



Briefing on Sustainability

Daikin Industries, Ltd.

December 19, 2018

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Daikin from the Perspective of ESG



Global Social Issues and Global Framework for Resolution

Social Issues

With the highest risks

Increasing severity of climate change

Expansion and concentration of energy and electricity demand

Increasing severity of atmospheric pollution

Shortage of human resources to support sustainable development

Deterioration and depletion of forests

Global Framework

To solve social issues

UN
Global
Compact



UN Sustainable
Development
Goals (SDGs)

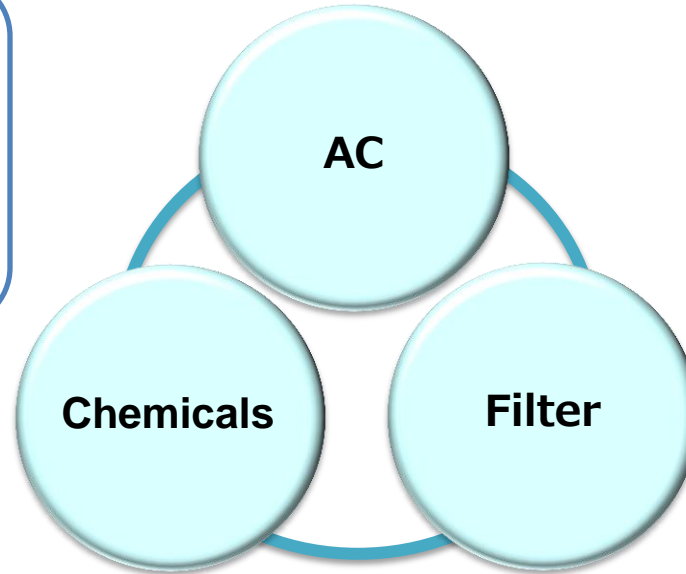


Conference
of the Parties
to the UN
Framework
Convention
on Climate Change
(Paris Agreement)

UN
Kigali Amendment
to the Montreal Protocol

Daikin's Aims for Value Creation

Response to expansion of new needs and change in awareness as society changes



Contribution to sustainable development of society by new value creation that solves problems

Through our AC, Chemicals, and Filter businesses, we provide air spaces where people can live healthy, comfortable lives while reducing the environmental impact.

Our Group Philosophy

Environmental Vision (Formulated in 2018)

Strategic Management Plan FUSION

Our Group Philosophy (formulated in 2002)

Striving to Be a Group that Continuously Evolves



- 1. Create New Value by Anticipating the Future Needs of Customers**
- 2. Contribute to Society with World-Leading Technologies**
- 3. Realize Future Dreams by Maximizing Corporate Value**
- 4. Think and Act Globally**
- 5. Be a Flexible and Dynamic Group**
 - 1) Flexible Group Harmony
 - 2) Build Friendly yet Competitive Relations with Our Business Partners to Achieve Mutual Benefit
- 6. Be a Company that Leads in Applying Environmentally Friendly Practices**
- 7. With Our Relationship with Society in Mind, Take Action and Earn Society's Trust**
 - 1) Be Open, Fair, and Known to Society
 - 2) Make Contributions that Are Unique to Daikin to Local Communities
- 8. The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Group**
 - 1) The Cumulative Growth of All Group Members Serve as the Foundation for the Group's Development
 - 2) Pride and Loyalty
 - 3) Passion and Perseverance
- 9. Be Recognized Worldwide by Optimally Managing the Organization and its Human Resources, under Our Fast & Flat Management System**
 - 1) Participate, Understand, and Act
 - 2) Offer Increased opportunities to Those who Take on Challenges
 - 3) Demonstrate Our Strength as a Team Composed of Drivers Professionals
- 10. An Atmosphere of Freedom, Boldness, and "Best Practice, Our Way"**

Daikin from the Perspective of ESG

	Environment (E)	Society (S)	Governance (G)
Our Group Philosophy	<p>2. Contribute to Society with World-Leading Technologies</p> <p>4. Think and Act Globally</p> <p>6. Be a Company that Leads in Applying Environmentally Friendly Practices</p>	<p>1. Create New Value by Anticipating the Future Needs of Customers</p> <p>7. With Our Relationship with Society in Mind, Take Action and Earn Society's Trust 2) Make Contributions that Are Unique to Daikin to Local Communities</p> <p>8. The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Group</p>	<p>3. Realize Future Dreams by Maximizing Corporate Value</p> <p>7. With Our Relationship with Society in Mind, Take Action and Earn Society's Trust 1) Be Open, Fair, and Known to Society</p> <p>9. Be Recognized Worldwide by Optimally Managing the Organization and its Human Resources, under Our Fast & Flat Management System</p>
From viewpoint of drafting FUSION	<p>(1) Contribution to the prevention of global warming</p> <p>(2) Contribution to sustainable community development</p> <p>(3) Proving people with healthy, comfortable lives</p>	<p>(1) Customer satisfaction and new value creation</p> <p>(2) Increase in value of human resources</p> <p>(3) Contribution to local societies and communities</p>	<p>(1) Establishment of own unique multinational governance - Daikin's unique top management structure - Enhancement of the Board of Directors</p> <p>(2) Establishment of corporate ethics and improved risk management</p>

Long-term vision / aim

Corporate group that “co-creates new value in air and environment fields”

- Based on honest company activities, create new value that contributes to providing solutions to customer and social issues and aim to be a company that achieves sustainable growth together with society.

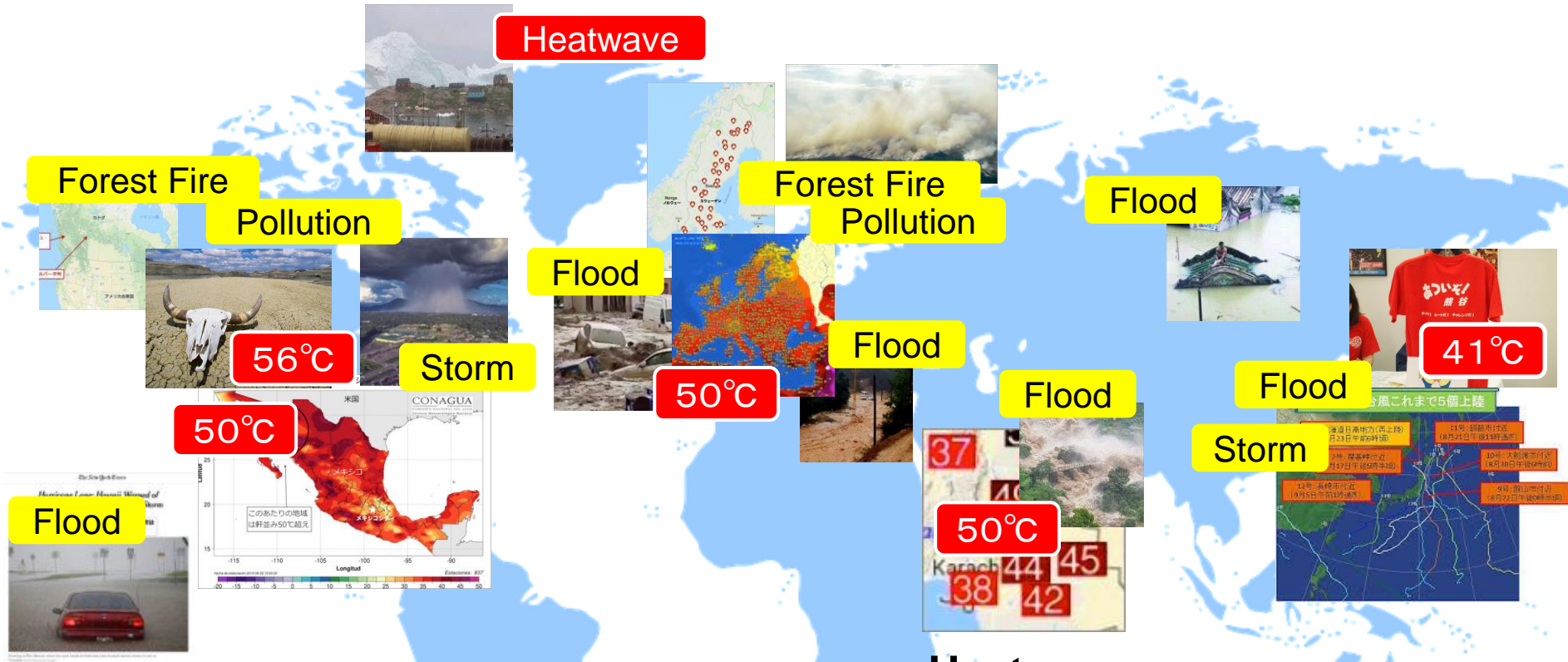
Efforts to Reduce Environmental Impact



Daikin Environmental Vision 2050

What happens in the world

Climate variation accelerated



Global warming appears to be affecting



- Heatwaves
- Storms
- Floods
- Forest fires
- Pollution
- Infections

Sustainable Development Goals (SDGs)

Our contribution to SDGs for sustainable growth



Ensure healthy lives and promote well-being for all at all ages

office productivity, IAQ, prevent infection etc.



Ensure access to affordable, reliable, sustainable and modern energy for all

increase in energy efficiency, use and spread of renewable energy etc.



Contribute to sustainable cities and communities

ZEB, energy management, demand response, reducing CO₂, create and use renewable energy



Ensure responsible production

energy saving, reducing CO₂, save resources during manufacturing



Take urgent action to combat climate change and its impacts

highly efficient products, heat pump, lower GWP refrigerant etc.

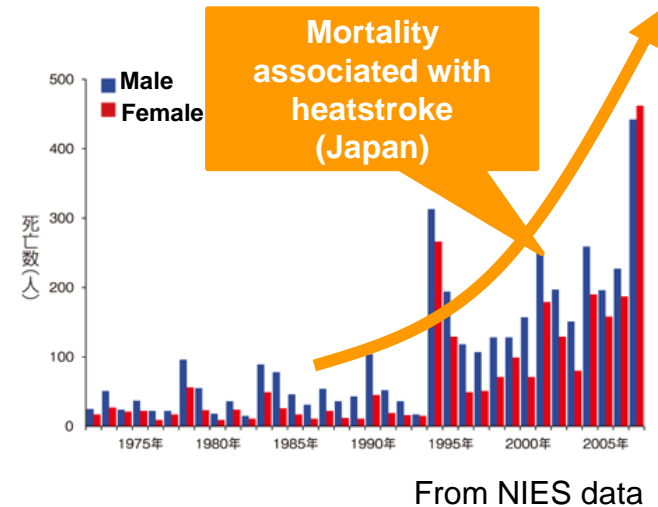
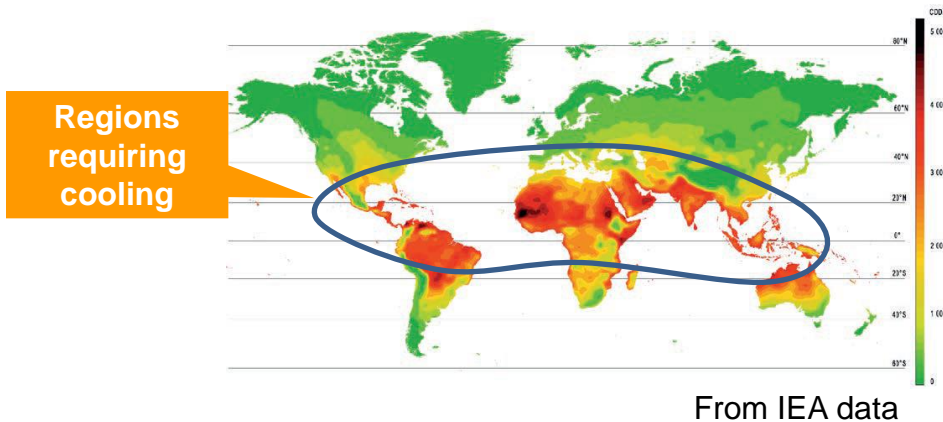
Social Value of Air Conditioners

Air conditioners contribute to health and welfare

- “Air conditioning was a most important invention for us (Singapore), perhaps one of the signal inventions of history.”
- It changed the nature of civilization by making development possible in the tropics.”

-Former Prime Minister of Singapore Lee Kuan Yew

- Work requiring concentration and business activities are some of the tasks that are difficult to perform under conditions of high outdoor air temperature
- The number of heatstroke patients increases every year, and heatstroke countermeasures are required for a large population of the world. Air conditioning contributes to heatstroke prevention.

