

F R O S T & S U L L I V A N

FROST & SULLIVAN BEST PRACTICES AWARD

BUILDING ENERGY MANAGEMENT SOLUTIONS - GLOBAL

Innovation Excellence Frost Radar 2019



FROST & SULLIVAN

2019 BEST PRACTICES AWARD



FROST RADAR

CONGRATULATIONS!

Frost & Sullivan is proud to present **Daikin Applied** with this year's Frost Radar® best practices Award for Innovation Excellence in **Global BEMS market**.

Frost & Sullivan's global team of analysts and consultants continuously research a wide range of markets across multiple sectors and geographies. As part of this ongoing research, we identify companies that consistently develop new growth strategies based on a visionary understanding of the future, and thus more effectively address new challenges and opportunities. This involves extensive primary and secondary research across the entire value chain of specific products. Against the backdrop of this research, Frost & Sullivan recognizes **Daikin Applied** for these valuable achievements.

This recognition is strictly reserved for companies that are market leaders and are reinventing themselves through R&D investments and innovation. These may be companies that are entering a new market and "contend" for leadership through heavy investment in R&D and innovation. Achieving Innovation Excellence is never an easy task, but it is one made even more difficult considering today's intense competitive environment, customer volatility, economic uncertainty, and rapid technology evolution. Within this context, **Daikin Applied's** receipt of this Award signifies an even greater accomplishment.

Moreover, we recognize that your selection as recipient of this award is the result of many individuals (employees, customers, and investors) making daily choices to support in the organization and contribute in a meaningful way to its future. We enthusiastically acknowledge and celebrate these achievements. Once again, we congratulate you on your accomplishments and wish you great success in the future.

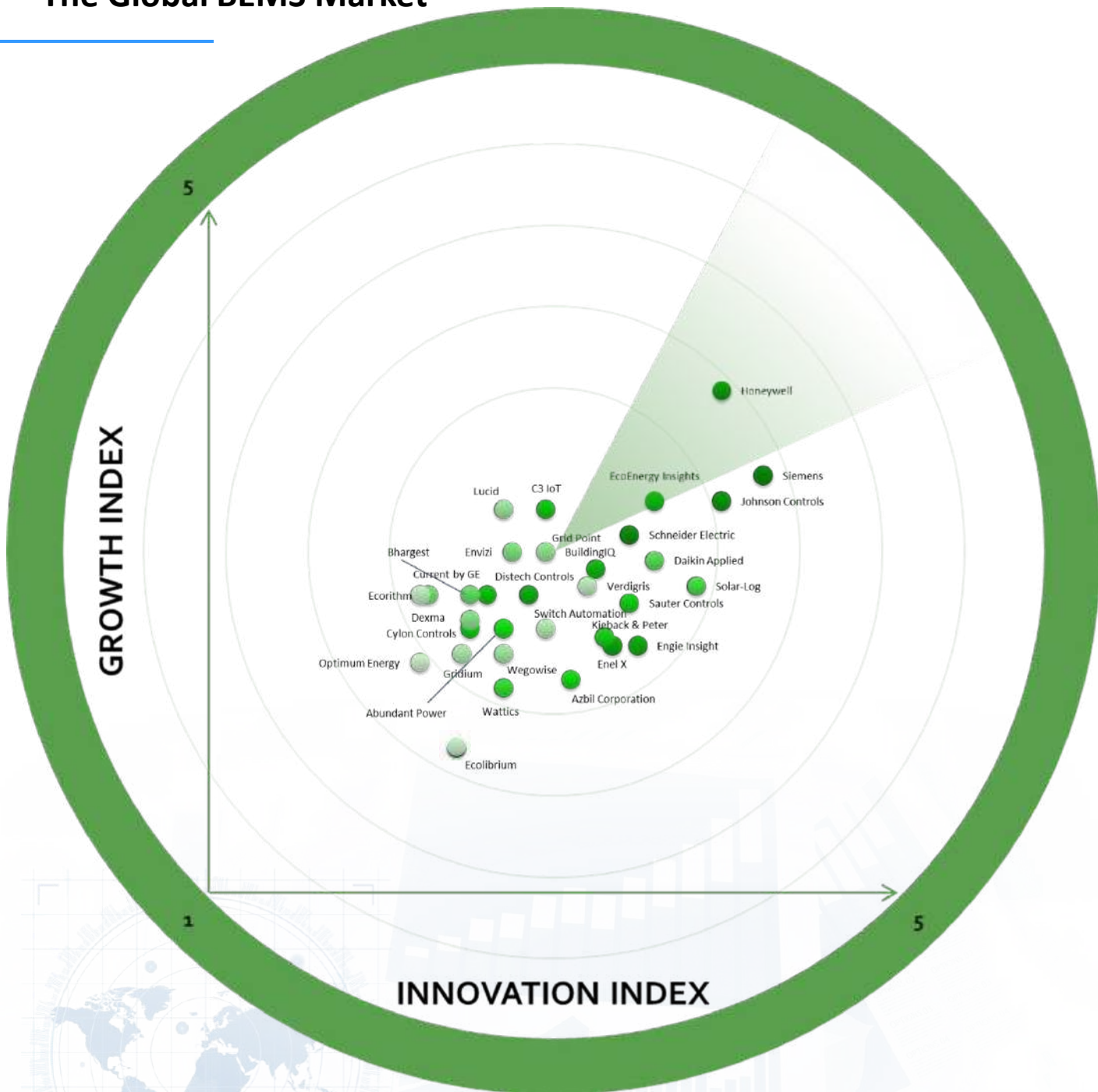
Sincerely yours,

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The Frost Radar

The Global BEMS Market



In a field of +100 Industry Participants, Frost & Sullivan has independently ranked the top 32 companies in the above Frost Radar analysis.

