

(Translation)

CORPORATE GOVERNANCE

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Corporate governance at DAIHATSU MOTOR CO., LTD. (“Daihatsu”) functions as follows:

I. Daihatsu’s Basic Policy on Corporate Governance and Capital Structure, Business Attributes and Other Basic Information

1. Basic Policy Updated

Daihatsu aims to achieve true globalization by further pursuing the Daihatsu Group’s mission of “creating compact cars that are loved by people the world over.” To achieve this goal, it has established the Daihatsu Group Philosophy, the Daihatsu Group’s Basic CSR Principles, and the Daihatsu Group Action Guidelines. In accordance with the philosophy, principles, and guidelines, Daihatsu is striving to share its direction and value as a corporate group to fulfill the expectations of all of its stakeholders including its shareholders, customers, business partners, people in local communities, and its employees.

[Reason not to implement each principle of the Corporate Governance Code] Updated

[Principle 4.8]

Daihatsu intends to appoint appropriate human resources in consideration of law revisions and changes in the environment surrounding the company. It has appointed one independent outside member of the Board of Directors and intends to appoint appropriate human resources with the necessary knowledge and experience for the management of the company. Currently, it has yet to find multiple appropriate candidates with the above qualities. It will remain committed to finding human resources who are appropriate for the position of independent outside members of the Board of Directors, with the aim of having two or more such members.

[Disclosure based on each principle of the Corporate Governance Code] Updated

[Principle 1.4]

<1. Policies on strategic shareholdings>

Daihatsu’s primary business is the manufacture of automobiles. Daihatsu considers that the cooperative relationships with numerous companies throughout the process of development, production, sales, and others are essential for continued growth over the long term. Daihatsu therefore maintains strategic shareholdings based on a comprehensive consideration of the importance of business strategies, relationships with business partners, and others from a medium- and long-term perspective.

<2. Exercise of voting rights>

Daihatsu does not exercise voting rights as a pro forma, mechanical decision based on the short-term performance, short-term share price or similar of the issuer. Rather, decisions attempt to facilitate the improvement of corporate value and returns to shareholders over the medium and long term.

[Principle 1.7]

Where Daihatsu undertakes transactions with its officers, it complies with the procedures set forth in the Companies Act. It seeks the approval of and reports all such transactions to the Board of Directors in accordance with the Board of Directors Rules and others.

It makes decisions regarding transactions with the parent company by holding negotiations in full consideration of the market price and other factors, as it does in the case of ordinary transactions. It

makes decisions on highly important transactions after obtaining the approval of the Board of Directors pursuant to the Board of Directors Rules and others.

[Principle 3.1]

(1) Business Principles, business strategies and business plans

Daihatsu formulated the Daihatsu Group Philosophy in order to achieve its mission of “making compact cars loved around the world.”

Daihatsu pursues the essential characteristics of mini vehicles (fuel efficiency and affordability) and their standard characteristics (core performance and advanced equipment) and develops and produces vehicles by adding value appropriate for the characteristics of each model, thereby responding to diverse user needs. To elderly drivers, for example, it offers vehicles with advanced technologies that ensure easy handling and help them to drive safely. To those who provide nursing care, it offers zippy, user-friendly vehicles. Daihatsu is sure that it can help vitalize local communities by offering a means of travel with low maintenance costs, which can be used daily, to people in regions with underdeveloped public transportation systems.

Daihatsu operates its overseas business mainly in Indonesia and Malaysia. It believes that its technologies and expertise, which have been developed through fierce competition in the mini vehicle market of Japan, will be applied optimally in Indonesia and Malaysia and contribute to the development of the automotive industry in these two countries. Daihatsu will strengthen its business further based on its policy of providing optimal products for local customers in a timely manner. In addition, the company also aims to develop new overseas business. As a measure for this purpose, it began to supply automatic transmissions to Tianjin FAW Xiali Automobile Co., Ltd. of China in 2015.

With regard to environmental problems, Daihatsu has achieved the top-class fuel efficiency among gasoline-powered cars by using its proprietary e:S Technology, which was developed for the Mira e:S. What is more, the company will apply and expand the e:S Technology proactively to its new car models for Japan and other countries, thereby pursuing the fuel efficiency required of compact cars. It has also clarified its environmental targets in the production, distribution, and sales fields in the Daihatsu Environmental Action Plan and engages in activities for protecting the environment, such as energy-saving and resource-saving activities, in various areas.

To address the issue of the shrinking labor force in Japan, Daihatsu aims to utilize diverse human resources and improve the way they work. Specifically, it strives to foster human resources who are each able to think and act on their own, regardless of gender, job type, or other attributes, under its new personnel system that is based on the basic principles of equal opportunities and a merit-based system. It will continue to establish and enhance a variety of systems, including the telecommuting system and one for accepting overseas human resources, with the aim of creating workplaces where women, elderly employees, and non-Japanese employees can work successfully.

