

Food and Beverage Distribution Business Strategies

May 29, 2015

Fuji Electric Co., Ltd.

Food and Beverage Distribution Business Group

■ Business Overview

■ Market Trends

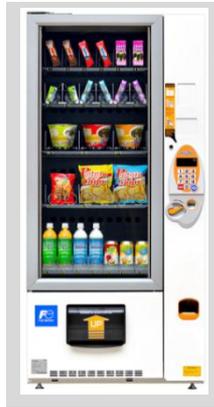
■ Business Targets

■ Priority Measures

Business Overview

Vending Machines

Vending machines



- Can and PET bottle vending machines
- Cup vending machines
- Multi-purpose vending machines
- **Vending machines for overseas market**
- Automatic tea servers
- Cold beverage dispensers

- Top share in domestic vending machine market
- Eco-friendly features created by evolving energy saving technologies

Store Distribution

Store systems



- Refrigerated and freezer showcases
- Coffee machines
- Store energy management systems
- Automatic change dispensers

Distribution systems



- Refrigeration facilities
- **Next-generation cold storage container (D-BOX)**
- **Crop production facilities**

- Optimization of store management
- System controls incorporating IT

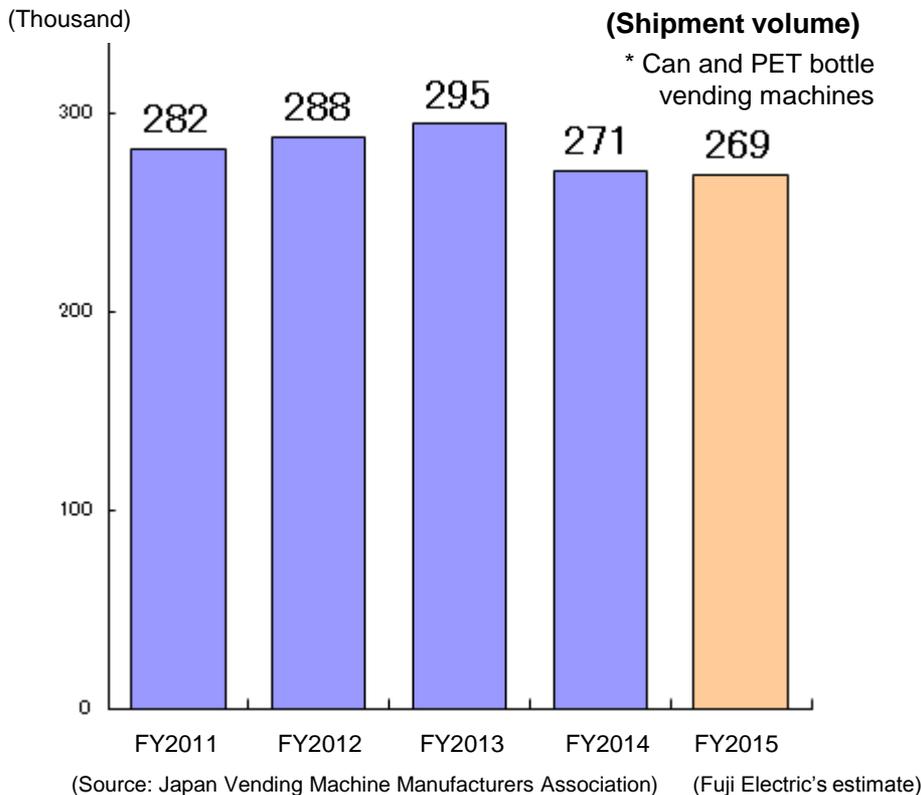
Market Trends

Existing domestic markets shrink while overseas markets expand

Japan

Japanese market changes

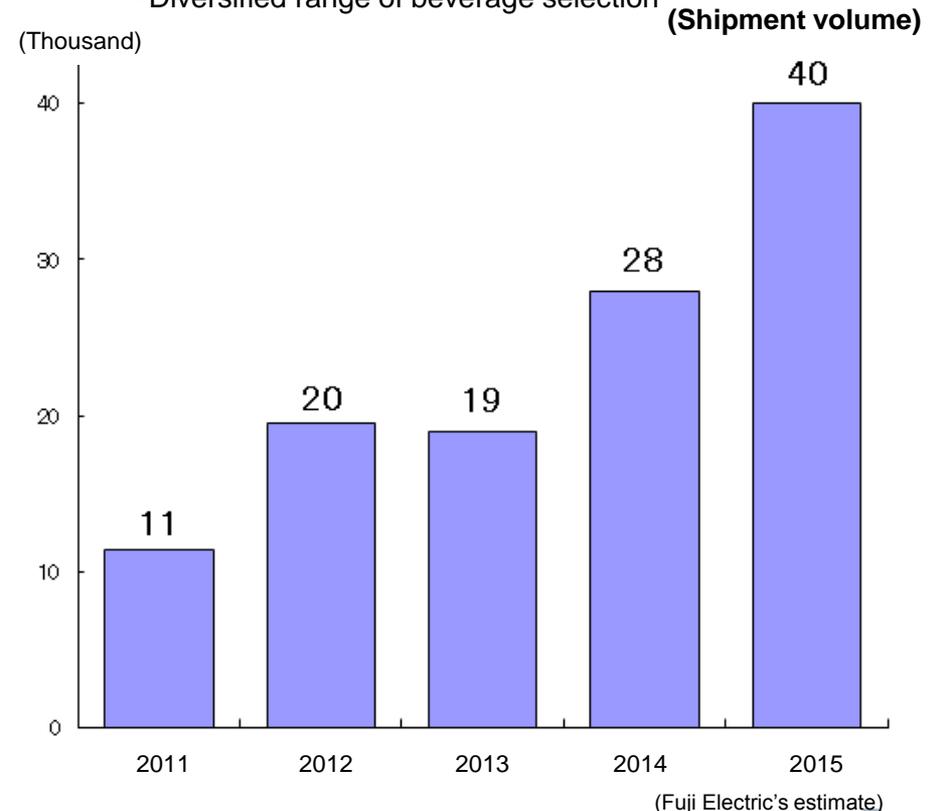
- Reorganization among customers
- Limited investment resulted from lower per machine sales



Overseas (China)

Chinese market changes

- Acceleration of market entries by beverage manufacturers
- Diversified range of beverage selection



Reasons for Market Changes

- Oligopolies in retail market (supermarkets, convenience stores)
- Labor-saving efforts
- Differentiation attempts (private brands, point services, home delivery services, etc.)
- Overseas expansion (Southeast Asia, China, etc.)

Diversification of Store Types

Fuji Electric's Initiatives

- Respond to needs of unattended stores (vending machines)
- Expand lineup of store system products (showcases, automatic change dispensers, etc.)



