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Daikin Industries and Gree Electric Appliances Agree to Establish Joint Venture to Manufacture Compressors and Molds for Air Conditioners
- To Promote Widespread Use of Economical Inverter Air Conditioners -



**Inoue CEO (left), Chairman Zhu Jianghong (right)
at signing ceremony**

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In March 2008, Daikin Industries, Ltd. (based in Osaka, Japan, COO: Yuki Yoshi Okano) and Gree Electric Appliances, Inc. of Zhuhai (based in Zhuhai, Guangdong Province, PRC, President: Dong Mingzhu) agreed to fuse Daikin's prowess in energy-efficiency technology together with Gree's expertise in production and procurement of raw materials and parts to manufacture economical, high performance inverter type air conditioners. The parties fundamentally agreed to cooperate in a 5-point plan (described in detail below) to promote the use of energy-efficient, inverter type air conditioners in regions of low market penetration. In implementing measures related to these areas of collaboration, the companies have agreed at this time to establish two joint venture companies in Zhuhai, Guangdong Province, for joint production of key components and molds.

Establishment of the two new companies is planned for the middle of March 2009. One company, Zhuhai Gree Daikin Device Co., Ltd., is being established to standardize and jointly manufacture inverter type compressors and printed

circuit boards (PCB), both of which are the key components of global residential air conditioners. The other company, Zhuhai Gree Daikin Precision Mold Co., Ltd., will manufacture high-quality molds at low cost on a short delivery schedule.

Through the standardization and joint production of compressors and PCBs, at Zhuhai Gree Daikin Device Co., Ltd., costs are expected to be considerably lower.

Daikin will introduce the latest mold technology and be responsible for building the quality management system at Zhuhai Gree Daikin Precision Mold Co., Ltd. These efforts will be merged with Gree's abundant know-how and capability for manufacturing molds to provide timely delivery of low-cost, high-quality molds to Daikin manufacturing bases.

Because Daikin holds the No. 1 share in the global inverter air conditioning market and Gree holds the No. 1 share in the non-inverter market, the establishment of these new companies should improve cost competitiveness and enable a broader range of users for inverter air conditioners. By targeting expansion of the inverter market, even to places where market penetration for inverter technology is low, the two parent companies are leading the global air conditioning industry towards even greater environmental measures.

[Five areas of collaboration currently being pursued by both companies]

1.Commissioning of production of inverter residential air conditioners for the Japanese market

Currently being implemented

[Commissioning Details]

Daikin has commissioned Gree with manufacturing a portion (500,000 units) of its small-sized inverter air conditioners intended for the 2009 Japanese market. These products have been planned and developed by Daikin and will be sold under the Daikin brand name. Both companies are involved in the selection of suppliers for each part and raw material item to be used, and a production line dedicated for Daikin products is being built inside the Gree factory. All efforts, such as the introduction of special inspection equipment, will be made for meticulous quality management to ensure absolute compliance with Daikin's strict quality standards.

2.Joint Production of Key Components

Establishment of new company (currently being announced)

[Agreement details]

Key components (such as compressors and electrical components) that were jointly developed for inverter air conditioners are to be manufactured by both companies to enable the widespread use on a global basis. Daikin will contribute the necessary technology with the aim for an early production start, and the key components manufactured at the new company will be provided worldwide to Daikin Group manufacturing bases.

3.Joint Production of Molds

Establishment of new company (currently being announced)

[Agreement Details]

By merging Daikin's mold design technology expertise with Gree's capability for manufacturing molds, the companies

are aiming for mold production that is of high quality and low-cost and maintains a shortened lead time.

4. Joint production of raw materials and parts

To be studied by Working Group

[Basic Design]

Both companies intend to enlarge the benefits of mass production through joint procurement by working together with suppliers to have standardized specifications of raw materials and parts of both companies for expansion of joint procurement.

5. Joint development of inverter residential air conditioners that can penetrate the global market

To be studied by Working Group

[Basic Design]

Utilizing the energy-saving technology of Daikin and Gree's strength of low cost for procurement and production, the two companies intend to jointly develop a base model that aims to provide superior energy-saving inverter room air conditioners at a cost that promotes widespread use. The result will be an original product that reflects the respective product strategies of the two companies in the final product specifications. To accomplish this, Daikin will contribute the necessary technology and development of key components, such as compressors and inverter devices, that both companies will share. Both companies will manufacture their own finished products at their respective production facilities.

[Overview of New Companies]

◆ Zhuhai Gree Daikin Device Co., Ltd.

- 1) Name : Zhuhai Gree Daikin Device Co., Ltd.
- 2) Location : Zhuhai, Guangdong Province, PRC
- 3) Founded : Middle of March 2009 (planned)
- 4) Capital : US\$ 74,832,800 (approximately 6.7 billion yen)
- 5) Investment ratio : Gree Electric Appliances, Inc. of Zhuhai 51%, Daikin Industries 49%
- 6) Employees : 1,500 employees
- 7) Areas of business : Activities related to the development, production, sales, after-sales service and export of compressors, accessories, and PCBs

◆Zhuhai Gree Daikin Precision Mold Co., Ltd.

- 1) Name : Zhuhai Gree Daikin Precision Mold Co., Ltd.
- 2) Location : Zhuhai, Guangdong Province, PRC
- 3) Founded : Middle of March 2009 (planned)
- 4) Capital : US\$ 57,958,700 (approximately 5.2 billion yen)
- 5) Investment ratio : Gree Electric Appliances, Inc. of Zhuhai 51%, Daikin Industries 49%
- 6) Employees : 450 employees
- 7) Areas of business : Development, production, sales, after-sales service, and export of molds and molded products

[Overview of Gree Electric Appliances, Inc. of Zhuhai]

- 1) Name : Gree Electric Appliances, Inc. of Zhuhai
- 2) Location : Zhuhai, Guangdong Province, PRC
- 3) Capital : RMB 834,930,000 (approximately 12.52 billion yen at RMB 1 = 15 yen)
- 4) Founded : December 13, 1989
- 5) Representative : Board Chairman Zhu Jianghong
- 6) Areas of business : Production and sales of air conditioners, electric fans, air purifiers, and other electric home appliances.
- 7) Employees : 39,300 employees (as of the end of 2008)
- 8) Sales : RMB 38 billion (2007, approximately 570 billion yen at RMB 1 = 15 yen)

For more information, please contact

Daikin Industries, Ltd.



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