(2) Basic views and guidelines on corporate governance

Please see I.1 Basic Policy of this report.

Daihatsu supports “Japan’s Corporate Governance Code” formulated and published by financial instruments exchanges.

(3) Remuneration for members of the Board of Directors

Please see “Remuneration for members of the Board of Directors” in section II-1 below.

Daihatsu plans to establish a forum to enable the chairman, president, and outside members of the Board of Directors to review the remuneration.

(4) Appointment and nomination of members of the Board of Directors and the Audit Committee

Daihatsu nominates candidates for members of the Board of Directors by comprehensively reviewing human resources with the knowledge required for implementing business strategies, from the viewpoints of prompt, appropriate decision-making and the right person in the right place.

The company nominates candidates for members of the Audit Committee by reviewing, from the viewpoint of the right person in the right place, human resources who have a wealth of experience and a high level of knowledge of the company's business or business management, and who are capable of conducting audits from an objective, neutral standpoint.

Based on this policy, the appointment and nomination are subject to deliberation and resolution by the Board of Directors.

Daihatsu plans to establish a forum for the chairman, president, and outside members of the Board of Directors to discuss the appointment and nomination of the members of the Board of Directors and the Audit Committee.

(5) Explanations with respect to individual appointments and nominations

The reasons for the elections of individual outside members of the Board of Directors and outside members of the Audit Committee are described in the Notice of Ordinary General Meeting of Shareholders. The Notice of Ordinary General Meeting of Shareholders contains the individual profiles and professional histories of the candidates nominated and elected as members of the Board of Directors or the Audit Committee.

[Supplementary Principle 4.1.1]

In accordance with the Board of Directors Rules and others, Daihatsu defines decision-making authorities based on the scale and characteristics of each transaction and operation.

The following matters require a resolution of the Board of Directors:

(1) Matters stipulated in the Companies Act and other laws and ordinances; (2) matters stipulated in the Articles of Incorporation; (3) matters delegated for resolution at the General Shareholders' Meeting; and (4) other material business matters.

The following matters are reported to the Board of Directors:

(1) Status of execution of business and other matters stipulated in the Companies Act and other laws and ordinances; and (2) other matters deemed necessary by the Board of Directors.

[Principle 4.9]

The company has adopted the independence standards set forth by financial instruments exchanges as its criteria for determining independence, and elects independent outside members of the Board of Directors in accordance with the above standards.

[Supplementary Principle 4.11.1]

Please see Principle 3-1 (4).

Daihatsu believes that the current number of members of the Board Directors is appropriate for making suitable decisions promptly.

[Supplementary Principle 4.11.2]

Concurrent service as officers of listed companies is noted each year in the Notice of Ordinary General Meeting of Shareholders.

[Supplementary Principle 4.11.3]

Starting from this year, the Secretariat of the Board of Directors' Meeting conducts interviews with outside members of the Board of Directors and outside corporate auditors on the effectiveness of the Board of Directors, once a year, reports the findings to companywide officers' meetings, and makes improvements where necessary.

A summary of the results of the interviews will be included in the corporate governance report starting from the next fiscal year.

[Supplementary Principle 4.14.2]

For newly appointed officers, Daihatsu holds compliance training sessions on the duties of officers and related laws, regulations, and other rules. In addition, the company provides training sessions and similar organized by external organizations, companies, or others, by bearing the expenses for such sessions. Officers of the company participate in such sessions as required in their efforts to obtain the necessary knowledge. For its outside officers, the company will further expand opportunities to obtain knowledge of the company's business, financial affairs, organizations, and other aspects.

[Principle 5.1]

(1) Basic concepts

Daihatsu understands the crucial importance of shareholder and investor understanding and support in the achievement of sustainable growth and improvement of medium and long-term corporate value. It engages in constructive dialogue to furnish shareholders and investors with accurate information on a fair basis in order to build long-term relationships of trust.

(2) IR organization

Dialogues with shareholders and investors are overseen by the officer in charge of the Group CF and are conducted by the IR staff from its public relations office. To enhance dialogues, IR staff seeks information and cooperation on specific topics from relevant divisions.

(3) Method of dialogue

Daihatsu holds quarterly results briefings for analysts and institutional investors. Presentations including ones on the company's future initiatives are given at the briefings, which are attended by the officer in charge of the Group CF every quarter and by the representative members of the Board of Directors every six months. The company also has a dedicated page for investors on its website, where statements of accounts, annual reports, and other materials are provided on a timely basis. The company also holds test-ride events, etc. when it launches a new product.

(4) Feedback to the organization

Feedback regarding the content of dialogues with shareholders and investors is provided as necessary through the officer in charge of the Group CF to the Board of Directors' and officers' meetings.

