

FY2018 Medium-Term Management Plan

Food and Beverage Distribution Business

May 26, 2016

Fuji Electric Co., Ltd.

Food and Beverage Distribution Business Group

■ Business Overview

■ Review of FY2015 Medium-Term Management Plan

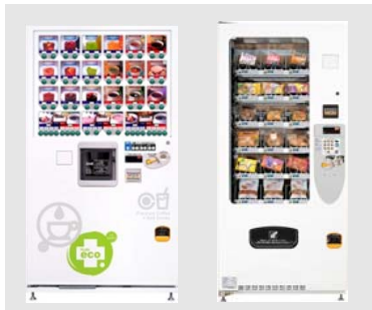
■ FY2018 Medium-Term Management Plan

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

Business Overview

Vending Machines

Top Share in Japanese and Chinese Vending Machine Markets*



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

Store Distribution



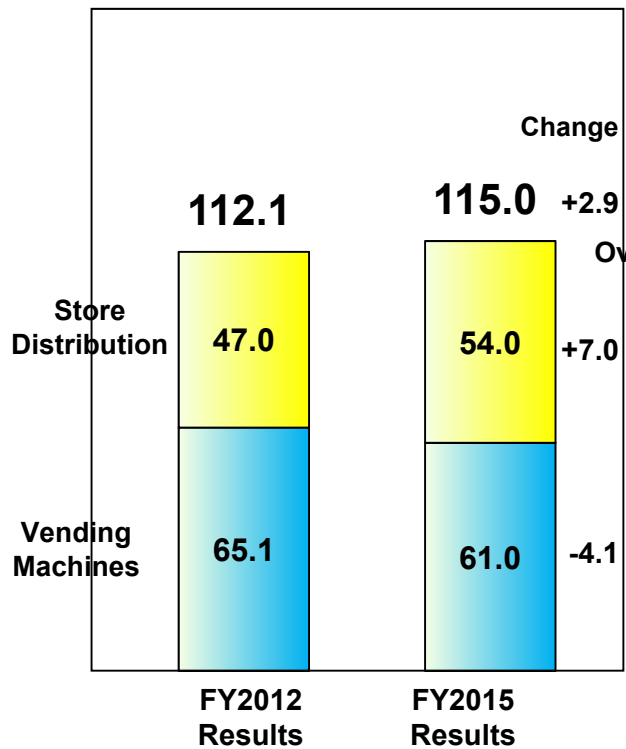
- Total store coordination
- Refrigerated and freezer showcases
- Counter fixtures
- Automatic change dispensers
- Frozen storage containers

* Source: Fuji Electric

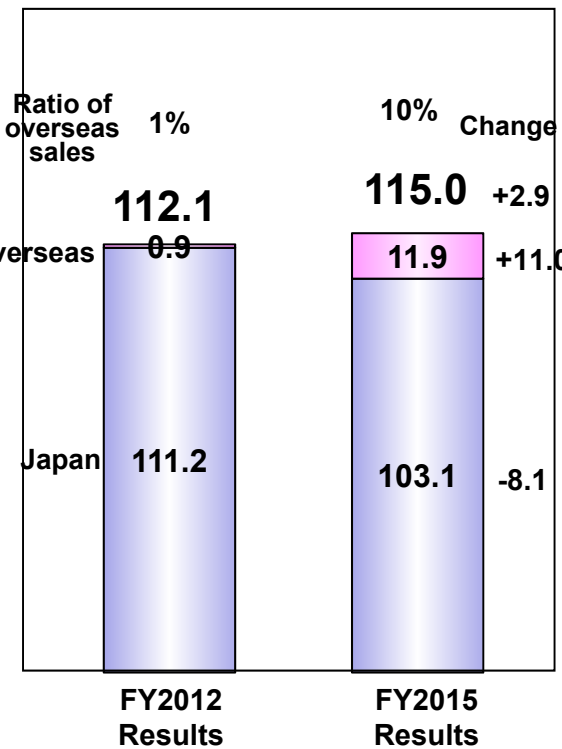
Review of FY2015 Medium-Term Management Plan

Increased sales and income due to growth of Chinese vending machine market, benefits of structural reform through production capacity increases and separation of product and sales divisions, and introduction of new store distribution products

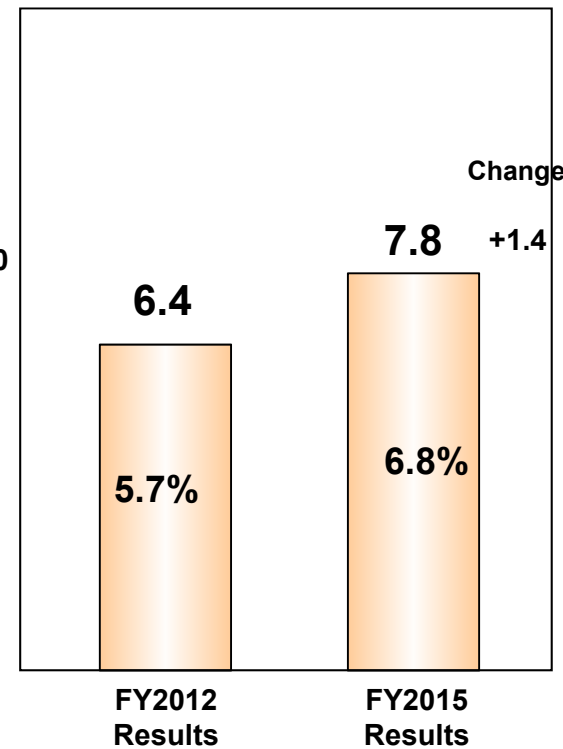
Net Sales by Subsegment
(Billion yen)



