

Tax strategy statement

The publication of this strategy statement is regarded as satisfying the statutory obligation under Para 19(2), Schedule 19, Finance Act 2016. The tax strategy and principles set out herein applies to all UK taxation matters for all of the UK subsidiaries of the Daikin Group ("we" or the "Group"), for the year ended 31 March 2018 which are listed in Appendix 1.

Approach to risk management and governance arrangements in relation to UK taxation

At Daikin, we consider the payment of tax to be a critical element of our corporate social responsibilities. We believe that our tax payments play an important role in the development of the countries and regions in which we operate, which in turn results in the sustainable development of the Group in the long term.

Tax related risks are addressed in accordance with the Group's Risk Management Promotion System.

We are committed to full compliance with the applicable laws and regulations in each of the jurisdictions in which the Group operates, and to ensure that we always respect not only the letter but the spirit of the law.

Attitude towards tax planning

Daikin does not undertake tax planning that lacks commercial substance, or which involves artificial or aggressive transactions or structures undertaken solely for tax reasons.

All intercompany transactions within the Group are conducted on an arm's length basis as described in the OECD Transfer Pricing Guidelines, and consistent with local laws and regulations.

Level of tax risk accepted

We monitor and manage tax risks as an important element of the Group's broader business risk.

We actively seek to comply with relevant laws and regulations and aim to lower the risk and uncertainty in each jurisdiction in which the Group operates. External advice may be sought if issues are significantly uncertain or complex.

To mitigate risks, including the risk of double taxation, we routinely consider effective measures to increase certainty in our positions, such as Advance Pricing Arrangements ("APA") and Mutual Agreement Procedures ("MAP") for transfer pricing.

Approach to dealing with tax authorities

We strive to act in good faith and maintain an open, constructive and cooperative relationship with tax authorities, including the HMRC. Through the approach described above, we aim to achieve a robust and predictable tax position.

We demonstrate our commitment to transparency by disclosing information required under applicable laws and regulations, when requested by taxation authorities.

Appendix 1

UK subsidiaries of Daikin Industries Ltd, covered by this tax strategy.

Daikin Airconditioning UK Limited (04616794)

Hubbard Products Limited (06217134)

AAF McQuay UK Limited (02296471)

AAF Limited (00875806)

Daikin Applied (UK) Limited (03503812)

Air Filters Limited (03492774)

J&E Hall Limited (03120673)

Coulstock and Place Engineering Company Limited (02040654)