

Food and Beverage Distribution Business Strategies

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■ Business Overview

■ FY2020 Management Plan

- Market Outlook
- Business Policies
- Business Plan
- Priority Measures
- Capital Investment / Research and Development

Vending Machines

Top share in Japanese, Chinese, and Thai vending machines markets*



Can and PET bottle vending machine

(Innovative vending machine supplied to JR East Water Business Co., Ltd.)



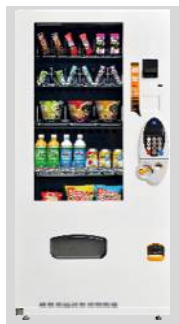
Contact-free vending machine (cashless payment-compatible, foot pedal operated)



Thickened tea vending machine



Face recognition-equipped vending machine



Vending machine for food and other goods

- Can and PET bottle vending machines
- Cup vending machines
- Vending machines for food and other goods
- Vending machines for overseas markets
- Automatic tea servers
- Cold beverage dispensers

Store Distribution



Showcases



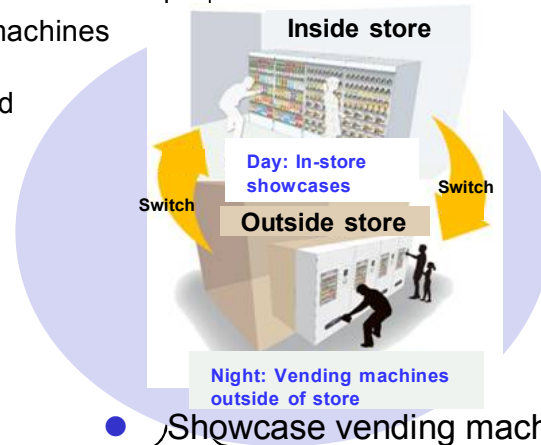
Next-generation coffee machine



Total store coordination



Automatic change dispenser



- Showcase vending machines

- Refrigerated and freezer showcases
- Total store coordination
- Counter fixtures
- Automatic change dispensers

*Source: Fuji Electric

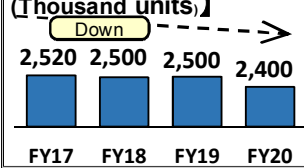
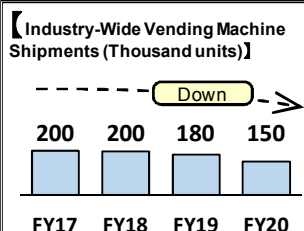


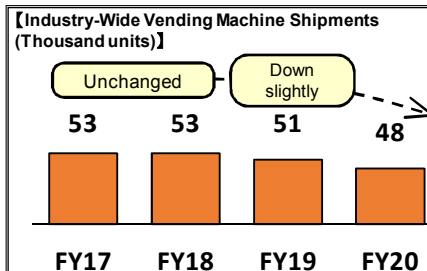

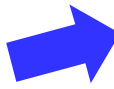
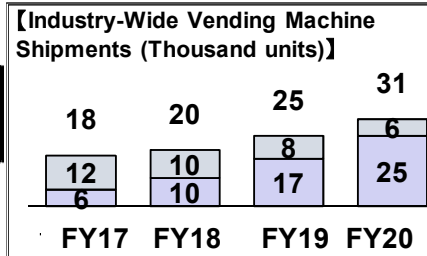

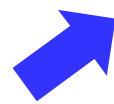
Business Policies

- Advance measures and develop systems from a medium-term perspective to address changes in social climate and needs arising from the COVID-19 pandemic
- Ramp up cost reduction initiatives and implement measures in focus areas

Priority Measures

- **Vending machines**
 - Japan: Deployment of next-generation vending machines and approach new customers
 - China: Enhancement of response toward diversifying needs
 - Southeast Asia: Strengthening of customer strategies and launch of new models
- **Store distribution**
 - Promotion of introduction of labor-saving equipment and counter fixtures
 - Business proposals matched to lifestyle changes
- **Manufacturing**
 - Strengthening of cost competitiveness through global manufacturing system development