Net Sales in Japan / Overseas (Billion yen)



Operating Income / Operating Margin
(Billion yen)



* Figures for FY2012 reflect the organizational restructuring conducted in FY2015.

Review of FY2015 Medium-Term Management Plan (Results and Challenges)

Category	Market changes (Time of medium-term management plan establishment → FY2015)	Measures	Results (Net sales changes)
Vending machines (Domestic)	<ul style="list-style-type: none"> • Slight vending machine market contraction → Substantial sales decreases resulted from industry reorganization (Sales down 25% from FY2012) 	<ul style="list-style-type: none"> • Initiatives for stimulating domestic replacement demand through launch of new energy-saving vending machines 	
Vending machines (Overseas)	<ul style="list-style-type: none"> • Chinese market growth → Massive spread in vending machine usage (Sales up 110% from FY2012) 	<ul style="list-style-type: none"> • Acquisition of new Chinese vending machine customers and expansion of production capacities • Structural reforms separating product and sales functions in China • Entry into Southeast Asian market • Start of production of vending machines for the global market in Thailand 	
Stores	<ul style="list-style-type: none"> • Diversification of market needs 	<ul style="list-style-type: none"> • Introduction of counter fixture products • Acquisition of new customers • Expansion of automatic change dispenser operations (launch of next-generation change dispensers) 	
Distribution systems	<ul style="list-style-type: none"> • Expansion of distribution systems operations 	<ul style="list-style-type: none"> • Introduction of D-BOX cold storage container • Development of frozen storage containers and shippers 	
		<ul style="list-style-type: none"> • Exploration and expansion of new distribution system businesses (refrigerated distribution business, etc.) 	

[Identified challenges]

Accelerating development of Chinese vending machine operations in response to vending machine declines in Japan, invigorating Southeast Asian vending machine market, and expanding and strengthening foundations for store operations

FY2018 Medium-Term Management Plan

Basic Policies

Solidify earnings foundations by further emphasizing development of operations in overseas and other growth fields

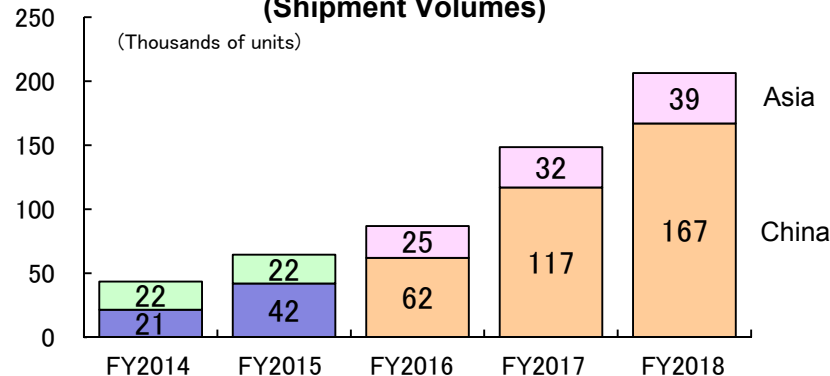
Priority Measures

- Japan: Expand store distribution business while continuing to advance vending machine business
- Overseas: Grow vending machine business centered on China and further develop foundations in other parts of Asia

Unchanged convenience market scale, gradually shrinking vending machine market, and need to create new value and uncover latent demand in food and beverage distribution business in Japan; rapidly growing vending machine demand overseas

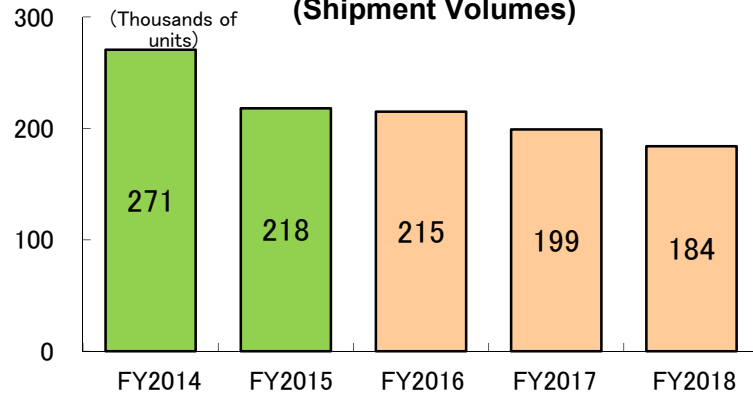
Vending Machine Market

Chinese and Asian Vending Machine Market Scale
(Shipment Volumes)