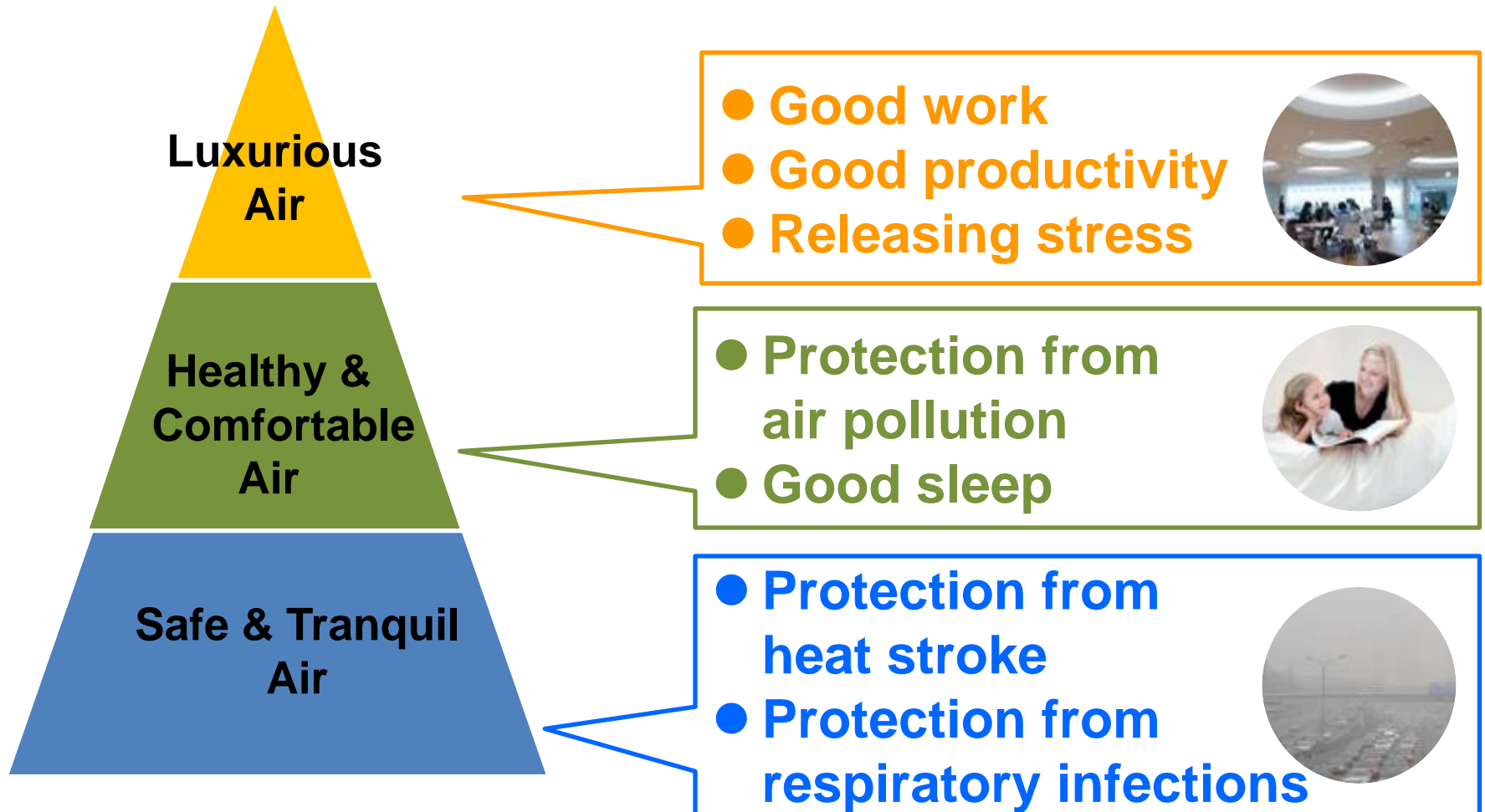


- Large economic losses caused by sleep disorders
- Deaths of 4 million people from air pollution are predicted for 2040.

Social Value of Air Conditioners

Daikin provides better life by the “Power of the Air”

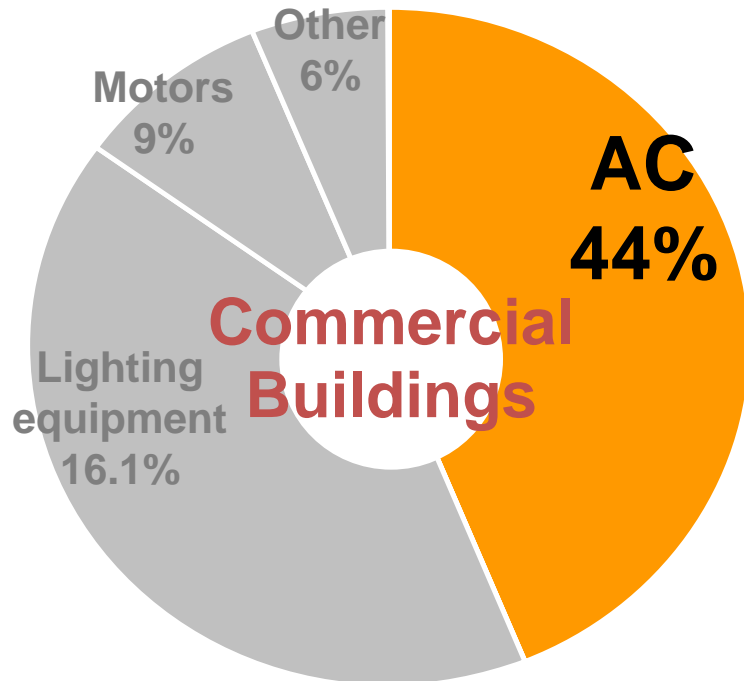
- We spend 90% of our life indoors
- Daikin can control indoor air quality



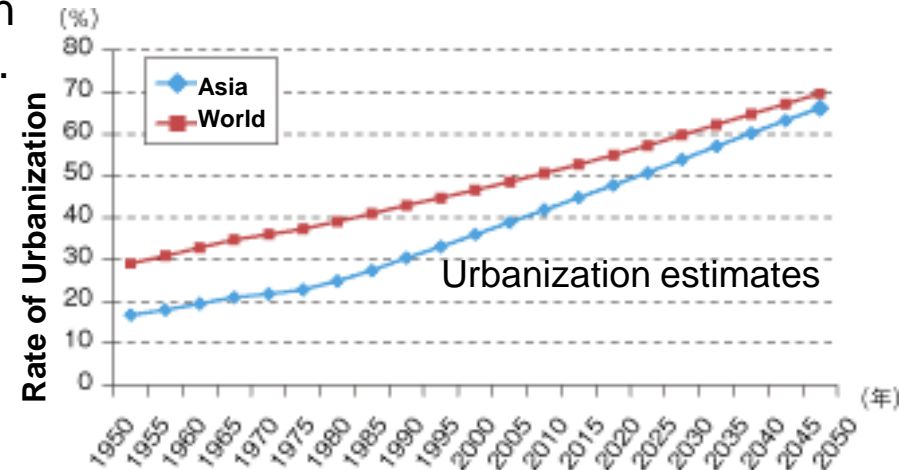
Environmental Impact of Air Conditioners

With the advance of urbanization in the future, electrical power consumption for air conditioners will rise even further.

- Global urbanization will reach 70% in 2050.
- The amount of electrical power consumption in buildings for air conditioners will increase.



Amount of electrical power consumption used in Japanese commercial buildings



Source : UN (2007) World Urbanization Prospects



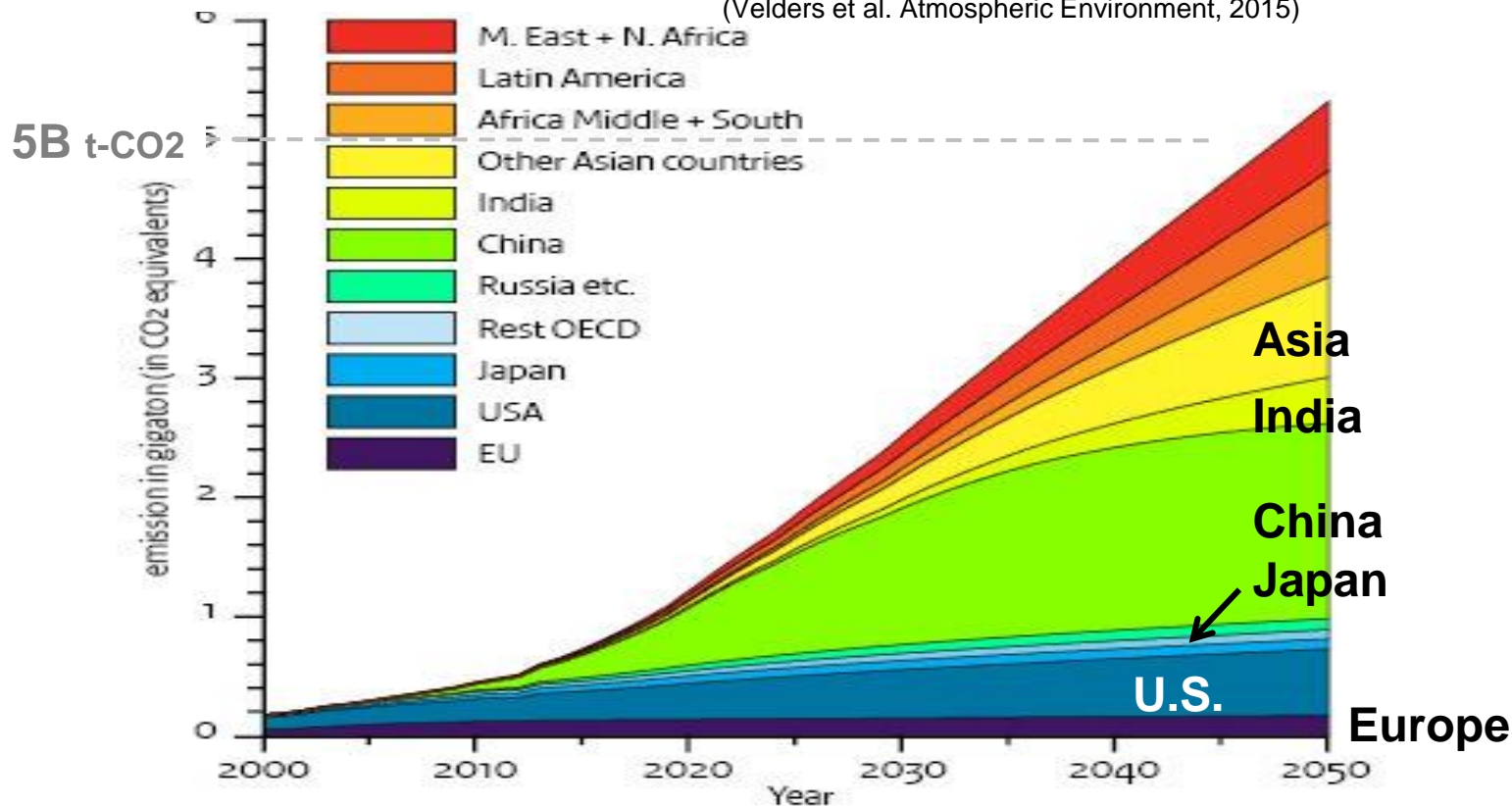
Environmental Impact of Air Conditioners

Not only electricity consumption,
but fluorocarbon gas also has a great environmental impact.

- The impact of fluorocarbon gas on global warming is expected to reach CO2 equivalent of 5 billion tons in 2050 and exceed 10% of the total global warming gases.

■ Fluorocarbon Emissions by County (CO2 equivalents)

(Velders et al. Atmospheric Environment, 2015)

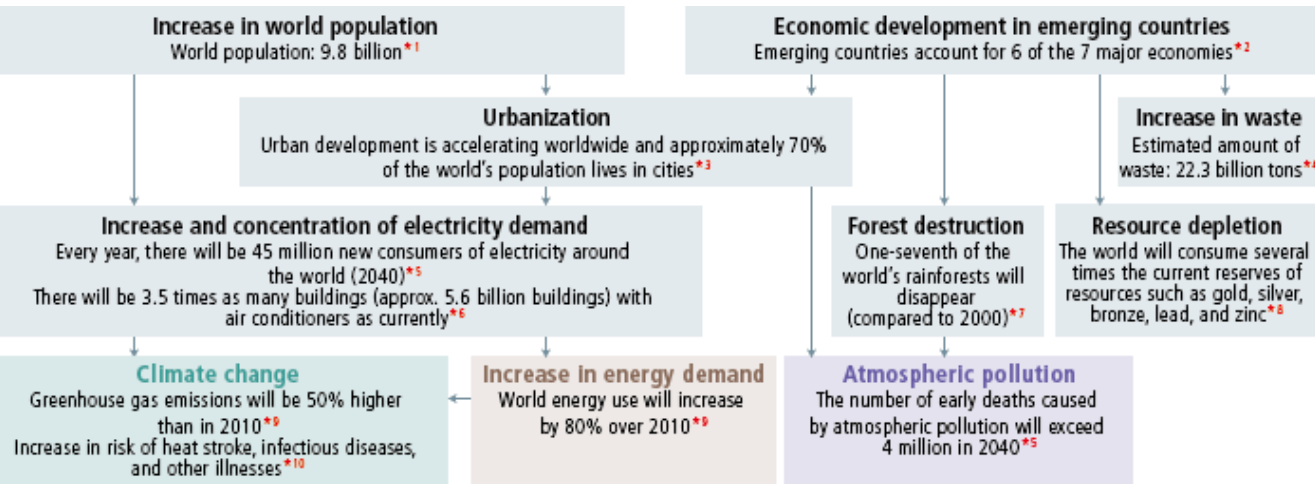


Scenario Analysis

How we should proceed for society as predicted in 2050

Forecast of Society in Which Daikin Will Operate in 2050

Based on the relationship between Daikin's business and the global environment, we came up with a long-term environmental to-do list that takes into account what the world will be like for Daikin's business in 2050 judging by current social scenarios.