(5) Insider information

No material nonpublic information is communicated to shareholders or investors in dialogues with them.

2. Capital Structure

Percentage of Shares Held by Foreign Investors

10% or more and less than 20%

[Description of Major Shareholders] **Updated**

Shareholder Name	Number of Shares Held (Shares)	Ownership Interest (%)
Toyota Motor Corporation	218,649,990	51.19
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	9,995,000	2.34
The Master Trust Bank of Japan, Ltd. (Trust account)	7,780,100	1.82
NORTHERN TRUST CO. (AVFC) RE U.S TAX EXEMPTED PENSION FUNDS	7,479,700	1.75

Japan Trustee Services Bank, Ltd. (Trust account)	6,716,000	1.57
Ohgi Shokai Co., Ltd.	5,380,700	1.25
Aioi Nissay Dowa Insurance Co., Ltd.	4,093,000	0.95
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	4,039,871	0.94
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,937,740	0.92
BBH FOR VANGUARD INTERNATIONAL VALUE FUND - ARGA	3,780,241	0.88

Existence of Controlling Shareholders (excluding parent company)	-----
Existence of Parent Company	Toyota Motor Corporation (Listed in Tokyo, Nagoya, Sapporo, Fukuoka, and overseas) Code: 7203

Supplementary Information

3. Business Attributes

Stock exchange and section:	Tokyo: 1st Section
Fiscal year end:	End of March
Line of business:	Transportation equipment
Number of employees at the end of the previous fiscal year (consolidated):	More than 1,000
Sales during the previous fiscal year (consolidated):	Greater than JPY 1 trillion
Number of consolidated subsidiaries at the end of the previous fiscal year:	50 companies or more and less than 100 companies

4. Guidelines for measures to protect minority shareholders in the event of transactions with controlling shareholders

Daihatsu undertakes transactions with the parent company by setting reasonable prices in full consideration of the market price and other factors, as it does in the case of ordinary transactions. Accordingly, the company believes that transactions with the parent company will never infringe on the rights of the company or its minority shareholders.

5. Other particular conditions that may materially affect corporate governance

Daihatsu has a policy of operating business by maintaining a close cooperative relationship with Toyota Motor Corporation as its parent company. However, it operates business on its own and secures a certain degree of independence from Toyota Motor Corporation. It makes management decisions on its own while complying with the policy of the overall Toyota Group as its member.

II. Corporate Governance System of Management Business Organization, Etc. for Management Decision Making, Execution of Duties and Management Audit

1. Organization structures and organizational operations

Organizational form:	Company with an Audit Committee
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[Members of the Board of Directors]

Number of Members of the Board of Directors pursuant to the Articles of Incorporation:	15 persons
Term of members of the Board of Directors pursuant to the Articles of Incorporation:	1 year
Chairperson of the Board of Directors:	Chairman (excluding concurrently serving as President)
Number of Members of the Board of Directors: Updated	11 persons
Election of Outside Members of the Board of Directors: Updated	Elected
Number of outside members of the Board of Directors: Updated	1 person
Established number of independent members of the Board of Directors within the outside members of the Board of Directors: Updated	1 person

Relationship with the Company (1) Updated

Name	Attribution	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Kenji Yamamoto	Attorney-at-law								○			

* Selected the relevant "Relationship with the Company"

* ○ indicates the relevant item that the person falls under as of "today or recently." △ indicates the relevant item that the person falls under as of "previously."

* ● indicates the relevant item that the person's close family member falls under as of "today or recently." ▲ indicates the relevant item that the person's close family member falls under as of "previously."

- A management executive officer of the listed company or its subsidiary
- A management executive officer or non-management executive director of a parent company of the listed company
- A management executive officer of a subsidiary of a parent company of the listed company
- A person who has a significant business relationship with the listed company or who is a management executive officer of an entity that has such significant business relationship
- A person with whom the listed company has a significant business relationship or who is a management executive officer of an entity with whom the listed company has a significant business relationship
- A consultant, accounting expert or legal expert who receives significant remuneration or other assets from the listed company other than remuneration as a director or executive officer
- A principal shareholder of the listed company (if a principal shareholder is a legal entity, a management executive officer of such legal entity)
- A management executive officer of an entity with whom the listed company has a business relationship (does not fall under d, e, and f) (only with respect to the person)
- A management executive officer of a company whose outside director assumes the post on a reciprocal basis with the listed company (only with respect to the person)
- A management executive officer of an entity to whom the listed company makes a donation (only with respect to the person)
- Other