Vending machine for unattended stores

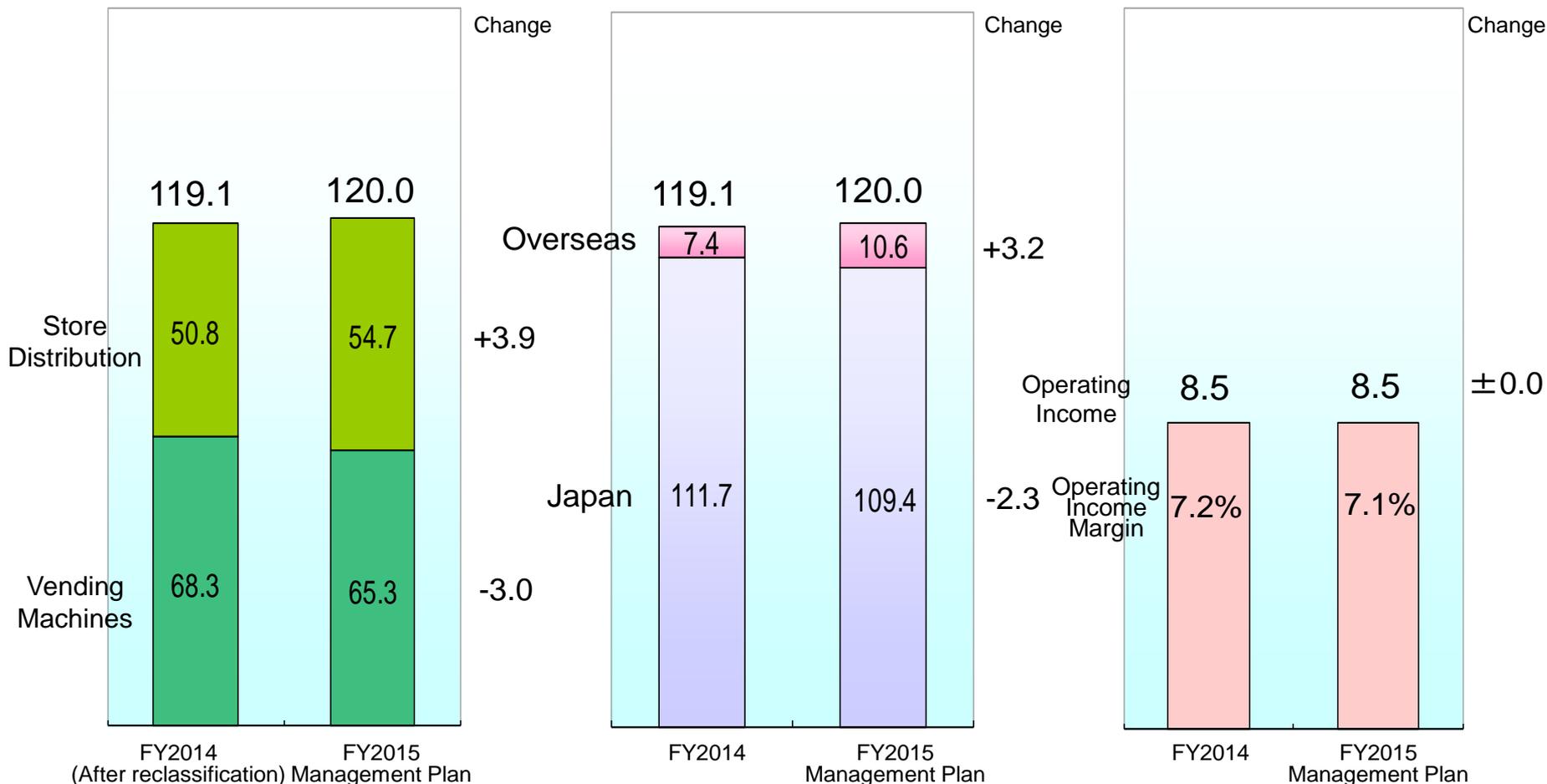
Business Targets

Business Targets

Net Sales by Subsegment
(Billion yen)

Net Sales in Japan/Overseas
(Billion yen)

**Operating Income/Operating
Income Margin** (Billion yen)



*FY2014 figures have been restated to reflect the change in business divisions instituted in FY2015.
Business division change: Transference of sales not directed at beverage manufacturers (Vending machines → Store distribution)

Priority Measures

Concentrate resource allocation toward expansion of overseas vending machine business

- Strengthen business structures in China
- Enhance business structures in Asia
- Further reduce costs in domestic vending machine operations

Vending Machines Priority Measures (China)

- Separate manufacturing and sales functions to strengthen sales systems and increase sales
- Reinforce manufacturing systems
- Promote sales of new products
(glass-front multi-purpose vending machines, cup vending machines, environment-friendly vending machines, etc.)



Dalian Fuji Bingshan Vending Machine Sales Co., Ltd. (established in April 2015)