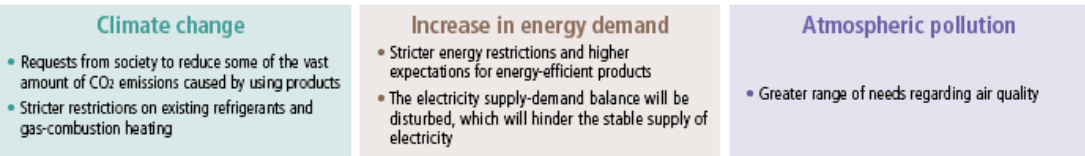
Forecast of society in 2050



How Daikin Should Proceed Based on Risks and Opportunities

Daikin came up with business risks and opportunities in relation to the environmental problems specified above. We determined how we should proceed in order to solve these problems based on the company's resources.

● Environmental Problems and Business Risks and Opportunities



● Daikin's Resources



● How Daikin Should Proceed



Environmental Vision 2050

Provide safe, healthy air spaces aiming at zero CO2 emissions



We will reduce the CO2 emissions generated throughout the entire life cycle of our products.

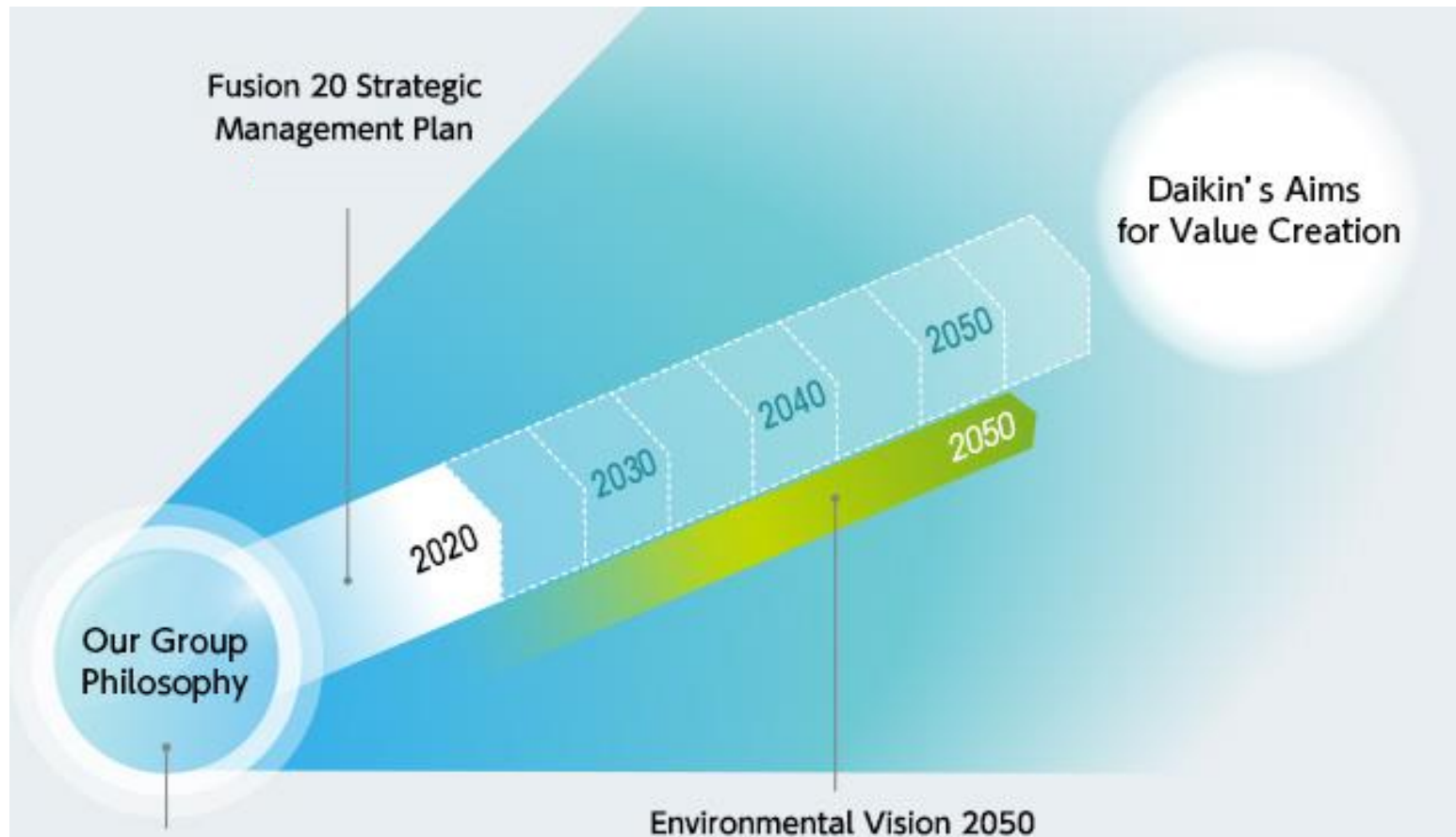
Furthermore, we will create solutions that link society and customers as we work with stakeholders to reduce CO2 emission to zero.

Using IoT / AI and open solutions, we will meet the world's needs for air solutions by providing safe, healthy air environments while at the same time contributing to solving global environmental problems.

Vision and Management Plan

Relationship of Environmental Vision 2050 and Strategic Management Plan

- Our environmental vision expresses goals for the future while our management plan establishes the concrete action plans and targets to achieve those goals.
- First, 2025 targets are established in Fusion 25.



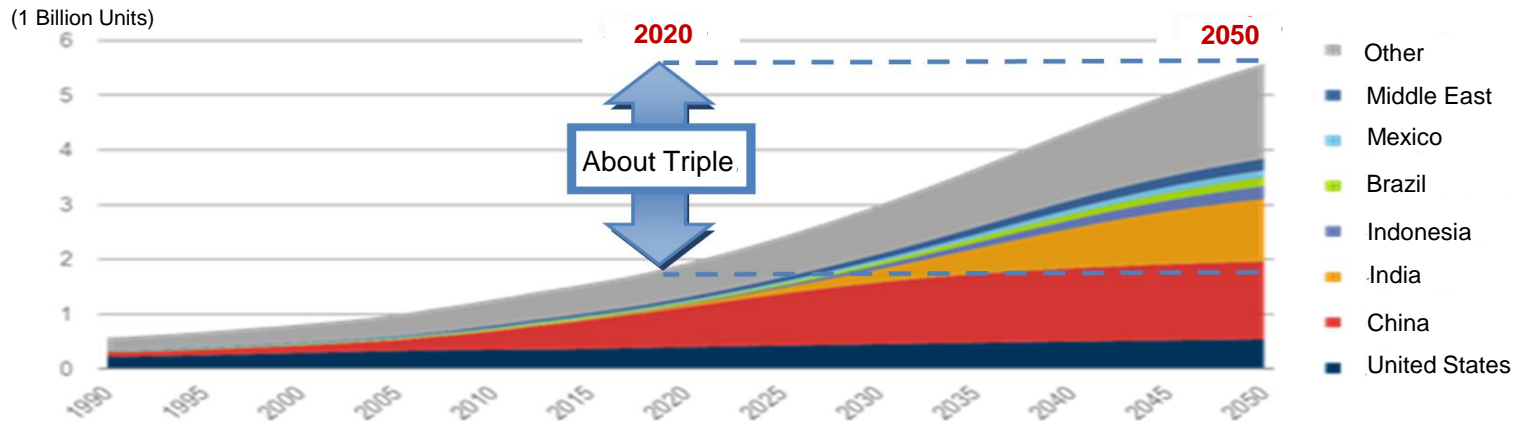
Future Forecast for Air Conditioners

International Energy Agency (IEA) Report on “The Future of Cooling”

The IEA issues reports relating to future predictions for air conditioners

- Global air conditioner demand is expected to triple over the next 30 years.
- China, India, and Indonesia account for half of the world market stock in 2050.

■ Global Market Stock for Air Conditioners

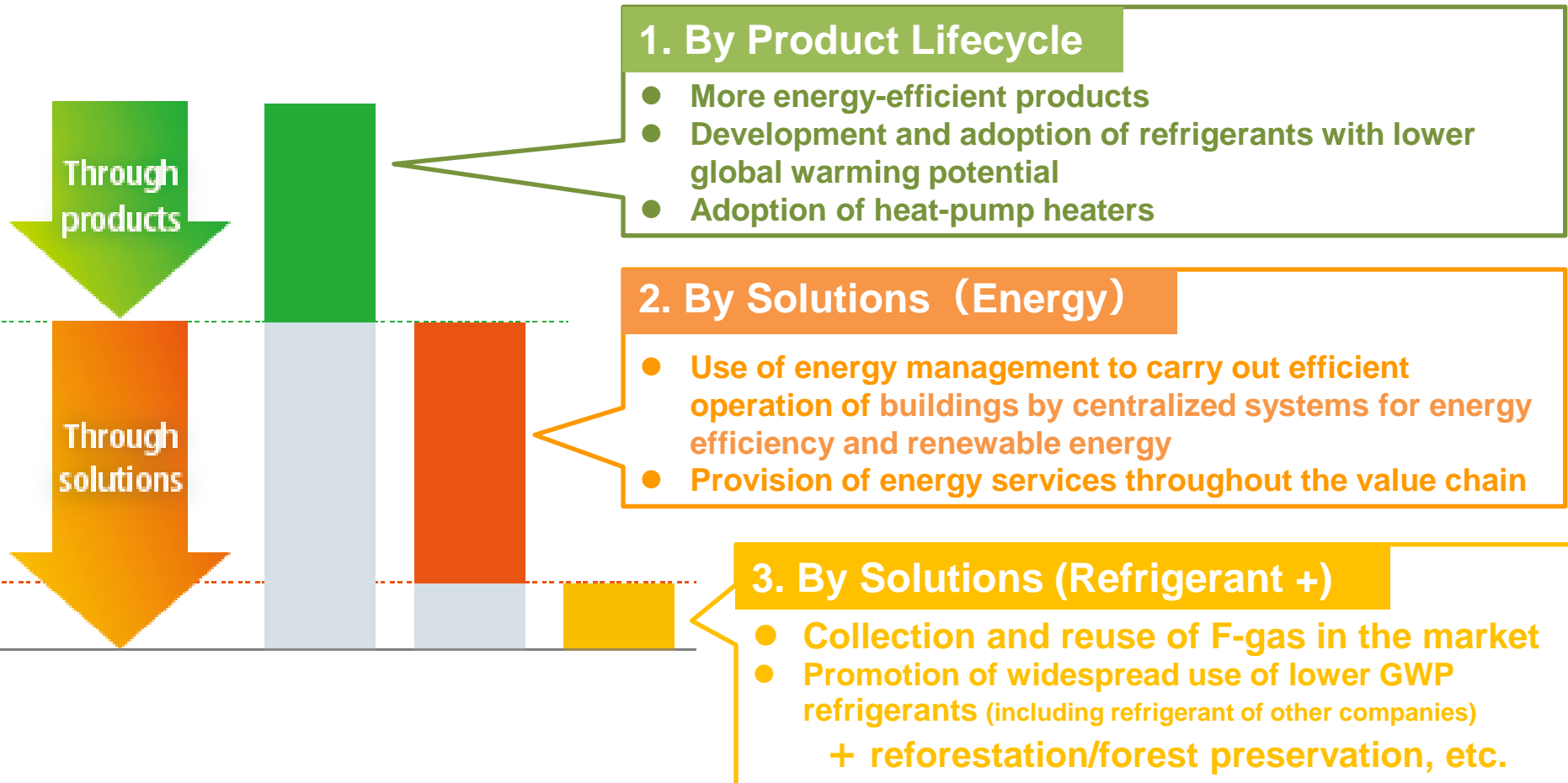


- The new amount required for peak electrical power is equal to the current total for power generation in Japan, the United States, and Europe.
- The most feasible solution to solving both “increased demand for cooling” and “increased demand for electrical power” is to promote widespread use of highly-efficient air conditioners.

How We Achieve Our Goal

Approach for “zero CO2 emissions”

- While reducing CO2 emissions through products and solutions, we aim for zero CO2 emissions.



