



Retail Systems Group



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Message From the Segment Leader

The Retail Systems Group is composed of four consolidated subsidiaries, centered on Fuji Electric Retail Systems Co., Ltd., and accounts for roughly 15% of the Fuji Electric Group's consolidated sales.

This segment operates two core businesses. One is the vending machines business, where the group boasts leading domestic market share. The other is the cold-chain equipment business, which handles design and construction of mainly freezing and refrigerated showcases for retail stores. In addition, the segment operates the currency handling systems business, where the main businesses are automatic change dispensers and equipment compatible with e-money, both of which are recording striking growth.

We have two overarching aims. One is to continue to strengthen our endeavors in areas such as energy-saving in order to realize a recycling-based society, by leveraging our outstanding technologies and accumulated know-how. The other is to become the closest partner to our customers and to create comfortable commercial environments.

Overview of Fiscal 2007 Operating Results

Net sales for the group as a whole increased 4.0% year on year to ¥158.7 billion, while operating income rose 12.4% to ¥2.8 billion. The ratio of operating income to net sales was 1.8%.

In the vending machines, food service equipment, and currency handling systems subsegment, the mainstay vending machines business recorded a decline in sales of drink vending machines, but in the case of cigarette vending machines, machines with age identification systems registered a favorable performance. In addition, sales of currency handling systems grew strongly mainly on the back of successful efforts to boost sales of new models of automatic change dispensers and equipment compatible with e-money. As a result, sales in this

subsegment were higher than a year earlier.

In the cold-chain equipment subsegment, amid a sharp drop in capital investment in the food distribution industry, we carried out active order expansion measures primarily related to store refurbishment and new store location projects. Consequently, sales in this subsegment increased year on year.

On the profit front, expenses increased due to the impact of surging material prices and measures to reinforce the marketing system for cold-chain equipment. However, as this negative impact was absorbed by restructuring and cost cutting centered on reducing fixed costs, operating income exceeded the previous year's level.

Operating Results by Subsegment

Vending Machines, Food Service Equipment and Currency Handling Systems

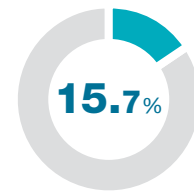
In the vending machines, food service equipment and currency handling systems subsegment, sales of drink vending machines declined, reflecting sluggish industry demand stemming from the curtailment of investment by large-scale customers. Nevertheless, as cigarette vending machines equipped with age identification systems and age identification system installation work recorded favorable performances, sales of vending machines were higher than a year earlier. Moreover, in terms of environmental compatibility, we developed and began mass producing heat pump vending machines that use natural refrigerants and energy-saving heat pump can vending machines that use refrigerants with excellent cooling characteristics.

Sales of currency handling systems also grew substantially year on year. This mainly reflected business deals regarding large-scale orders for automatic change dispensers and billing devices for photocopiers, as well as measures to boost sales of new models of equipment compatible with e-money.

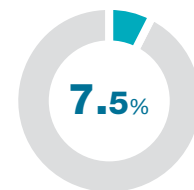
Cold-chain Equipment

In this subsegment, capital investment in the food retail industry fell sharply due to such factors as the revision of the Building Standards Law of Japan and sluggish consumer spending. Despite this adverse environment, we carried out active order expansion measures centered on store refurbishment and new store locations such as parking areas on highways. As a result, sales increased year on year.

