifth Item:** Payment of Directors' Bonuses

We request approval to pay bonuses totaling ¥123,000,000 to the eight (8) Directors (excluding the two (2) External Directors) as of the conclusion of the fiscal year under review, in consideration of the Company's operating performance during the fiscal year.

The above represents a translation, for reference and convenience only, of the original notice issued in Japanese. We did our utmost to ensure accuracy in our translation and believe it to be of the highest standard. However, due to differences of accounting, legal and other systems, as well as of language, this English version might contain inaccuracies and therefore might be inconsistent with the original intent imported from the Japanese. In the event of any discrepancies between the Japanese and English versions, the former shall prevail as the official version.