Relationship with the Company (2) **Updated**

Name	Independent Member of the Board of Directors	Supplementary Information	Reason for election as Outside Member of the Board of Directors (and the reason for designation as an Independent Member of the Board of Directors if so designated)
Kenji Yamamoto	○	At present, Mr. Kenji Yamamoto is a partner of Kitahama Partners, Foreign Law Joint Enterprise. Daihatsu pays attorney's fees to Kitahama Partners. A summary of the business transactions entered into between Daihatsu and Kitahama Partners has been omitted, since Daihatsu has determined that the size and nature of the business transactions should not influence the judgment of shareholders and investors.	Daihatsu has elected Mr. Yamamoto as its outside member of the Board of Directors because, as a partner of Kitahama Partners, Foreign Law Joint Enterprise, he is familiar with legal work and has a high level of knowledge as a legal expert. In addition, he has the experience of having served as a member of the Audit Committee of Daihatsu for five years, which has led the company to judge that he will fulfill the duties of an outside member of the Board of Directors in an appropriate manner, and to expect that his appropriate advice on management will enable the company to strengthen its corporate governance system. Mr. Kenji Yamamoto and Daihatsu do not have special mutual interests, and he is not likely to have a conflict of interest with general shareholders, so the company has designated him as an independent member of the Board of Directors.

Establishment or non-establishment of an optional committee that corresponds to the Nominating Committee or Compensation Committee

Not established

[Auditors]

Establishment or non-establishment of an Audit Committee:

Established

Number of Audit Committee members pursuant to the Articles of Incorporation:

5 persons

Number of Audit Committee members:

4 persons

Cooperative Relationships between the Audit Committee Members, the Accounting Auditor, and the Internal Auditing Department

* Cooperative relationship between the Audit Committee members and the Accounting Auditor

Audit plans by the Audit Committee members and the results of the audits are reported to the Accounting Auditor. Audit plans by the Accounting Auditor are determined through consultations with the Audit Committee members, and the results of the audits are reported to the Audit Committee members. A session for auditing reporting by the Accounting Auditor is held at the time of the quarterly settlement and year-end settlement of accounts. The Audit Committee members join site visits to subsidiaries and others. The Audit Committee members exchange opinions with the Accounting Auditor as necessary.

* Cooperative relationship between the Audit Committee members and the Internal Auditing Department

The Internal Auditing Department reports the internal audit plans and the status of the implementation of audits to the Audit Committee members, and the two parties exchange information about other matters related to internal control as required. The proceedings of the Board of Directors and other meetings are reported by the full-time members of the Audit Committee to the Internal Auditing Department twice a month, in principle.

* Cooperative relationship between the Accounting Auditor and the Internal Auditing Department

The Accounting Auditor interviews the Internal Auditing Department regarding the status of internal audits and other matters on a quarterly basis. The members of the Internal Auditing Department are among the participants in the session for auditing reporting by the Accounting Auditor, which is held at the time of the quarterly settlement and year-end settlement of accounts.

Election or non-election of outside Audit Committee members:	Elected
Number of outside Audit Committee members:	3 persons
Established number of independent Audit Committee members within the outside Audit Committee members: Updated	2 persons

Relationship with the Company (1) Updated

Name	Attribution	Relationship with the Company (*)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Kosuke Ikebuchi	From another company		△												
Yoshiki Kitajima	From another company		△						○						
Fusahiro Yamamoto	Certified public accountant								△						

* Selected the relevant "Relationship with the Company"

* ○ indicates the relevant item that the person falls under as of "today or recently." △ indicates the relevant item that the person falls under as of "previously."

* ● indicates the relevant item that the person's close family member falls under as of "today or recently." ▲ indicates the relevant item that the person's close family member falls under as of "previously."

- A management executive officer of the listed company or its subsidiary
- A non-management executive director or accounting advisor of the listed company or its subsidiary
- A management executive officer or non-management executive director of a parent company of the listed company
- An Audit Committee member of a parent company of the listed company
- A management executive officer of a subsidiary of a parent of the listed company
- A person who has a significant business relationship with the listed company or who is a management executive officer of an entity that has such significant business relationship
- A person with whom the listed company has a significant business relationship or who is a management executive officer of an entity with whom the listed company has a significant business relationship
- A consultant, accounting expert or legal expert who receives significant remuneration or other assets from the listed company other than remuneration as a director or executive officer
- A principal shareholder of the listed company (if a principal shareholder is a legal entity, a management executive officer of such legal entity)
- A management executive officer of an entity with whom the listed company has a business relationship (does not fall under f, g, and h) (only with respect to the person)
- A management executive officer of a company whose outside director assumes the post on a reciprocal basis with the listed company (only with respect to the person)
- A management executive officer of an entity to whom the listed company makes a donation (only with respect to the person)
- Other

