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(Securities Code: 6367, TSE Prime Market)

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Notice of Revision in the Executive Officer Compensation System

Daikin Industries, Ltd. (hereinafter, referred to as “the Company”) hereby announces the decision by its Board of Directors at a meeting held today to revise its executive officer compensation system as described below (hereinafter, referred to as “this Revision”) and to submit a proposal concerning this Revision to the 123rd Ordinary General Meeting of Shareholders (hereinafter, referred to as “this General Meeting of Shareholders”), which is scheduled to be held on June 26, 2026.

1. Purpose of this Revision

In its executive officer compensation system, the Company has pursued a basic policy to increase the motivation of officers to improve ongoing and medium- to long-term performance in accordance with management policy to meet the expectations of shareholders and other stakeholders and contribute to value enhancement of the Company’s entire corporate group.

In light of this policy, the Company deliberated on a new compensation system that is aligned with the strategic objectives of its next strategic management plan, “Fusion 30,” and resolved at today’s meeting of the Board of Directors to revise the executive officer compensation system. The key objectives of the revised system are as follows:

- To establish a system that strongly motivates executive officers to proactively take on management challenges aimed at realizing the “FUSION” strategic management plan and achieve sustainable enhancement of corporate value.
- To maintain a competitive level of compensation sufficient to attract and retain outstanding management talent, while adopting a compensation structure that reflects both management performance and corporate value.
- To incorporate an incentive structure that increases the unwavering motivation toward the steady achievement of management targets, an improvement in medium- to long-term capital efficiency, and enhancement of corporate value for the entire corporate group.
- To ensure a high degree of objectivity and transparency through proactive review conducted by the Compensation Advisory Committee, which is primarily composed of independent External Directors.

Please note that this Revision is conditional upon obtaining shareholder approval at this General Meeting of Shareholders where the Company plans to seek approval for this Revision establishing a new compensation framework in which Directors (excluding External Directors) can receive monetary compensation and compensation derived from a performance-linked stock compensation system.

2. Overview of this Revision

(1) Details of Compensation

At present, compensation for the Company's Directors (excluding External Directors) consists of "fixed compensation," and "performance-linked compensation," which reflects the short-term results of the Group and its division earnings, together with "compensatory stock options," which reflects medium- to long-term performance. Compensation for External Directors and Audit & Supervisory Board Members consists solely of fixed compensation.

At the 117th Ordinary General Meeting of Shareholders held on June 26, 2020, the total amount of compensation, etc., for the Company's Directors was approved within a maximum amount of ¥1.3 billion annum. (The resolution included a limit of ¥100 million for External Directors and the exclusion of employee salaries for Directors concurrently serving as employees). In addition, with respect to stock acquisition rights issued to Directors (excluding External Directors) as part of "share-based compensation," the compensation limit (excluding the employee salary portion for Directors concurrently serving as employees) was approved at the 118th Ordinary General Meeting of Shareholders held on June 29, 2021, and set not to exceed ¥360 million annually. The maximum number of stock acquisition rights issued within one year from the date of each relevant general meeting of shareholders was limited to 450 units.

Following this Revision, compensation for Directors (excluding External Directors) will consist of the following types of compensation: base pay, which is fixed monetary compensation commensurate with position; performance-linked bonus, which is monetary compensation aimed at incentivizing the achievement of annual management targets; and share-based compensation. The plan for share-based compensation will comprise Performance Share Units (PSU) and Restricted Share Units (RSUs) and be collectively referred to as the "Share-Based Compensation System" Details of the Share-Based Compensation System are described in Section 3 below. The target compensation mix for the Representative Director, Chairman of the Board and CEO will generally be Base Pay : Performance-Linked Bonus : Share-Based Compensation = 1 : 1 : 1.5, with the share-based compensation component allocated at a ratio of PSUs : RSUs = 70% : 30%. For other Directors, compensation will be set according to their position and responsibilities, with higher-ranking Directors receiving higher proportions of performance-linked bonuses and stock compensation. Compensation for External Directors and Audit & Supervisory Board Members following this Revision will consist solely of base pay in relation to their respective duties and responsibilities.

