



May 18, 2006
Daikin Industries, Ltd.

Daikin to Acquire Global Air-Conditioning Manufacturer OYL Industries

~A Total of ¥232 billion Acquisition~

On May 18, 2006, Daikin Industries, Ltd. (Head Office: Osaka, Japan; Chairman of the Board and CEO: Noriyuki Inoue) ("Daikin") announced at the board meeting held today, that its board of directors has passed a resolution regarding commencing the acquisition (the "Acquisition") of up to a 100% stake in O.Y.L. Industries Bhd. (Head Office: Kuala Lumpur, Malaysia) ("OYL"), a Malaysian publicly listed company engaged in the HVAC (Heating, Ventilation and Air-conditioning) and air-filtration businesses worldwide, and that Daikin has concluded a conditional Share Sale Agreement with the principal shareholders of OYL relating to this Acquisition.

1. Overview of the Acquisition

The Acquisition envisages an acquisition of up to 100% of OYL shares, with the per share purchase price of 5.73 Ringgit Malaysia ("RM") per OYL ordinary share (approximately 175 yen), totaling approximately 7,608 RM million (approximately 232 billion yen¹). The Acquisition is intended to involve the following 2 steps:

(1) Purchase of OYL Shares through a Direct Business Transaction

Daikin, through a direct business transaction, will purchase OYL shares from the largest shareholder of OYL, Hong Leong Secretarial Services Sdn. Bhd.², a private subsidiary company of Hong Leong Group (Malaysia), a major Malaysian investment holding group, who controls approximately 40.0% of OYL's outstanding shares, and Mr. Liu Wan Min (the President & CEO of OYL), holding approximately 5.2% of OYL shares (both collectively referred to as the "Vendors"). The purchase price for the combined approximately 45.2% stake is approximately 3,441 RM million (approximately 105 billion yen).

¹ Exchange rate of 30.5 yen/1 RM is used throughout this document for convenience.

² Sdn. Bhd. is an abbreviation for Sendrian Berhad, meaning a private company with limited liabilities.

(2) Launch of Mandatory General Offer³ on the remaining OYL shares (Up to approximately 54.8%) Daikin will purchase the remaining OYL shares (up to approximately 54.8%) through a Mandatory General Offer (“MGO,” public tender offer in Malaysia) from other public shareholders. The price paid in the MGO will be 4,167 RM million (approximately 127 billion yen), if all remaining OYL shareholders accept the offer.

The Acquisition is subject to approvals of the relevant Malaysian authorities and antitrust clearances in the relevant countries, the stock purchase from the Vendors (step 1) is due at the beginning of July 2006, and the settlement for the tendered shares by the other OYL shareholders under the MGO (step 2) is due at the end of September 2006.⁴

2. About OYL Industries Bhd.

OYL, headquartered in Malaysia, is a global company operating HVAC business and commercial air-filtration business. Established in 1974, OYL became a member of the Hong Leong Group (Malaysia) in 1990. In 1994, OYL acquired McQuay International (former SnyderGeneral Corporation), an HVAC manufacturer based in the U.S., which has accelerated the globalization of its businesses. OYL currently is the fourth-largest Global Applied (large-scale commercial air-conditionings) manufacturer and the third-largest commercial air-filtration manufacturer in the world, with revenue of approximately 168 billion yen and operating profit of approximately 11.5 billion yen for the fiscal year ending June 30, 2005.

Hong Leong Group (Malaysia), established in 1963, is a major Malaysian investment holding group. The Group’s activities include finance, real estate, HVAC, semiconductor and distribution businesses. The Executive Chairman of the Group, YBhg Tan Sri Quek Leng Chan⁵ is also the Executive Chairman of OYL.

3. Daikin’s Global Business Strategy and Rationale for the Acquisition

1) Current business environment of HVAC industry

The global HVAC market is expected to see further growth in the coming years due to increasing

³ Under the Malaysian takeover rule, the MGO shall be conditional on Daikin holding more than 50% of the issued and paid-up share capital of OYL as at the closing date of the offer.

⁴ The expected date may be changed depending upon some circumstances such as approval of the relevant Malaysian authorities, outcome of the MGO and antitrust clearance.

⁵ YBhg denotes a Malaysian honorific title, and Tan Sri is the second most senior federal title.

penetration into Europe and BRICs (Brazil, Russia, India and China), expansion of Solution Business that combines air-conditioning equipment and systems in matured market such as Japan and the U.S., increasing needs for energy saving and rise of new demand for unconventional air-conditioning equipment with a new trend of natural refrigerant. Meanwhile, due to the ongoing industry consolidation, Daikin believes in that strengthening competitiveness at the global level is vital to succeed.

Daikin has been pursuing various strategies, in order to accelerate entries into new emerging markets and expansion of business areas. Through the Acquisition, Daikin aims to further grow globally by combining and maximizing each of Daikin's and OYL's complementary strengths and features in the HVAC businesses.