Name	Independent Audit Committee Member	Supplementary Information	Reason for election as outside Audit Committee members (and reason for designation as an independent Audit Committee member if so designated)
Kosuke Ikebuchi		Until June 2005, Mr. Kosuke Ikebuchi was the Director and Vice Chairman of Toyota Motor Corporation, which is the parent company of Daihatsu. At present, he serves the parent company as non-management Senior Advisor to the Board and Senior Technical Executive.	Daihatsu has elected Mr. Kosuke Ikebuchi as an outside member of the Audit Committee because he was involved in the management of Toyota Motor Corporation for many years, and Daihatsu expects that he will demonstrate his management audit capabilities from the viewpoint of his experience and knowledge as a management expert developed through his career at Toyota Motor Corporation.
Yoshiki Kitajima	○	Mr. Yoshiki Kitajima currently serves Toyota Corolla Tokushima Corporation as its Director and Chairman. Daihatsu undertakes transactions with the company. A summary of the business transactions entered into between Daihatsu and Toyota Corolla Tokushima Corporation has been omitted, since they are ordinary transactions undertaken as general consumers and Daihatsu has determined that the size and nature of the business transactions should not influence the judgment of shareholders and investors. In addition, from April 1986 to March 1988, Mr. Yoshiki Kitajima was on loan from Toyota Corolla Tokushima Corporation to Toyota Motor Corporation, which is the parent company of Daihatsu, and undertook business at Toyota Motor Corporation.	Daihatsu has elected Mr. Yoshiki Kitajima as an outside member of the Audit Committee because he was involved in the management of Toyota Corolla Tokushima Corporation for many years, and Daihatsu expects that he will demonstrate his management audit capabilities from the viewpoint of his experience and knowledge developed through his career at Toyota Corolla Tokushima Corporation. Mr. Yoshiki Kitajima used to be a management executive officer of Daihatsu's parent company. However, the company has designated him as an independent member of the Audit Committee because he served the parent company for an extremely short period, nearly 30 years have passed since he left the company, and he is not likely to have a conflict of interest with general shareholders.
Fusahiro Yamamoto	○	Mr. Fusahiro Yamamoto undertook business at PricewaterhouseCoopers Aarata from September 2006 to June 2013. PricewaterhouseCoopers Aarata is the Accounting Auditor of Daihatsu, and a summary of the business transactions with this firm is as disclosed in the business report.	Daihatsu has elected Mr. Fusahiro Yamamoto as an outside member of the Audit Committee because as an accountant he is familiar with auditing practices and has a high level of knowledge, which has led the company to expect that he will perform audits in an appropriate manner. Mr. Fusahiro Yamamoto used to be a management executive officer of Daihatsu's Accounting Auditor. However, the company has designated him as an independent member of the Audit Committee because he was never directly involved in audits of the company, he has already left the firm, and he is not likely to have a conflict of interest with general shareholders.

[Independent members of the Board of Directors / Audit Committee members]

Number of independent members of the Board of Directors/independent Audit Committee members:	3 persons
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Other Matters Relating To Independent Members of the Board of Directors / Audit Committee Members

[Incentives]

Implementation of measures on incentive allotment to members of the Board of Directors: Updated	Other
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Supplementary Information Updated

With regard to bonuses, Daihatsu basically takes a performance-based approach. It has not adopted stock option plans.

Grantees of stock options

Supplementary Information

[Remuneration for members of the Board of Directors]

Disclosure status (of remuneration of individual members of the Board of Directors):	Not disclosed individually.
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Supplementary Information

Remuneration is not disclosed individually because no member of the Board of Directors receives, in aggregate, consolidated remuneration of one hundred million Japanese yen or more.

Existence of guidelines for the amount and calculation method of remuneration:	Yes
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Information Regarding Guidelines for the Amount and Calculation Method of Remuneration
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* Basic remuneration

The amount of basic remuneration is determined in consideration of the contents of the duties of each member of the Board of Directors, balance with the remunerations of employees and other members of the Board of Directors, and changes in the business environment and within the range of the total amount determined pursuant to the resolution of the General Meeting of Shareholders. With regard to the amount of remuneration of each member of the Board of Directors, that of the Director is determined through deliberations at the Board of Directors meeting.

* Bonuses

Daihatsu submits the total amount of bonuses for resolution at the General Meeting of Shareholders every year. It determines the amount in consideration of the dividends, the number of days agreed on with employees, the balance between members of the Board of Directors, amounts paid in the past, and other factors and through deliberation at the Board of Directors meeting, using the performance-based approach

in principle. With regard to the amount of the bonus of each member of the Board of Directors, that of the Director is determined through deliberations at the Board of Directors meeting.

[Support system for outside members of the Board of Directors (outside Audit Committee members)] Updated

When a Board of Directors meeting is held, information about the agendas for the meeting is provided in advance by the Group CF via the Secretary Group. To members who will not attend the meeting, materials are distributed and explanations on the contents are provided in advance or afterward without delay. Dedicated staff allocated to the Group CF support outside members of the Board of Directors, and staff allocated to the Audit Division support the four members of the Audit Committee, including outside members.