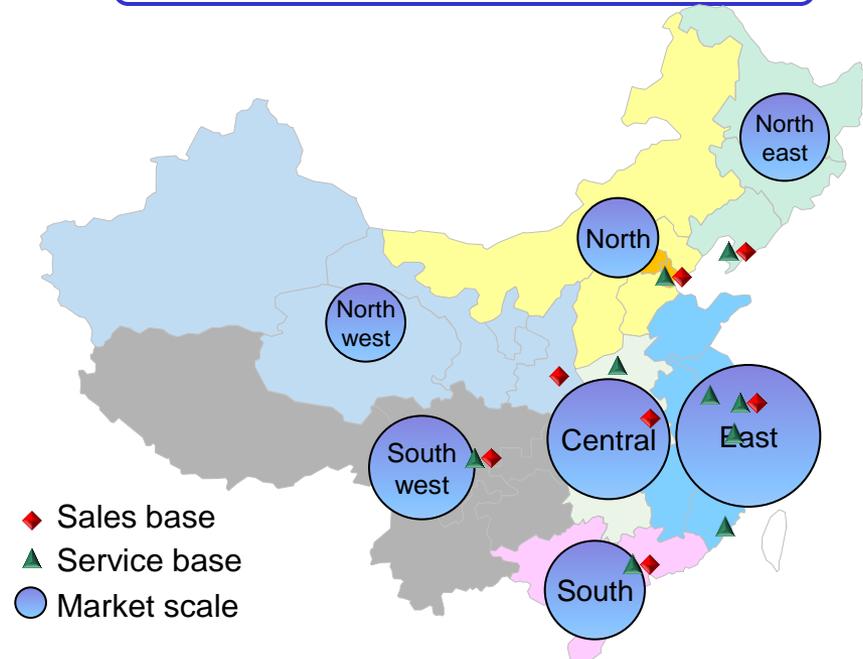


Glass-front multi-purpose vending machine
(Beverage / food / other items)



Cup vending machine

Chinese Market and Operating Bases



Vending Machines Priority Measures (Thailand and other Asian countries)

- Expand market by establishing a local operating company
- Support local beverage manufacturers and operators in their vending machine operation business
- Promote sales of new products
(glass-front multi-purpose vending machines)



Fuji Electric Manufacturing (Thailand) Co., Ltd., engaged in manufacturing vending machines to facilitate expansion in the Asian market



Glass-front multi-purpose vending machine
(Beverage / food / other items)

Accelerate efforts to expand operations in new fields

- Enhance lineup of store system products for convenience stores
 - Development of next-generation showcases
 - Creation of products utilizing heating and cooling technologies and vending machine technologies

- Cultivate and expand new business based on the concept of a “comprehensive refrigerated distribution business”
 - Business targeted at crop production facilities
 - “D-BOX” next-generation cold storage containers

Store Distribution Offered Products

- Total planning services for crop production facilities
- Agricultural management support systems
- D-BOX for direct transportation from producing regions
- Pre-cooling / pre-treatment facilities
- Sorting systems



Producing regions

(Crop production facilities, collection and distribution facilities)

- D-BOX for refrigeration centers
- Refrigeration and freezing equipment
- Air curtain equipment



Food processors

(Processing plants, refrigeration centers)

- Refrigerated and freezer showcases
- D-BOX for stores
- Automatic change dispensers
- Various vending machines



Stores

(Smart stores)

- D-BOX for distribution centers
- Information systems (Warehouse management, transportation quality control, cargo tracking, etc.)
- Refrigeration and freezing facilities
- Sorting systems



Refrigerated and frozen distribution

(Smart distribution)

Store Distribution

Refrigeration and Freezing Facilities

Utilize our own engineering capabilities to respond to various usage applications and temperature zones

Flow racks for picking refrigerated and frozen items



Install in picking areas (embed)

Ultra low-temperature freezing (-55°C)