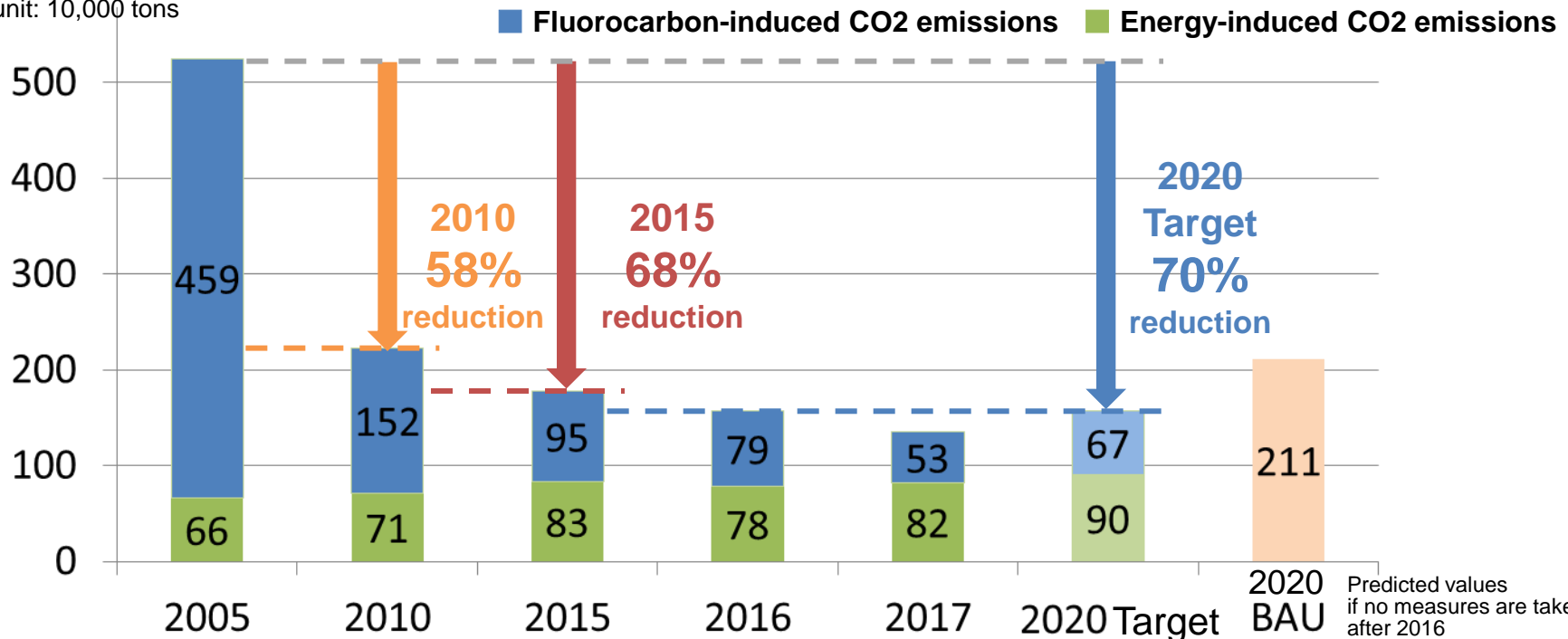
Through Products (1) Reduction of CO2 emissions from production

Reduction of 70% as 2020 target compared to 2005 for CO2 emissions during production

- Promotion of 50% reduction target in 2010 and 67% in 2015 as compared to 2005. (※Actual values showed in graph below.)
- Currently investigating 2030 target (SBT)
 - Further improvement of production efficiency
 - Reduction of CO2 emissions in the chemical production process
 - Utilization of renewable energy

CO2 Emissions Trends during Production and 2020 Target

unit: 10,000 tons

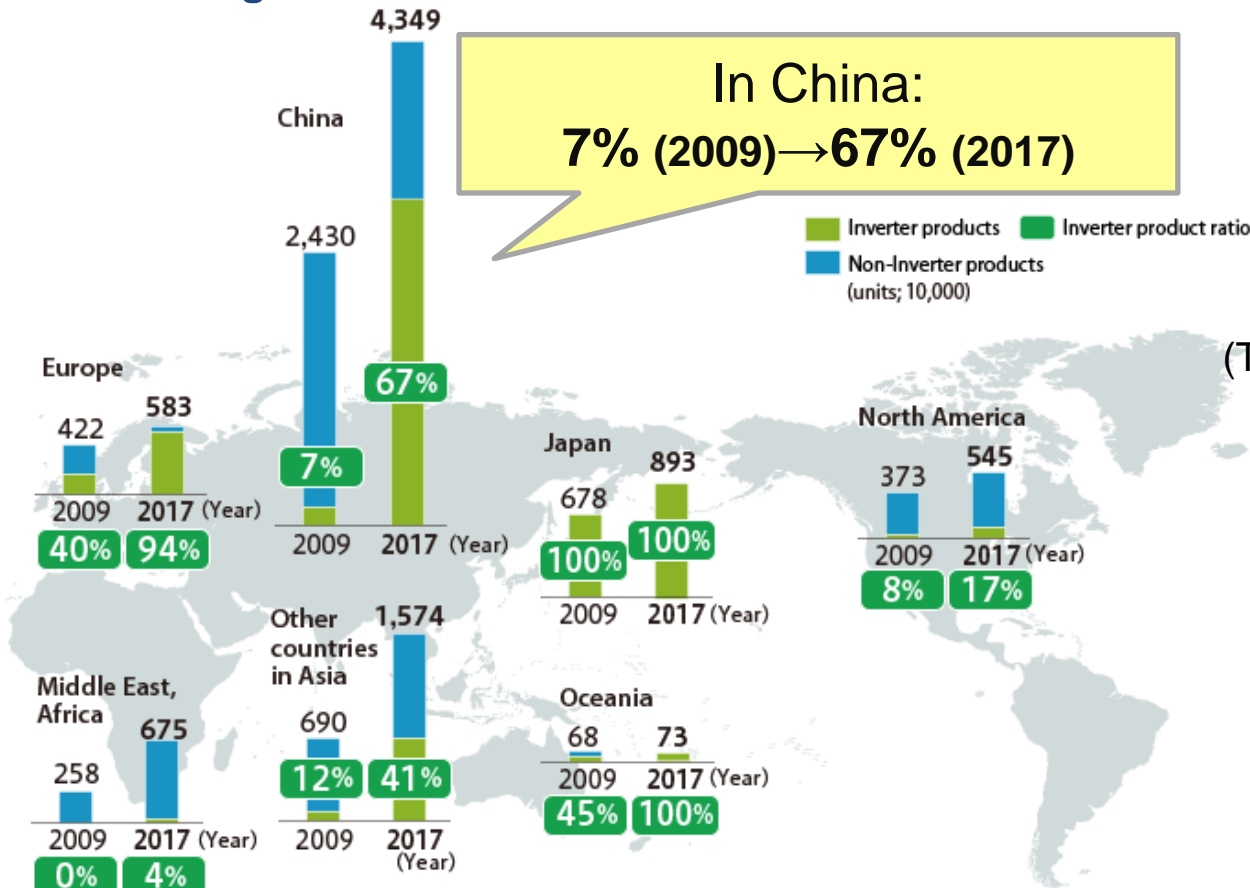


Through Products (2) Expansion of energy-saving products

Daikin promoted high efficiency products

- Demand for energy-saving air conditioners is increasing in emerging countries.
- Inverter units increased from **7%** (2009) to **67%** (2017) for the overall China market.

■ Percentage of Inverter Products for All Residential AC Worldwide



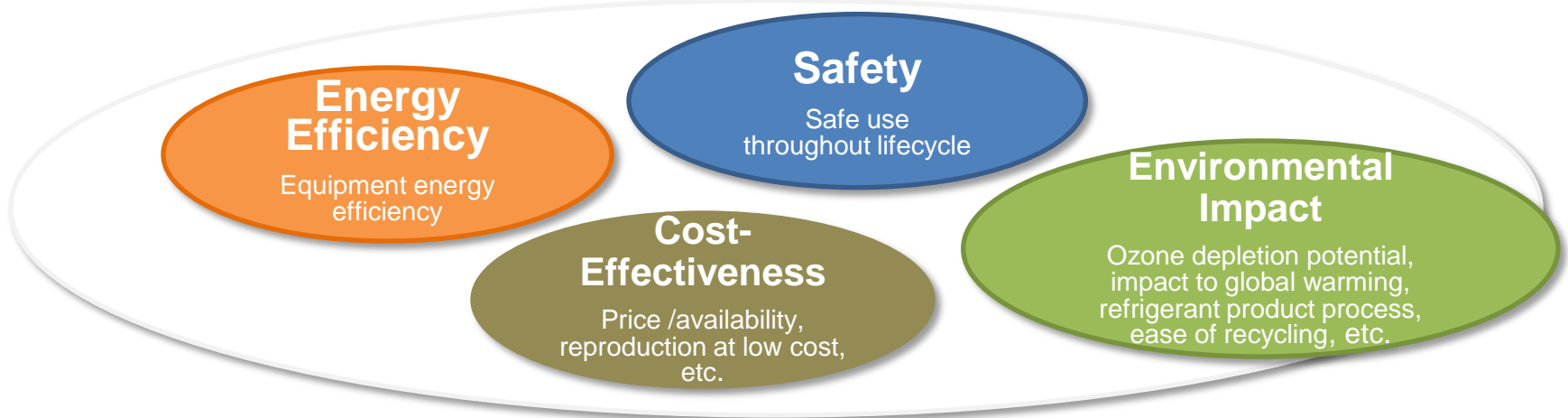
(In Mexico, Daikin products achieved **66% reduction in electricity consumption compared with conventional local products.** (Test results at an electrical power research institute in Mexico))



Through Products (3) Expansion of Lower GWP refrigerant

Promotion of Widespread Use of Low GWP Refrigerant R32

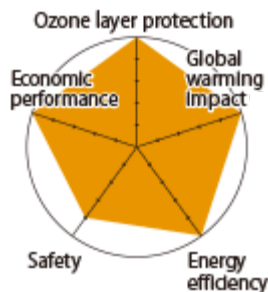
■ Evaluation index of refrigerant selection



■ Next-Generation Refrigerant Candidate (AC Application)

R32 (HFC)

GWP
675



Mildly flammable,
but an overall good balance.

R290 (Propane)

GWP
3

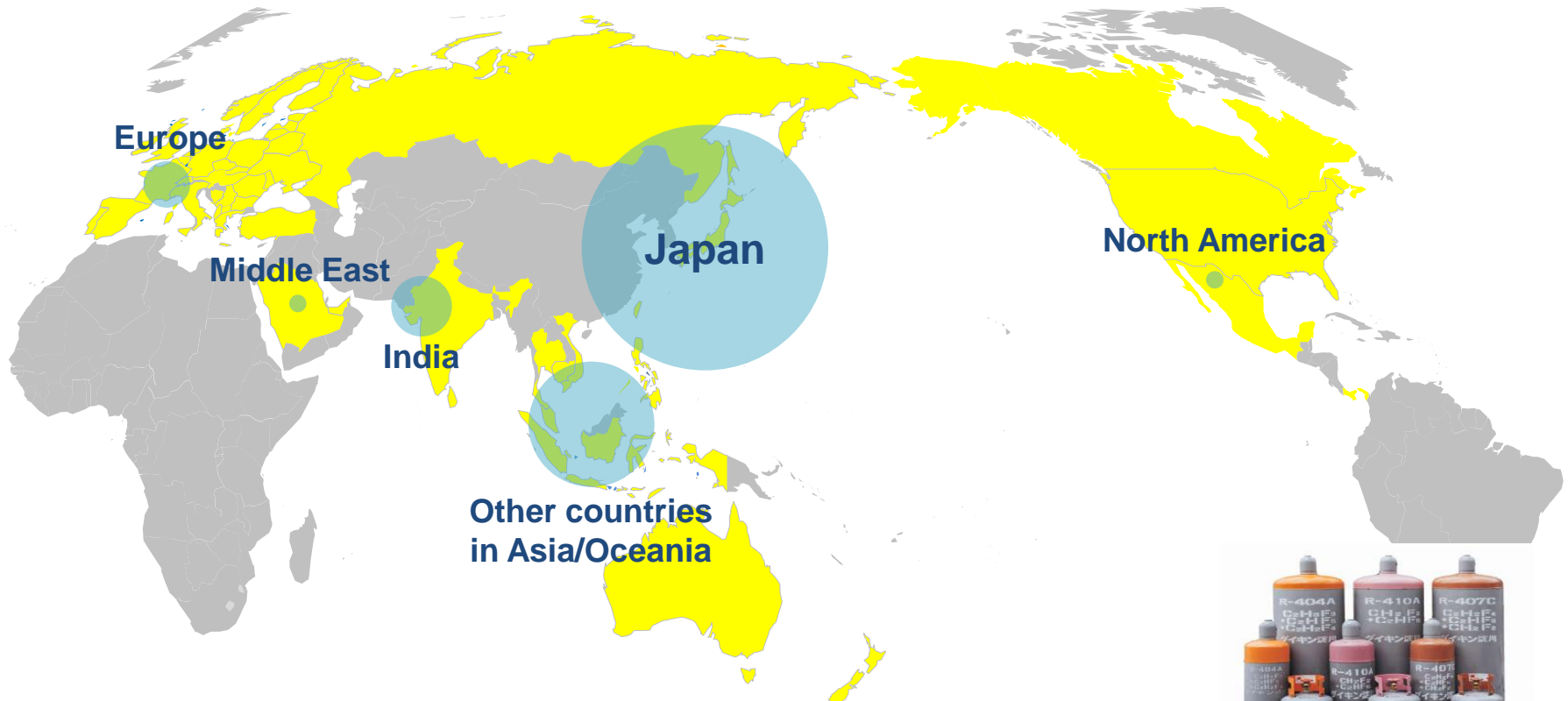


Good performance
as a refrigerant,
but highly flammable
and thus difficult to handle.