2. Matters pertaining to functions relating to the execution of duties, audit and supervision, appointment and decisions regarding remuneration, etc. (Outline of the current corporate governance system) Updated

The Board of Directors meeting (which takes place once a month, in principle) makes decisions on the execution of important operations and supervises the members of the Board of Directors in the execution of their duties. Daihatsu also has the vice president's meeting (which takes place once a week, in principle), with the participation of the members of the Board of Directors and a full-time member of the Audit Committee, which discusses and reports on management matters of importance.

In addition, in order to respond to the globalization of business areas and also to enhance corporate governance and strengthen the management structure, the company has introduced the executive officer system and the functional business groups system. It is promoting the realization of "a clear delineation of responsible parties" and "an organization that follows through on its missions" by strengthening and accelerating the business execution function and having each functional business group complete the process of business execution. It is also striving toward the strategic use of human resources by binding its organization together.

The members of the Audit Committee of the company meet once a month, in principle. In addition, they also attend important meetings, such as the Board of Directors meeting and vice president's meeting, in accordance with audit plans and the audit policy, to supervise the members of the Board of Directors in the execution of their duties. The Internal Auditing Department carries out auditing on a regular basis to examine and evaluate activities and systems according to the Company's management policies from a fair, just position. The results of the auditing are reported to the members of the Audit Committee.

With the aim of improving the corporate value and assuring the reliability of financial reports and compliance with laws and regulations, Daihatsu established the Internal Control Committee, chaired by a director appointed by the president and with chief officers of groups of the Company as committee members. The Internal Control Committee adjusts internal control systems based on the Financial Instruments and Exchange Act and the U.S. Sarbanes Oxley Act and seeks to enhance the Daihatsu Group's internal control system by including personal and other classified information. Its Group-wide efforts include the release of Anti-Corruption Guidelines and the establishment of rules for advance reporting and consultations between the company, the parent company, and subsidiaries.

For operations that require control, risk management, and compliance in each division, in addition to regular operations by each division, Daihatsu ensures detailed control activities and the collection of information through the activities of the Export Management Committee, the Daihatsu Environmental Meeting, the Joint Labor-Management Conference, the Functional Labor-Management Coordinating Committee, and others. In addition, it has established the Employees' Voice Helpline system, whereby an employee can offer pertinent information in anonymity, in the event that a threat of conduct contrary to the law, social ethics, human rights, or internal company regulations might take place in the workplace or in the case when such conduct has already occurred. The system enables the company to take measures to prevent such occurrences or to take quick actions in the event of an emergency.

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, Daihatsu has entered into limited liability agreements with the directors, excluding management executive directors, and members of the Audit Committee, excluding its full-time corporate auditors, to limit the amount of their liabilities

stipulated in Article 423, paragraph (1) of the Companies Act. Based on these agreements, the company limits the amount of their liabilities to the amount stipulated in the law.

3. Reason for the selection of the current corporate governance system Updated

Daihatsu's internal control system reflects its adoption of a corporate auditor system as stipulated in the Companies Act of Japan, which involves supervision and decision-making on business execution by the Board of Directors as well as auditing by the Audit Committee and its corporate auditors.

With regard to functions to audit and supervise the execution of duties by the members of the Board of Directors, Daihatsu has its three outside members of the Board of Directors carry out audits from an objective, neutral standpoint.

In addition, to strengthen its corporate governance further by reflecting external opinions in making management decisions, Daihatsu elected one outside member of the Board of Directors at the 174th Ordinary General Meeting of Shareholders that was held in June 2015. It has thus established a system that enables various aspects of business decisions made by the members of the Board of Directors to be checked to see whether they are appropriate, in addition to enabling advice to be obtained on business decisions from the outside members of the Board of Directors based on their expertise and experience.

Daihatsu has adopted the current management auditing system in the belief that it is sufficient for the above reasons.

III. Implementation of measures for shareholders and other stakeholders

1. Approach toward the vitalization of the General Shareholders' Meeting and the facilitation of the exercise of voting rights Updated

	Supplementary information
Exercise of voting rights by electronic means	Daihatsu enables shareholders to exercise voting rights on the Internet
Measures aimed at participation in electronic voting platforms and other improvements in voting environments geared towards institutional investors	Daihatsu participates in an electronic voting platform for institutional investors operated by ICJ Corporation
Provision of convocation notices (summary) in English	Daihatsu creates English-language convocation notices, and makes them available on its website as well as within electronic voting platforms for institutional investors

2. IR activities

	Supplementary information	Explanation by representative members of the board
Convene periodic briefing for analysts and institutional investors	Daihatsu convenes briefings four times a year, or when it announces its financial results for the first and third quarters in addition to the second-quarter and full-year results. In principle, each briefing is convened on the day of the announcement, and representative members of the board participate in the briefings for the second-quarter and full-year financial results. The company also organizes factory tours, etc. as required to ensure that it is better understood.	Yes
Disclosure of IR documents on the website	Daihatsu has pages for investors on its website, where statements of accounts, annual reports, and other materials are provided appropriately on a timely basis. [URL: http://www.daihatsu.com/ir/index.html]	
IR related divisions (personnel)	Daihatsu has IR personnel in its public relations office.	