Companies were ranked on both Growth and Innovation as determined by Frost & Sullivan industry analysts.

- Frost & Sullivan studies related to this independent analysis:
- **BEMS Market in Southeast Asia, Forecast to 2020**
 - **New Growth Opportunities in European HEMS and BEMS Market**
 - **North American BEMS Market, Forecast to 2021**

Frost Radar Innovation Excellence Award

Daikin Applied

- Daikin's BEMS solution, Intelligent Equipment, is designed and offered along with its HVAC equipment.
- This solution continues to evolve and currently includes IoT gateways powered by LTE cellular for increased data transmission performance. It is cloud-based and offers HVAC performance and energy analytics. It is available on Daikin Applied's packaged rooftop units and air cooled chillers, and will soon be available in other Daikin HVAC solutions.
- Customers can view the equipment's performance and energy use via the Intelligent Equipment customer dashboard while technicians can fully control the equipment remotely through the technician view.

COMPANY DIAGNOSTIC

- Daikin's Intelligent Equipment connects directly to an HVAC unit to provide direct access and unlimited visibility into unit performance and energy usage, where a typical BEMS solution cannot link energy usage to an individual unit, without costly programming.
- Intelligent Equipment provides remote monitoring and access to real-time data for hundreds of points, all included with the annual subscription. Because it's stored in the cloud, there's no limit to the data; you can track back to any point since commissioning. Unlike a traditional BEMS, owners have total access to the data.

STRENGTHS

FROST RADAR POSITIONING

- Daikin Applied is positioned in the Contender area of the Frost Radar chart. The company's BEMS revenue has been growing at an accelerated rate since 2015.
- The company has developed its smart HVAC solution organically, providing a cost advantage in the market that is less than the industry average.
- Daikin Applied has a strict innovation process in place with new initiatives for product development, R&D investments matching industry average, and leverages Mega Trends in its market strategy. Its products exceeds customer requirements.

OPPORTUNITIES

- Daikin Applied currently provides solutions to rooftop and air cooled chillers in commercial and industrial buildings, there is opportunity to monitor and analyze other HVAC products.
- The company is a well established brand in the Asia-Pacific region. It has a great opportunity to integrate its innovation in its existing offerings sold in high growth regions, especially in South East Asia, India and China. The company is also working now to grow large in the South American market.

Frost Radar

2 Major Indices, 10 Analytical Ingredients, 1 Platform

Vertical Axis – The Growth Index:

Growth index is a measure of a company's growth performance and track record, along with its ability to develop and execute a fully aligned growth strategy and vision; a robust growth pipeline system; and effective market, competitor, and end-user focused sales and marketing strategies.

- **GI1: Market Share (previous 3 years):** Market share relative to its competitors in a given market space for the previous three years.
- **GI2: Revenue Growth (previous 3 years):** Revenue growth rate for the previous three years in the market/ industry/ category that forms context for the given Frost Radar.
- **GI3: Growth Pipeline:** This is an evaluation of the strength and leverage of the company's growth pipeline system, to continuously capture, analyze and prioritize its universe of growth opportunities.
- **GI4: Vision and Strategy:** This is an assessment of how well a company's growth strategy is aligned with its vision . Are the investments the company is making in new products and markets consistent with the stated vision?
- **GI5: Sales and Marketing:** This is a measure of effectiveness of a company's sales and marketing efforts in helping the company drive demand and achieve its growth objectives.

Horizontal Axis – The Innovation Index:

Innovation index is a measure of a company's ability to develop products/services/solutions that are developed with a clear understanding of disruptive Mega Trends, are globally applicable, are able to evolve and expand to serve multiple markets, and are aligned to customers' changing needs. Key elements of this index include:

- **II1: Innovation Scalability:** This determines whether the organization's innovations is/are globally scalable and applicable in both developing and mature markets, and also in adjacent and non-adjacent industry verticals.
- **II2: Research and Development:** This is a measure of the efficacy of a company's R&D strategy, as determined by the size of its R&D investment and how it feeds the innovation pipeline.
- **II3: Product Portfolio:** This is a measure of the product portfolio of the company, focusing on the relative contribution of new products to its annual revenues.
- **II4: Megatrends Leverage:** This is an assessment of a company's proactive leverage of evolving long-term opportunities and new business models, as the foundation of its innovation pipeline.
- **II5: Customer Alignment:** This evaluates the applicability of a company's products/services/solutions to current and potential customers (7-year horizon), as well as how its innovation strategy is influenced by evolving customer needs.

Frost Radar – Companies to {Action}

All companies on the Frost Radar could be Companies to {Action}. Best Practice recipients are the companies that Frost & Sullivan considers the **Companies to "Act on"** now.



INNOVATION EXCELLENCE AWARD

The Innovation Excellence best practice is bestowed upon companies that are industry leaders reinventing themselves through R&D investments and innovation. These may be companies that are entering a new market and “contend” for leadership through heavy investment in R&D and innovation.