Food and Beverage Distribution Business Strategies

May 29, 2015

Fuji Electric Co., Ltd.

Food and Beverage Distribution Business Group
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- Business Overview
- Market Trends
- Business Targets
- Priority Measures
Business Overview
Business Overview

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

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

- 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

*(Shipment volume)*

- Can and PET bottle vending machines

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tr>
<td>FY2011</td>
<td>282</td>
<td>288</td>
<td>295</td>
<td>271</td>
<td>269</td>
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</tbody>
</table>

(Source: Japan Vending Machine Manufacturers Association) (Fuji Electric’s estimate)

### Overseas (China)

**Chinese market changes**
- Acceleration of market entries by beverage manufacturers
- Diversified range of beverage selection

*(Shipment volume)*

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>2011</td>
<td>11</td>
<td>20</td>
<td>19</td>
<td>28</td>
<td>40</td>
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</tbody>
</table>

(Fuji Electric’s estimate)
Retail Industry Changes and Offered Products

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.)
Business Targets
Business Targets

**Net Sales by Subsegment (Billion yen)**

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
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</thead>
<tbody>
<tr>
<td>Store Distribution</td>
<td>50.8</td>
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<td>Vending Machines</td>
<td>68.3</td>
<td>65.3</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>111.7</td>
<td>109.4</td>
</tr>
<tr>
<td>Overseas</td>
<td>7.4</td>
<td>10.6</td>
</tr>
</tbody>
</table>

**Net Sales in Japan/Overseas (Billion yen)**

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>119.1</td>
<td>120.0</td>
</tr>
<tr>
<td>Overseas</td>
<td>7.4</td>
<td>10.6</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Operating Income Margin</td>
<td>7.2%</td>
<td>7.1%</td>
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</tbody>
</table>

*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
Vending Machines  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
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.)
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)
Utilize our own engineering capabilities to respond to various usage applications and temperature zones.

- Flow racks for picking refrigerated and frozen items
- Ultra low-temperature freezing (-55°C)
- Tunnel freezers
- Material handling system controls
- Low-temperature distribution center
- Employ cleanroom and construction technologies
- IT controls

Utilize refrigeration insulation technologies
Install in picking areas (embed)
Propose service packages that respond to customer needs by packaging equipment, facilities, plants, and expertise

- **Crop production facility-related equipment**
  - e.g. Agricultural plant manufacturers

- **Crop production facilities**
  - e.g. JA, agricultural companies (experts)

- **Crop production facilities + Expertise**
  - e.g. New industry participants (retailers, manufacturers, etc.)

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**Support / services**

**Cultivation / operational expertise**

**Database**

- Cultivation databases
- Cultivation-related technologies

Operational expertise

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**Engineering**

- Heating and cooling technologies
  - Next-generation cold storage container
  - Cold-storage warehouse

- IT / control technologies
  - Environment control systems
  - Sorting and separating systems
  - EMS
  - Workflow approval tool

- Facility-related technologies
  - Electrical facility
  - Environmental measurement sensors
  - Air-conditioning facilities
  - Energy-related equipment

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**Store Distribution Crop Production Facilities (Business Model)**
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

Monitor environmental information and facility operating conditions
→ Action taken based on operating condition and history
→ Institution of PDCA cycle

* EC: Electrical conductivity: Concentration of nutrient solutions
Store Distribution  Crop Production Facilities
(Tomatoh 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

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.

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

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 (Picture is artist rendition)
Store Distribution  Crop Production Facilities  (Tomatoh 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

Total facility environment control system
Automated control of equipment to create optimal cultivation environment

7 environmental sensors in greenhouse

Optimal environment → Higher yield → Improved quality

2ha (224m × 93m)

Skylight, side window
Curtain (shade, insulation)
Circulation fan, mist cooling system
Auxiliary lighting (light bulbs)
Warm-air heating unit
Bench heating/cooling
Snow melting

Cultivation condition management capable even offsite

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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.)

D-BOX (chilled type)
Quick cooling unit

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

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