Market Outlook (Vending Machines)

Market Outlook (FY2020)		YoY Change	
		1H	2H
Japan	<p>1H: Greatly limited capital investment due to impacts of the COVID-19 pandemic (teleworking, staying at home) (Sales down 10% and profit down 50% at major beverage manufacturers year on year *)</p> <p>2H: Recovery from first half but performance less than in previous fiscal year</p> <p>- Changing market needs</p> <ul style="list-style-type: none"> → Trend toward contact-free vending machines and cashless payments using QR codes → Rising need for operational efficiency improvement → Shift in focus from in-facility vending machines (in office buildings, schools, and factories) to outside-of-facility vending machines (residential areas) → Increased use of vending machine technologies (cold and thermal and conveyance technologies) 	<p>Note: Estimates by Fuji Electric</p> <p>【Active Vending Machines (Thousand units)】</p>  <p>FY17 FY18 FY19 FY20</p> <p>【Industry-Wide Vending Machine Shipments (Thousand units)】</p>  <p>FY17 FY18 FY19 FY20</p>	 
China	<p>1H: Slow recovery of food and beverage industry, contrasting faster recovery of manufacturing industry, amid decreased profitability of previously strong-performing locations (factories, schools, etc.) as impacts of U.S.-China trade friction were compounded by the COVID-19 pandemic</p> <p>2H: Recovery trend stemming from changing market needs</p> <p>- Changing market needs</p> <ul style="list-style-type: none"> → Rising demand for vending machines in unmanned stores → Increase in vending machines dealing in diverse products → Higher ratio of payments conducted through cashless methods 	<p>Note: Estimates by Fuji Electric</p> <p>【Industry-Wide Vending Machine Shipments (Thousand units)】</p>  <p>FY17 FY18 FY19 FY20</p>	 
Asia	<p>1H: Performance in line with previous fiscal year, despite impacts of the COVID-19 pandemic, due to rising demand for new vending machines</p> <p>2H: Ongoing growth in demand for new vending machines</p> <p>- Growing new vending machine market</p> <ul style="list-style-type: none"> → Transition from secondhand vending machines to new vending machines primarily to accommodate cashless payments 	<p>Note: Estimates by Fuji Electric</p> <p>【Industry-Wide Vending Machine Shipments (Thousand units)】</p>  <p>FY17 FY18 FY19 FY20</p>	 

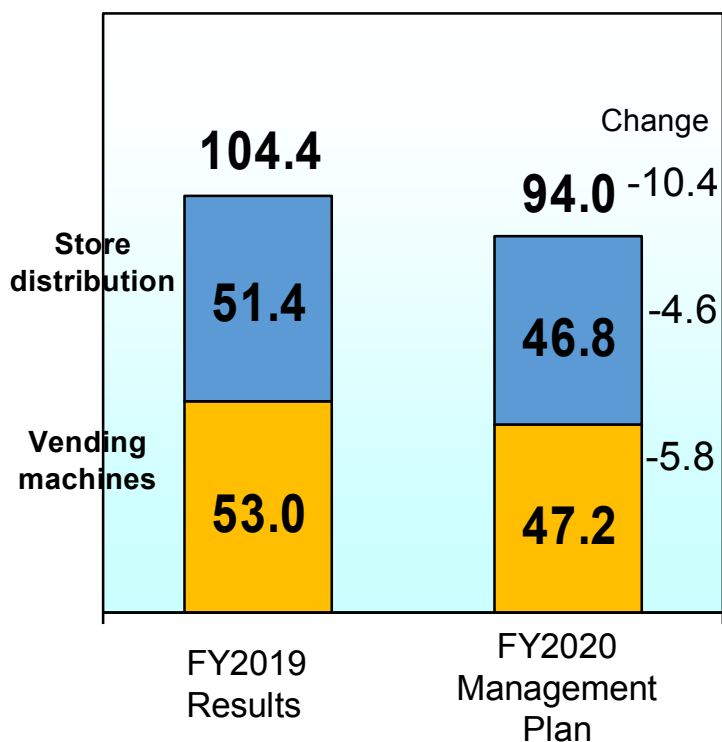
* Based on disclosure materials released by customers

