Japan's Daikin To Buy Goodman Global For $3.7B

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TOKYO (AP) — Japan's Daikin Industries, Ltd., plans to buy Houston, Texas-based Goodman Global Group Inc., a purchase that will fortify its status as the world's biggest maker of residential heating, ventilating and air conditioning systems.

Daikin, based in western Japan's Osaka, said Wednesday its board approved the $3.7 billion deal as part of its strategy for expanding in the U.S. residential market.

Daikin wants to expand its manufacturing and sales overseas, especially in emerging markets. It said it would draw on support from a Japanese government initiative to help offset the impact of the strong Japanese yen on exports to help finance the deal.

Daikin is already the world's biggest HVAC maker, with over 1.2 trillion yen ($15 billion) in sales in 2011. Acquiring Goodman would put it even further ahead of the world's No. 2 maker, China's Zhuhai Gree Group, with sales of about $13.3 billion.

Goodman's president and CEO, David L. Swift, said the purchase would help Goodman to likewise expand its sales outside the U.S.

Daikin said it intends to keep Goodman independent, without merging it into its other businesses.

The two firms are complementary, given Daikin's strength in energy-efficient "ductless" heating and cooling systems and Goodman's dominant position in U.S. residential HVAC systems.

"Goodman is the best partner for Daikin in North America as we aim to become the leading global HVAC manufacturer," said Daikin's chairman and CEO, Noriyuki Inoue. He said Daikin, whose earnings have come under pressure in recent years, aims to tap Goodman's "lean management know-how" to help improve its profitability.

Daikin, with over 44,000 employees, has said it aims to expand its global sales to 2 trillion yen ($25.6 billion) by 2015. Founded in 1924 to make aircraft radiator tubes, the company also makes hydraulic equipment, chemicals, shells and warheads. However, more than 85 percent of its sales are in air conditioning systems.

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