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A. O. Smith Enters Into A Tankless Water Heater Joint Venture With Takagi

Milwaukee, Wis. (June 16, 2010) — A. O. Smith Corporation (NYSE:AOS) and Takagi Industrial Co. Ltd. of Fuji-city, Shizuoka, Japan, today announced that they are establishing a joint venture to market and manufacture tankless water heaters in North America. As part of the joint venture, A. O. Smith will take over the management of Takagi's existing North American sales and distribution organization, maintaining Takagi's North American headquarters in Irvine, Calif. The companies expect the transaction to close in the third quarter.

"This venture is an important investment by A. O. Smith that will further expand our offering of high-efficiency water heating products," said Ajita G. Rajendra, president of A. O. Smith Water Products Company. "It represents a rare opportunity to combine Takagi's well-known brand and world-class tankless technology with the strong brands, customer relationships, and extensive distribution of A. O. Smith."

Through the joint venture, A. O. Smith will offer a full line of tankless gas water heaters under its own brands in association with the Takagi brand and will assume responsibility for the Takagi brand in the U.S. and Canada.

Takagi currently manufactures a full line of gas tankless water heater models in Japan for residential and commercial applications including the recently released "second generation" 92 percent efficient T-H2 model designed for residential or light commercial applications. Upon achieving an appropriate volume threshold, the joint venture will bring manufacturing jobs to the United States and establish a production operation to support the growing needs of the business. Privately held Takagi is one of Japan's leading manufacturers of tankless water heating products and was the first to begin marketing tankless water heaters in the U. S. in 1994.

A. O. Smith Water Products Company is North America's largest manufacturer of residential and commercial water heating equipment.

About A. O. Smith Corporation:

A. O. Smith Corporation, with 2009 sales of \$2.0 billion, is a global leader applying innovative technology and energy-efficient solutions to products marketed worldwide. The company is one of the world's leading manufacturers of residential and commercial water heating equipment, offering a comprehensive product line featuring the best-known brands in North America and China. A. O. Smith is also one of the largest manufacturers of electric motors for residential and commercial applications in North America.