Through Products (3) Expansion of Lower GWP refrigerant

R32 refrigerant cuts global warming by about 70%

**Daikin has sold more than 15 million R32 units in
over 50 countries thus far (as of June 2018)**



*55 million R32 AC units were commercially sold, and the energy savings contributed to a global reduction of CO₂ by 92 million tons.
(Daikin estimation, June 2018)



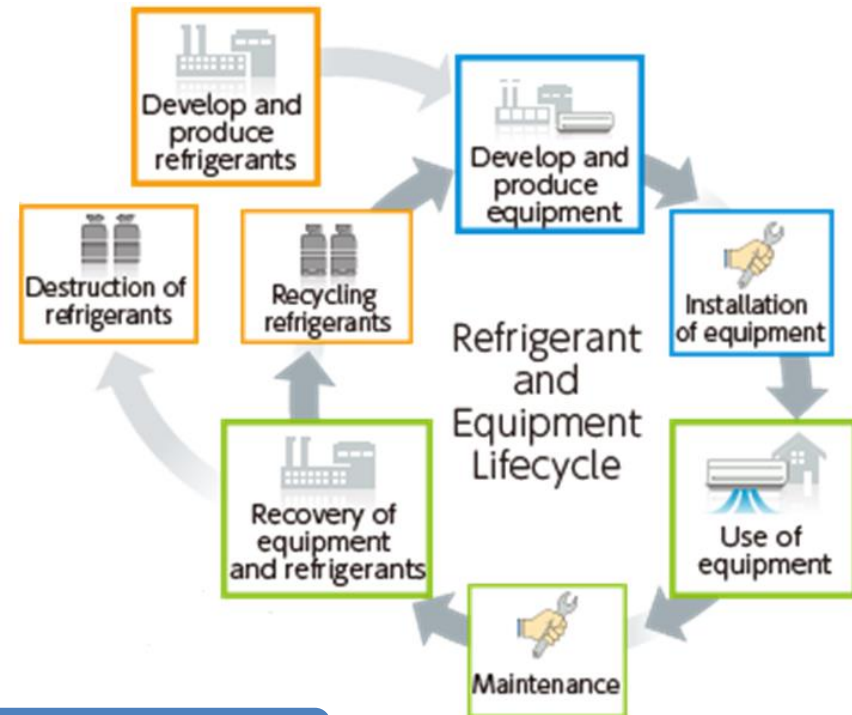
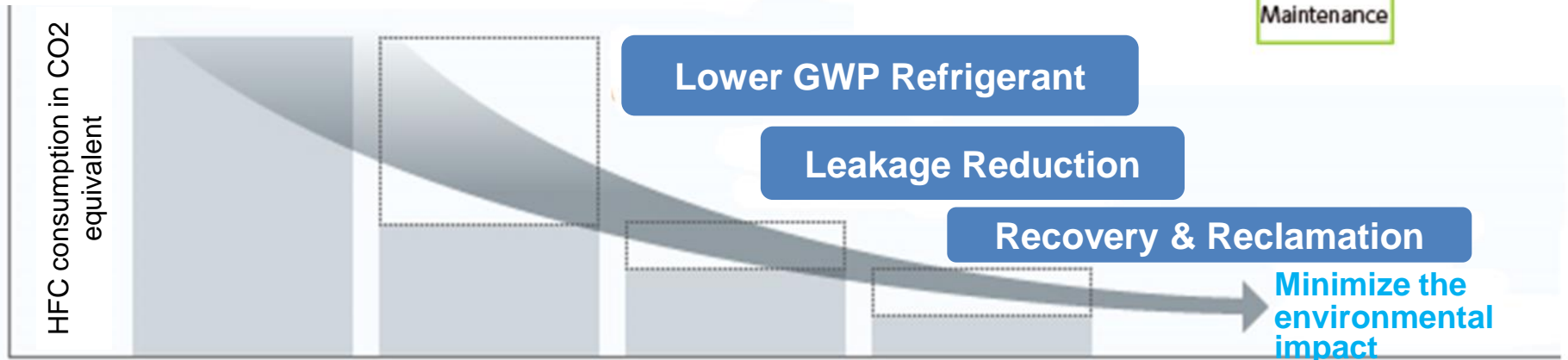
Through Products (3) Expansion of Lower GWP refrigerant

Lifecycle management and Road to Kigali

Daikin's stance on Kigali amendment

- Daikin supports the Kigali amendment
- It is important to take a "Sooner the better" approach.
- To achieve the HFC phase down, not only is refrigerant conversion needed, the lifecycle approach is also essential.
- We also work on the development of next-generation refrigerants.

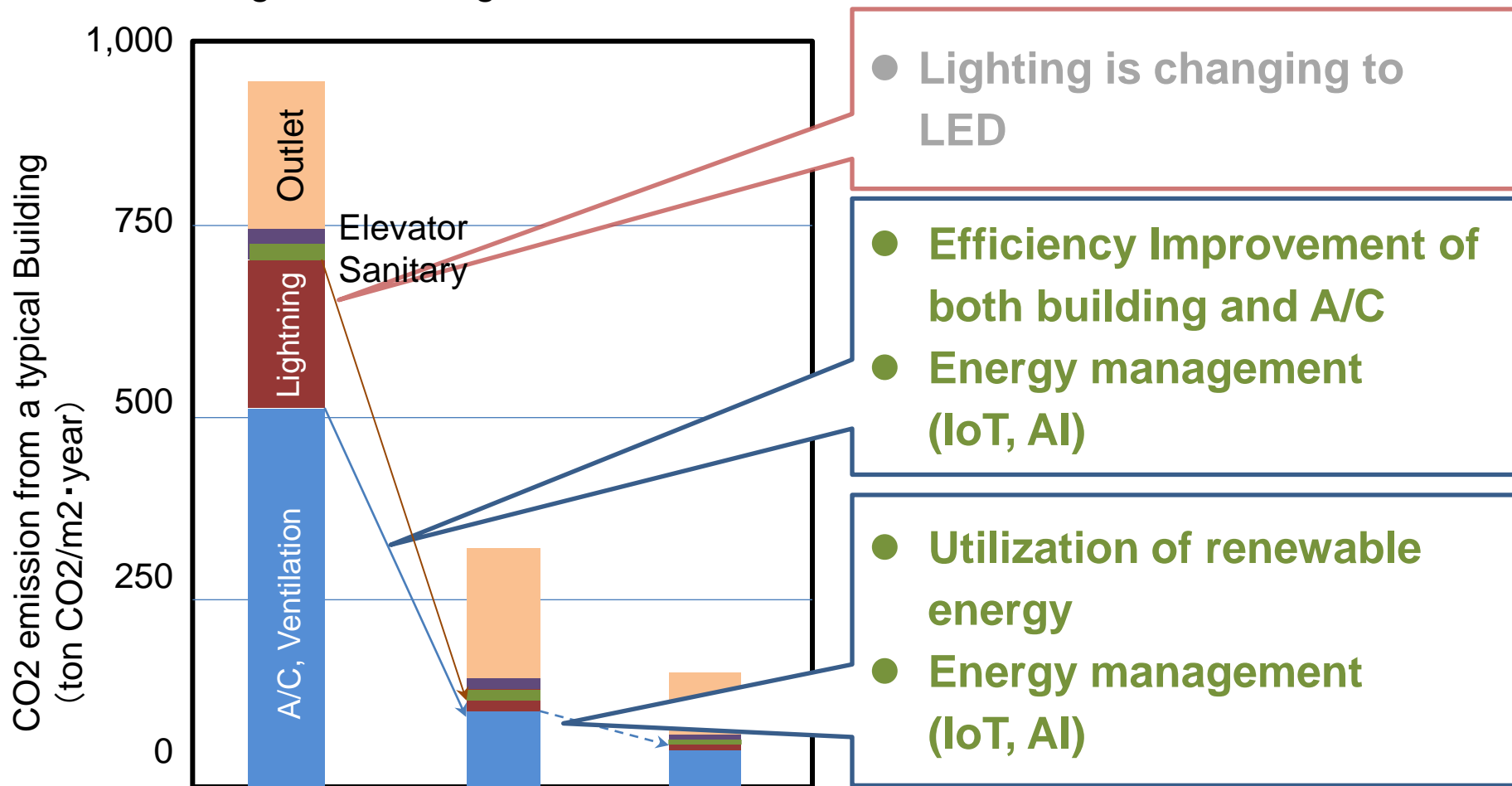
Comprehensive approach for HFC phase down



Through Solutions (1) by Energy

Daikin is reducing CO2 emission from building(ZEB)

- Energy efficiency has been increased by strengthening coordination between air conditioning and buildings, and this has reduced CO2 emissions.



Through Solutions (2) by Refrigerant

Because use of HFC refrigerants continues, HFCs with lower GWP are being promoted worldwide.

- Developing countries are creating rules and supporting market creation.



To government officials of partnering nations,
Provided information for establishing own national policy for use of R32.



To local AC manufacturers,
Provided technical support to local manufacturers to make R32 AC units.



To installers and service engineers,
Provided training support so that local vendors can install and repair R32 AC units.

In addition to the above,

Granted free access of basic patents related to the manufacture of R32 AC units; and
Provided support in development of standards for safety and performance.

Around 55 million R32 AC units of various manufacturers have been sold worldwide, and 92 million tons of CO2 were reduced.
(Daikin estimation, June 2018)

With stakeholders (1) Outside Communication

Vision realized together with stakeholders

- We express and share our environmental vision for the future while constantly maintaining dialogue with various stakeholders concerning sustainable air conditioning.



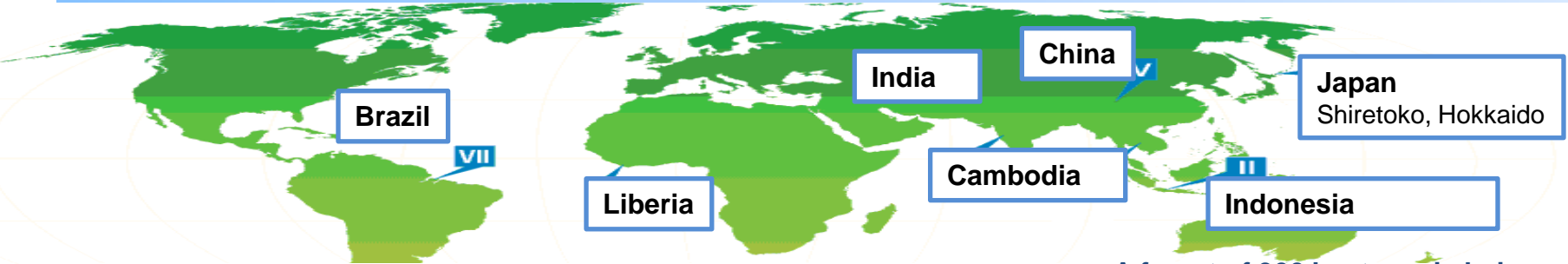
Air conditioning conference in Mexico between Daikin executives and Mexican government officials, international organizations such as the United Nations Environment Programme (UNEP), and university related people. (October 2, 2018)



International Energy Agency (IEA) analysts and Daikin members exchange opinions (October 11, 2018)

With stakeholders (2) Forests: Earth's Air Conditioners

Preservation of forests contributes to CO2 reduction of 7 million tons



● Example in Indonesia



Tree planting ceremony with Indonesian Minister of Forestry in 2008



A letter of appreciation from the Director of the Forest Conservation Bureau in 2018

A forest of 300 hectares is being reforested by establishing a conservation system largely comprised of local residents and planting 120,000 trees in ten years.



**At Daikin,
we will provide safe and healthy air spaces
to society while reducing environmental impact.**

Improvement in Value of Human Resources



Global Human Resource Development

“People-Centered Management”

8. The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Group

1) The Cumulative Growth of All Group Members Serves as the Foundation for the Group's Development

2) Pride and Loyalty

3) Passion and Perseverance

○ “A company is its people.” This is the conviction that “the source of a company’s competitiveness is its people.”

Capabilities in technology, planning, sales, and production; capabilities at the workplace and in achieving growth—all of these are the capabilities of the people engaged in these activities.

○ Behind this is the **conviction that people are irreplaceable with infinite potential and that a company will develop only when individuals grow.** In other words, we can say that the basis of People-Centered Management is the **belief in the infinite potential of people.**

(1) **No two individuals have the same talents (=capabilities).**

(2) Regardless of age, gender, nationality, or disability, **all people have at least one strength that they can apply themselves to in particular.**

(3) How well the company can **organize the diverse talents possessed by the individuals into a collective force determines its success.**

(4) Therefore, what is most important within an organization is for **individuals to accept each other’s differences, work in partnership with each other, and mobilize the strengths they possess.**