Market Outlook (Store Distribution)

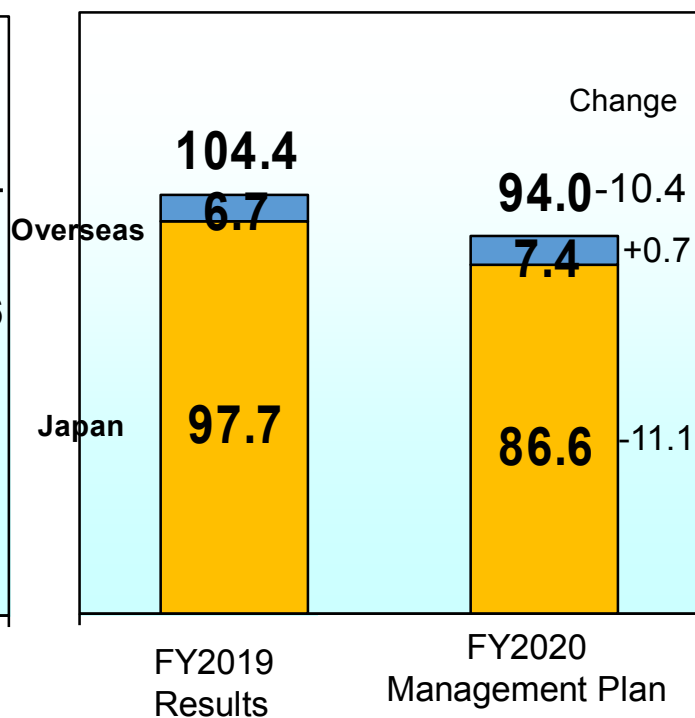
Market Outlook (FY2020)	YoY Change																															
	1H	2H																														
<p>1H: Daily sales of convenience store operators down due to the COVID-19 pandemic Lower capital investment due to customer teleworking measures and installation plan delays (Sales down 10% and profit down 20% at convenience store operators year on year*)</p> <p>2H: Performance to be in line with previous fiscal year due to installation project delays being offset by increased investment in renovation to respond to market needs</p>																																
<div style="display: flex; justify-content: space-around;"> <div data-bbox="120 691 920 1225"> <p>Number of Stores (Thousand stores)</p> <table border="1"> <caption>Number of Stores (Thousand stores)</caption> <thead> <tr> <th>Fiscal Year</th> <th>Number of Stores (Thousand stores)</th> </tr> </thead> <tbody> <tr> <td>FY17</td> <td>58</td> </tr> <tr> <td>FY18</td> <td>58</td> </tr> <tr> <td>FY19</td> <td>58</td> </tr> <tr> <td>FY20</td> <td>58</td> </tr> </tbody> </table> </div> <div data-bbox="949 691 1816 1225"> <p>Industry-Wide Number of New and Renovated Stores (Thousand stores)</p> <table border="1"> <caption>Industry-Wide Number of New and Renovated Stores (Thousand stores)</caption> <thead> <tr> <th>Fiscal Year</th> <th>New stores</th> <th>Renovated stores</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>FY17</td> <td>3.0</td> <td>8.0</td> <td>11</td> </tr> <tr> <td>FY18</td> <td>3.0</td> <td>6.0</td> <td>9.0</td> </tr> <tr> <td>FY19</td> <td>2.0</td> <td>11.0</td> <td>13</td> </tr> <tr> <td>FY20</td> <td>1.0</td> <td>11.0</td> <td>12</td> </tr> </tbody> </table> </div> </div> <p>- Changing market needs</p> <ul style="list-style-type: none"> → Changes in sales floor environments to accommodate new lifestyles (teleworking, staying at home) → Expansion of product lineup in response to COVID-19 (non-face-to-face, contact-free) 	Fiscal Year	Number of Stores (Thousand stores)	FY17	58	FY18	58	FY19	58	FY20	58	Fiscal Year	New stores	Renovated stores	Total	FY17	3.0	8.0	11	FY18	3.0	6.0	9.0	FY19	2.0	11.0	13	FY20	1.0	11.0	12		
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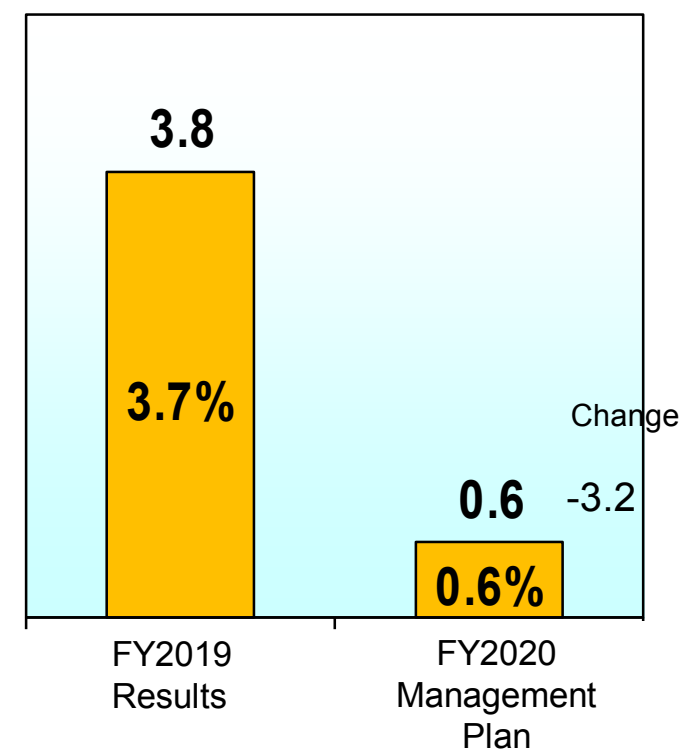
Net Sales by Subsegment (Billion yen)