In conjunction with this Revision, the Company plans to revise the compensation framework for Directors and seek shareholder approval to establish the following separate compensation categories: 1) Fixed compensation for Directors shall be limited to ¥800 million per year (excluding the salary portion of Directors concurrently serving as employees. Compensation for External Directors shall be limited to ¥200 million per year.); 2) Performance-linked bonuses for Directors (excluding External Directors) shall be limited to ¥1.2 billion per year (excluding the employee salary portion for Directors concurrently serving as employees); and 3) Share-Based Compensation System for Directors (excluding External Directors) is as described in Section 3 below. For each applicable grant period, the maximum total number of fixed share units shall be 100,000 shares; the maximum total number of Company shares to be delivered shall be 50,000 shares; and the maximum total compensation payable shall be the amount calculated by multiplying 100,000 shares by the share price at the time of delivery. Should the introduction of the Share-Based Compensation System be approved at this

General Meeting of Shareholders, the existing compensatory stock option system will be abolished, and no new stock acquisition rights as part of compensatory stock options will be granted to Directors going forward (stock options that have already been granted will remain outstanding).

Table 1. Overview of the Revised Compensation System for the Company's Directors (excluding External Directors)

Types of Compensation		Purpose/Overview
Fixed	Basic Compensation	<ul style="list-style-type: none"> ● Fixed cash compensation is determined according to position. ● Compensation is paid on a monthly basis.
Variable	Short-Term Performance-Linked Bonus	<ul style="list-style-type: none"> ● Monetary compensation is intended to motivate achievement of annual management targets. ● The amount paid is calculated by multiplying the position-based standard amount by a performance evaluation coefficient (ranging from 0% to 200%). ● Performance evaluation combines company-wide and individual performance evaluations. The Chairman of the Board and President are evaluated solely on company-wide performance, whereas Senior Executive Officers and below are evaluated using both company-wide and individual performance evaluations based using a ratio corresponding to their position. ● Company-wide performance is evaluated based on the degree of achievement of targets for three indicators: net sales, operating profit, and operating profit margin. ● Individual performance is evaluated based on the performance of the division under the individual's responsibility and progress on key priorities for the relevant fiscal year. ● In principle, payment is made in June following the end of each fiscal year.
	Medium- to Long-Term Performance-Linked Share Compensation (PSU)	<ul style="list-style-type: none"> ● Share-based compensation aims at incentivizing achievement of medium-term management objectives and enhancing corporate value over three consecutive fiscal years. ● Each fiscal year, at the beginning of the fiscal year (in principle, in July), a Base Share Unit Number equivalent to the standard amount for each position is granted (1 unit = 1 share of the Company's common shares). Three years after the date of grant, the number of vested share units is determined by applying a performance evaluation coefficient (variable within the range of 0% to 200%). Fifty percent of the vested share units are delivered in common shares. The remaining shares are paid in cash intended to defray tax liabilities. ● Performance evaluations combine company-wide and individual performances. Only the Chairman of the Board and President will be

		<p>evaluated solely on a company-wide evaluation, whereas Senior Executive Officers and below will have an individual evaluation combined with a company-wide evaluation at a ratio appropriate to their position.</p> <ul style="list-style-type: none"> ● Company-wide performance is evaluated based on the level of achievement of the FUSION index “D-ROIC,” which measures the Company’s earning power over the three-year period; and indicators such as relative TSR (comparison of total shareholder return, including dividends, against TOPIX growth), which measures the results of corporate value enhancement. Individual performance is evaluated based on progress on medium- to long-term initiatives, including FUSION key issues, during the first year of the Performance Evaluation Period.
	Continuous Service Share Compensation (RSU)	<ul style="list-style-type: none"> ● Share-based compensation aims to promote long-term value sharing with shareholders and increase motivation for contributing to sustainable growth in corporate value. ● At the beginning of each fiscal year (generally in July), standard share unit (1 unit = 1 share of the Company’s common shares) equivalent to the standard amount for each position will be granted. Three years after the grant, the amount will be determined, with 50% being issued in shares and the remainder paid in cash to be used for the tax expense.

