

Food and Beverage Distribution Business Strategies

May 30, 2023

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■ Business Overview









■ Performance

■ FY2023 Management Plan

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

Vending Machines

(Domestic sales: 91%; Overseas sales: 9%)

Japan		Overseas	
Beverage Vending Machines			
No. 1 share*	Two-way communication MCU	No. 1 share of beverage sales in China*	No. 1 share in Thailand*
			
Beverage Vending Machines	High-value added vending machines	Energy-saving beverage vending machines	Large-container beverage vending machines
Food/Goods Vending Machines			
			
Refrigerated food vending machines	Frozen food vending machines	Food vending machines	Temperature controlled IT lockers

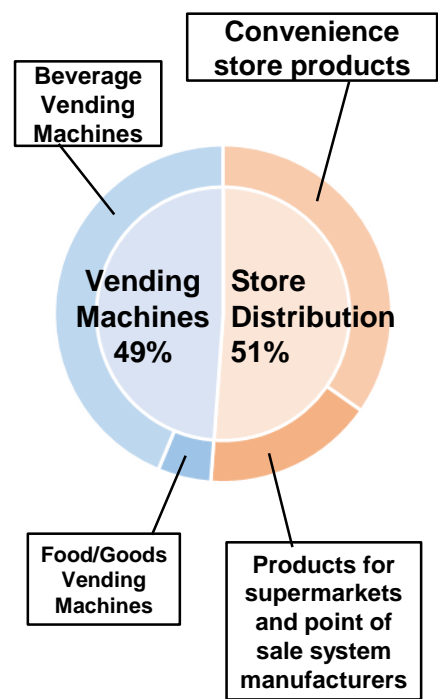
Major Customer Industries

Japan	Overseas
<ul style="list-style-type: none"> • Beverages • Food products • Restaurants (vending machine utilization)	<ul style="list-style-type: none"> • Beverages • Convenience stores • Vending machine system integration

Net sales (FY2022 Results)

¥95.3 billion

(Domestic sales: 96%; Overseas sales: 4%)



Store Distribution

(Domestic sales: 100%)

	
Refrigerated and freezer showcases	Total store solution
	
Counter fixtures	Automatic change dispensers
	
Vending machine convenience stores	

Major Customer Industries

- Convenience stores
- Super markets
- Point of sale systems

* Shares represent estimates by Fuji Electric based on FY2022 performance.

Note: Percentages of total net sales figures represent FY2022 results and are calculated before deduction and adjustment for inter-segment sales.

U.S.–China trade friction
COVID-19 pandemic

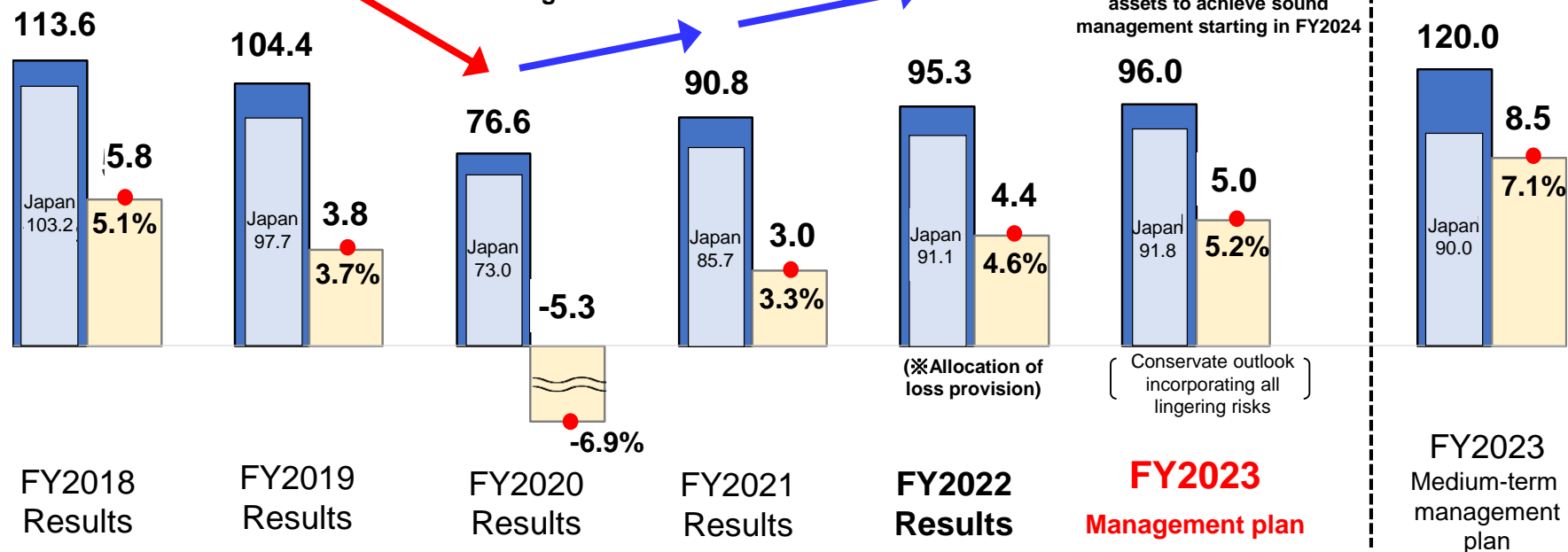
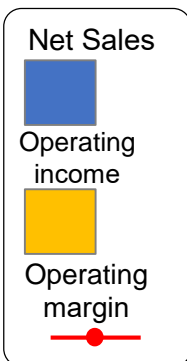
Structural reforms
• Headcount optimization
• Sales reforms
• Manufacturing function reorganization

Price revisions/
cost reductions
High-value-added products for new fields
Manufacturing function reorganization

Additional pricing strategies
Value proposition improvement
Expansion into new fields

Liquidation of underperforming assets to achieve sound management starting in FY2024

(Billion yen)