Overseas Sales and Ratio of Employees

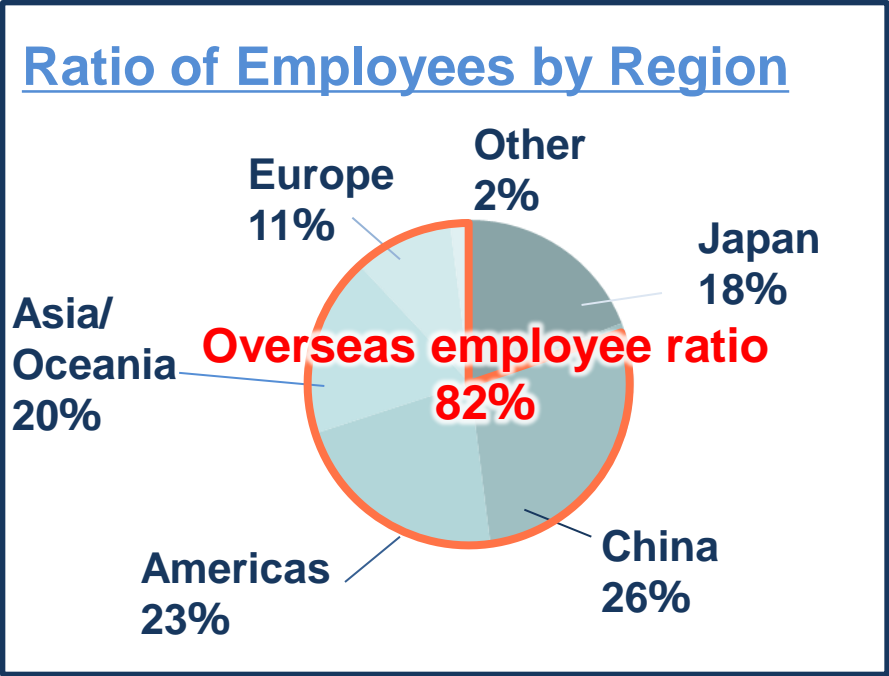
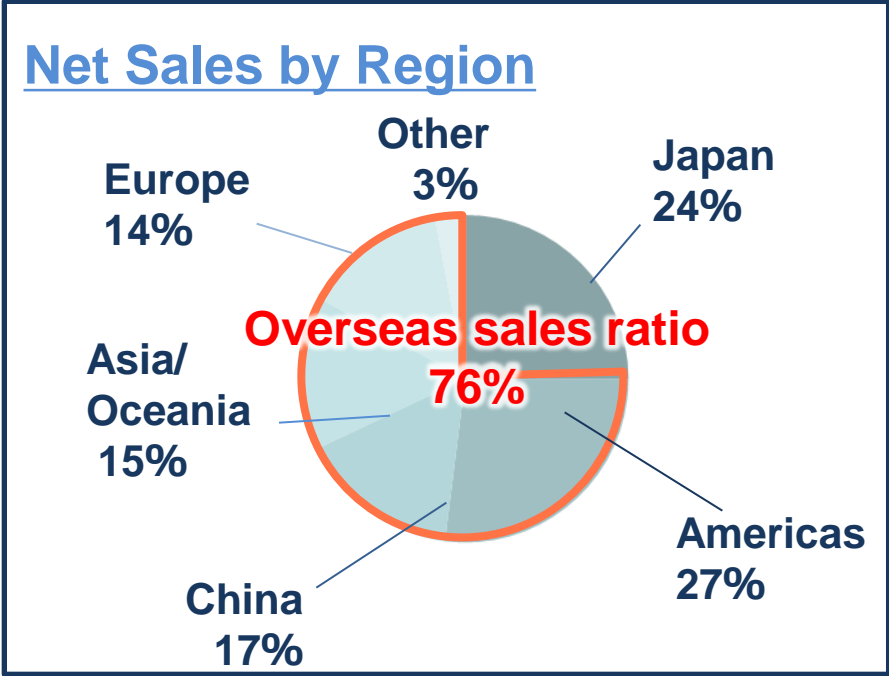
Net Sales **2,290.6 billion yen**

※As of March 2018

Business expansion to over **150** countries

Production bases at over **90** locations

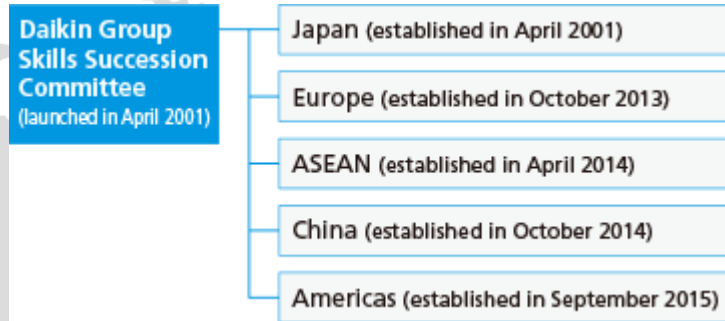
Employees **70,263** people



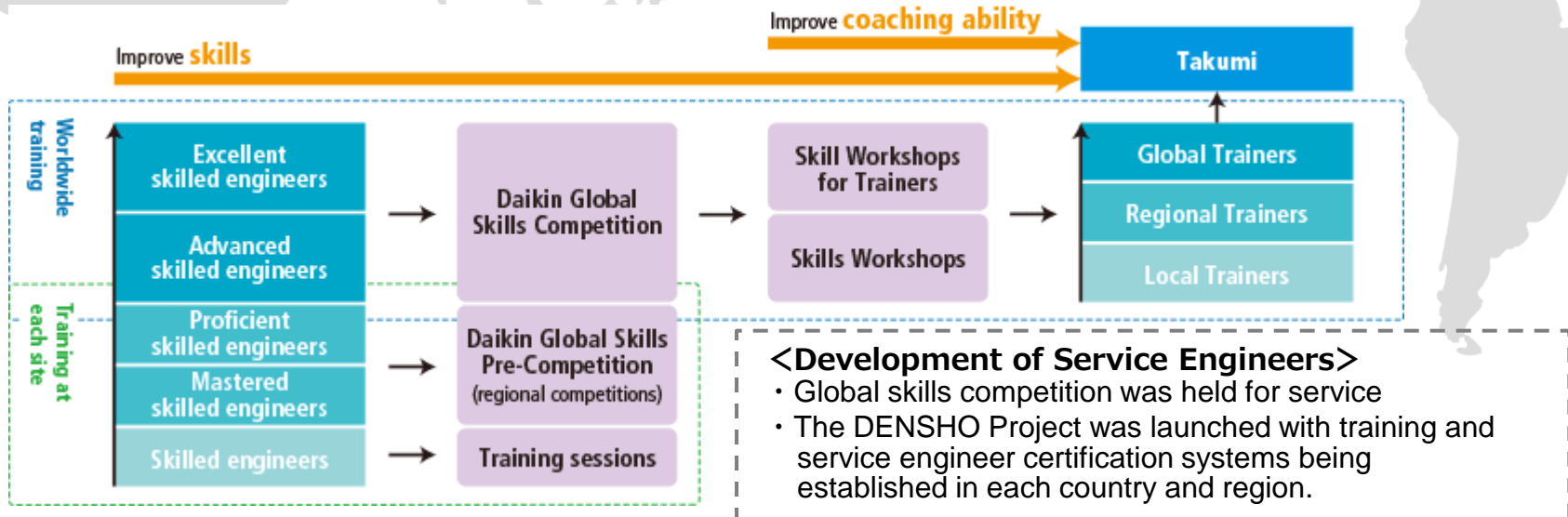
(Reference) Number and ratio of presidents and directors at overseas major bases: presidents 52% (33 people), directors 50% (71 people)

Globally Developing Technicians and Service Engineers

<Global System for Transferring Skills>



<Development System for Meister (Master Craftsman)>



Development of Global Leaders

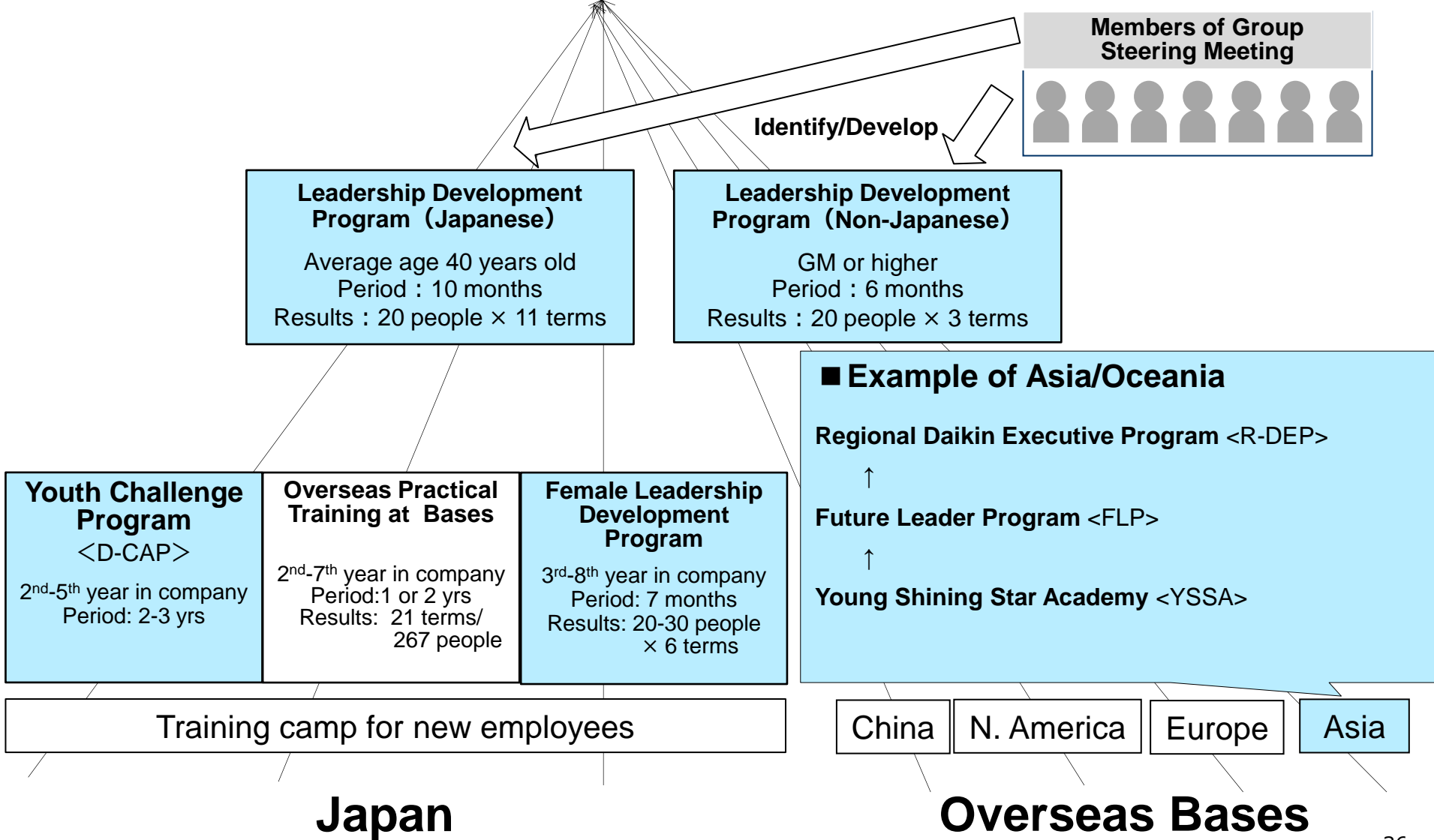
- Overseas business has expanded over the last ten years.
- There is a shortage of leaders who are responsible for global business.
- Human resources have failed to keep pace with business expansion.



It is an urgent task to develop leaders who identify with the Daikin Group philosophy.

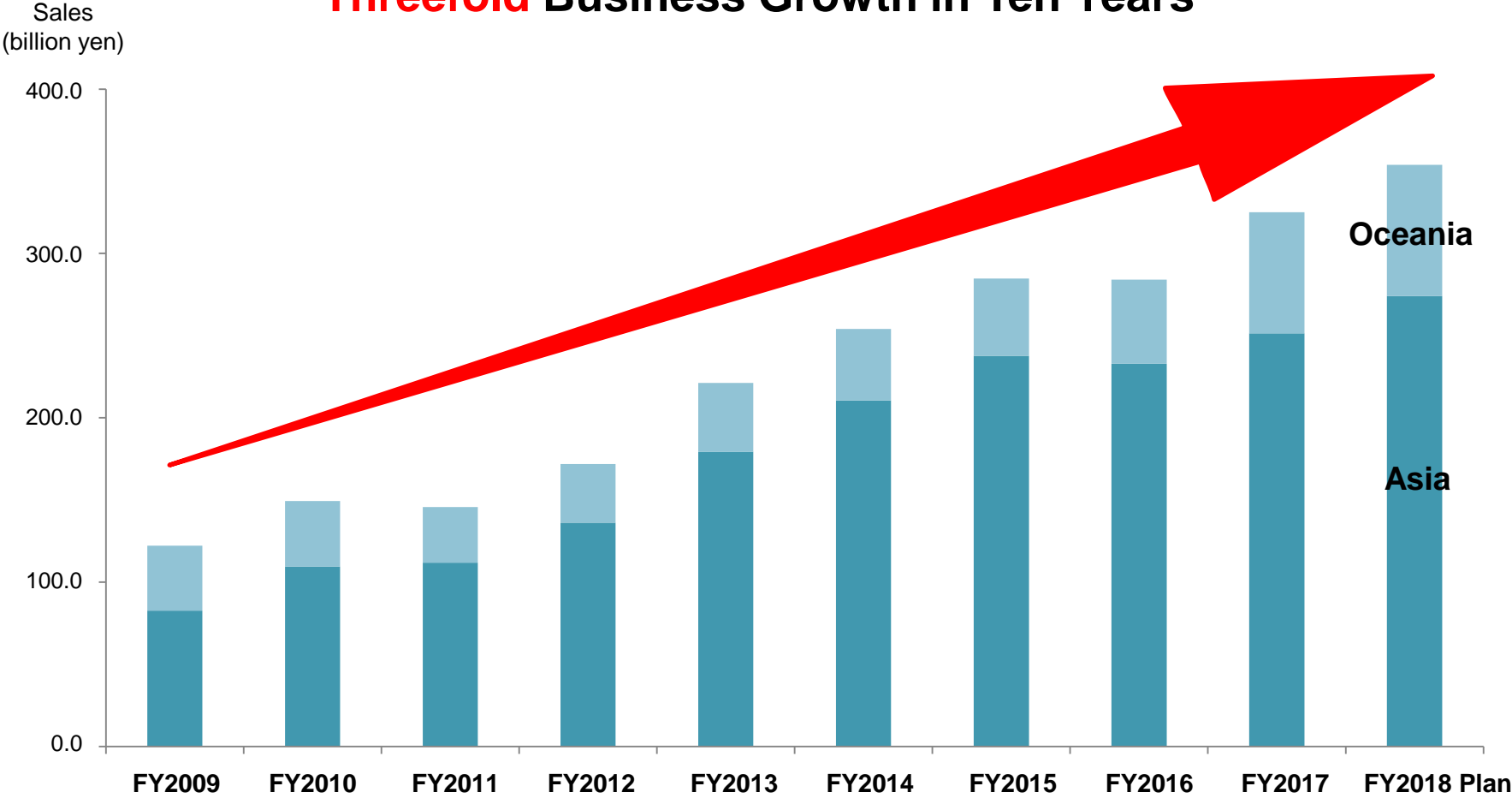
Overall Global HR Development (Current)

