Daikin Industries Ltd. (Head Office: Osaka; Representative Director, President and CEO: Masanori Togawa) ("Daikin"), through its subsidiary American Air Filter Company Inc. (Headquarters: Louisville, Kentucky; Representative: Philip Whitaker) ("AAF"), has decided to acquire U.S. air filter manufacturer Flanders Holdings LLC (Headquarters: Washington, North Carolina; Representative and CEO: Peter Jones) ("Flanders"). The acquisition price is 430 million dollars (approximately 50.7 billion yen at an exchange rate of 1 USD=118 JPY). Daikin is to acquire all shares of Flanders from Insight Equity Holdings LLC (Corporate Headquarters: Southlake, Texas, United States; Representative: Ted W. Beneski) ("Insight Equity"), an investor in the company. The acquisition is expected to be concluded in April 2016 after completion of the necessary procedures.

As the leading air filter manufacturer in the United States, Flanders is particularly adept in products with high functionality and high value-added that are used in industrial cleanrooms such as those in the fields of pharmaceuticals and food processing. The company boasts a broad lineup ranging from commercial to residential use and a nationwide sales network. Flanders has manufacturing bases near most major U.S. cities, including Chicago and New York, and excels in short lead times and low logistics costs to deliver products that are cost competitive.

Having established manufacturing bases in the regions of Japan, North America, Europe, China, and Southeast Asia, Daikin has expanded its filter business until now through its subsidiaries AAF and Nippon Muki Co., Ltd. Products have focused on commercial-use air conditioning filters used in buildings and factories and engineering fields, including dust collection systems for production facilities. AAF has closely embedded itself in each region of the world and performs development, production, sales, and services for products satisfying the needs of an extensive market.

With this acquisition, the Flanders business will be integrated into AAF and enable AAF to leverage its global sales network to market the cleanroom equipment and high-end air filter products that are the strengths of Flanders. In addition to making AAF the leading manufacturer in the United States, which is reportedly the largest air filter market in the world, this merger will also position AAF as a leading company in the global market.

As a result of the merger, the filter business of the Daikin Group will become a business with sales exceeding 100 billion yen annually. Future synergies with the air conditioning business are anticipated as the filter business transforms into a core Daikin business as a third pillar behind air conditioning and chemicals. The merger will also serve to improve air environments in homes, buildings, and factories; better address global environmental issues, including mitigation of air pollution; and meet the need that is increasing worldwide for creation of comfortable air environments.

※About Air Filters
Air filters are used to remove objects, particles, dust, and pollutants from the air and clean it. Not only do filters clean the air in living spaces, but they also perform the important task of preserving human safety by preventing the release of hazardous substances in factories. Air filters maintain the air environments in places such as factory cleanrooms used for metalworking and semiconductors that require a high quality of purity, and they reduce the possibility of contamination from the introduction of impurities.
1. Acquisition Significance

Acquiring Flanders will enable AAF to develop high value-added products including products used for cleanrooms in the pharmaceutical field and in food processing, which are specialty areas for Flanders, and provide a complete product lineup ranging from commercial to residential use. Synergy is also anticipated from the utilization of AAF’s expanding global sales network and proposals that combine products of both companies. From the aspect of manufacturing, Daikin intends to capitalize on the proximity of Flanders’ manufacturing bases to major markets and its superiority in logistical costs and lead time. Improvement is also expected in cost competitiveness, such as in procurement savings.

As concerns around indoor air quality (IAQ) and improving the quality of indoor air environments have increased, air filters have become an increasingly important business given their ability to improve environments by providing mildew prevention, deodorization, and solutions to the PM 2.5 problem. The filter business strongly complements the air conditioning business, a mainstay business of the Daikin Group, and is expected to become an important business in the future as an inroad to environmental fields and expansion of the solution business.

2. Filter Market

The scale of the global air filter market is reported to be 450 billion yen overall. Of that, the U.S. market is the largest market, accounting for approximately 190 billion yen. The lineup comprises a wide range of products, including pharmaceuticals and semiconductors, where control is sought for air conditioning and maintaining strict air environments. Furthermore, recent improvements in the high tech industry have raised expectations for clean air, and there is also a need for high functionality in air filters that corresponds to a greater awareness for energy savings and the environment that has driven stricter environmental regulations.

3. Post-Acquisition Organization

In this acquisition, Flanders will be integrated into AAF, the subsidiary of Daikin Industries. While operation management will rest with AAF, the policy will be to fundamentally maintain the manufacturing and sales systems that have made Flanders a leading supplier in the United States.

【Summary of Flanders】
(1) Company name: Flanders Holdings LLC  
(2) Representative: Peter Jones CEO  
(3) Location: Washington, North Carolina, United States  
(4) Establishment: 1946  
(5) Areas of business: Air Filters and equipment, manufacture and sale of other related products  
(6) Settlement: December  
(7) Employees: 2,700 people (as of December 2015)  
(9)Total assets: 238 million USD （as of December 2015）  
(10) Results of recent fiscal years

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<th>(unit: 1 million USD)</th>
<th>Dec 2013</th>
<th>Dec 2014</th>
<th>Dec 2015</th>
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<tbody>
<tr>
<td>Sales</td>
<td>297</td>
<td>287</td>
<td>298</td>
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【Summary of Insight Equity】
(1) Company name: Insight Equity Holdings LLC  
(2) Representative: Ted W. Beneski  
(3) Location: Southlake, Texas, United States  
(4) Establishment: 2002  
(5) Areas of business: Private equity; Insight Equity makes control investments in strategically viable, middle market, asset-intensive companies across a wide range of industries  
(6) Relationship of Daikin and Insight Equity: No significant relationship of note exists between Daikin and Insight Equity, including relationships of a personal, capital, or transactional nature.
【Summary of American Air Filter】
(1) Company name: American Air Filter Company Inc.
(2) Representative: Philip Whitaker
(3) Location: Louisville, Kentucky, United States
(4) Establishment: 1921
(5) Areas of business: Filter cleaning equipment, manufacture and sales of other related products
(6) Settlement: March
(7) Employees: 3,000 people (as of December 2015)
(8) Main offices: 21 countries including United States, France, Spain, the Netherlands, Saudi Arabia, China, Taiwan, and Malaysia
(9) Sales (FY2014): 570 million USD

Media Inquiries
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