【FY2019–2022 (Four Years)】

Operating environment changes

- Substantial market deterioration stemming from COVID-19 pandemic (Japan, China, other parts of Asia)
- Improvements to profitability through structural reforms
- Price revisions, share increases, and value proposition improvement





Successes

【FY2022】

- Increased promotions of high-value-added products
- Selling price revisions
- Cost reductions
- Manufacturing system rationalization

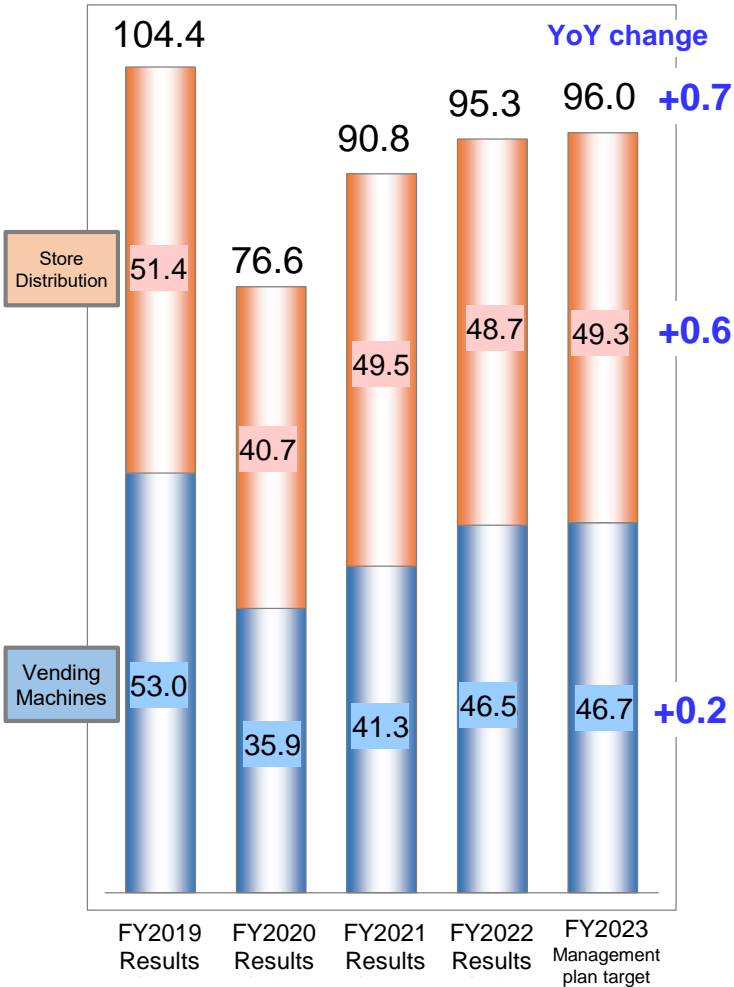
【Deviations from Initial Plan】

- Overseas:
 - Insufficient marketing
 - Slow transition in strategies
- Japan:
 - Achievement of medium-term management plan

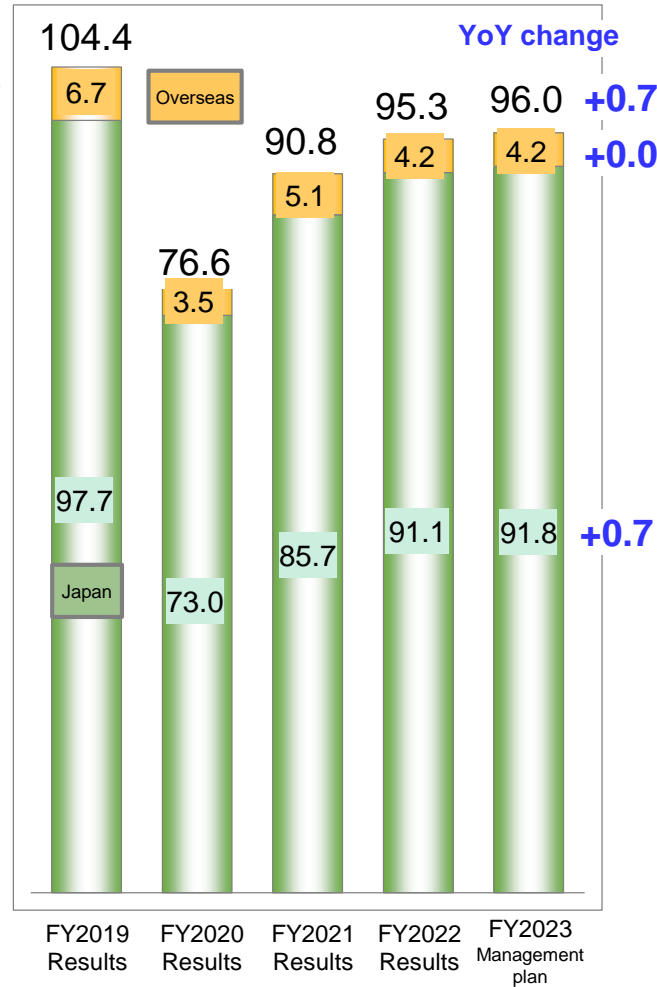
		Market Outlook (FY2023)	
		YoY Change	Details
Vending Machines	Japan	 Flat	Flat growth from FY2022 Market Needs <ul style="list-style-type: none"> ▪ Flat growth in vending machine investment in existing businesses (beverage vending machines) ▪ Constant demand for customers newly adopting vending machines in new businesses (frozen and other food vending machines)
	China	 Flat	Market recovery driven by diversification of customer needs Market Needs <ul style="list-style-type: none"> ▪ Demand for energy saving and eco-friendliness from beverage manufacturers as well as replacement demand in China ▪ Demand for using vending machines as satellite locations and for selling wider ranges of items from convenience store operations
	Southeast Asia	 Flat	(Continued from China) <ul style="list-style-type: none"> ▪ Demand for using vending machines as satellite locations and for selling wider ranges of items from convenience store operations
Store Distribution	Japan	 Flat	Slight increase from FY2022 Market Needs <ul style="list-style-type: none"> ▪ Rising upgrade demand spurred by move to reduce environmental impacts (conserve energy) ▪ Need for labor saving and food loss reduction measures, contact-free and non-face-to-face options, and satellite locations