Net Sales in Japan / Overseas (Billion yen)



Operating Income / Operating Margin (Billion yen)



Directives for Food and Beverage Distribution Business

CY2020

- ◆ Strengthening of constitution through streamlining
- ◆ Business reforms, cost reductions

CY2021–2023

- ◆ Business expansion capitalizing on new business constitution
- ◆ Business operation and development practices accounting for the COVID-19 pandemic

Vending machines in Japan

Market Conditions and Needs

- Massive reduction in equipment investment due to the COVID-19 pandemic
- Opportunities for investment in operational efficiency

Strategies

- Transition toward growth fields (systems businesses, new equipment and customers)
- Reduce costs and rationalize production

Market Conditions and Needs

- Declining or plateauing equipment investment
- Growth in operational efficiency investment and contact-free vending machine demand

Strategies

- Equipment: Launch IoT-equipped vending machines and vending machines that respond to the COVID-19 pandemic
- System business: Propose streamlining services to customers
- New customers: Approach potential customers aside from beverage and food manufacturers

Store distribution in Japan

Market Conditions and Needs

- Massive reduction in store investment due to the COVID-19 pandemic
- Move to shorten store hours, changes in lifestyles

Strategies

- Transition toward growth fields (new equipment, services, and customers)
- Launch products that respond to emerging needs

Market Conditions and Needs

- Rising need for shorter store hours, higher daily sales, and more efficient operations
- Growing demand for energy-saving and non-face-to-face offerings