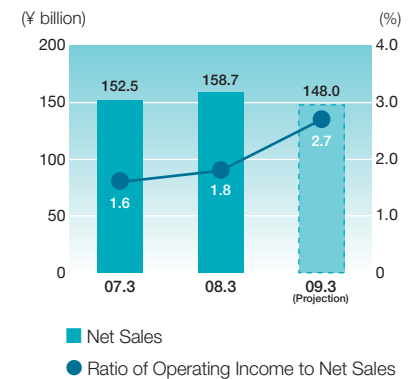
Share of Total Net Sales



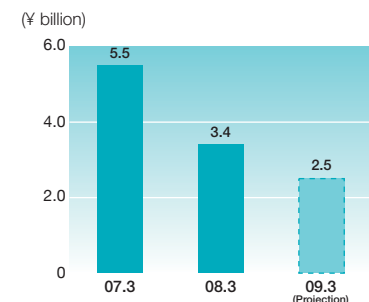
Share of Total Operating Income



Net Sales/Ratio of Operating Income to Net Sales



Plant and Equipment Investment



Operational Policy for Fiscal 2008

Based on a business environment where substantial growth on an overall basis is not projected, the Retail Systems Group will steadily promote measures aimed at responding to needs in some sectors where demand is rising, such as compatibility with the environment and automation and labor-saving related to electronic money and cash registers. The Group's basic policy is to promote business efficiency aimed at maximizing the effects of restructuring centered on reducing fixed costs that it implemented in fiscal 2007, and to reinforce the earnings structure through carefully focused business management.

In the vending machine and food service equipment businesses and the cold-chain equipment business, we will work to thoroughly strengthen the earnings structure. In the currency handling systems business, our challenge is to achieve growth and expansion centered on equipment compatible with e-money and automatic change dispensers.

As regards priority measures, in the vending machines and food service equipment businesses, where the market environment is challenging, we will endeavor to boost sales of mainly

environmentally friendly vending machines that put priority on the social requirements of energy efficiency and environmental protection. In currency handling systems, we aim to build product development and manufacturing systems that are compatible with the business environment, which is changing dramatically, and to secure high sales growth in tandem with high earnings by expanding profit-focused marketing activities. In cold-chain equipment, we will concentrate our efforts in sectors with high profitability and work to secure orders by further bolstering the provision of products and services that match market needs. At the same time, we will strive to enhance quality and productivity while cutting costs and reducing overheads.

The group as a whole expects sales to decrease, as demand related to age identification devices for cigarette vending machines largely came to an end in fiscal 2007 and the market for cigarette vending machines is declining in tandem with the commencement of age identification.

However, by steadily implementing the measures outlined above, we aim to substantially improve operating income.

Non-CFC and Heat Pump Vending Machines



We further enhanced the energy efficiency and environmental performance of our non-CFC (CO₂ refrigerant) vending machines by adding heat pump technology.

Electronic Settlement Terminals



These terminals can handle e-money to support the smooth operation of cashless sales in retail stores. They can also be fitted to vending machines to enhance their usability.

Operational Policy by Subsegment

Vending Machines and Food Service Equipment

In this subsegment, vending machines are increasingly being required to fulfill social demands in terms of countering global warming. Against this backdrop, we will step up marketing of vending machines that boast the industry's highest level of energy-saving through the use of cooling and heating technologies, in which Fuji Electric excels. We will also solidify our leading market share position and maintain the quality of this subsegment as an earnings base.

Currency Handling Systems

Sales of equipment compatible with e-money are expected to grow strongly due to the rapid diffusion of e-money and an increase in small settlement amounts. We intend to capture a high share of business in this industry by developing products that are able to read several types of e-money and improving security technologies in tandem with an increase in the types of e-money and stores that are able to use them.

Furthermore, in automatic change dispensers, a market that is expanding in a similar way to e-money, we intend to promote a substantial reduction in the cost of sales and strengthen profitability in relation to automatic change dispensers for cash registers and automatic change dispensers incorporated in self service gasoline pumps, both of which are mainstay products. At the same time, with money-related verification and coin validation technologies, which Fuji Electric has fostered in the vending machine business, as our core strengths, we aim to increase our share of business in the retail industry in sectors such as supermarkets and gasoline stands.

Cold-chain Equipment

Conditions in this sector are forecast to remain challenging due to factors such as the curbing of investment in the domestic supermarket industry. We previously adopted the business policy of expanding sales in this business but, going forward, we will change to the direction of improving quality mainly in design, construction, delivery and products, and increasing the value added that we provide to customers in each project. In this way, we aim to reinforce the earnings structure.

Automatic Change Dispensers



These machines automatically perform calculation and payment of cash deposits and change. They support cash management for various kinds of cash registers such as those used in supermarkets and gasoline stations.