Sales and income growth targeted by increasing topline earnings and improving profitability

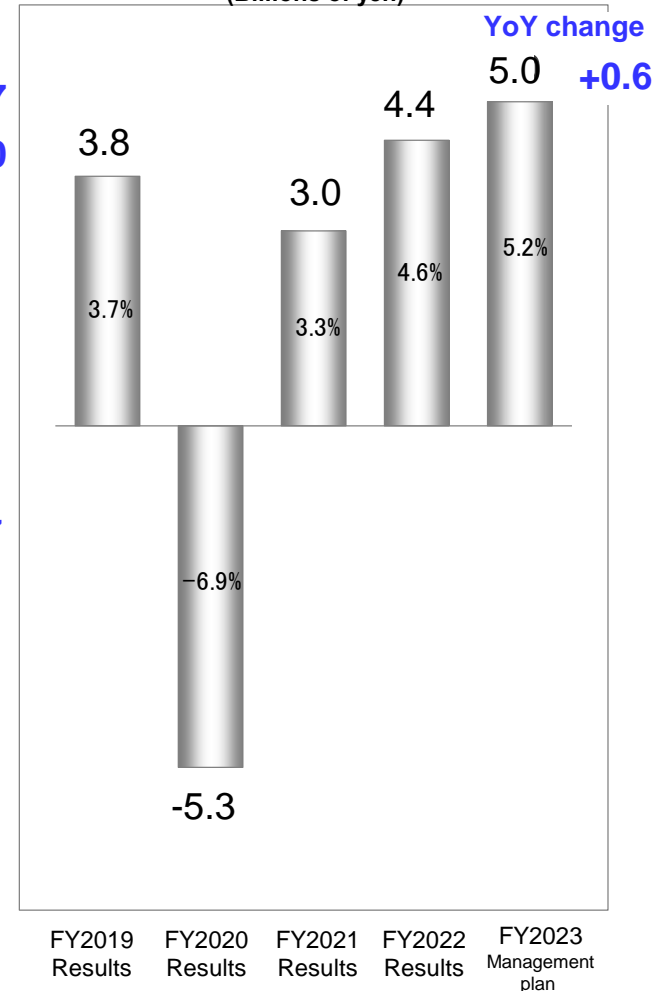
Net Sales by Subsegment (Billions of yen)



Net Sales in Japan / Overseas (Billions of yen)



Operating Income / Operating Margin (Billions of yen)

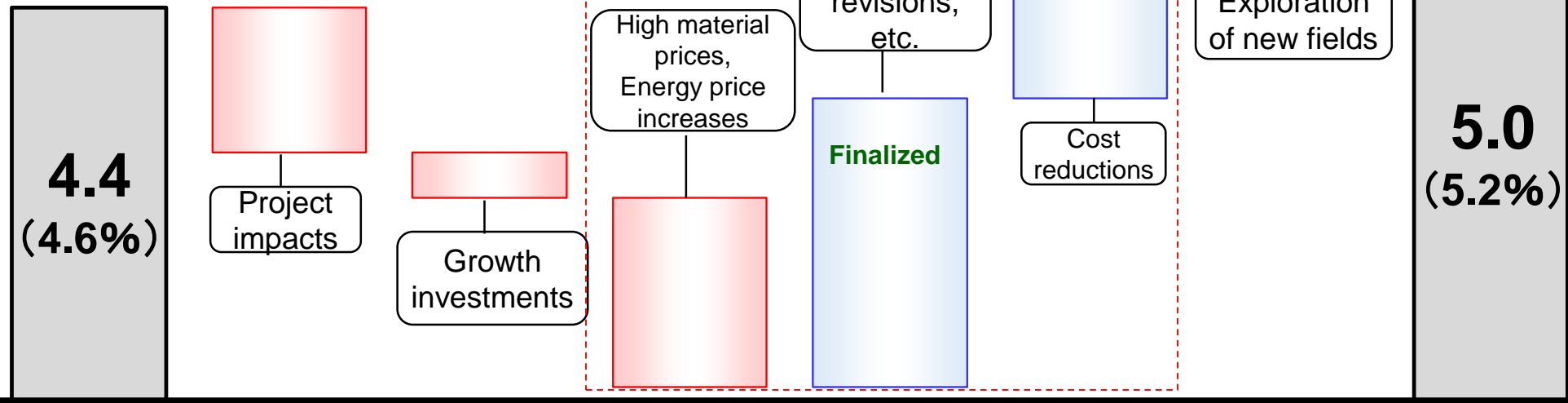


FY2023 Operating Income Target (Year-on-Year Growth)

Recovery from adverse impacts of high material prices, etc. through selling price revisions, cost reductions, and exploration of new fields

← **Income: Improvement of ¥0.6 billion** → (Billions of yen)

Recovery from adverse impacts of high material prices, etc. through selling price revisions and cost reductions



**FY2022
Results**

**FY2023
Plan**

Business Policies

- **Improvement of profitability:** Deployment of high-value-added products, cost reductions, and rationalization activities
- **Topline earnings improvement:** Proposal of products and services matched to market needs