2) Features of Daikin/OYL and future development after the Acquisition

Daikin is strong in products and technologies in the Ductless air-conditioning segment, especially in high-value added air-conditioning s. OYL is strong in products/technologies and engineering in the Applied business segment, and low-cost HVAC products with its low-cost mass-production technology. In addition, looking at both parties' regional presence, Daikin has established leading positions in Japan, Europe and Asia, whereas OYL holds a solid presence in North America and Asia.

Daikin believes that the Acquisition will enable both Daikin and OYL to further enhance these strengths and address the challenges by complementing one another.

For example, the Acquisition will allow Daikin a full-fledged entry into North America, the largest air-conditioning market, where Daikin has entered with Ductless products last year, as well as expansion into Global Applied business, which has been dominated by American competitors. Moreover, entry into new emerging markets, such as India, Russia and Brazil will be accelerated with a full product line-up of commercial to residential air-conditioning s. As a result, Daikin, focused on expanding into the Global "Eight" Regions (Japan, Europe, Asia/Oceania, China, North America, Latin America, India, Middle East/Africa), will seek to realize large synergies and to be able to achieve faster and successful implementation of its business strategy.

As for OYL, through combining with Daikin's advanced technology, highly developed products and a powerful sales force, Daikin expects OYL to improve in areas such as mid-to-long term product development capabilities, especially in high-value added/high-performing products and forming an appropriate response to environmental issue such as energy savings and refrigerant regulations.

Daikin will aim to become a global top-tier company by accelerating product/technological development, service/solution business in response to today's trends and expansion of presence in new markets by fully leveraging differentiated technology and business know-how of both parties.

3) Synergies resulting from the Acquisition

Daikin expects the Acquisition to result in large significant achievements upon implementation of the group's business strategies, such as consolidation of sales/production bases, centralized/joint procurement, and utilization of both parties' sales channels. These quantifiable synergies at this point are expected to generate approximately 10-15 billion yen (profit before tax) per year by fiscal year 2009. Moreover, Daikin is working towards achieving even larger synergies from the combination.

For instance, in addition to the above mentioned business expansion and development in North America market with OYL as the foothold, Global Applied market and emerging markets with low-cost product development, Daikin supposes that there are other strategic themes and synergies that are yet to be quantified: Synergies between the commercial air-filtration business and Daikin's fluorochemical business and global expansion and development of the low temperature and refrigeration businesses. Daikin will specify and implement these major strategic themes early on for further accomplishments.

4. Profitability of the Acquisition

Daikin's financials such as interest-bearing debt ratio are expected to deteriorate temporarily because of the acquisition cost. However, due to OYL's relatively high profitability, the short-term impact on Daikin's profitability such as EPS (earnings per share) is assumed to be limited even after considering the amortization of goodwill, and Daikin expects profit expansion at a relatively early stage. Daikin is seeking to improve the financial conditions and increase profit further by OYL's expansion of business performance and realization of synergies from the Acquisition. In addition, Daikin expects ROI (Return on Investment) of the acquisition cost at just above 10%. In addition, Daikin is focusing on further improvement of ROI through the realization of more synergies in the future.

At this point, the impact of the Acquisition on Daikin's consolidated revenue and profit for the current fiscal year ending March 31, 2007 is assumed to be equivalent to OYL's performance of a half year, assuming the Daikin's consolidation of OYL in its financial reports to start from the second half of this fiscal year. However, the impact on the results for this fiscal year will be announced separately due to the possible change on starting date of its consolidation according to the Acquisition progress and the result of the tender offer as well as different ending month of a fiscal period.

5. Funding of the Acquisition

Funding of the Acquisition is ensured: Cash on hand and bank loans will cover the acquisition cost at

this moment. In the future, in accordance with Daikin's business plan and overall capital needs, the most appropriate form of financing, including issuance of stock and/or convertible bonds and debt finance will be executed as appropriate with great care of the possible impact on Daikin's stock price and credit rating by also considering Daikin's business performance, financial positions and economic/market condition.

6. Purchase Price Valuation

The purchase price of 5.73 RM per share implies a premium of approximately 22% to the latest one month average OYL share price as of May 12, 2006 at Bursa Malaysia.

7. Business Operations after the Acquisition

After the completion of the Acquisition, OYL will continue its operations as a consolidated subsidiary Daikin. While Daikin may dispatch some executive officers to OYL, as a general rule, current OYL management will continue operating its business under the current OYL organizational structure for the foreseeable future. With respect to independence, interaction and learning from each other, Daikin will strive to maximize the Acquisition synergies. To be more precise, the inauguration of a joint committee between both parties will be designed and the committee will start a joint study at an early date.

Moreover, while respecting OYL's corporate culture and tradition, Daikin will work towards helping OYL's management and employees understand our "mission statement" and "corporate ethics", and aim to build shared sense of value for sense of unity and create the third corporate culture. At the same time, Daikin will communicate to OYL management and employees our goal and strategy as a combined Group.