Low-temperature distribution center



Material handling system controls



Tunnel freezers



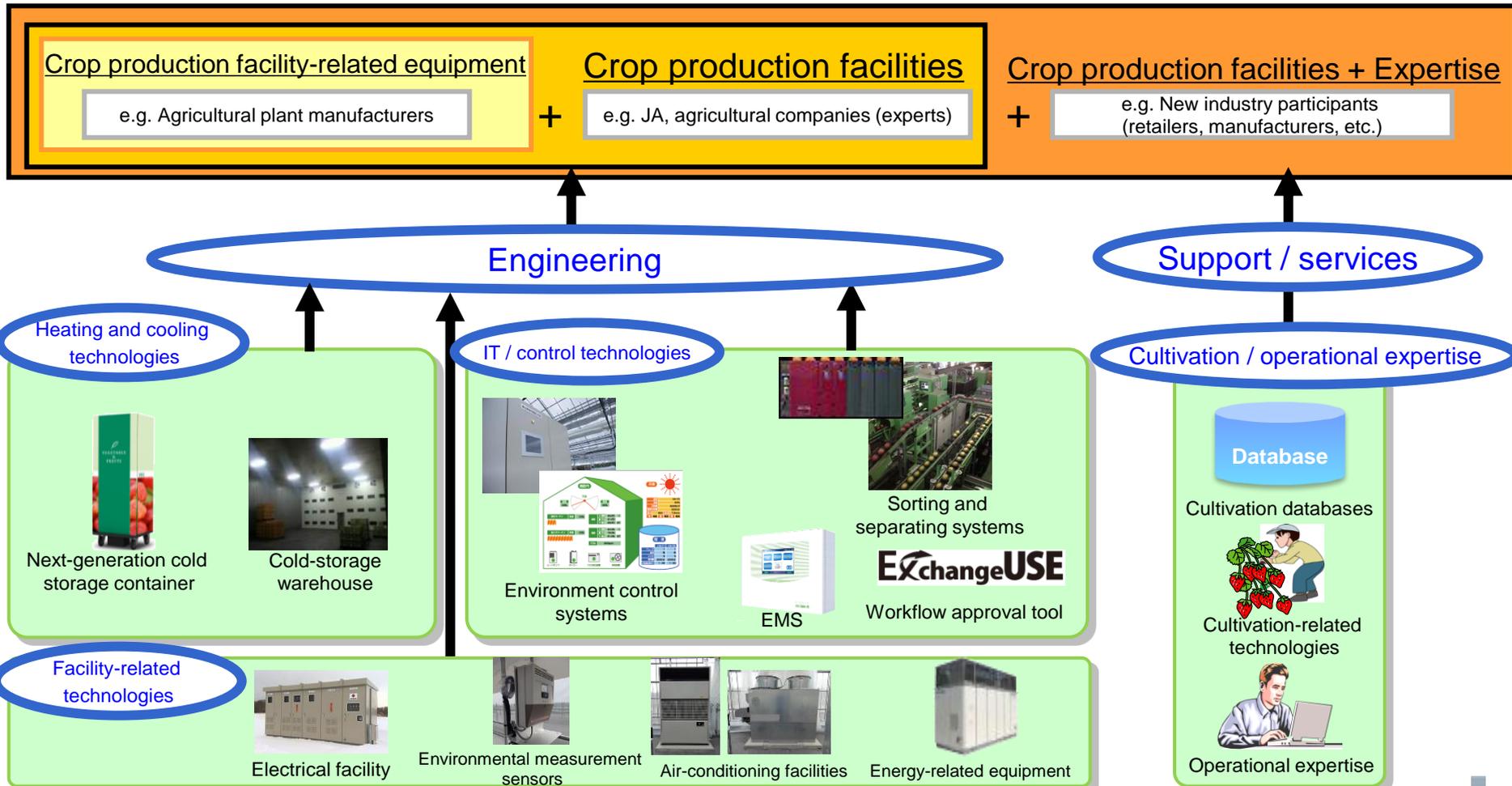
Utilize refrigeration insulation technologies

Employ cleanroom and construction technologies

IT controls

Store Distribution Crop Production Facilities (Business Model)

Propose service packages that respond to customer needs by packaging equipment, facilities, plants, and expertise



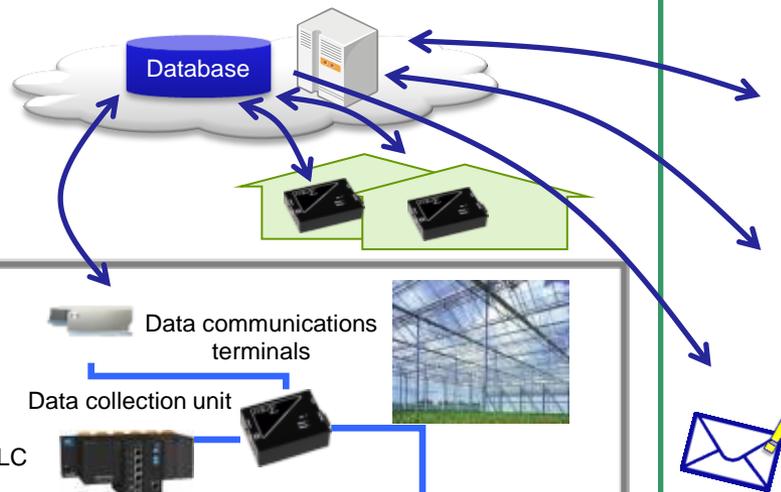
Store Distribution Crop Production Facilities (Composite Climate Control Systems)