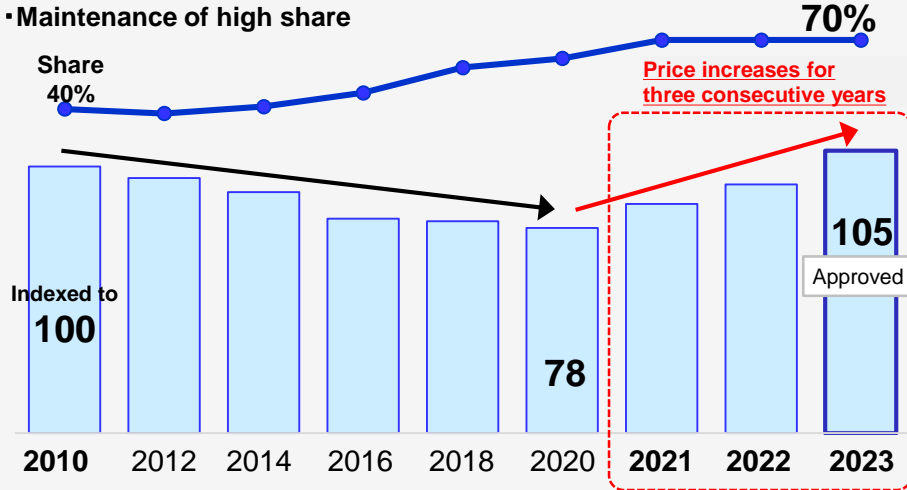
Priority Measures

- **Vending machines**
 - Japan: **Improvement of profit margins** by maintaining current level of topline earnings and deploying **high-value-added vending machines**
 - Overseas: Promotion of **differentiation strategies** matched to needs and development of service systems
- **Store distribution**
 - Deployment of **high-value-added vending machines** for convenience stores and capitalization on **benefits of share growth**
 - Provision of **new products** that contribute to sales growth for customers
- **General**
 - **Exploration of new fields** and introduction of **new products matched to customer needs**
 - Efficient operation matched to business scale using two manufacturing bases around the world

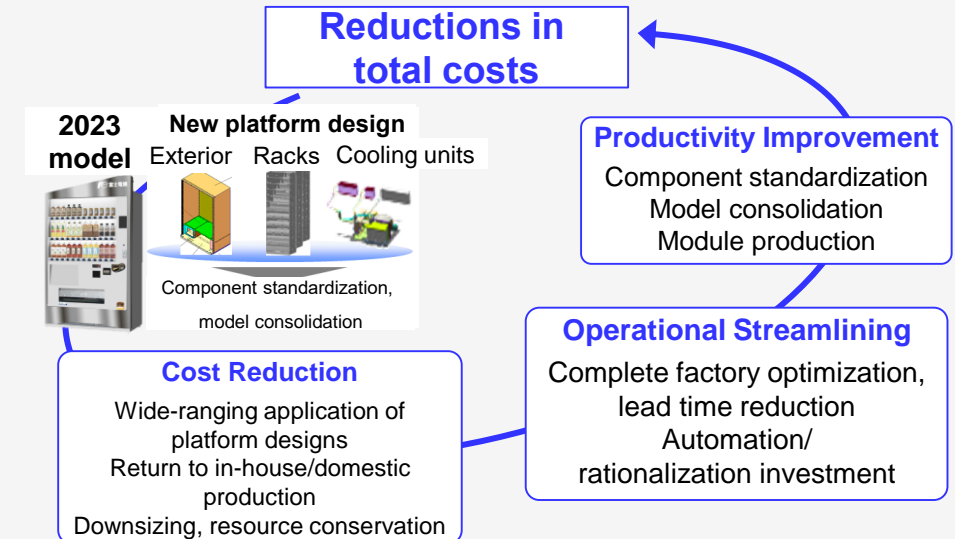
Profitability Improvement Measures in Food and Beverage Distribution Segment

Revision of Domestic Vending Machine Selling Prices

- Selling price revisions matched to product value and transference of higher material prices to selling prices
- Maintenance of high share

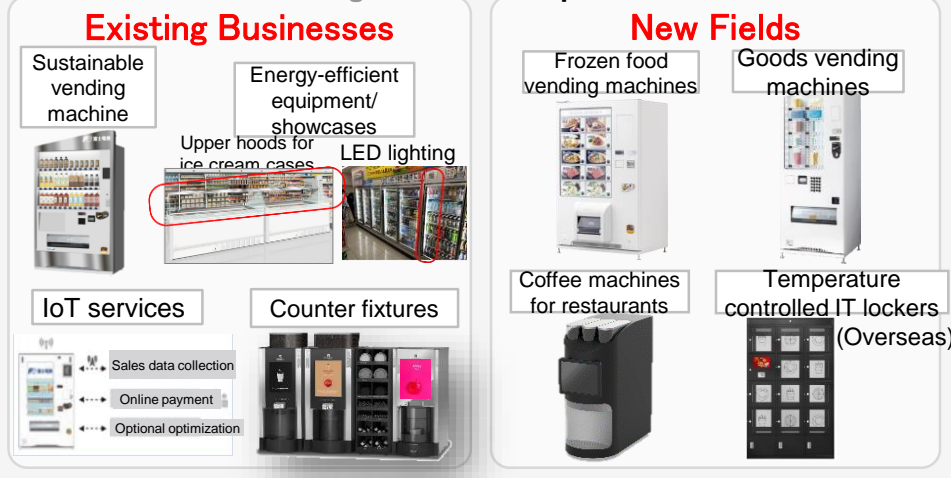


Cost Reductions



Deployment of High-Value-Added Products

Increase the value provided to customers and improve profitability with high value-added products