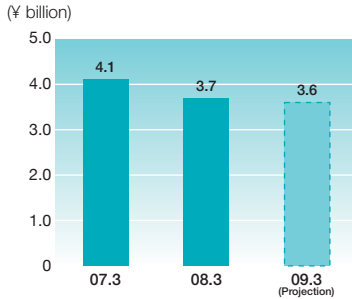
Freezing and Refrigerated Showcases



Based on the concepts of ecology and economy, Fuji Electric supplies showcases that offer energy efficiency and a high degree of freshness.

Research & Development

R&D Expenditures



* Radio frequency (RF)

High-frequency electromagnetic waves in the wireless frequency.

R&D Policy

While aiming to create comfortable commercial environments, our objective is to provide new products that meet market needs, such as concern for the environment, and food safety and security, in a timely manner. To achieve this, we will reinforce the basic technologies that are the core of our R&D operations, and promote speedy product development.

To achieve greater energy efficiency for vending machines, we will boost development efficiency by raising the completion rate for our cooling and heating technology platforms. In parallel with this, we will develop a broader range of applications for showcases, and other cooling and heating equipment.

Furthermore, we will strive to create structural analysis technologies to study product strength and ways to make lighter products, and optimize designs that are compatible with

more efficient resource use. We will also promote the reinforcement of mechatronics technologies that combine mechanism motion analysis and electronic control technologies, as well as their application to products.

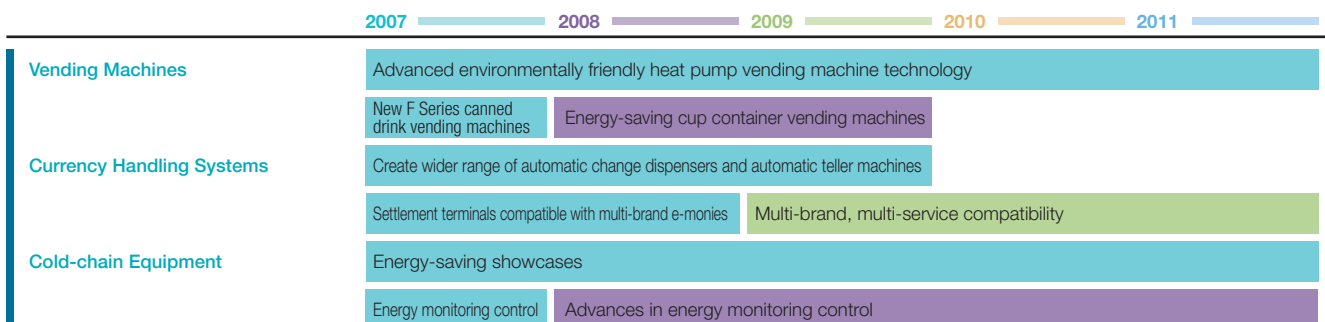
In product development, we will expand the range of environmentally friendly vending machine models through the horizontal development of environmental technologies such as heat pumps and new refrigerants. In addition, we will develop a series of currency handling systems that employ verification, mechatronics, communications, security, and RF* technologies and promote the application of new technologies in currency verification. In the cold-chain equipment business, we intend to bolster our customer response capabilities by developing engineering tools.

Key Products Born Out of Research Programs

In fiscal 2007, we put priority on the development of energy-saving technologies and high-value-added products. In the vending machines and food service equipment business, we worked to realize energy efficiency based on the heat pump method in can vending machines that utilize a safe refrigerant and have a low global warming potential (GWP), and took steps to develop related products. In addition, we developed the Super Multi Mini, a food

vending machine that handles products that require refrigeration and/or cold storage in a single unit, and a new type of coffee dispenser using a drip method to deliver the best flavor. In the cold-chain equipment business, we developed the ECOMAX R Series, which pursues further enhancements in energy efficiency and environmental compatibility, safety and security, and product presentation.