Strategies

- Equipment: Utilize reciprocal communication, showcase vending machines, and 2Way cases
- Services: Deploy store operation management systems
- New customers: Approach new customers in transportation, apparel, drugstore, and other fields

China

Market Conditions and Needs

- Stagnancy due to combined impacts of U.S.-China trade friction and the COVID-19 pandemic
- Lower vending machine investment by small to medium-sized operators
- Flat growth in vending machine investment by beverage manufacturers

Strategies

- Advance customer strategies

Market Conditions and Needs

- Growth in vending machine investment by beverage manufacturers
- Market participation by new players (pharmaceutical and dairy product manufacturers)

Strategies

- Utilize vending machines for unmanned stores
- Shift focus toward major manufacturers

Asia

Market Conditions and Needs

- Ongoing growth of new vending machine market (transition for secondhand to new vending machines)

Strategies

- Bolster frontline capabilities
- Enhance model lineup and collaborate with promising local companies

Market Conditions and Needs

- Growing presence of new vending machines and expansion of market for large-scale good vending machines

Strategies

- Expand lineups of beverage vending machines and goods vending machines
- Utilize base of operations in Thailand and Indonesia to expand into surrounding countries

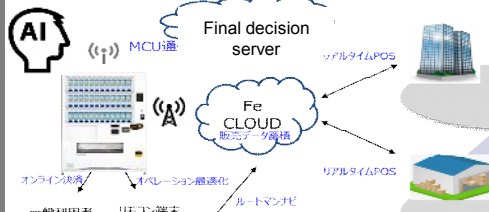
Priority Measures (Vending Machines in Japan)

◆ Contributions to improved customer sales and efficiency through increased proposals in next-generation vending machine and system businesses based on changes in market needs amid the COVID-19 pandemic

◆ Response to COVID-19 Pandemic and Evolution of Vending Machine Business

- System support for customers' operations
- Mutual communication between consumers and vending machine operators

Support for customer operations
Need to reduce frequency of trips to vending machine locations



- Tracking of sales data
- Remote configuration (prices, temperatures)
- Optimization of inspection/restocking routes

Reciprocal communication

Point and coupon issuance

Desired products

Touchless, cashless payments (QR codes)

Beverage manufacturers

Automatic dispensing outlet flap

Foot pedal

Handsfree functions (Automatic dispensing outlet flap or foot pedal)

Conventional vending machine

◆ Operating Environment Changes Stemming from the COVID-19 Pandemic

- Staying at home, teleworking
→ Limited outings and movement
- Increased demand for vending machines outside of facilities → **New business opportunities**

Businesses utilizing cloud workers

Locations outside of facilities (residential areas, condominium buildings, etc.)

◆ Reciprocal communication

- Product display instruction
- Collection of information on customer needs
- Operation management

◆ New workstyles

- Utilization of time between tasks
- Side jobs

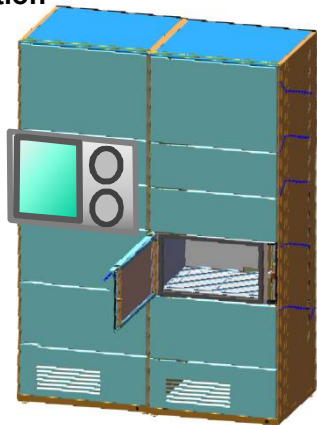
Product restocking

Priority Measures (Vending Machines in Japan)

◆ Expansion of new businesses utilizing core vending machine technologies (cold and thermal, conveyance, waterproof design, durability)

【Vending Machines + Delivery Lockers】

Ordered product receipt and identity verification
(Bases for short-distance distribution going beyond home delivery)