* The Company's estimations

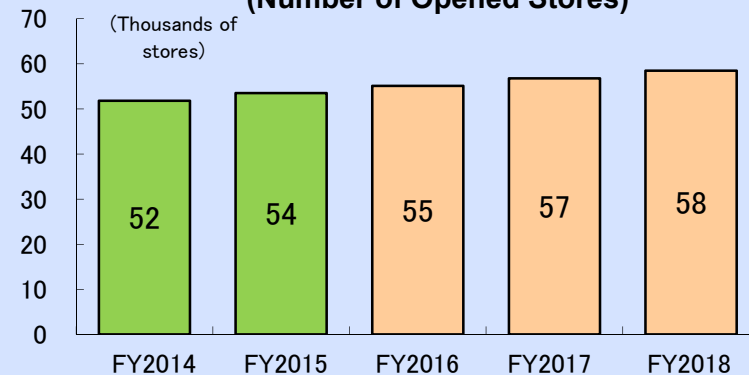
Domestic Can Vending Machine Market Scale
(Shipment Volumes)



* The Company's estimations

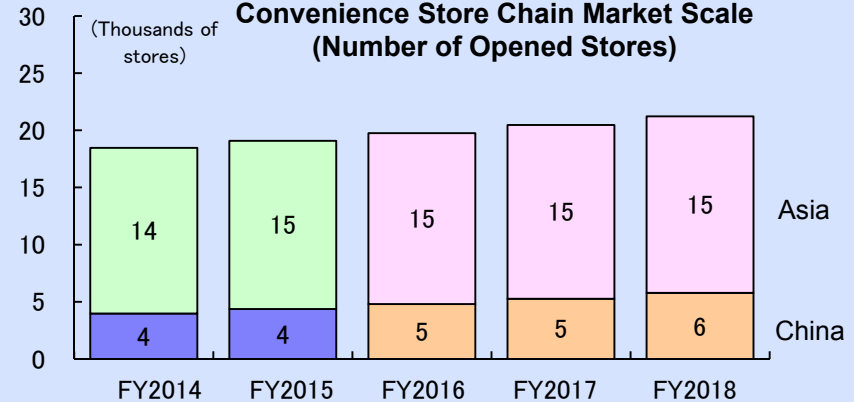
Convenience Store Market

Domestic Convenience Store Market Scale
(Number of Opened Stores)



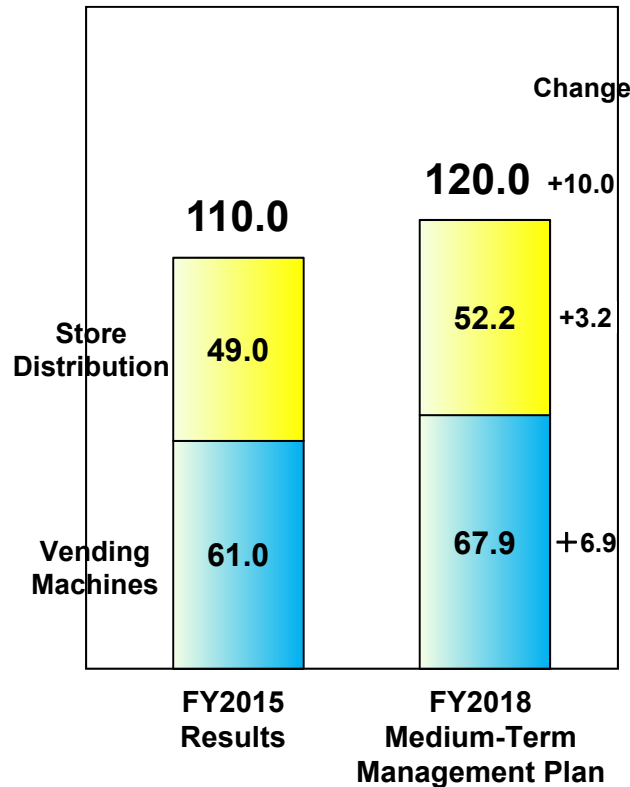
* The Company's estimations

Chinese and Southeast Asian Japanese Convenience Store Chain Market Scale
(Number of Opened Stores)