Roadmap for Developing Technologies



TOPICS

Energy-efficient Vending Machines Contribute to Prevention of Global Warming

The vending machines found throughout towns and cities have experienced definite technological progress in often invisible ways. Their power consumption, for example, has been halved during the past ten years. Since vending machines are a staple part of modern life, they need to be manufactured in an environmentally friendly way.

Realizing Industry Leading Levels of Energy Efficiency and Quietness

Fuji Electric machines with 2008 specifications have realized the highest level of energy-saving in the industry, namely, a 44% reduction in annual power consumption versus machines with 2007 specifications (based on a comparison by Fuji Electric). Moreover, owing to a noise reduction design that takes into account indoor installation, our machines produce background noise of 40 dB or less, which is quieter than a room air conditioner. Put differently, we have realized quietness that is equivalent to the level typically found inside a library.

Energy-saving Regulations and Fuji Electric's Initiatives

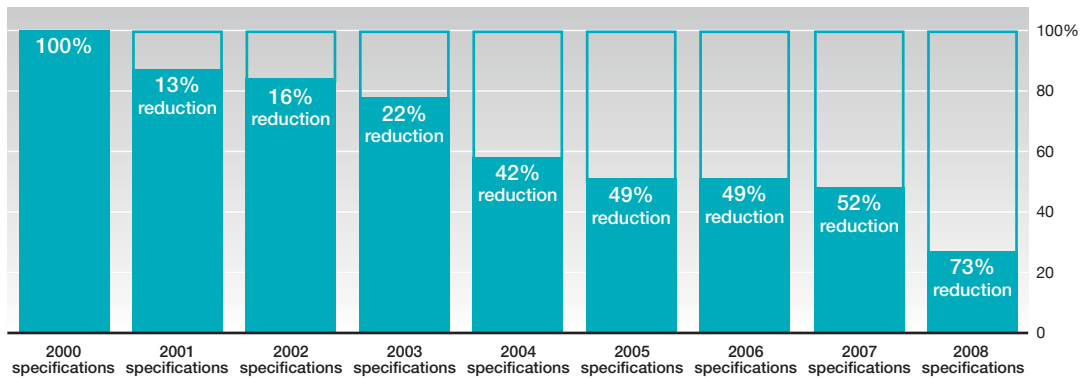
In order to prevent global warming, canned and bottled drink vending machines were designated as specified equipment under the Energy Saving Law of Japan (an abbreviation for the Law Regarding the Rationalization of Energy Use) in 2002, and specific targets for reductions in power consumption based on the Top Runner Method have been established.

The first target, which became obligatory in 2005, was to reduce average annual power consumption per can vending machine by 33.9% versus 2000. Our vending machines achieved a reduction of about 38% on average, which is higher than that target, and our representative models achieved a reduction of about 49%.

The 2012 specifications, which will become the second targets (for can, bottle, cup, and paper container vending machines), will make it mandatory to reduce the power consumption of canned and bottled drink vending machines by 36.3% versus 2005. To achieve this standard, we have developed heat pump technology, which is used in equipment such as air conditioners, and models that use refrigerants that are highly compatible with heat pumps. As a result, our mainstay can vending machine models have already realized a high reduction of 44% in power consumption compared to 2007 machines of the same type, and we aim to expand this technology to all models from here on.

Going forward, we intend to continue to provide products that are friendly to society and the Earth.

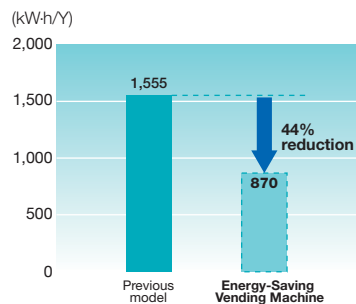
Annual Power Consumption of Vending Machines (Fuji Electric 30-selection/5-deep models with serpentine columns*)



Power Consumption Comparison With Previous Vending Machines



Heat-pump Energy-saving Vending Machine



If the reduction in annual CO₂ emission volume compared to previous machines is converted to the volume of CO₂ emissions absorbed by cedar trees, it is equivalent to approximately 27 trees.

* A type of vending machine that can sell a maximum of 30 product types or items and has five columns (racks) for supply storage and replenishment.