Table 2. Target Compensation Mix of the Representative Director, Chairman of the Board and CEO

Fixed	Variable		
	←----- Short-Term -----→	←----- Medium- to Long-Term -----→	
Basic Compensation	Performance-Linked Bonus	Performance-Linked Share Compensation (PSU)	Continuous Service Share Compensation (RSU)
Approximately 28.5%	Approximately 28.5%	Approximately 30%	Approximately 13%

(Note) The remuneration structure is set at a ratio of Basic compensation : performance-linked bonus : share-based compensation = 1 : 1 : 1.5. Share-based compensation is further allocated based on a target mix of approximately 70% PSU and 30% RSU.

(2) Shareholding Guidelines

Consistent with commonly held perspective for sustainable value shared by shareholders, the Company will establish guidelines regarding the holding of Company shares by its Representative Directors. Specifically, the Representative Director, Chairman of the Board and CEO, is encouraged to continuously hold Company shares equivalent in value to three times their base pay within five years of assuming their relevant position, and the Representative Director and President is encouraged to

continuously hold Company shares equivalent in value to two times their base pay within five years of assuming their relevant positions.

(3) Malus and Clawback Provisions (Repayment of Compensation)

To ensure the soundness of the executive officer compensation system, the Company will introduce malus and clawback provisions. In the event that certain circumstances arise, such as misconduct or fraudulent accounting, the Board of Directors, following deliberation by the Compensation Advisory Committee, may determine whether all or part of the performance-linked bonuses and share-based compensation paid during the applicable period be forfeited or subject to repayment. The applicable period shall be the fiscal year in which the relevant fact is discovered and the three preceding fiscal years.

(4) Decision-Making Process

The policy for determining compensation, etc., for Directors of the Company shall be decided by the Board of Directors based on recommendations from the Compensation Advisory Committee. The Committee shall be chaired by an External Director, with members selected from among Directors. A majority of its members shall consist of External Directors with the aim of ensuring objectivity and transparency. To ensure independence of judgment and enhance the effectiveness of its advisory function, the Compensation Advisory Committee shall utilize information and advice from independent external compensation consultants and conduct multifaceted reviews—including comparisons of the Company's performance and compensation levels within a peer group—before providing necessary recommendations or reports to the Board of Directors.

With respect to the determination of individual compensation amounts for each Director, authority shall be delegated by the Board of Directors to the Compensation Advisory Committee to ensure independence. Based on the compensation policy determined by the Board of Directors, the Committee shall determine individual compensation amounts in light of the Company's management conditions and overall performance, as well as each Director's responsibilities and performance. If the proposals are approved as originally proposed at this General Meeting of Shareholders, the Compensation Advisory Committee is expected to consist of six members, comprising five External Directors and the Representative Director, Chairman of the Board and CEO.

Individual compensation amounts for Audit & Supervisory Board Members shall be determined through consultation among the Audit & Supervisory Board Members themselves.

3. Overview of the Share-Based Compensation System

The Share-Based Compensation System is a post-delivery equity compensation program under which compensation is granted for a one year period from the date of each general meeting of shareholders to the day before the next general meeting of shareholders (the "Grant Period"). For RSUs, receipt of shares is subject to continuous service for a consecutive three-year service period from the date of the relevant general meeting of shareholders to the day before the general meeting of shareholders held three years later (the "Service Period"). For PSUs, in addition to the Service Period requirement, share vesting shall be determined based on company-wide performance during three consecutive fiscal years (the "Performance Evaluation Period"), and shall take into account ROIC (Return on Invested Capital), TSR (Total Shareholder Return), and other performance indicators

(including non-financial metrics) as determined by the Board of Directors for each Grant Period in accordance with the Company's management strategy and individual performance evaluations during the Grant Period. Following the completion of the Service Period, the final number of share units shall be determined, and the Company shall deliver common shares of the Company ("Company Shares") and pay cash based on the number of share units to defray related tax obligations.