Reduction of Fixed Costs

■ Manufacturing reorganizations

→ Reorganization of five bases worldwide to make two-base system

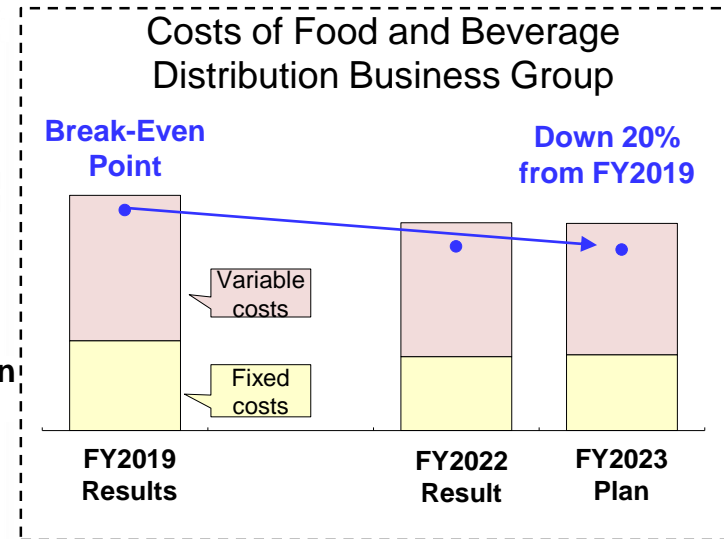
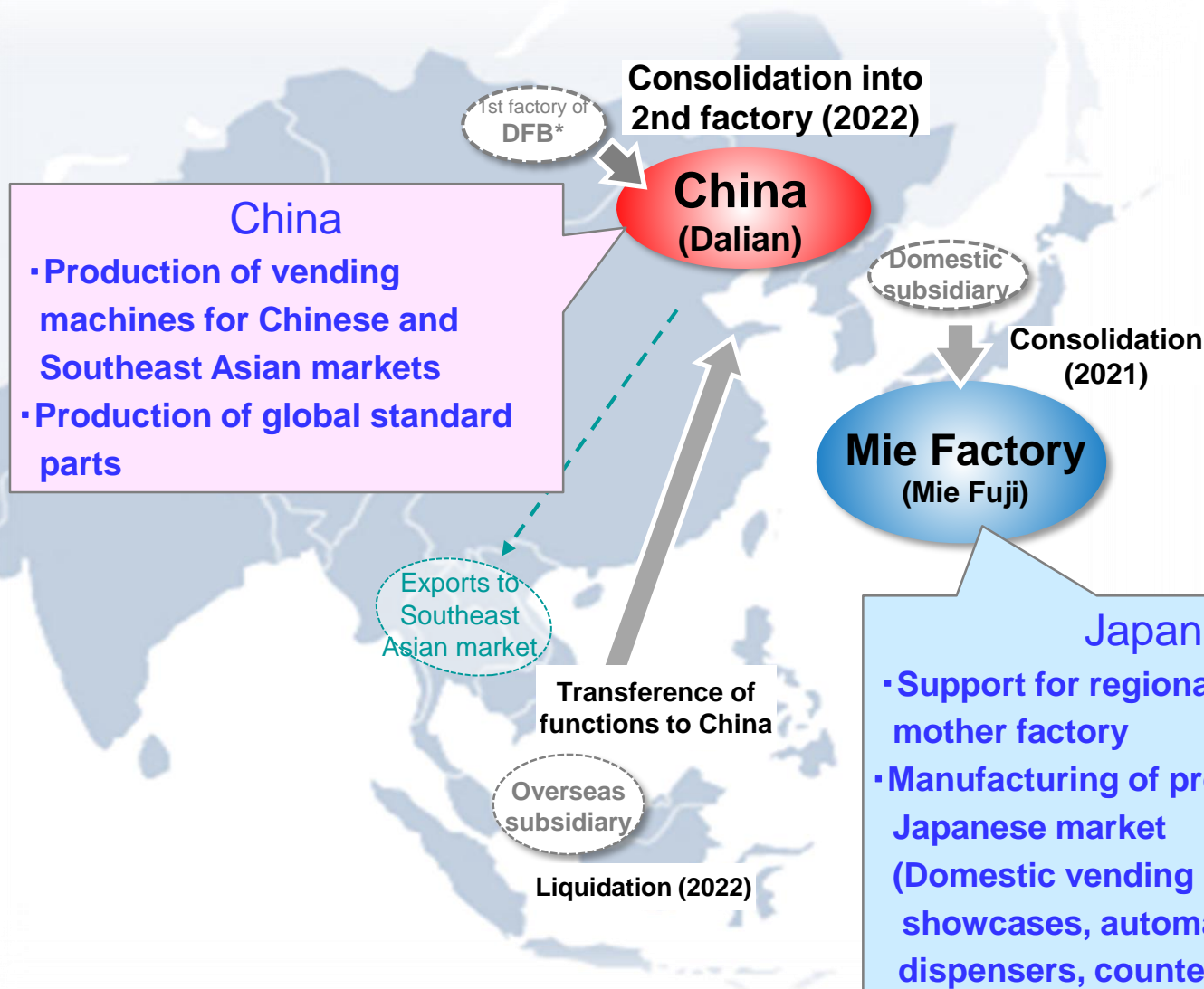
Utilization of benefits of manufacturing system matched to business scale

■ Rationalization of back-office divisions

→ Operational efficiency improvements

→ Sales process enhancements

Reorganization of global manufacturing system to better match business scale
(5 bases → 2 bases)