Cold and Thermal Control
Automated Conveyance

【Vending Machines + Contemporary Lifestyles】



Mask vending machines



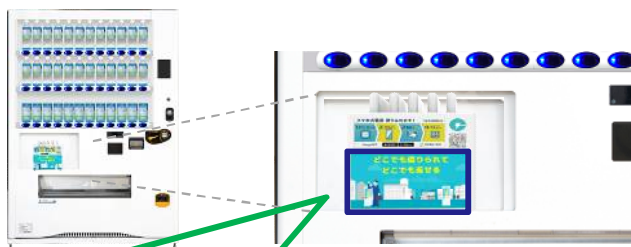
Thickened tea vending machines



Alcohol disinfectant dispersers

Waterproof Design
Durable Structures

【Vending Machines + Mobile Batteries】



Battery stands



Batteries

【Vending Machines + Charging Stations】

Battery charging and identify verification

- Electric motorcycles
- EVs
- Electric wheelchairs
- Emergency power supplies



- ◆ Provision of products that contribute to higher daily sales for customers
- ◆ Expansion of lineup of products that address the COVID-19 pandemic by accommodating new lifestyles (automated, non-face-to-face, contact-free)

【Existing Products】



Showcases



Automatic change dispensers



Counters

Unchanged sales of existing products → Share growth

【Next-Generation Counter Products】



Continuous proposals of further evolved products

【Responses to Lifestyle Changes】



Reciprocal communication between stores (customers) and consumers

【Labor-Saving Needs】



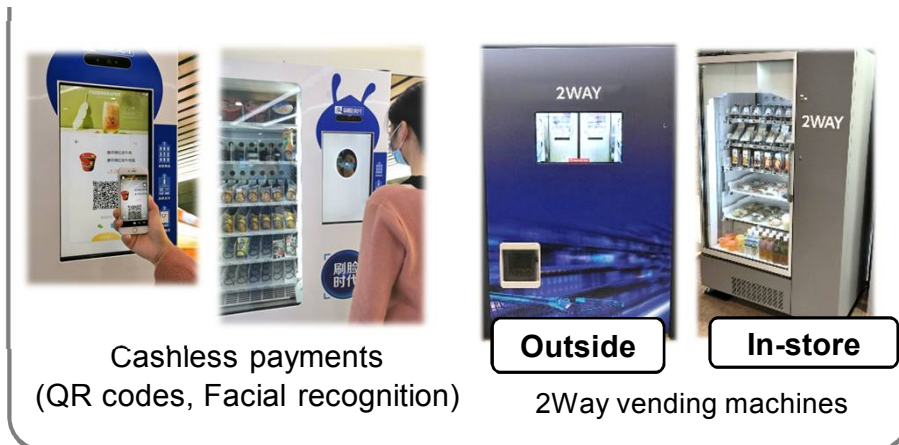
Self-service registers for convenience stores

Priority Measures (Overseas)

- ◆ Standardization of products to accommodate cashless payments and expansion of lineup of models that address diversifying needs
- ◆ Utilization of vending machines for unmanned stores
- ◆ Development of strategic partnerships with major beverage manufacturers and major conglomerates

【China】

【Cashless payments, Unmanned stores】



Cashless payments
(QR codes, Facial recognition)