Provide composite climate control systems to resolve management issues at crop producing facilities

Common management issues for crop production facilities

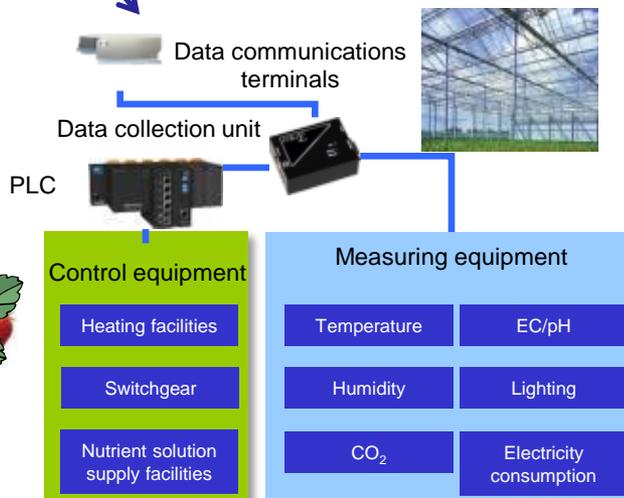
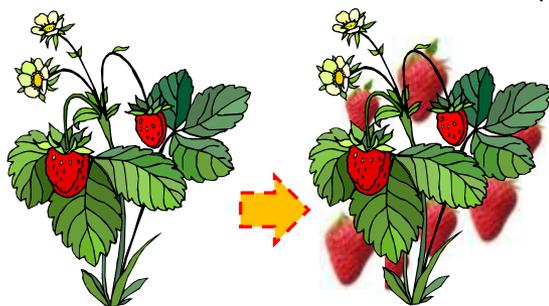
1. Increasing sales, income, and per plant yield
2. Reducing energy costs
3. Effectively controlling production, sales, inventories, and labor

Users



Cultivation facilities

Improve yield and quality by controlling environment of entire facility



Monitor environmental information and facility operating conditions

- Action taken based on operating condition and history
- Institution of PDCA cycle

Store Distribution Crop Production Facilities (Tomato Farm Co., Ltd. ①)

1. Sunlight-utilizing, elevated-cultivation greenhouse

- 2 buildings with area of 2 ha and high of 4 m to eaves
- 2 ha building constructed in 2014 with another 2 ha building scheduled to be constructed in 2016



2. Woodchip boiler

- Installation of woodchip boiler (77.76 m²) slated to use chips made from local lumber
- Simultaneous usage of heat pumps, gas boilers, and cultivation-use CO₂ tanks



3. Collection and distribution facility, management center

- Single-story, wood building (786.45 m²)
- Construction of both facility management office and administration office to control environment in sorting areas, refrigeration facilities, goods disposal space, etc.



4. Hydroponics equipment (nutrient solution supply system)

- Installation of hydroponics equipment in greenhouses to allow for precise control of cultivation environment by means of environment control terminal in collection and distribution facility



4. Hydroponics equipment (elevated cultivation bench)

- Installation of functional elevated cultivation benches, and realization of highly efficient humidification procedures utilizing warm water pipes and warm air ducts
- Effective and targeted utilization of nutrient solutions and CO₂