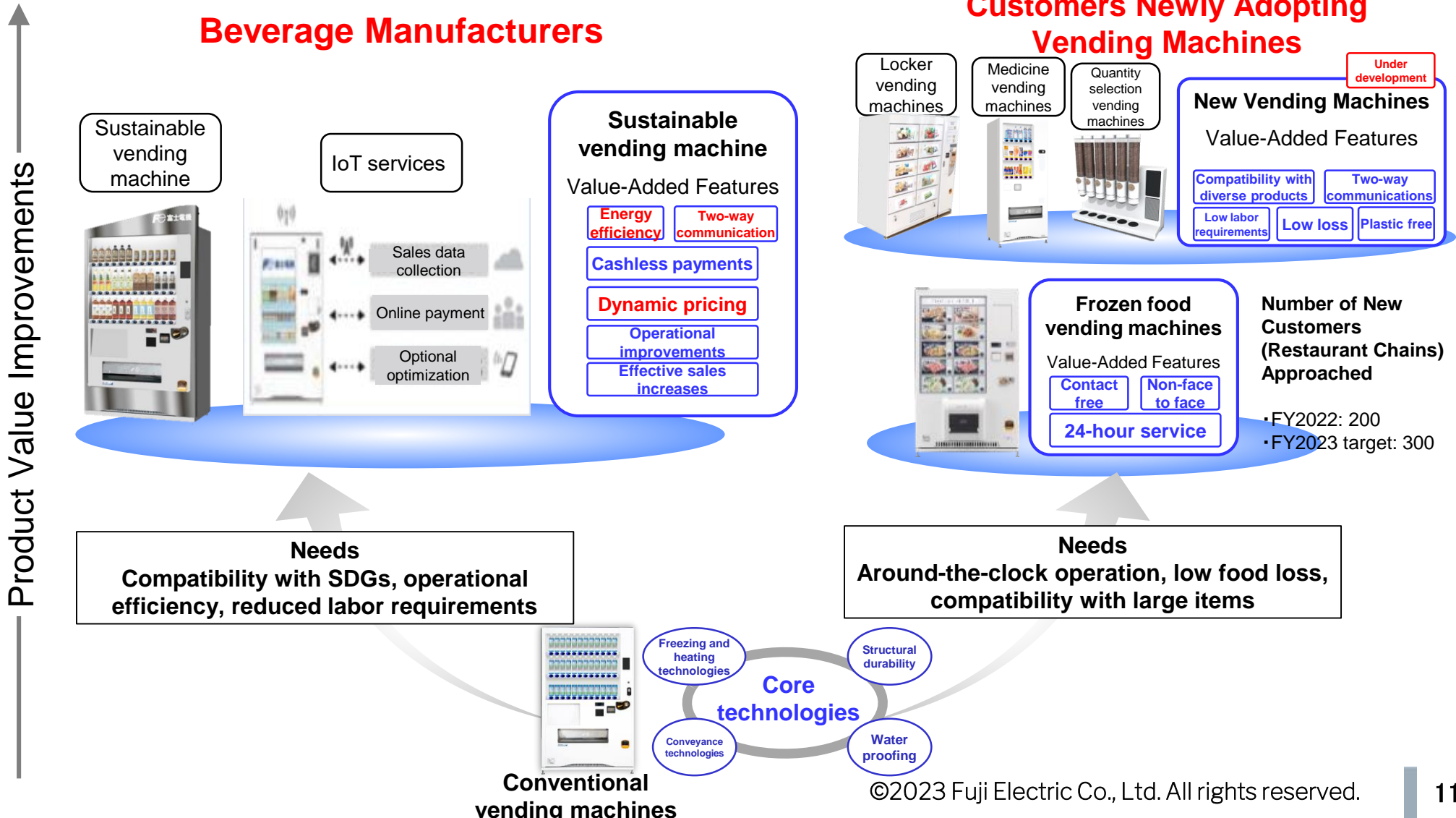


* Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.

Domestic Vending Machines

— Increased Promotions of High-Value-Added Products

Deployment of high-value-added products to supply customers with higher value as leading manufacturer



Overseas Vending Machines

—Expanded Promotion of Differentiated Products

Selection and concentration and differentiation strategies targeting customers with high purchasing power

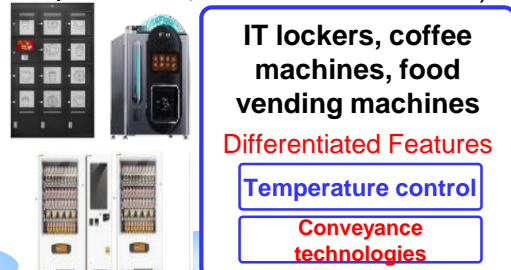
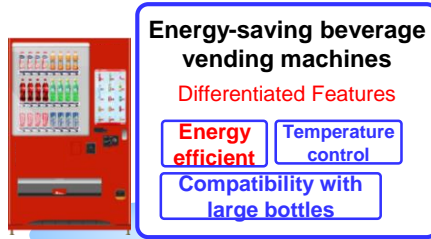
Expansion of sales channels and development of service systems through partner strategies

China

Beverage Manufacturers

Establishments

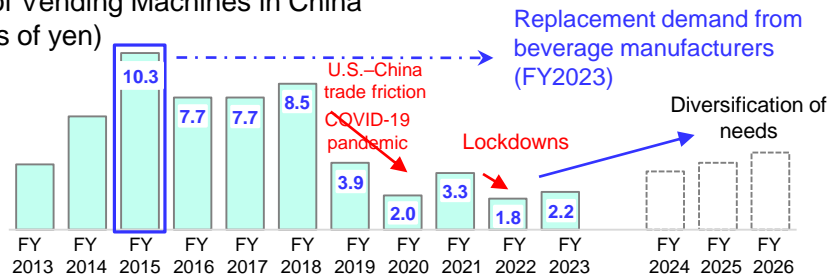
(Delivery/logistics service providers, convenience stores)



Needs

Energy efficiency (replacement of existing machines) Sales of products at various temperatures Contact free

Sales of Vending Machines in China (Billions of yen)

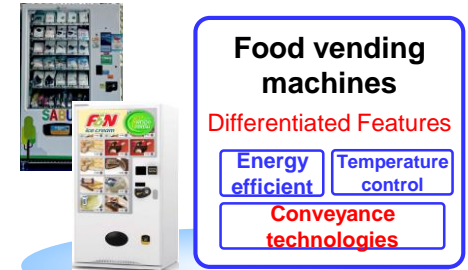
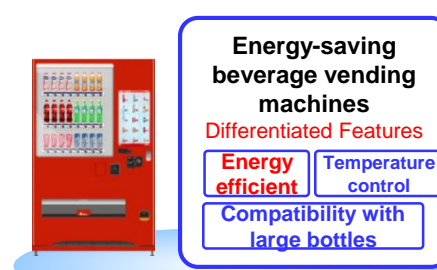


Asia

Beverages

Convenience stores Vending machine system integrators

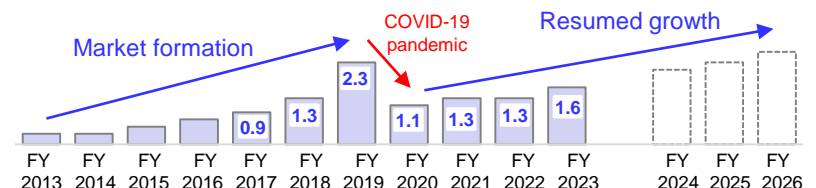
(e-money payment companies)