Outside

In-store

2Way vending machines

【New Customers】



Dairy product
manufacturers

Pharmaceutical
manufacturers

【Southeast Asia】



Global cup
vending machines

Glass bottle
vending machines

Large food product
vending machines



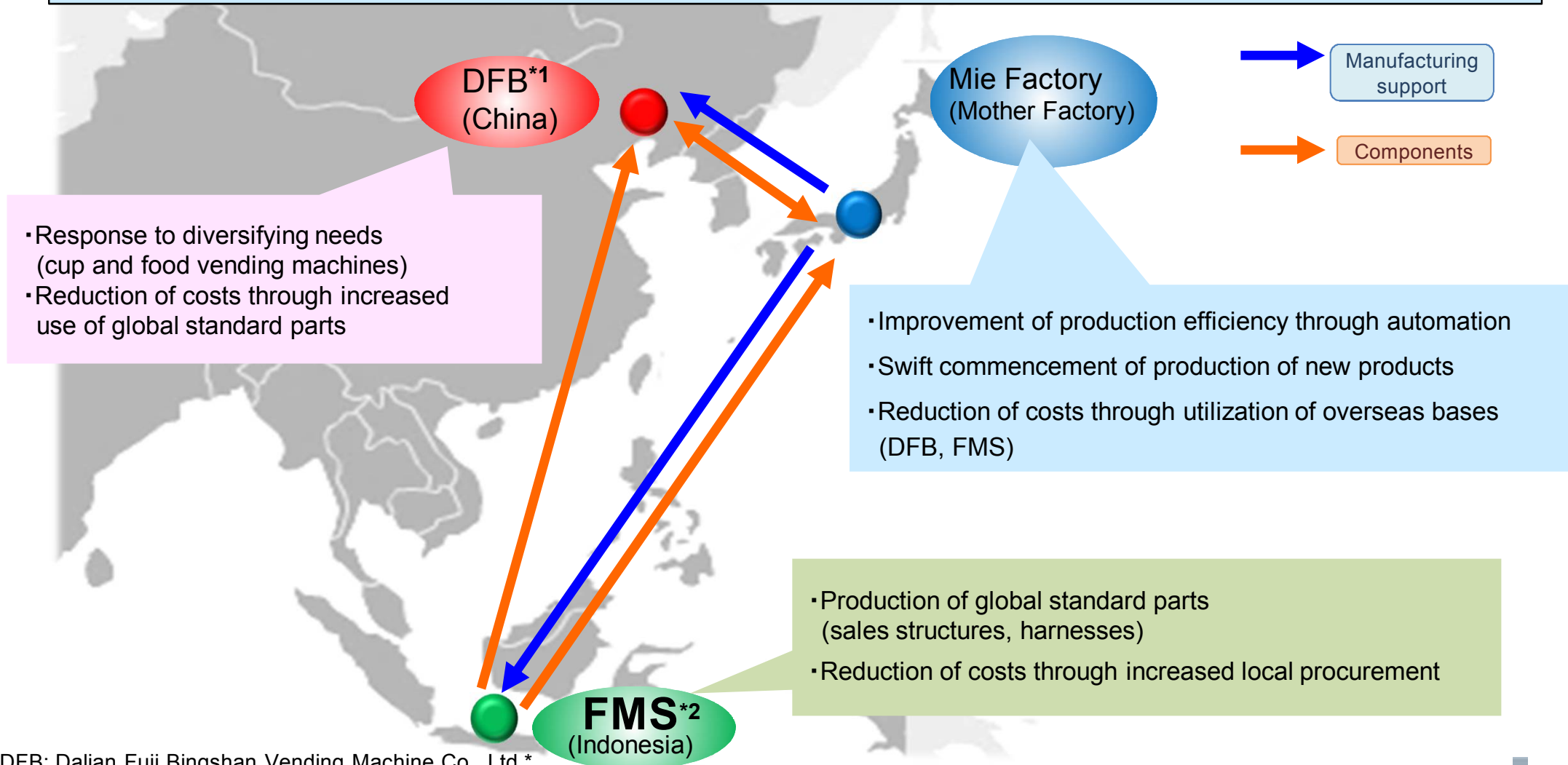
Vending plus
machine (Thailand)



Mask vending
machine (Thailand)

Priority Measures (Manufacturing)

- ◆ Enhancement of cost competitiveness through global manufacturing system
 - Reinforcement of base network to grow vending machine markets in China and Southeast Asia
 - Low-charge utilization of overseas bases and supply chain optimization
 - Swift response to local customer needs