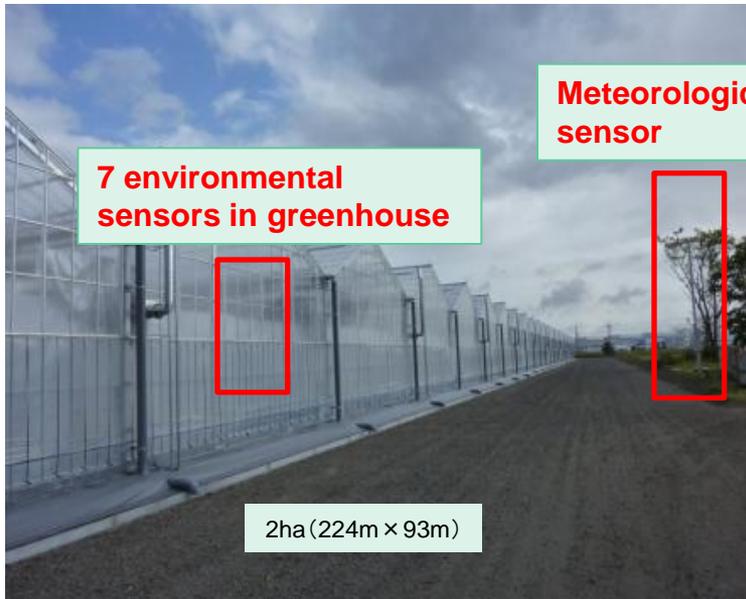


5. Nursery unit utilizing only artificial light (scheduled for completion in FY2015)

- Planned introduction of nursery unit utilizing only artificial light to produce virus-free seedlings and thereby ensure stabilized production at later stages
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Store Distribution Crop Production Facilities (Tomato Farm Co., Ltd. ②)



Meteorological sensor

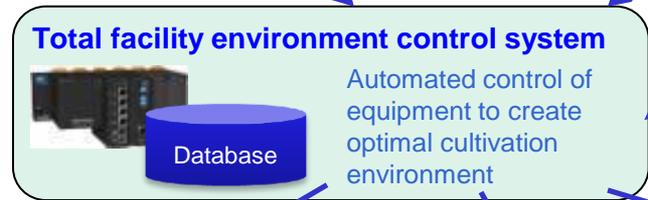


- Anemometer
- Hygrothermograph
- Actinometer
- Rain gauge
- Snow gauge

Environmental sensors in greenhouse x 7



- Hygrothermograph
- Soil temperature gauge
- Actinometer
- CO₂ meter
- EC/pH sensor



Cultivation condition management capable even offsite

Skylight, side window



Curtain (shade, insulation)



Circulation fan, mist cooling system



Auxiliary lighting (light bulbs)



Warm-air heating unit



CO₂ (foreground), nutrient solution (background)



Bench heating/cooling

Snow melting



← Optimal environment
→ Higher yield
→ Improved quality

Store Distribution

Next-generation cold storage container D-BOX

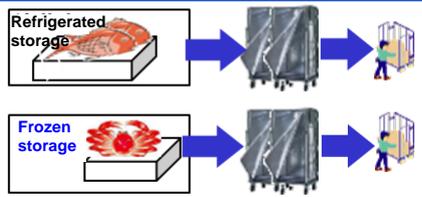
- Expand sales of systems and components
- Enhance lineup through introduction of freezer models and provide customizability
 - Conduct order-made production based on customizable parameters (temperature range, weight, size, etc.)

Freezer Models Benefits

Usage of different trucks based on temperature zone or dry ice → Higher costs

Pre-introduction

Distribution Center



Refrigerated

Empty

Freezing

Empty

Transportation by trucks for different temperature ranges (different trucks sent to same location)

Destination 1

Destination 2

Destination 3

■ Refrigerated product

■ Refrigerated product

■ Refrigerated product

■ Frozen product

■ Frozen product

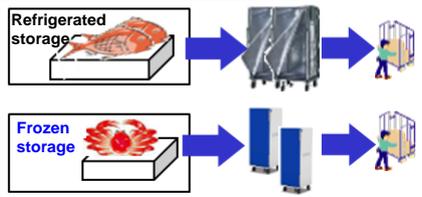
■ Frozen product

Pattern1: Outsource frozen product transportation
Pattern2: Utilize large-quantities of dry ice for in-house transportation

Transportation of products in 2 temperature ranges in via 1 truck
⇒ Mixed loading solution for lower cost

After introduction

Distribution Center



Refrigerated

Single shipment for whole area

Destination 1

Destination 2

Destination 3

■ Refrigerated product

■ Refrigerated product

■ Refrigerated product

■ Frozen product

■ Frozen product

■ Frozen product

D-BOX (chilled type)

Quick cooling unit



D-BOX with customizable temperature range e.g. Frozen D-BOX (-20°C and below)

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