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Daikin acquired a hydraulic equipment distributor All World Machinery
Getting down to solution business in the US end user market with their own base

Daikin Industries, Ltd. has entered in to an agreement to purchase All World Machinery Supply Inc. (AWM), a US distributor of hydraulic equipment headquartered in Harvard Illinois, as part of its global expansion strategy for its hydraulic equipment. Transfer of ownership took place on February 15, 2008.

AWM has developed a solid sales channel for hydraulic equipment in North America, as well as a successful Maintenance Repair Operation (MRO)^{*1} business. The acquisition will enable Daikin to raise awareness, and increase sales, of its highly energy-efficient hybrid hydraulic products^{*2} through AWM's sales channel. It is the first step in the expansion of a market for hydraulic equipment that is designed to minimize environmental impact. The acquisition is also a part of Daikin's global growth strategy to increase profitability by finding new markets for their unique business know how.

^{*1} The business is a solution-type business for undertaking maintenance, repair and operation collectively.

^{*2} Daikin's hybrid hydraulic products feature excellent energy efficiency thanks to the combination of the technologies of motor inverters and oil pressure control. Models include Eco-Rich, Inverter Oil Con and SuperUnit.

1. Outline of acquisition

Daikin Industries, Ltd. acquired 75 percent of AWM shares on February 15, 2008, for a total of US\$6 million (approximately ¥640 million at an exchange rate of ¥107 to the dollar).

All shares of AWM are currently held equally by its CEO Charles Davis and CFO David Koepf. Daikin will buy all of the shares held by Mr. Davis and half of those held by Mr. Koepf, which will give Daikin a majority of shares. AWM will retain its name after the acquisition.

2. About AWM

AWM is a U.S. company headquartered in Illinois specializing in the sale, repair and maintenance of machine tool parts, including hydraulic equipment used for the power supplies of industrial machinery. AWM has developed a strong Maintenance Repair Operation (MRO) business, targeted mainly at customers using Japanese machine tools, and has experienced rapid growth since its founding in 1993. Daikin began doing business with AWM in 1996 and entered into a distributor agreement in 1997. This has enabled Daikin to increase its customers, particularly in the automobile industry in the Detroit region, and among Japanese automakers in the northwestern part of the United States. AWM's sales for fiscal 2006 (January to December) were approximately ¥1 billion.

3. Global strategy for hydraulic equipment and significance of the acquisition

1) Market for Daikin's hybrid products

Daikin's hydraulic equipment business, launched in 2001, has focused on the commercialization of hybrid hydraulic products that combine motor inverter technology, developed by the company's Air Conditioner group, with hydraulic technology. Distribution has focused primarily on the Japanese market, based on the products' pioneering environmental performance. As environmental awareness has increased globally, Environmentally sensitive products with low CO₂ emissions and energy saving performance are steadily developed and their potential demand is growing. The size of the North American market for after-sales service of industrial machinery provides an opportunity for Daikin to create demand for its hybrid products that will influence the global market. Daikin's aim is to expand demand for its hybrid products in three major global markets (China, Northern America and Europe), starting with North America.

2) Features of Daikin and AWM and direction of development as a result of the acquisition

The US is the world's largest market for industrial machinery, with a high level of dependence on imported machinery. Accordingly, the aftermarket for machine parts for imported machinery is larger than in Japan or Europe. The combination of Daikin's eco-saving hybrid products and AWM's MRO business will enable Daikin to promote its hybrid products as improvement products to the end-user market. Daikin expects to achieve sales of approximately ¥3 billion in fiscal 2010, and increase from ¥1 billion in fiscal 2006.

Daikin will make AWM a beachhead for business operations in the North American market, channeling its expertise in eco-saving technologies developed in Japan through the sales channel of AWM.

By focusing on leading edge companies interested in reducing CO₂ emissions, such as those affiliated with USCAP^{*3}, Daikin aims to greatly expand the business for energy saving products.

^{*3} US Climate Action Partnership is composed of thirteen of the largest companies in the US (including Alcoa, GM, CAT etc.).

Profile of All World Machinery

- 1) Name: All World Machinery Supply Inc.
- 2) Location: Harvard Illinois USA (Branch: Georgia, California)
- 3) Ownership: Daikin: 75%, David Koeppe: 25%
- 4) Founded in 1993
- 5) Sales at the end of December 2006: approx. ¥1 billion
- 6) Employees: 33 (at the point of Jan. 08)