1 DFB: Dalian Fuji Bingshan Vending Machine Co., Ltd.

*2 FMS: P.T. Fuji Metec Semarang

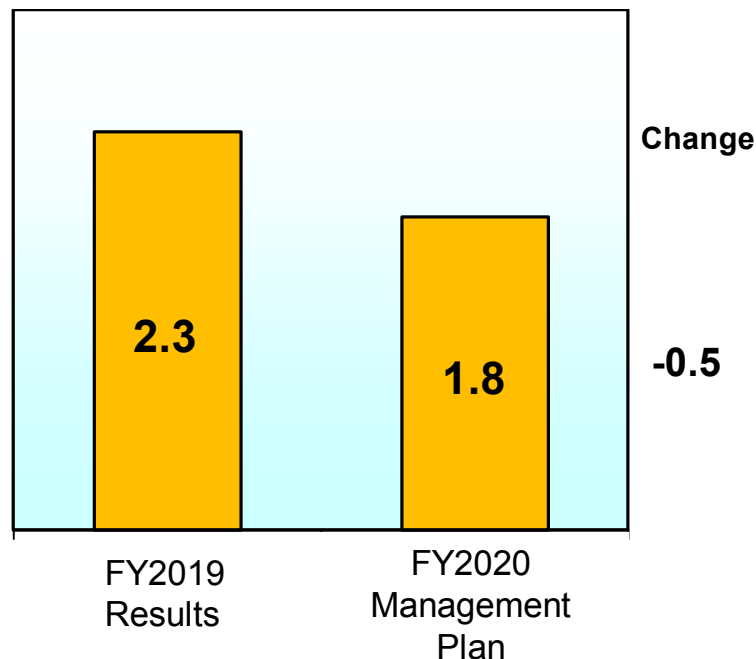
◆ Capital Investment

- Mie: Productivity improvements (automation, process flow rationalization)
- DFB: Molds for expanding range of models produced
- FMS: Production efficiency improvements and expansion of global parts production equipment

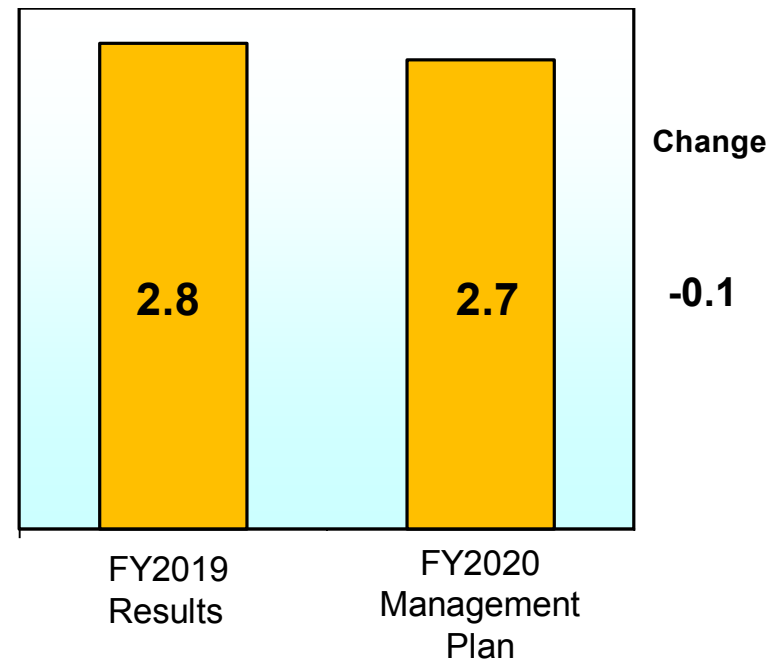
◆ Research and Development

- Next-generation vending machines and labor- and energy-saving store equipment
- System business products utilizing IoT and AI

Capital Investment (Billion yen)



Research and Development (Billion yen)



Note: The R&D expenditure figures above represent expenditures that have been allocated to segments based on theme and may therefore differ from figures contained in consolidated financial reports.

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