Needs

Energy efficiency Viability as satellite stores Compatibility with e-money

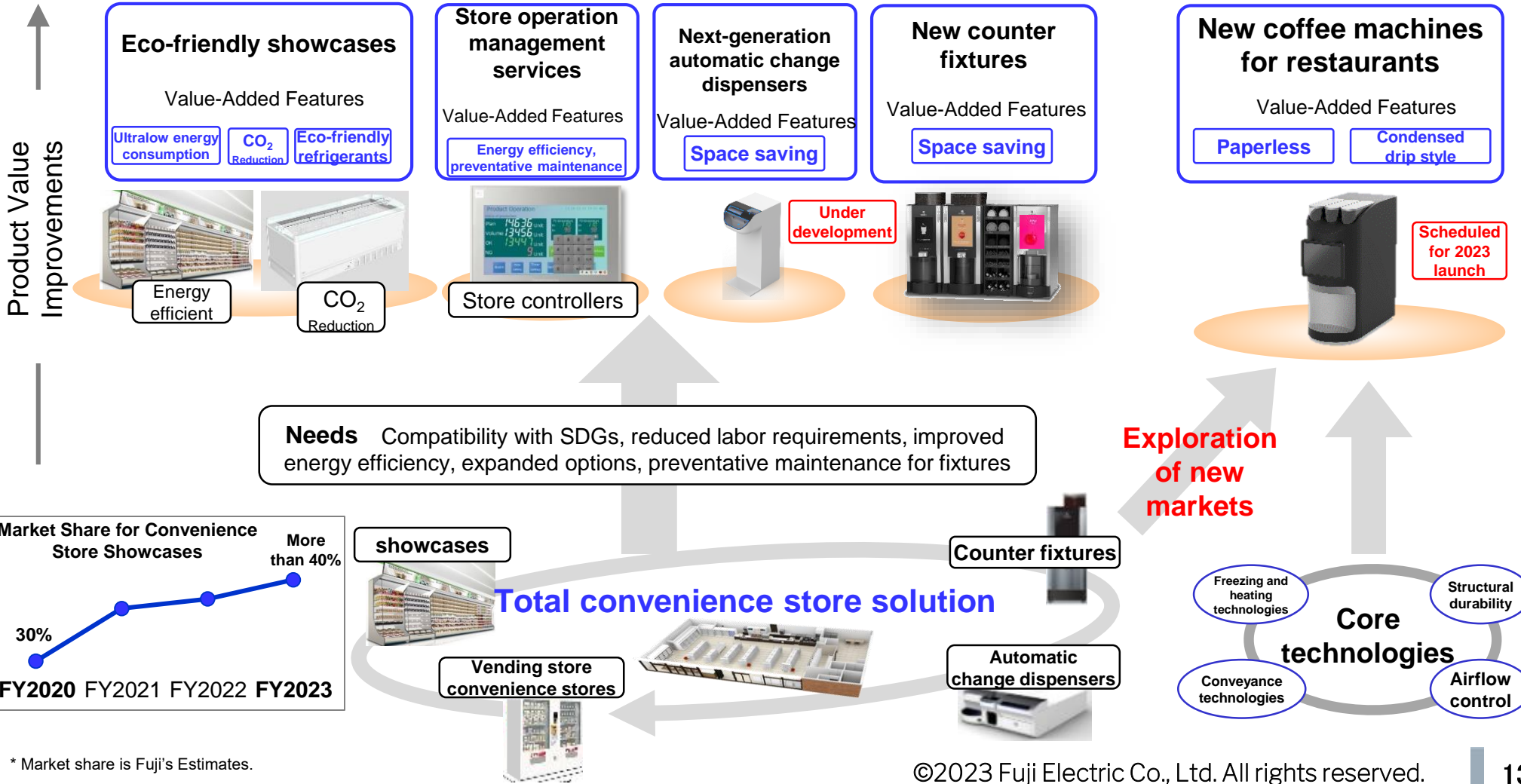
Sales of Vending Machines in Asia (Billions of yen)



Promotion of high-value-added products and exploration of new markets

Convenience stores

Restaurant Chains



* Market share is Fuji's Estimates.