Top Tier in Function, Business, Management, and Region



Background of HR Development in Asia and Oceania

Threefold Business Growth in Ten Years



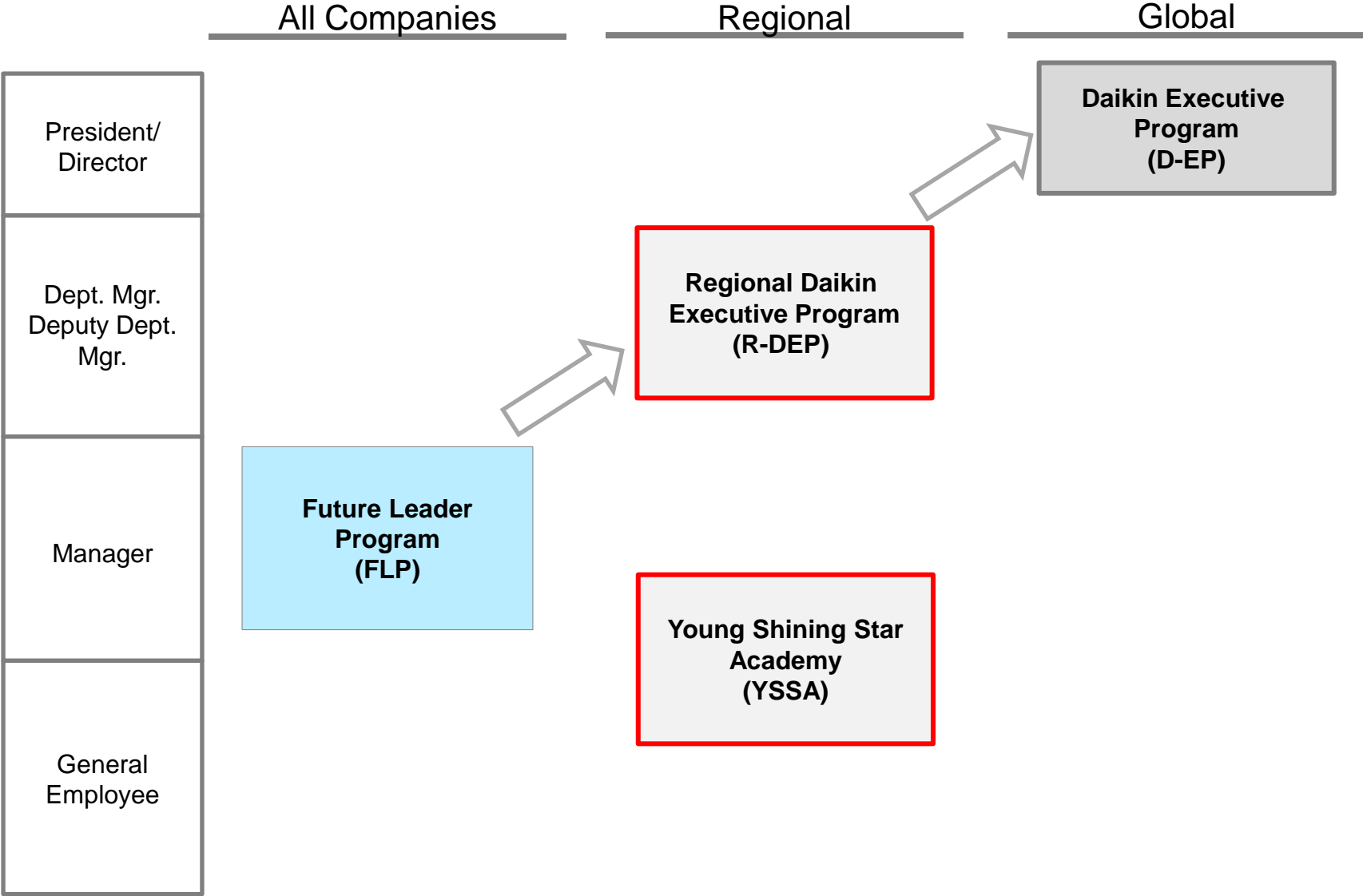
Common Issues of All Companies in Asia and Oceania

(1) Reinforcing and Developing Local Leaders

(2) Retention to Prevent Young Talented Personnel from Leaving

- Even though each company recognizes the importance of human resource development, Daikin has given priority to expansion of business scale, and **efforts for human resources development and retention have been insufficient.**
 - The **Regional Talent Committee (RTC) was launched** in October 2014 to deal with common issues, and concrete measures are being investigated to solve them.
 - An agreement was made to create a framework for organized, planned human resource development and retention.
- Regional Daikin Executive Program (R-DEP), Future Leader Program (FLP), and Young Shining Star Academy (YSSA) are executed.**

Framework for Human Resource Development in Asia/Oceania



Leadership Development Program (Japanese)

○Purpose:

Develop the spirit to shoulder the future of Daikin

○Content:

(1) Describing dreams and aspirations

The aim is to foster a “spirit to shoulder the future of Daikin” and have participants repeatedly reassess their dreams and aspirations in terms of “this is how I want to change Daikin in the future.”

(2) Thinking of strategy for the future of Daikin

Trainees aim to think of management strategy for Daikin in the future and develop the capability to express it in their own words. Together with learning management style and standard procedures, they train to think of strategy by analyzing the strengths and weaknesses of Daikin.

(3) Refining qualities suitable for top management

Qualities that are suitable to becoming top management are refined by learning liberal arts. (Creation of opportunities in self-study for the future)

○Trainees:

Average number each time is 20 people (Average age is 40 years old.)
⇒ Training is performed to young, talented employees with flexible and unconventional thinking from an early period.

D – C A P = Daikin Challenge “A”※ Program

“A unique Daikin program to accelerate challenge and growth”
(HR development measures under direct control of top management)

※ Meaning of “A”

- Ambition
- Acceleration
- Achievement
- Aspiration
- Ace (person of significant abilities)

Youth Challenge Program D-CAP

○ Purpose:

Train young, talented young personnel who have the potential to be responsible for the future as core personnel and have them produce results within the fast & flat management organization. HR development is performed at unprecedented speed.

○ Content:

Young talented HR are assigned unreservedly to and challenged with Group-wide innovation themes for future business expansion.

Personnel on the director and general manager level become the people responsible for development of each young HR and have the responsibility for target achievement of themes and fostering young talented HR.

While serving as core personnel who involve the people around them, the young talented HR in this program are expected to have strong awareness for executing themes and producing results along with the ability to take action. The surrounding officers and senior managers lend assistance as supporters.

○ Trainees:

Approx. 10 people
(2-5 years experience in company)

1st Term: from 2014

2nd Term: from 2015

3rd Term: from 2017

○ Period:

2-3 years according to theme

Goals for Active Promotion of Women in Japan

(1) Number/Ratio of Female Executives and Managers

(As of July 1, 2015)

No./Ratio of female managers
3.1%
31 of 991 female
employees



《Goals》
Promote **one or more** female officers
by the end of fiscal 2020 (in-house promotion)
Increase the number of female managers **by 10%**
100 people / 1,000 people (estimate)

(2) Ratio of Female Employees

(As of July 1, 2015)

No./Ratio of female employees
14.9%
1,225 of 8,199
female employees



《Goals》
Aim for an **average exceeding of 17%**
by the end of fiscal year 2020,
which would surpass averages
for both the manufacturing industry
and competing companies,.

History of Initiatives for the Active Promotion of Women

1986-2010 Efforts

Awareness Reform Measures Training
Female Managerial Positions

Expansion of places of female activities

- 1986 Introduction of career track and general work employment system
- 2001 **Elimination of career track and general work classifications**
- 2001-present Establishment and implementation of Positive Action

Emphasis on supporting continued employment

- 1992 **Introduction of childcare leave/reduced working hour systems**
- 2003-present Start of corporate contract with “mother network”
- 2007-present Introduction of **childcare support cafeteria plan**

Balanced Support

2011-present **Full-scale expansion with launch of the Promotion Project of Women’s Active Participation directly controlled by top management**

Climate for demonstrating abilities regardless of gender

- 2012-present Implementation of **female leader development training**, young female career design training, and lectures for male managers
- 2015-present **Implementation the sponsor and mentor systems, and establishment of “female development positions” by division**
- 2016-present **Presentation of Top Message** on Diversity
 - Cooperation with Osaka University and National Institutes of Biomedical Innovation Health and Nutrition
 - Implementation of **management training** to foster female employees

Measures to prevent stopping career for childbirth or childcare

- 2012-present Implementation of seminar on return from childcare leave
- 2012-present Start of **support for early returnees from childcare leave**
- 2013-present Start of **support measures for admission into day-care centers**
- 2016-present Introduction of **telecommuting system**
 - Promotion of **childcare leave for male employees**

Accelerated Development of Female Managers

(1) Implementation of Female Leader Development Training

Group training each term of 20-30 people in five sessions over seven months

- Targeting young people: Executed a total of seven terms with one term occurring every year starting in 2012
- Targeting mid-career: Implemented in 2013

(2) Implementation of career awareness training from a long-term perspective

Focus: Young women in their third year with the company in 2013-2014 and both young men and women in 2015.

It is a venue to rid oneself of short-term thinking and raise career awareness by reassessing work and career from a long-term perspective.



Accelerated Development of Female Managers

(3) Establishment of “Female Development Positions” by Division

- **These are positions in which a division purposely decides “are for appointing a female employee.” Female candidates are exclusively selected and systematically developed for appointment to these positions as these positions become open.**
- Once the candidate is decided, the development plan is reviewed, and the candidate is trained by receiving the necessary experience until she is appointed to that position.

(4) Implementation of Female Version of Youth Challenge Program D-CAP

- In October 2014, Daikin started the Young Challenge Program (D-CAP) in October 2014 as an HR development measure under direct control of top management (1st term: nine males and one female)
- For the 2nd term in June 2015, all ten members were female employees. Development was accelerated by unreservedly providing the female trainees the experience of facing challenging situations early in their careers before they enter a new life stage such as marriage or childbirth.
- The 3rd term started in October 2017 (3rd term: seven males and three females)

(5) Implementation of Sponsor and Mentor Systems

- **Sponsor System:** In order to increase the number of female executives and managers, officers act as sponsors and directly support the selected female candidates by providing career guidance and promotions.
- **Mentor System:** Senior employees from other departments and divisions act as mentors to junior employees (mentee) and **provide consultations and advice** through discussions relating to career and the workplace.

(Reference) Diversity Initiatives

Veteran

- ◆ 1991
Introduced rehiring system for those 60 years or older (Up to 63 years old for those wanting to work and 65 years old for those selected by company)
- ◆ 2001
Raised retirement age to 65 for those wanting to continue work

Disabilities

- ◆ 1993
Established Daikin Sunrise Settsu Co., Ltd. to hire people with severe disabilities as part of a joint public-private sector operation with Settsu City in Osaka
- ◆ 2009
Completed a new factory to hire 100 workers with disabilities
- ◆ 2017
Started hiring workers with disabilities at DIL and Group companies.

Female

- ◆ 1992
Introduced childcare leave/ reduced working hour system
- ◆ 2001
Discontinued career track and general work classifications system and implemented Positive Action
- ◆ 2011
Start of Project under direct control of top management

Non-Japanese

- ◆ 2007
Acquired OYL
- ◆ 2012
Acquired Goodman
-Accompanying the acceleration of global business expansion, operations in collaboration with non-Japanese have proceeded smoothly.

LGBT

- ◆ 2018
Provided training session to managers and revised company regulations

Initiatives for Balance of Work and Personal Life

Introduction of flexible work style

Flexible work duties were introduced in 2001 (Discretionary labor)

Initiatives eliminating long-work hours

Start from 2003 (Setting a day to leave work on time once a week, no work on holidays, etc.)