Under the Share-Based Compensation System, Eligible Directors would receive the issuance or disposition of Company Shares through either one of the following methods: 1) the issuance or disposition of Company Shares without the Company requiring any monetary payment or contribution of property in kind by the Eligible Directors (hereinafter referred to as the "Gratuitous Grant Composition"); or 2) the issuance or disposition of Company Shares whereby the Company grants a monetary compensation claim to the Eligible Directors as compensation, and the Eligible Directors contribute the entire amount of such a monetary compensation claim as property in kind in exchange for Company Shares (hereinafter referred to as the "In Kind Contribution Composition"). In this case, the amount paid per share shall be an amount determined by the Company's Board of Directors within a range that does not result in any particular advantage to Eligible Directors, and based on the closing price of Company Shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors' resolution approving such issuance or disposition; or if no closing price is published on that day, the calculation shall go back to the most recent prior day on which a closing price is available. Eligible Directors will receive the issuance or disposition of Company Shares through either one of these methods.

With respect to the RSUs and PSUs subject to this Share-Based Compensation System, the initial grant period shall be one year from the date of this General Meeting of Shareholders for the fiscal year ending March 2026 to the day immediately preceding the date of the general meeting of shareholders for the fiscal year ending March 2027. The initial continuous service period shall be three years from the date of this General Meeting of Shareholders for the fiscal year ending March 2026 to the day immediately preceding the date of the general meeting of shareholders for the fiscal year ending March 2029; and the initial Performance Evaluation Period for the PSUs is expected to be the three fiscal years from the fiscal year ending March 31, 2027, through the fiscal year ending March 31, 2029. From the following year onward, this Share-Based Compensation System shall continue to be implemented annually within the scope approved under this proposal and have a one year grant period based on the date of the general meeting of shareholders together with a continuous service period of three consecutive years and the Performance Evaluation Period of three consecutive fiscal years.

(1) Method for Calculating the Number of Company Shares to Be Delivered and the Amount of Cash to Be Paid

Under this Share-Based Compensation System, which is based on deliberation by and recommendation of the Compensation Advisory Committee and pursuant to a resolution of the Company's Board of Directors, the number of units to be granted to each Eligible Director for each year of service, in accordance with such director's position and other factors (with one unit = one share of the Company's common shares; and hereinafter, referred to the "Base Share Unit Number"), shall be determined as follows: (i) for the portion attributable to RSUs, share vesting shall be subject to the fulfillment of the continuous service requirement during the Service Period, and (ii) for the portion attributable to PSUs, share vesting shall be subject to the fulfillment of such continuous service

requirement, along with a payout rate determined based on achievement status of performance targets within the performance evaluation indicators during the Performance Evaluation Period, a company-wide performance evaluation, and an individual evaluation during the applicable grant period. (The payout rate will be a coefficient ranging from 0% to 200%.) Based on the aforementioned conditions, the concluding number of share units for each Eligible Director (hereinafter referred to as the “Vested Share Unit Number”) shall be determined, and the number of Company Shares to be delivered and the amount of cash to be paid to Eligible Directors shall be determined in accordance with the Vested Share Unit Number.

In the Share-Based Compensation System, the composition ratio of RSUs to PSUs shall, in principle, be determined by the Board of Directors so that RSUs account for 30% of the total number of base share units and PSUs account for 70%. Furthermore, a certain percentage (generally 50%) of the total number of vested share units will be issued in the form of company shares, and the remainder will be paid in cash to defray the cost of tax payments arising from the issuance of Company Shares. However, if the director in question is a non-resident of Japan, or if the Board of Directors determines that it is difficult to issue company shares to the Director for another reason, the Company may choose not to issue Company shares and instead provide the entire number of vested shares units in cash.

The aggregate value of such Company shares (or, in the case of the In Kind Contribution Composition, which is the monetary compensation claims used for awarding such shares) and such cash shall be an amount equal to the Vested Share Unit Number multiplied by the closing price of Company Shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors’ resolution concerning the issuance of shares or disposition of treasury shares for allocation under this Share-Based Compensation System following the fulfillment of the Service Period. (If no closing price is published on such day, the price shall be calculated by retroactively referring to the most recent day on which a closing price is available; hereinafter referred to as “Share Price at Time of Delivery”).