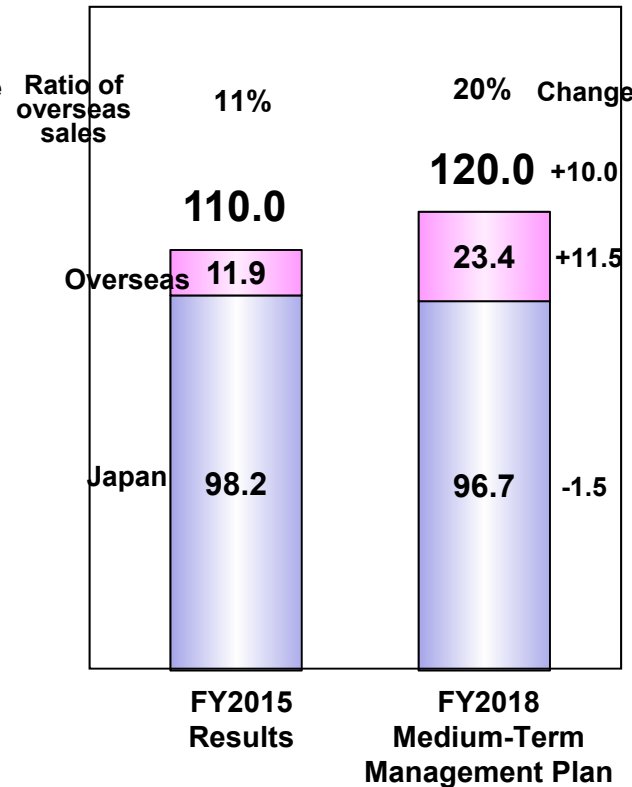


* The Company's estimations

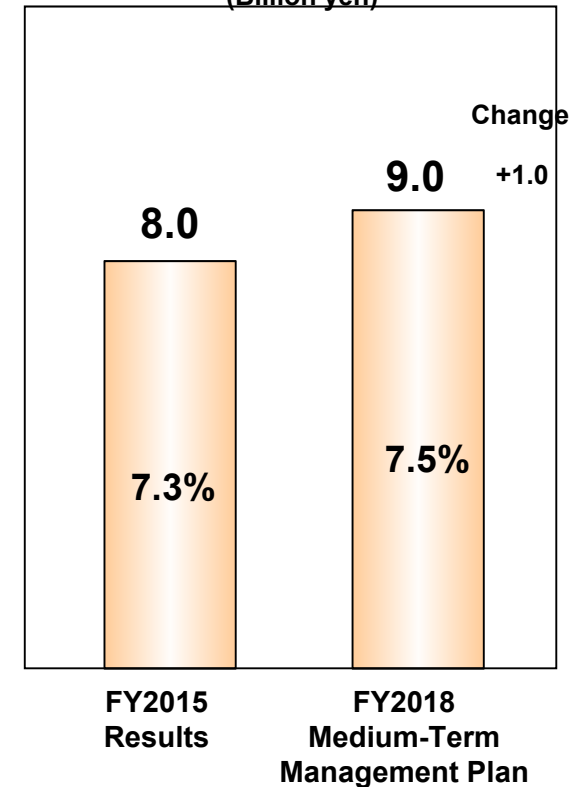
Net Sales by Subsegment (Billion yen)



Net Sales in Japan / Overseas (Billion yen)



Operating Income / Operating Margin (Billion yen)



* Figures for FY2015 have been restated to reflect organizational restructuring conducted in FY2016.
Restructuring details: Change of segment responsible for plant factories and distribution operations (food and beverage distribution → industrial plant)

Vending Machines

Concentrate resource allocation on expanding overseas vending machine business

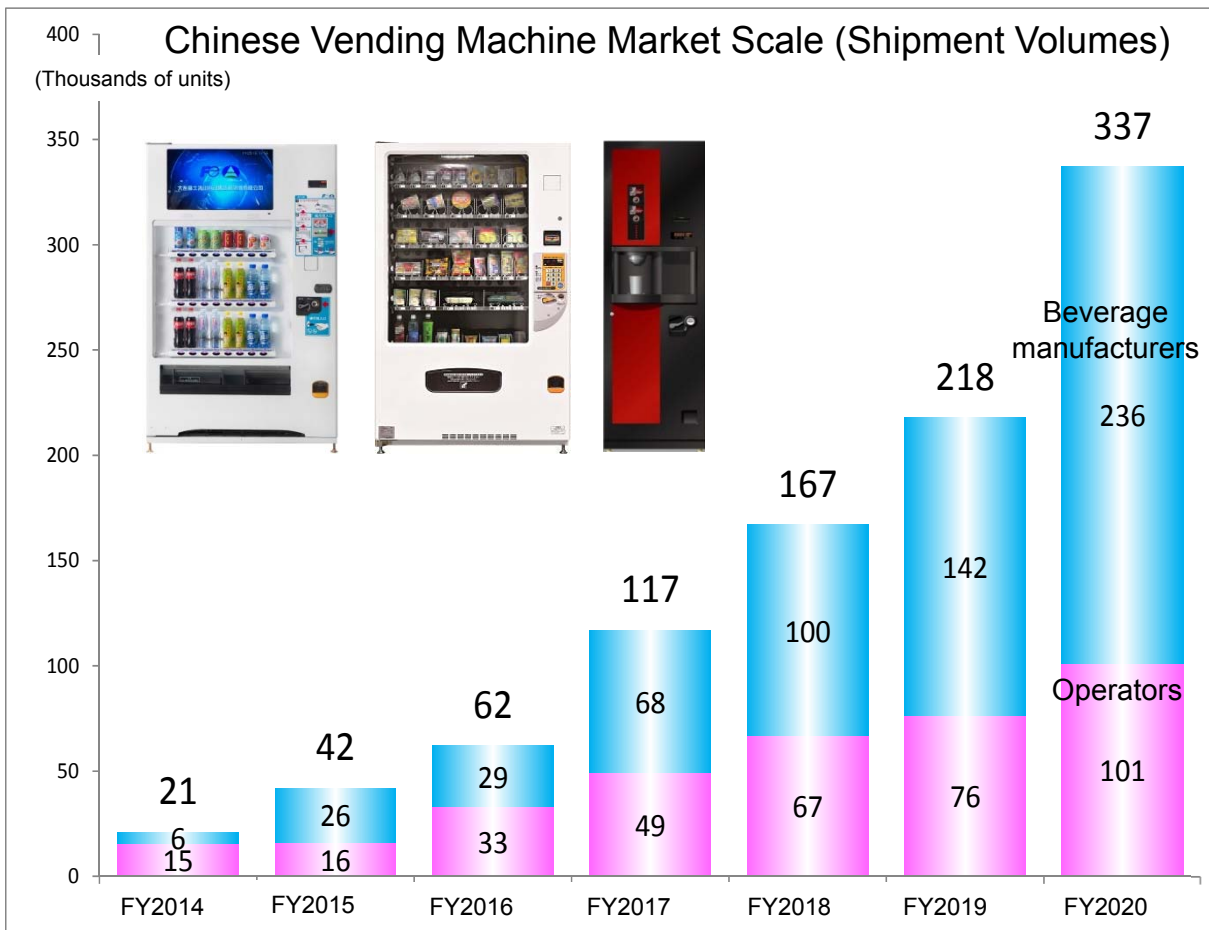
- Reinforce business systems in China
- Strengthen business systems in Asia
- Introduce high-value-added products (Japan, overseas)