3. Activities concerning respect for stakeholders Updated

	Supplementary information
Setting forth provisions in the internal regulations concerning respect for the stakeholders' position	Daihatsu has published the Daihatsu Group's Basic CSR Principles and the Daihatsu Group Action Guidelines. These summarize the actions to be taken by a company and the basic mindset and action guidelines for its employees, which should be followed as the company and its employees relate to society, business partners, and external organizations. Daihatsu strives to ensure that these principles and guidelines will be observed within the company and the Daihatsu Group.
Promotion of environmental preservation activities and CSR activities	Environmental issues are one of Daihatsu's top priority management issues. It will continue to place strong emphasis on creating environmentally friendly small cars that contribute to society and have a low impact on the environment. It has established an Environmental Affairs Department as an organization that promotes company-wide environmental activities, and the entire Daihatsu Group addresses environmental issues with regard to all aspects, that is, products, production, and recycling. All of its production factories have obtained ISO 14001 certification, an international standard on environmental management systems, and the company tackles environmental issues systematically and continuously. With regard to CSR, the company reviewed the Daihatsu Group's Basic CSR Principles in March 2015 to further clarify its stance in response to changes in the domestic and overseas environments, such as the declining birthrate coupled with the aging society in Japan and the rising awareness of rights and aggravation of environmental problems in emerging countries. Daihatsu believes that every employee should respect the Basic CSR Principles and promote CSR activities through business. This, it believes, will lead to the sustainable growth of not only the company, but society as a whole. Details of Daihatsu's CSR activities are available on its website. (http://www.daihatsu.com/company/csr/index.html)
Establishment of policy concerning disclosure of information to stakeholders	Policies on the disclosure of each piece of information are determined through consultations between the related divisions and members of the Board of Directors in accordance with the timely disclosure rules stipulated by the Tokyo Stock Exchange and other rules. By following these policies, Daihatsu discloses information to stakeholders in an appropriate manner.
Others	<Policies and Initiatives to Increase Opportunities for Women> Daihatsu proactively maintains an environment that is conducive to both work and childcare in order to increase opportunities for women. To date, the company has introduced a variety of programs to assist female employees, including the child-rearing leave system until the age of two (which exceeds legal statutes); shorter work hours and the sick/injured child-care leave system for female employees with children aged 10 years old or younger; the maternity leave system for pregnant employees that enables them to take leave before the period for antenatal leave; and the return-to-work system for female employees who have to resign due to a spouse's job transfer. In addition, the company has implemented measures that promote the role of female employees in manufacturing facilities, including assigning women to production lines.

IV Basic Approach to Internal Control System and its Development

1. Basic Policy Regarding the System to Secure the Appropriateness of Business Updated

Daihatsu has established the following systems to ensure appropriate operations.

1. System to ensure that the members of the Board of Directors and the employees execute their responsibilities in compliance with the relevant laws and regulations and the Articles of Incorporation
 - Ensuring that all the actions are taken based on the Daihatsu Group Philosophy and the Daihatsu Group Action Guidelines and in accordance with the relevant laws and regulations and social ethics
 - Ensuring that its actions comply with the relevant laws and regulations and the Articles of Incorporation through measures including the provision of relevant training to its officers
 - Comprehensive deliberations and decision-making at cross-sectional meetings
 - Enhancement of the internal control system by the Internal Control Committee, which is chaired by a member of the Board of Directors appointed by the president and with the chief officers of groups of the company as committee members
 - Clarifying the responsibilities of each organization unit and maintaining a basis to ensure continuous improvements in the system
 - Providing employees with compliance training
 - Early detection and solution of problems with the Employees' Voice Helpline, a consultation desk
- 2 System to retain and manage information relating to the execution of the duties of the members of the Board of Directors
 - Retaining and managing the information appropriately in accordance with the relevant internal rules, laws and regulations
- 3 Rules and systems related to the management of risk of loss
 - Management of compliance and various risks, including those regarding safety and quality, by the responsible divisions or company-wide committees
- 4 System to ensure that the members of the Board of Directors exercise their duties efficiently
 - Managing consistent policies based on the medium- to long-term management policies and the company's policies for each fiscal term
- 5 System to ensure the appropriateness of the business operations of the corporation and the business group consisting of the parent company and subsidiaries
 - (1) System concerning a report to the corporation on matters relating to the execution of the duties of the members of the Board of Directors, etc. of subsidiaries and rules and systems related to the management of risk of loss at subsidiaries
 - Having important managerial matters of subsidiaries reported to Daihatsu based on the system for managing affiliates
 - Managing the risks of the entire Daihatsu Group through cooperation between the subsidiaries' divisions serving as contact offices and their divisions in charge of individual fields of risk
 - (2) System to ensure that members of the Board of Directors, etc. of subsidiaries exercise their duties efficiently
 - Managing the policies of the entire group by sharing issues through the subsidiaries' divisions serving as contact offices
 - Personnel exchanges of officers and employees between the Daihatsu Group companies
 - (3) System to ensure that the members of the Board of Directors, etc. and the employees of subsidiaries conduct business in compliance with relevant laws and regulations and the Articles of Incorporation
 - Taking comprehensive measures to inform all Daihatsu Group employees of the Daihatsu Group Philosophy and the Daihatsu Group Action Guidelines
 - Providing compliance training to subsidiaries
 - Regular interviews by the subsidiaries' divisions serving as contact offices, etc. on compliance activities by the respective subsidiaries
 - Establishment of a consultation desk that the employees of subsidiaries can contact directly to blow the whistle (Daihatsu Group Helpline)