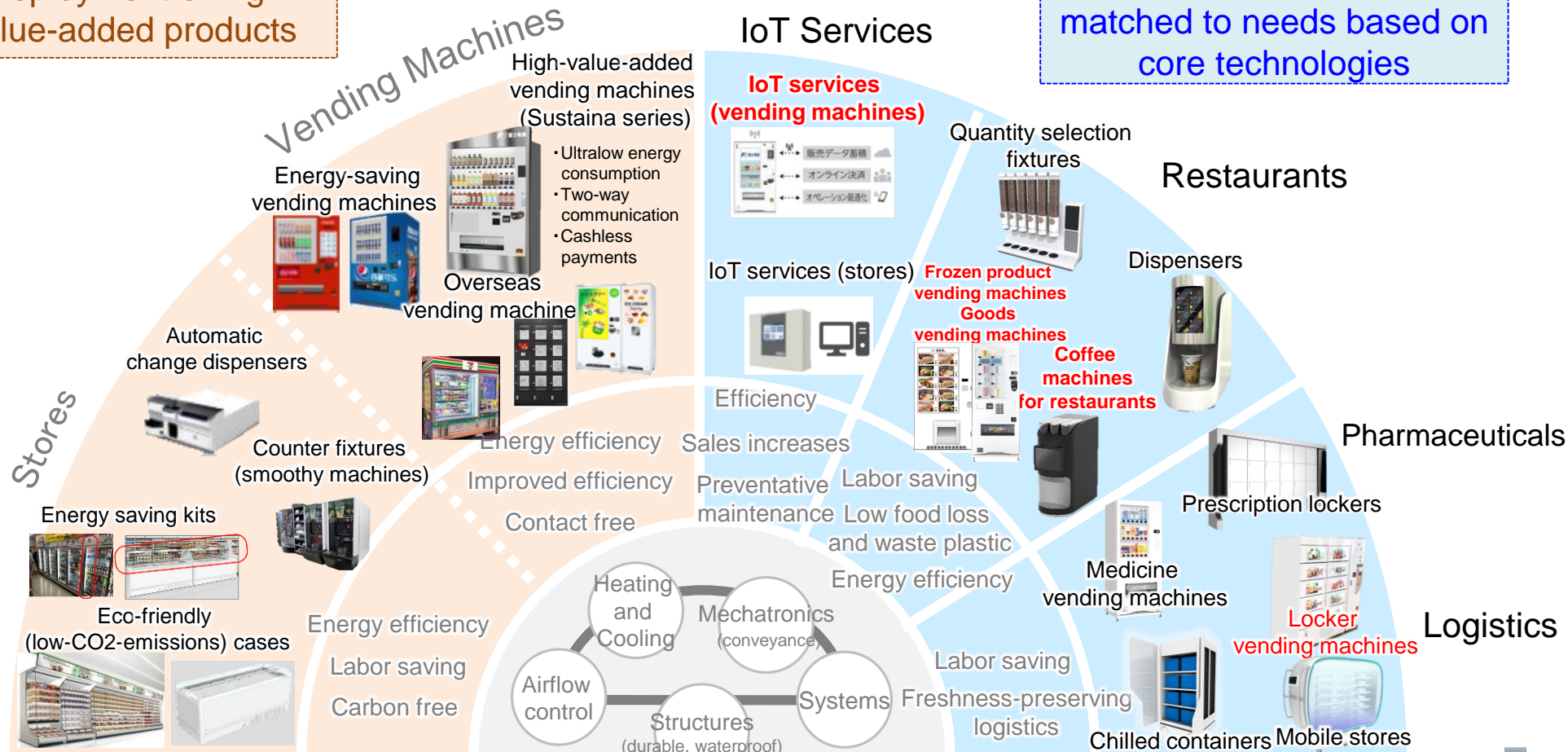
Provision of **products and solutions** matched to **market needs** and based on **core technologies** in response to decarbonization, digital transformation, and other megatrends

Existing Fields

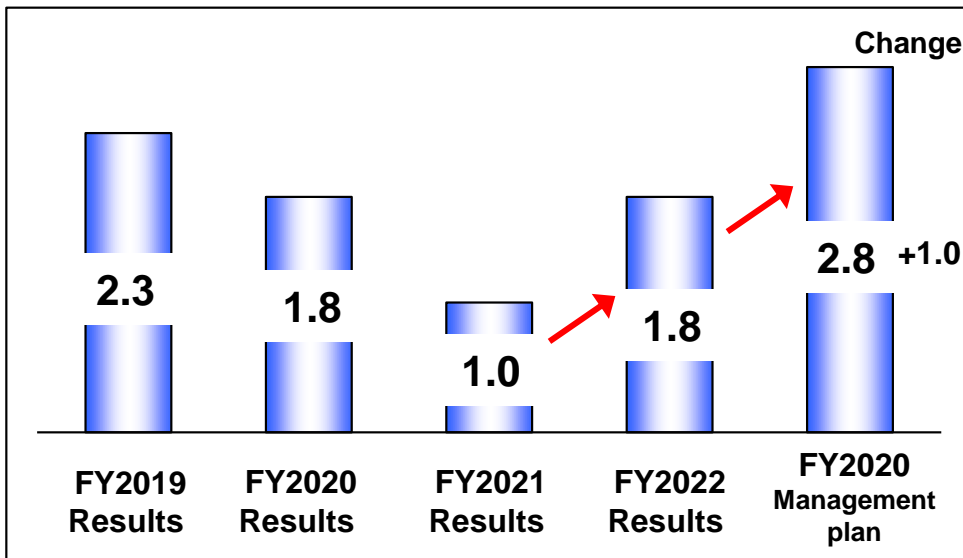
Deployment of high-value-added products

Contact free

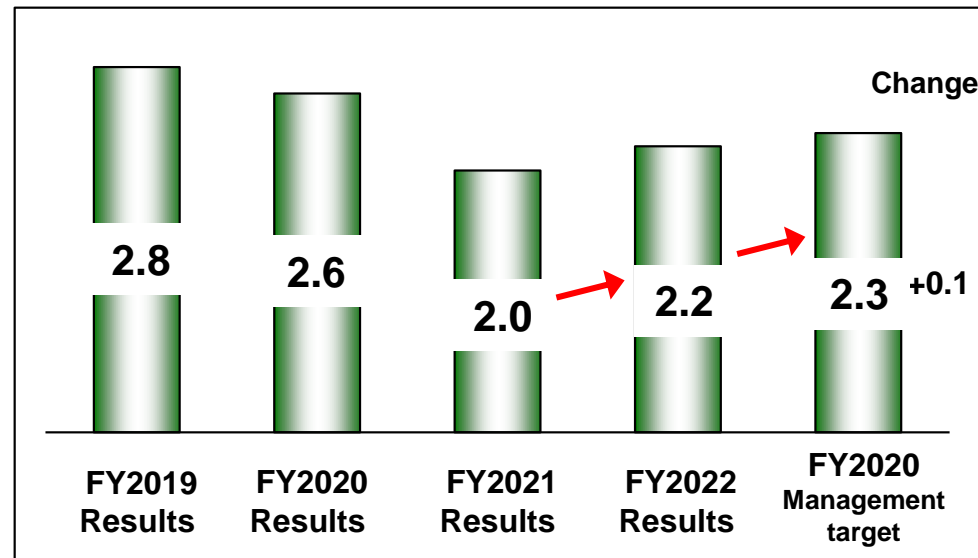
Deployment of products matched to needs based on core technologies



Capital Investment (Billions of yen)



Research and Development (Billions of yen)



Investments in rationalization and supply reliability

- Productivity improvements (rationalization, automation)
- Supply reliability (in-house production)

Increased investments for launching high-value-added products

- High-value-added vending machines, eco-friendly showcases, etc.
- Development of technologies compatible with SDGs and carbon neutrality
- System business products utilizing IoT and AI technologies

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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