Enhance manufacturing capabilities

- Further reduce costs in domestic vending machine operations

Vending Machines Priority Measures (Chinese Market Forecasts)

- Substantial growth in Chinese vending machine market as a result of firm beverage market and rising demand for automated services due to soaring personnel costs
- Aggressive utilization of vending machines as new sales channel by beverage manufacturers



- Product selection via digital signage
- Payment via smartphones

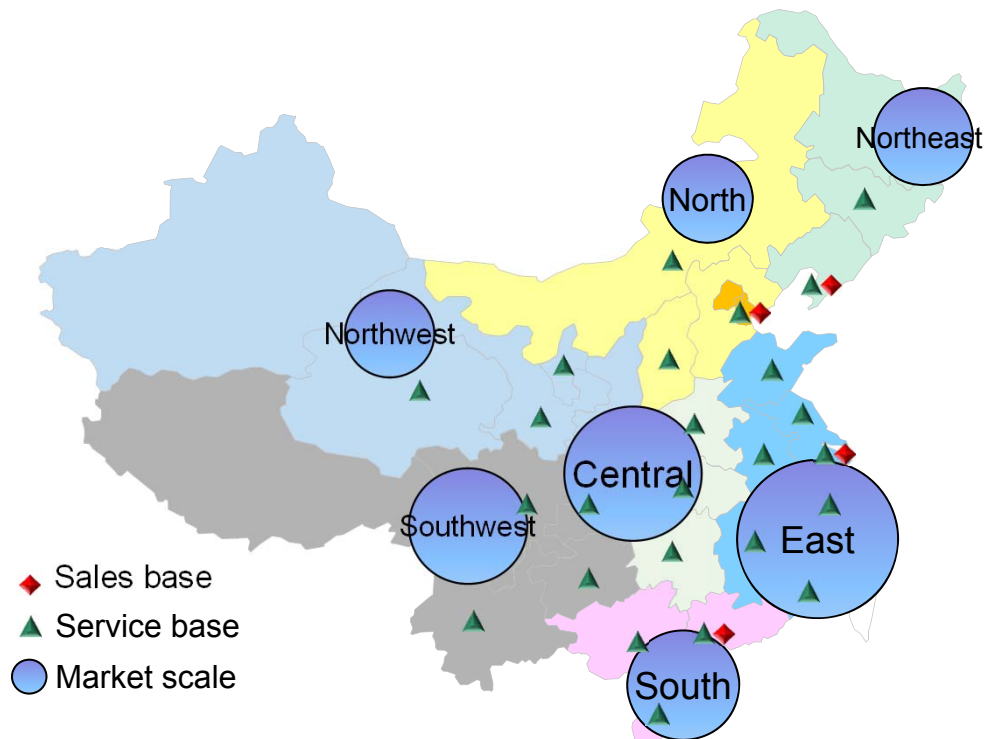


* The Company's estimations

Vending Machines Priority Measures (Reinforcement of Business Systems in China)

- Expand operations by reinforcing sales and service systems
- Develop new products by strengthening development systems (cup vending machines, food vending machines, digital signage vending machines, etc.)
- Bolster production systems (develop systems capable of producing 100,000 units each year)

Sales and Service Bases in China



Vending machine production line (Dalian)



