

November 25, 2019

Start of New Business Model Demonstration in Tanzania with WASSHA

Aiming to commercialize subscription of air conditioners in immature market

Daikin Industries, Ltd. has begun a demonstration in the United Republic of Tanzania for a new business model with WASSHA Inc. (hereinafter referred to as "WASSHA"), a company using IoT technology to develop an electrical power service business in the non-electrified areas of Africa.

In the demonstration, Daikin will take advantage of WASSHA's business know-how, unique human talent, and sales network in Tanzania to introduce high-efficiency air conditioners to small stores and ordinary homes in Tanzania through a subscription method and verify business feasibility. The verification period will be a three-month period from November 2019 to February 2020. Together with planning an air conditioner subscription business, Daikin intends to construct a payment system using mobile money with the goal of starting a full-scale business in fiscal year 2020.

This collaboration was realized under the initiatives taken for "Social Implementation of New Value through Collaboration with Venture companies," a theme of the industry-academia co-creation agreement concluded with the University of Tokyo in December 2018.

WASSHA, a startup company associated with the University of Tokyo, is developing an electrical power service business through the rental of LED lanterns in the non-electrified areas of the Sub-Saharan Africa region focusing on Tanzania. A kiosk network of small stores handling basic necessities spans the entire country of Tanzania from the suburbs to the villages where electricity is unavailable. The LED lanterns will be offered in a "Pay As You Go" system in which users pay only for the electricity that they use.

Similarly, Daikin is currently aiming to develop an air conditioning business in Africa where long-term population growth is expected. It is also promoting business development from India to East Africa by exporting products developed and manufactured in India, a country that requires stable operation in an environment of unstable electrical power supply. In September 2019, Daikin established a Nairobi office in the Republic of Kenya and began local market research and sales network development.

The market penetration rate of air conditioners in Tanzania is low, and low-priced models with high environmental impact account for a large part of the market. In this collaboration, a subscription method will provide high-efficiency air conditioning with low environmental impact by using air conditioners equipped with inverter technology developed by Daikin and low global warming potential (GWP) refrigerant. In this way, Daikin aims to construct a business model that reduces user initial costs and produce revenue even in small immature markets. While focusing on expansion to other immature markets, Daikin is also working to create an air conditioning culture of low environmental impact from the initial stage of introducing air conditioners.

Daikin has set aside 100 million USD (11 billion yen) for use in investments targeting global startup companies over a five-year period until 2024 and is investing 300 million yen in WASSHA for its first project.