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Reference 1: Acquiring number of shares, Acquisition price and Pre/Post Acquisition shareholding position and Schedule

1) Acquiring number of shares, Acquisition price and Pre/Post Acquisition shareholding position

- (1) Pre-Direct Business Transaction (“DBT”) 0 shares (% owned 0%)
- (2) DBT number of shares 600,526,130 shares (Acquisition price Apx. 105 bn. yen)
- (3) Post-DBT 600,526,130 shares (% owned Apx. 45.2%)
- (4) MGO number of shares to be determined (Acquisition price to be determined)
- (5) Post-MGO number of shares to be determined (% owned to be determined)

2) Transaction Schedule

The Acquisition will be executed accordingly with the following schedule. However, the expected date may be changed depending upon some circumstances such as approvals of the relevant Malaysian authorities, outcome of the MGO and antitrust clearance.

- Early July 2006: Closing of share purchase from the Vendors and MGO launch (tentative)
- Mid July 2006 (tentative): Distribution of Offer Document to OYL Board and shareholders
- Mid September 2006 (tentative): Closing of MGO
- End of September 2006 (tentative): Settlement for shares tendered under MGO

Reference 2: About O.Y.L. Industries Bhd.⁶

- (1) Name O.Y.L. INDUSTRIES BHD
- (2) Executive Chairman YBhg Tan Sri Quek Leng Chan
- (3) Head Office Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur
- (4) Establishment February 4, 1974
- (5) Business As an investment holding company, manufactures and sells air-conditioning s, refrigerators and a variety of air-filtration products through its subsidiaries
- (6) Fiscal Month End June
- (7) Employee Number 10,398 (as of June 2005)
- (8) Main Office Minneapolis, Minnesota (USA), Louisville, Kentucky (USA), Dartford, Kent (UK)
- (9) Corporate Capital 139 million RM (Apx. 4,200 million yen) (as of June, 2005)
- (10) Shares Outstanding 1,327,804,450 (as of March 17, 2006, excluding treasury stocks)
- (11) Major Shareholders and Position (as of March 17, 2006)
- | | |
|---|-------|
| 1. Hong Leong Secretarial Services Sdn Bhd | 40.0% |
| 2. Liu Wan Min | 5.2% |
| 3. Employees Provident Fund Board | 4.7% |
| 4. Cartaban Nominees (Asing) Sdn Bhd | 2.4% |
| 5. Citigroup Nominees (Asing) Sdn Bhd | 2.1% |
| 6. Atora Sdn Bhd | 1.9% |
| 7. Malaysia Nominees (Tempatan) Sdn Bhd | 1.6% |
| 8. Cartaban Nominees (Asing) Sdn Bhd | 1.4% |
| 9. Amanah Raya Nominees (Tempantan) Sdn Bhd | 1.2% |
| 10. Lembaga Tabung Haji | 1.2% |
- (12) Total Assets 3,665 million RM (Apx. 111.8 billion yen) (as of June, 2005)

⁶ Bhd is abbreviation of Berhad, meaning public company with limited liability.

(13) Business Performance for Recent Fiscal Period

	June 2004 Actual		June 2005 Actual	
	RM million	Yen billion	RM million	Yen billion
Sales	4,962	151.3	5,516	168.2
Operating Profit	451	13.8	377	11.5
Net Income	305	9.3	274	8.3

(14) Sales Breakdown by Region (June 2005)

North America 39%、Asia, China 34%、Europe 27%

Reference 3: About Daikin Industries, Ltd.

- (1) Head Office Umeda Center Bldg., 2-4-12, Nakazaki-Nishi Kita-Ku, Osaka
- (2) Establishment February 11, 1934
- (3) Capital 28,023 million yen
- (4) Consolidated Revenue 792,857 million yen
- (5) Consolidated Total Asset 719,382 million yen
- (6) Chairman of the Board and CEO Noriyuki Inoue
- (7) Fiscal Month End March
- (8) Consolidated Employee Number 21,996 (as of March 2006)
- (9) Business Performance (Consolidated)

	March 2006 Actual	March 2007 Estimate
	Yen million	Yen million
Net Sales	792,857	880,000
Operating Income	67,077	76,000
Net Income	40,708	43,500

Disclaimer

No information on this news release is intended as either an offer to sell, or a solicitation of an offer to buy, any securities of Daikin Industries, Ltd. When making any investment decisions, investors should review securities reports, filed or submitted by the company with relating authorities, and exercise their own judgments in making their investment decisions.

Furthermore, with the exception of historical facts, any current plans, strategies or beliefs held by Daikin Industries, Ltd. as indicated in this news release should be considered forward looking statements. These statements are based on management's assumptions and beliefs in light of the information currently available. The assumptions involve risks and uncertainties which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements.