

Air Conditioning Business in Australia

- Growing presence with award-winning products such as AVANTI PLUS® -



Mitsubishi Heavy Industries Thermal Systems, Ltd.

Mitsubishi Heavy Industries Air-conditioners Australia, Pty. Ltd. (MHIAA), which is headquartered in Sydney, Australia, is a wholly-owned subsidiary of air conditioning and refrigeration company Mitsubishi Heavy Industries Thermal Systems, Ltd. (MTH). With branch offices across Australia, MHIAA sells air conditioners and provides relevant after sales services to Australian and New Zealand consumers.

1. Introduction

In the global air conditioning industry, environmental regulations have been accelerating in recent years; low global warming potential products which do not compromise on performance are in demand. As an air conditioning system component, the type of refrigerant^(*1) that is used makes a considerable contribution to the environmental performance. In developed countries, a refrigerant called “R32” with a low global warming potential (GWP) has been predominantly used for the past few years in residential air conditioning systems and packaged air conditioning systems for shops. This refrigerant is expected to be applied to multi-split air conditioning systems for buildings as well.

MHIAA is responsible for selling the air conditioners developed by MTH (mainly those in which R32 refrigerant is used) and providing relevant services across Australia and New Zealand. The MHIAA products are delivered to end users through dealers, mass retailers, wholesalers installers, etc

*1: The gas that is circulating in the pipe connecting the indoor and outdoor units. Heat in the air is carried by this gas.

During cooling, heat is transferred to the outside from the room, and the other way round during heating.

2. Our air conditioning business history in Australia

The history of our air conditioning business in Australia is as follows:

1975: Started sales through local distributors

1999: Started direct sales by the air conditioning/refrigeration business division established within MHIAU^(*2)

2009: Founded MHIAA as an air conditioning company

Headquartered in Sydney, Australia, MHIAA has branch offices in Melbourne, Brisbane, Townsville, Perth, Adelaide and Auckland in New Zealand (**Figure 1**).

*2: Mitsubishi Heavy Industries Australia, Pty. Ltd.

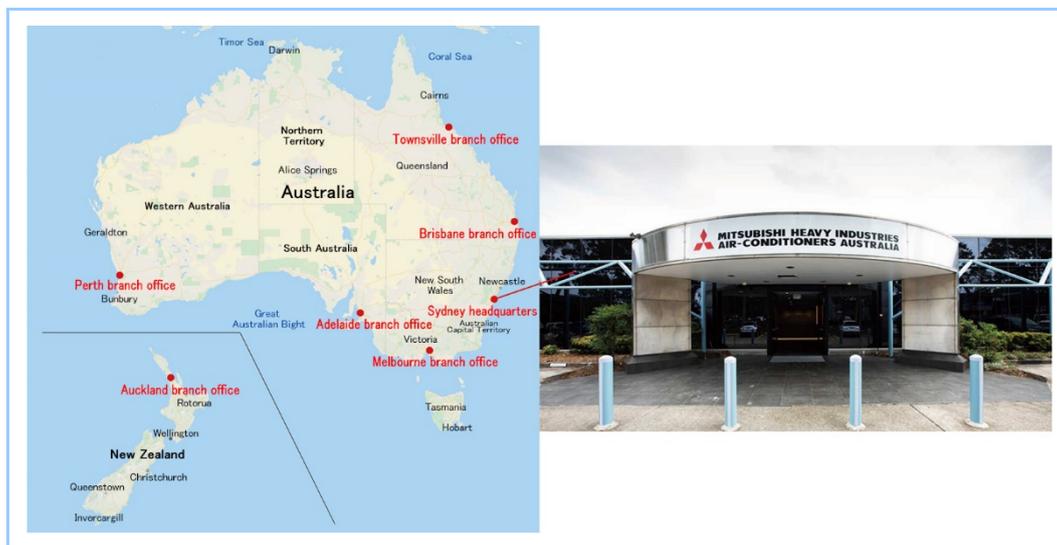


Figure 1 MHIAA office locations

3. Introduction of products

MHIAA has a wide product line-up ranging from residential to commercial air conditioners and provides comprehensive product warranty/support services through its network covering all major areas.

With respect to residential air conditioners, products using R32 refrigerant are commercially available in all the product ranges (i.e., premium, standard and large capacity) with each series having an attractive trade name (e.g., “AVANTI[®]” and “Bronte[®]”^{*3}). Based on the Italian design models that are popular in Europe, the “AVANTI PLUS[®]” and “AVANTI[®]” series (Figure 2) have also been highly regarded for their superior design and product value in Australia.

When it comes to commercial air conditioners, the preferred indoor unit type varies depending on the country or region. In Japan and Europe, ceiling cassette systems are in favor, while in Australia, the predominant types are ducted systems for which indoor unit can be installed/concealed in a ceiling according to the style of architecture (Figure 3). Taking into account this characteristic installation in the ceiling structure in Australia, MHIAA has made special models available in Australia. Taking the air conditioning systems installed in Botanical Apartments in 2019 as an example, 172 ducted system indoor units were supplied, while the number of outdoor units was 80 (consisting of 77 multi-split air conditioning systems for buildings and 3 packaged air conditioning systems for shops).



Figure 2 AVANTI[®] series

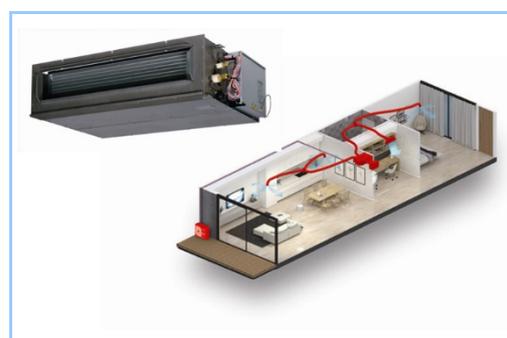


Figure 3 Ducted system indoor unit and piping illustration

As described so far, the products on offer are those developed based on both macro and micro perspectives (that is, the former making use of the MTH group’s global network and the latter understanding local needs).

*3: “AVANTI[®]” means “forward” in Italian, and was so named because of its Italian design.

“Bronte[®]” was named after a beach in Australia.

4. Introduction of business activities

To enhance the brand recognition, MHIAA has appointed Australia's best-known female interior designer and TV presenter as their brand ambassador in 2017. As the other major brands in Australia generally use male ambassadors, this strategy of MHIAA's is effective in differentiating its brand from its competitors. Having a significant influence of the decision makers in common households, Tara Dennis is now a symbol of MHIAA's innovation and branding. She is our key endorser in TV commercials, advertisements, promotional campaigns, etc. (Figure 4).



Figure 4 Advertisement featuring the brand ambassador (for cashback campaign)

MHIAA has two types of sales channels: the national account route through nationwide wholesalers, mass retailers, and the distribution channel is the dealer market route through equipment sales companies (including installers) and mechanical contractors. It is crucial to build and maintain the relationship with these partners who are the direct representatives of MHIAA's products. This partnership continues on good terms by engaging with them through training programs to deepen their expert knowledge about products, services and maintenance (Figure 5), as well as introducing loyalty program to maintain and expand business relationships. As all the employees of MHIAA except for the Managing Director are hired locally, it is possible to formulate a variety of programs tailored to meet local needs.

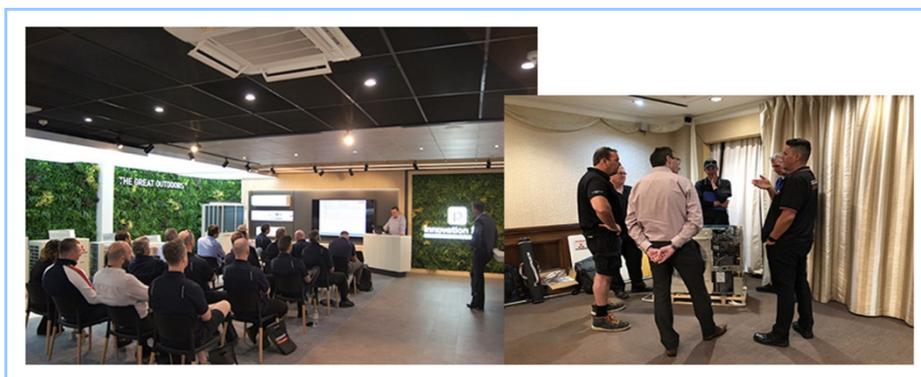


Figure 5 Product training seminars held across Australia and New Zealand

The product sales expansion and branding, which have been promoted together with the partners, are highly successful to the extent of being objectively recognized as the CHOICE[®] Best Brand^(*)4) in 2018. In 2019, MHIAA received the Gold Good Design Award^(*)5) and the Canstar Blue Most Satisfied Customer Award^(*)6). Moreover, it was once again selected as the Best Brand by CHOICE[®] for the second year in a row (Figure 6). In selecting the CHOICE[®] Best Brand, scores are calculated based on CHOICE[®]'s test results from four perspectives: air conditioner basic performance, brand reliability (the occurrence of product malfunctions during the test period), customer satisfaction (survey of general users), and recommendation (as voted by CHOICE[®] members). Having obtained the highest assessment results for all the products and services among the major brand companies, MHIAA is the only winner of the Best Brand award in the category of air conditioners.

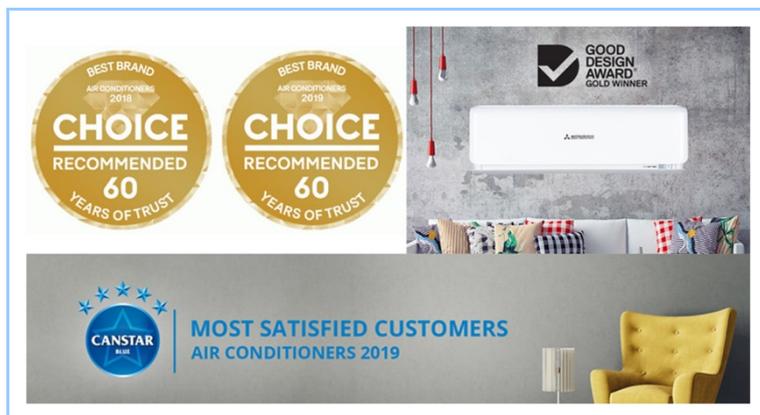


Figure 6 Major awards that MHIAA received in 2018 and 2019

MHIAA actively takes part in corporate social responsibility activities. In recent years, catastrophic damage has been inflicted by natural disasters such as bushfires, floods and droughts in Australia. In 2019, marked the company's 20th year in the air conditioning system direct sales business, MHIAA made a donation to an influential non-profit organization Australian Red Cross Disaster Relief and Recovery, in an attempt to return at least some of what the company has received from the local communities.

The synergetic effect of these activities, closely link to local communities and the aforementioned products that meet the market needs, MHIAA has shown its presence especially in the Australian market. Regarding residential air conditioners in particular, MHIAA has become a company that can win the largest or second largest market share.

*4: An award for the best brand that is given by CHOICE, a leading consumer advocacy group in Australia.

The category of air conditioners newly started in 2018.

*5: Awarded to the "AVANTI PLUS[®]" series. It is an Australian design award given to products with superior designs.

*6: An award that is given to the Australia's most trusted brand by Canstar Blue, a popular comparison website in Australia.

5. Future direction

The air conditioner market in Australia is large and it is expected to continue to grow steadily. Considering this region of the world as one of the most important markets, the MTH group is also developing products that can satisfy local needs. While maintaining its market share for residential air conditioners, MHIAA will look to expand sales of commercial air conditioners by launching packaged air conditioning systems for shops and multi-split air conditioning systems for buildings, both of which use R32 refrigerant. The company will also continue to offer solutions to varying needs from customers.

"AVANTI[®]," "AVANTI PLUS[®]" and "BRONTE[®]" are registered trademarks of MHIAA in Australia and New Zealand.