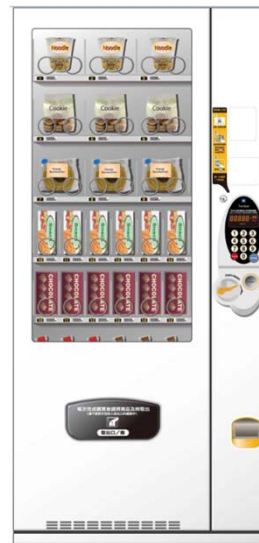
Artist rendition of completed 2nd Dalian Factory

Vending Machines Priority Measures (Asia / Thailand)

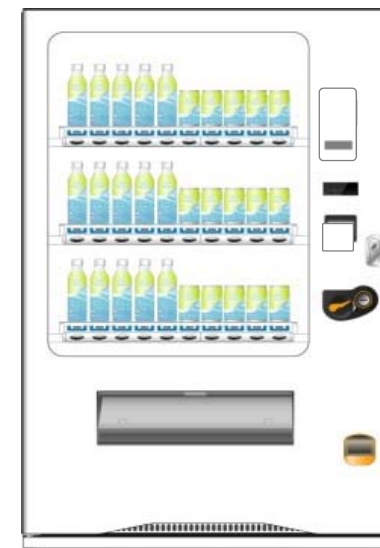
- Enhance product lineup (glass-front multi-purpose vending machines, can and PET bottle vending machines, cup vending machines)
- Support local beverage manufacturers in deploying vending machines and training operators
- Expand market by establishing local operator companies



Fuji Electric Manufacturing (Thailand), which manufactures glass-front vending machines to help develop operations in Asia market



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

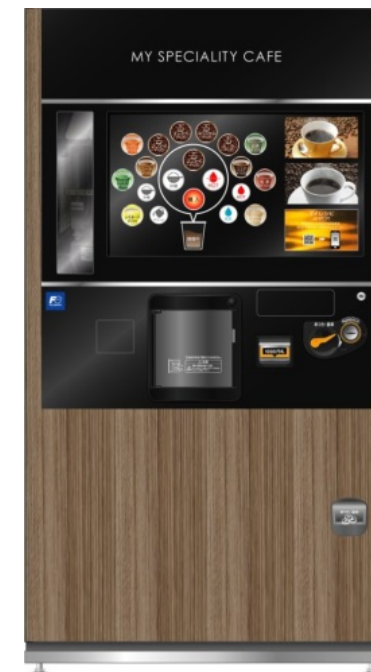


Can and PET bottle vending machines

- Accelerate spread of smart vending machines previously released in China and introduce these machines globally
- Enhance ability to draw customers with appealing contents (smartphone connectivity, commercials, etc.)
- Utilize digital signage to improve operational efficiency and cater to needs of inbound travelers



Vending machine using digital signage displayed at G7 Ise-Shima Summit International Media Center
(Can and PET bottle vending machine)



Vending machine using digital signage
(Cup vending machine)

Store Distribution

Advance measures for expanding store distribution business

- Strength operating site and facility management systems
- Introduce new products for convenience stores
 - Develop Non-Leak next-generation showcase
- Create next-generation stores to realize labor savings
- Develop products that merge IoT technologies with core heating and cooling technologies

Store Distribution Priority Measures (Next-Generation Store Products)



Non-Leak next-generation showcase

Digital signage walk-in cases



Allows for sales of both hot and cold products



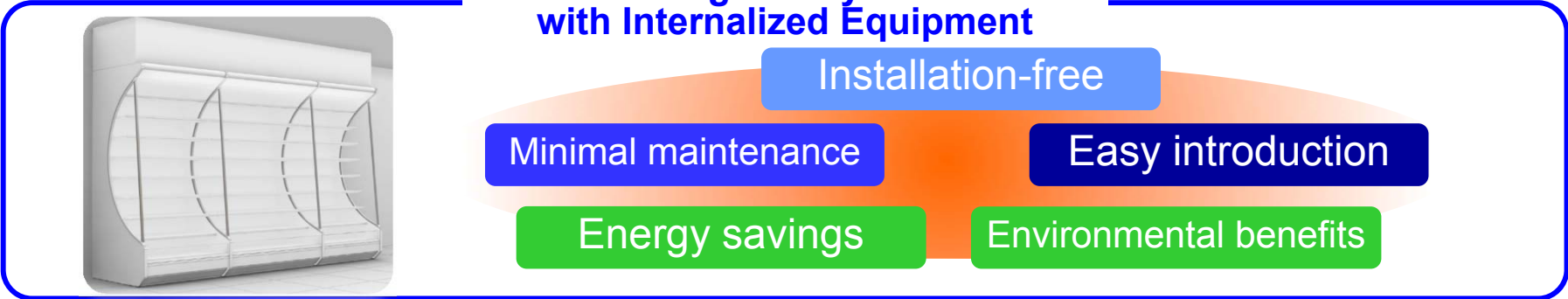
IH superheated steam cookers

Eliminates need for oil

Non-Leak Next-Generation Showcase

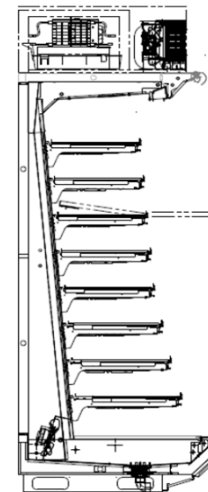
Contribute to resolution of issues faced by stores due to social changes