The maximum total number of vested share units shall be 100,000 shares per grant period ^(Note), the maximum total number of Company shares to be delivered to an Eligible Director (the “Maximum Deliverable Share Number”) shall be limited to 50,000 shares per grant period ^(Note); the maximum total amount of compensation to be paid to Eligible Directors per grant period shall be the amount equal to the Share Price at Time of Delivery multiplied by 100,000 shares.

(Note) The total number of vested share units and the total number of shares to be issued shall be adjusted to a reasonable extent if, after the date this proposal is approved, a stock split (including a gratuitous allocation of common shares) or stock consolidation of the Company’s common shares occurs, or if any other event occurs that necessitates an adjustment to the total number of the Company’s common shares issued or disposed of as Company Shares.

(2) Treatment in the Event of Resignation, etc.

If an Eligible Director retires during the Service Period from all positions as director, executive officer, full time officer or employee of the Company, director or employee of a subsidiary of the Company, or any other position designated by the Board of Directors, due to expiration of term of office, mandatory retirement age, reasons attributable to the Company, or other reasons deemed justifiable by the Board of Directors, the Vested Share Unit Number shall be reasonably determined in consideration of the

reason for retirement, length of service, and other relevant factors, and shares of the Company and cash corresponding thereto shall be delivered and paid at the time of retirement or at a time separately determined by the Board of Directors.

Furthermore, if an Eligible Director retires during the Service Period due to death, permanent disability, or other equivalent reason recognized by the Board of Directors, the Vested Share Unit Number shall be fixed at the same number as such Eligible Director's Base Share Unit Number, and an amount of cash equal to such Vested Share Unit Number multiplied by the closing price of Company Shares on the Tokyo Stock Exchange on the business day immediately preceding the date of retirement (or the most recent available closing price if unavailable) shall be paid to the heir succeeding to such Eligible Director. In this case, no shares of the Company shall be delivered to the heir in question.

Except in the cases described above, the Company may, by resolution of the Board of Directors following deliberation by the Compensation Advisory Committee, compel the Eligible Director to forfeit all or part of the granted Base Share Unit Number, and no shares shall be delivered nor any cash paid.

(3) Treatment in the Event of Organizational Restructuring, etc.

If, during the Performance Evaluation Period, a merger agreement under which the Company becomes an absorbed company, a share exchange agreement or share transfer plan under which the Company becomes a wholly-owned subsidiary, or other organizational restructuring transaction is approved by the Company's general meeting of shareholders (or, by the Board of Directors when shareholder approval is not required), the Company may, prior to the effective date of such transaction, fix the Vested Share Unit Number at the same number as the Base Share Unit Number for each Eligible Director, and pay an amount of cash equal to such Vested Share Unit Number multiplied by the closing price of Company Shares on the Tokyo Stock Exchange on the business day immediately preceding the date of such approval (or the most recent available closing price if unavailable).

(4) Conditions for Delivery of Company Shares and Payment of Cash under This System

- 1) The individual must have held, as of the commencement date of the Service Period, a position as director, executive officer, full time officer or employee of the Company, or any other position designated by the Board of Directors.
- 2) No misconduct or other event specified by the Board of Directors as warranting forfeiture of granted units must have occurred.
- 3) Any other requirements determined by the Board of Directors as necessary to achieve the purpose of this system must be fulfilled.

In addition, under this equity-based compensation plan, if certain events occur—such as misconduct or wrongdoing by an Eligible Director, or the restatement of financial statements due to fraudulent accounting—the Company may, based on a resolution of the Board of Directors following deliberation by the Compensation Advisory Committee, compel the Eligible Director to forfeit all or a portion of the equity-based compensation granted under this plan or demand its return, regardless of whether such compensation has already been paid or delivered (i.e., the establishment of a malus and clawback provision).

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.