6. Matters concerning the employees who assist the Audit Committee members when required; matters concerning the independence of the said employees from the members of the Board of Directors; and matters related to ensuring the effectiveness of instructions from the Audit Committee members to the said employees
 - Orders related to audits given by the Audit Committee members to staff members of the Audit Division and ensuring the independence concerning the orders
7. System concerning a report to the Audit Committee members and system to ensure that a person who has made the said report does not receive unfair treatment due to the making of said report
 - Pertinent reporting of any major business operations and prompt reporting of any facts that may cause significant damage to Daihatsu by the members of the Board of Directors and the employees of Daihatsu to its Audit Committee members; and pertinent reporting of any major business operations and prompt reporting of any facts that may cause significant damage to Daihatsu by the members of the Board of Directors and the employees of each subsidiary to Audit Committee members of the subsidiary and Daihatsu
 - Regular reporting of recommendations, etc. provided by the divisions in charge of the Employees' Voice Helpline and the Daihatsu Group Helpline to the Audit Committee members of Daihatsu
 - Prohibition of the unfair treatment of the members of the Board of Directors and the employees of Daihatsu or its subsidiaries who have made reports to the Audit Committee members of Daihatsu or its subsidiaries
8. Policies on prepaid expenses for the execution of the duties of the Audit Committee members, on expenses for the procedures for repayment and the execution of other relevant duties, or on debt processing
 - A budget is set every year concerning the expenses required for the execution of the duties of the Audit Committee members
9. Other systems to ensure that the Audit Committee members conduct audits effectively
 - Ensuring that the Audit Committee Members attend major Executives' Meetings, inspect important company documents, and have opportunities to exchange information with the Accounting Auditor periodically, as well as appointing external experts

2. Basic Policy for and Preparations toward the Elimination of Antisocial Forces

- (1) Basic policy for elimination of antisocial forces
 - Daihatsu will take firm action as an organization against any antisocial forces or groups that pose a threat to the social order or safety.
- (2) Preparations toward elimination of antisocial forces
 - 1) Establishment of Divisions Overseeing Measures against Antisocial Forces and Posts in Charge of Preventing Undue Claims

Daihatsu established divisions that oversee measures against antisocial forces ("Divisions Overseeing Measures against Antisocial Forces") in its major offices. Daihatsu also established a system whereby undue claims, organized violence and criminal activities conducted by antisocial forces are immediately reported to and consulted about with the Divisions Overseeing Measures against Antisocial Forces.
 - 2) Liaising with specialist organizations

Daihatsu has been strengthening its liaison with specialist organizations by joining liaison committees organized by specialists such as the police. It has also been receiving guidance on the measures to be taken against antisocial forces from such committees.
 - 3) Collecting and managing information concerning antisocial forces

By liaising with experts and the police, the Divisions Overseeing Measures against Antisocial Forces share up-to-date information on antisocial forces and utilize such information to call Daihatsu's employees' attention to antisocial forces.
 - 4) Preparation of manuals

Daihatsu compiles cases concerning measures against antisocial forces and distributes them to each division within Daihatsu.
 - 5) Training activities

Daihatsu promotes training activities to prevent damage caused by antisocial forces by sharing information on antisocial forces within the company as well as by holding lectures at Daihatsu and its group companies.

V. Other

1. Matters regarding defense against a takeover bid

Matters regarding defense against a takeover bid: None

Supplementary Information

2. Matters regarding other corporate governance systems, etc.