Benefits Targeted by Showcases with Internalized Equipment

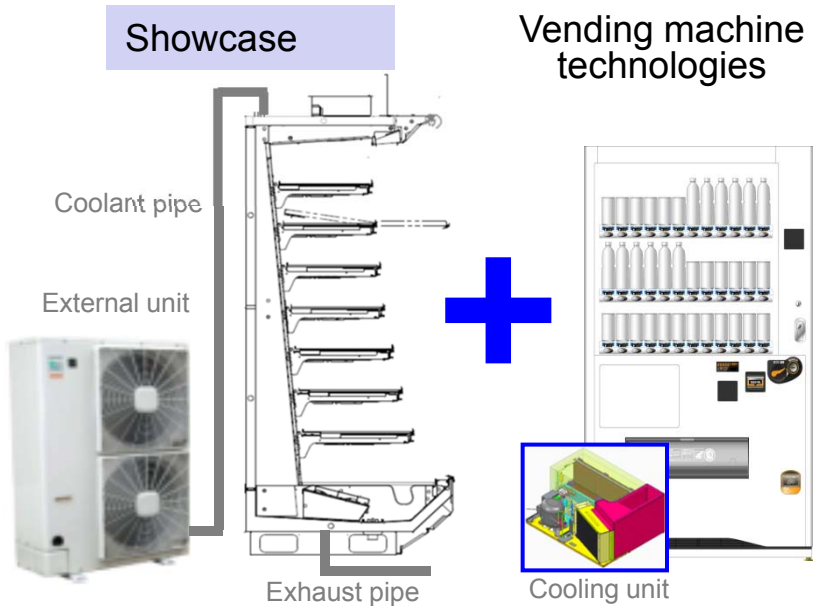


Showcases with Internalized Equipment

Installation-free → No need for pipes or external units



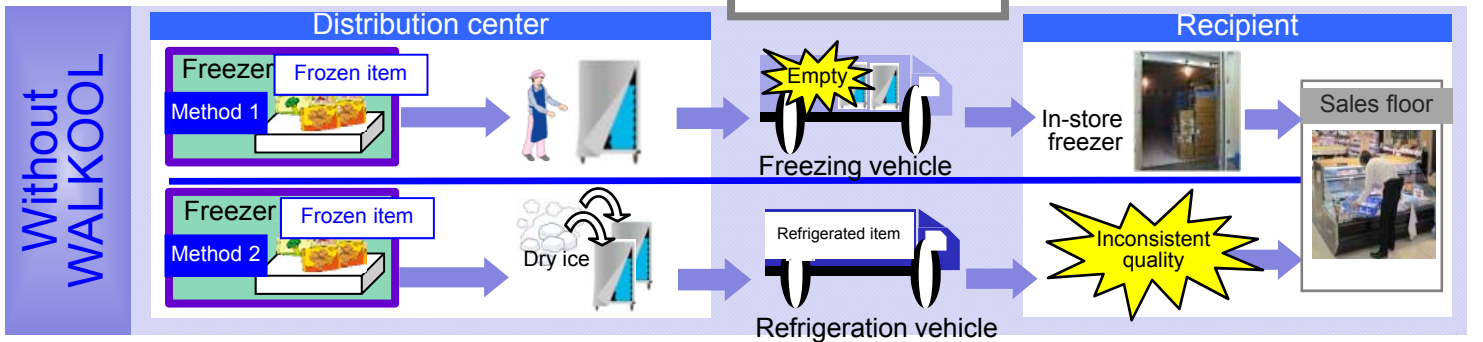
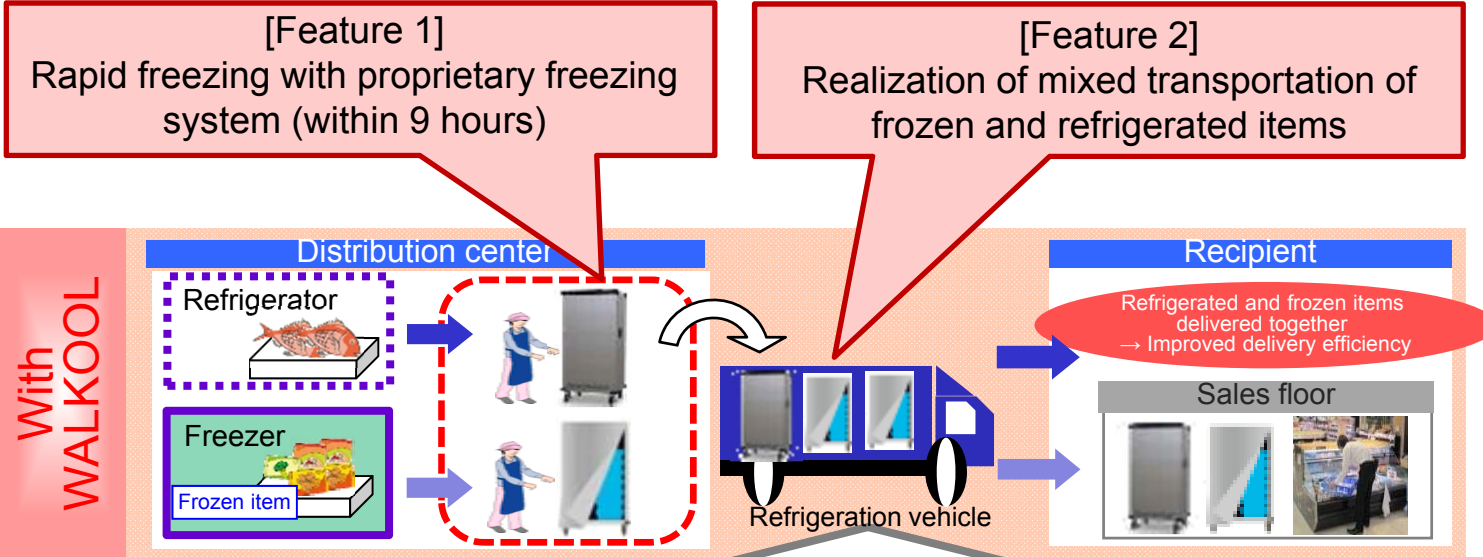
1. Features highly functional cooling unit located in upper portion
2. Utilizes low global warming potential coolant
3. Employs new airflow localization cooling method (air directed to each shelf)
4. Requires no exhaust pipe
5. Uses non-defrosting mechanism
6. Increases shelves by 1 with low floor