Promotion of planned paid leave

FY 2017 utilization rate:
93.5%

Enhancement of measures to support the balancing of work and child care

Initiatives reforming working quality

Our Company Governance



Basic Approach to Corporate Governance

Corporate governance plays a role in improving corporate value by continuously promoting from both aspects of:

- **Greater speed in making decisions and taking action** for Group management issues and the surrounding changes in the management environment, and
- **Enhancement of transparency and soundness.**

Members of the Board

<p>Noriyuki Inoue Chairman of the Board and Chief Global Group Officer</p>	<p>Ken Tayano Representative Director and Senior Executive Officer ✓ China/Japan AC business</p>
<p>Masanori Togawa Representative Director, President, and CEO</p>	<p>Masatsugu Minaka Board Member and Senior Executive Officer ✓ Europe/Middle East/Africa AC business</p>
<p>Chiyo Terada Representative Director and President, Art Corporation ✓ Active promotion of women ✓ Brand strategy</p>	<p>Jiro Tomita Board Member and Senior Executive Officer ✓ Production/Production technology</p>
<p>Tatsuo Kawada Chairman and CEO, Seiren Co., Ltd. ✓ Transformation of business model ✓ Innovation creation</p>	<p>Yuan Fang Board Member (Non-resident) ✓ China/ASEAN/Oceania AC business</p>
<p>Akiji Makino Chairman, CEO and Executive Officer of Iwatani Corporation ✓ Energy/Environment ✓ After sales service business</p>	<p>Kanwal Jeet Jawa Board Member (Non-resident) ✓ India AC business</p>

Enhanced Fast Management

Management and Operational Execution Systems

➤ Adoption of **Integrated Management**

Directors bear responsibilities for both aspects of:

- **Management responsibilities**, which are fulfilled in solidarity by fast, strategic decision-making and sound, proper guidance and supervision, and
- **Operational execution responsibilities**, which are executed in a speedy manner.

➤ Introduction of **Executive Officer System**

Executive officers are appointed to promote autonomous judgement and decisions in each business, region, and function.

Enhanced Fast Management

Board of Directors

This is the decision-making body for matters specified by laws and articles of incorporation concerning the entire Daikin Group.

It conducts sound and appropriate supervision and guidance of business execution.

Group Steering Meeting

This is the highest deliberative body in the Group's management system.

It determines the direction of important management policies and strategies in a rapid and timely manner and works to accelerate the speed in which decisions are made.

■ Members: Chairman of the Board (Chair), CEO, and Senior Executive Officers

Executive Officers Meeting

Important management issues related to business execution are discussed.

■ Members: All Executive Officers

Group Management Meeting

In addition to communicating the approach of top management and the basic management philosophy, this is the venue for discussing and sharing the current situation, issues, and direction of reforms for the Group.

■ Members: Senior managers of main Daikin Group companies

Securing Transparency and Soundness

Audit System

Daikin employs corporate auditors and established the Audit and Supervisory Board in which two of the Board's four members are independent external auditors who do not have any interests in the Company.

The external auditors attend important meetings, including Board of Directors meetings, receive reports, and are able to freely express diverse opinions.

Ryu Yano Chairman, Sumitomo Forestry Co., Ltd.	External Auditor	Kenji Fukunaga (Statutory Audit and Supervisory Board Member)
Toru Nagashima Teijin Limited Senior Advisor	External Auditor	Kosei Uematsu (Statutory Audit and Supervisory Board Member)

Group Auditors Meeting

This is a venue for sharing and discussing knowledge on auditing methods and internal controls related to the entire Daikin Group.

- Members: Auditors of main Daikin Group companies

Evaluation of Effectiveness of Board of Directors

The effectiveness and appropriateness of the of the Board of Directors and corporate governance system are evaluated through interviews with Directors and Audit and Supervisory Members and deliberations at the Board of Directors.

Internal Control Systems

➤ Internal Control Committee

This is the body that evaluates the status of development and utilization concerning the structure of the overall system, identifies issues, deliberates on the necessity for review, and promotes system enhancement in order to further enhance and improve the internal control systems for the consolidated Group companies.

➤ Corporate Ethics and Risk Management Committee

➤ Information Disclosure Committee

➤ CSR Committee

Process for Appointing and Dismissing Directors and CEO

The **HRM Advisory Committee** (※), which is chaired by an external director, examines and investigates the appointment and dismissal of officers, including directors, corporate auditors, and the CEO, before rendering a judgement and deciding at the Meeting of the Board of Directors.

※HRM Advisory Committee:

This body deliberates on the criteria for appointing and removing directors, corporate auditors, executive officers, etc., and the validity of candidates.

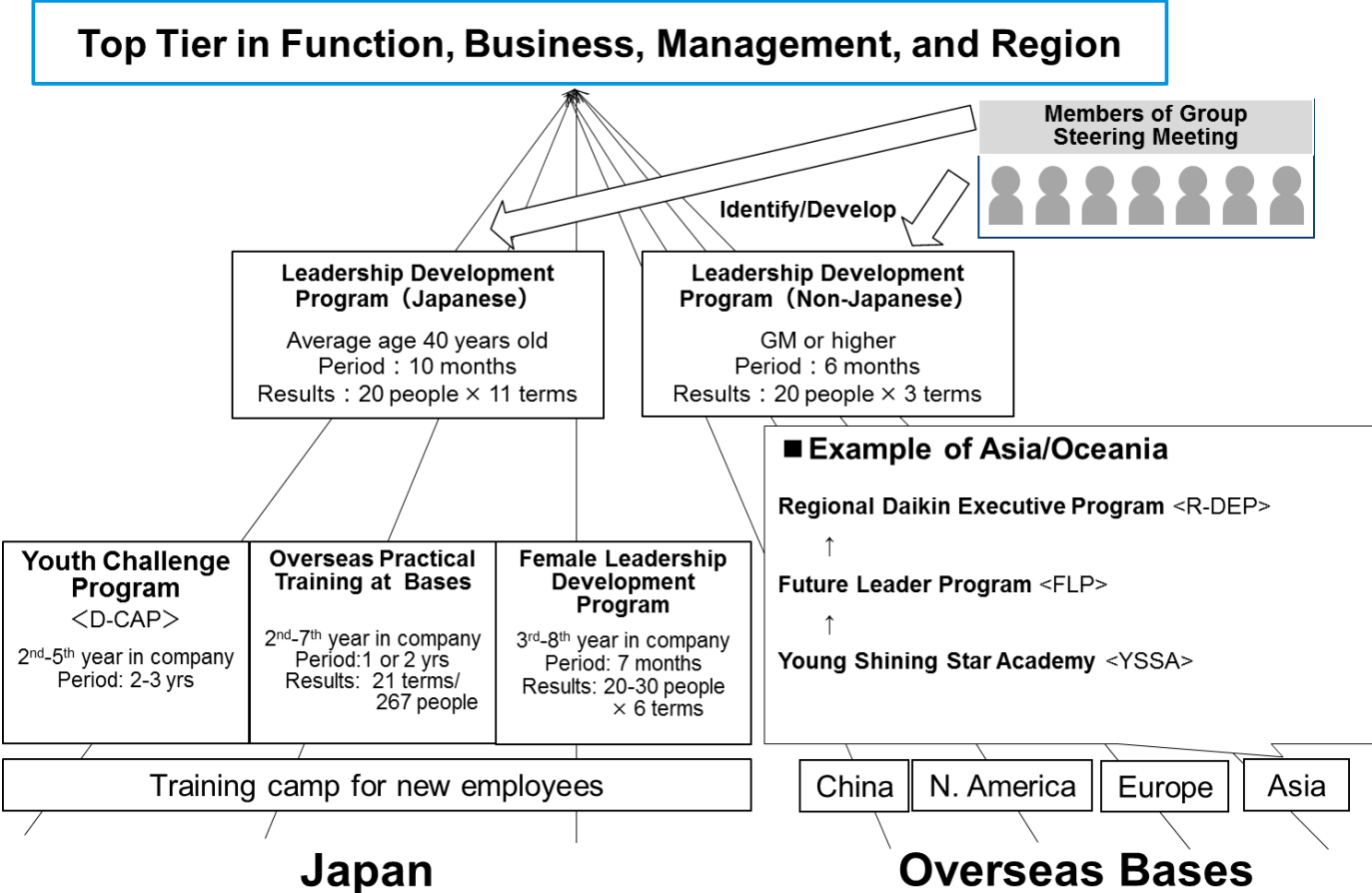
■ Members:

Three external directors (one of whom is the chair), one in-house director, and the executive officer in charge of human resources.

Securing Transparency and Soundness

Successor Training Plan

Regarding the successors of executives, we have established a training process based on a medium- to long-term perspective, and the Board of Directors discusses the details of each. For CEO candidates, we select the most talented candidates from among those who have undergone our own development plan.



Securing Transparency and Soundness

Remuneration of Officers

➤ Compensation Structure

- Remuneration of directors, excluding external directors, consists of fixed compensation, performance-linked compensation, and stock option compensation.
- Remuneration of external directors and corporate auditors is fixed compensation only.

➤ Process for Determining Compensation

The remuneration for directors is determined by discussion at the Board of Directors Meeting and for statutory corporate officers at the Statutory Audit & Supervisory Board Meeting. Remuneration is based on the report of the **HRM Advisory Committee** (※) and within the maximum total remuneration amount for each director and corporate auditor as resolved at the General Meeting of Shareholders.

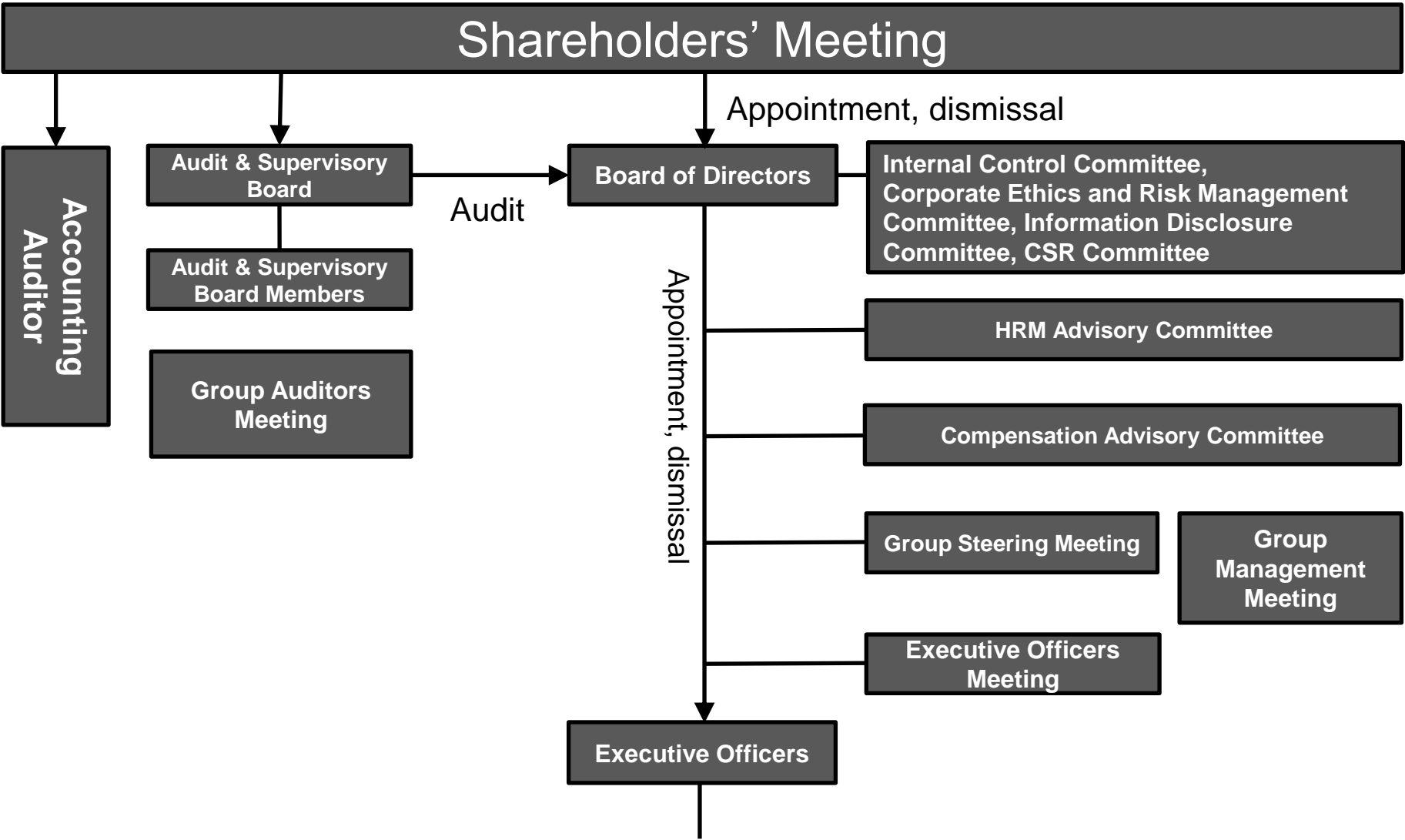
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(Reference) Company Management Structure



(Reference) History of Daikin's Corporate Governance Reforms

1999

- Introduced the Management Advisory Council system (until 2016)

2004

- Adopted **Integrated Management** in which directors have executive responsibilities
- Introduced the **Executive Officer System**
- Established **HRM Advisory Committee** and **Compensation Advisory Committee**

2000

- Introduction of virtual internal company

2002

- Established **Group Steering Meeting**
- Established **Group Management Meeting**
- Introduced two **Audit and Supervisory Board Members (external)**

2011

- Appointment of a non-Japanese national as director

2016

- Established **Internal Control Systems** chaired by CEO
- Increased number of external directors (from 2 to 3 people)

2006

- Strengthened utilization of self-regulatory committee systems (by establishing the Information Disclosure Committee in addition to the Internal Control Committee, Corporate Ethics and Risk Management Committee, and CSR Committee)

2014

- Established Chief Global Group Officer



Disclaimer

- This data is compiled for informational purposes and is not to be construed as a solicitation of any action. This data (includes management plan) was compiled by Daikin Industries., Ltd. (the Company) based on reliable information available at the time of compilation. It may include some risks and uncertainties. The Company is not responsible for its accuracy or completeness.
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