Provides cold storage at -20° C for 8 hours without power supply, does not require dry ice and allows for mixed transportation of frozen and refrigerated items



WALKOOL frozen storage container



Capital Investment / Research and Development

Capital Investment / Research and Development

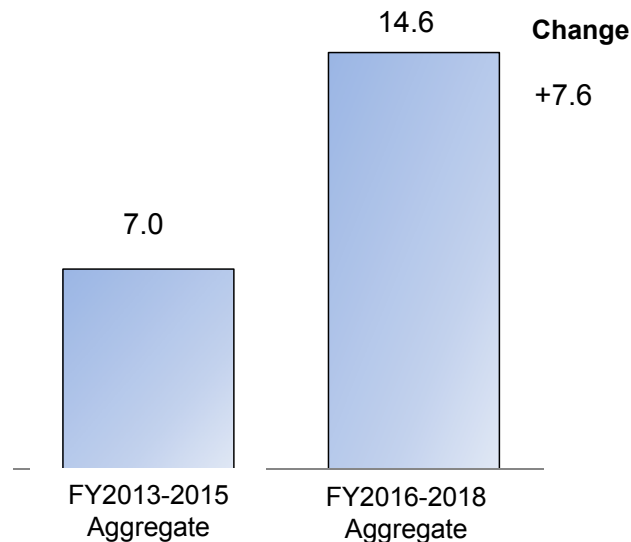
- Capital investment

- Bolster production capacity in preparation for expansion of Chinese vending machine market
- Improve productivity by automating assembly and utilizing IoT at domestic production bases

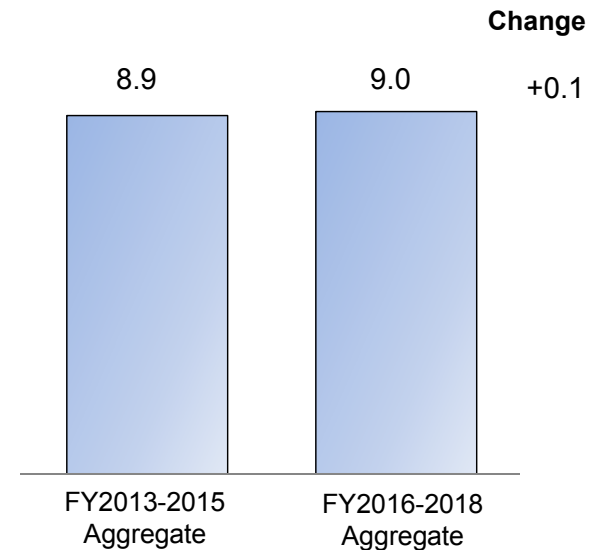
- R&D

- Develop products and functions based on new product launch plans
- Create fundamental technologies for enhancing existing operations and spreading into new areas

Capital Investment (Billion yen)



Research and Development (Billion yen)



- Construction of 2nd vending machine factory in China
- Production system reforms
- Production equipment at Mie Factory

- Enhancement of differentiated product development proposals (counter fixtures, next-generation showcases, etc.)
- Accelerated response to high-value-added vending machine needs and overseas demand
- Store equipment compatible with new coolants (low global warming potential)

* 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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