Food and Beverage Distribution
Business Strategies

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Fuji Electric Co., Ltd.
Food and Beverage Distribution
Business Group

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Business Overview
Business Overview

Vending Machines

• 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

Top Share in Japanese and Chinese Vending Machine Markets*

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

* Source: Fuji Electric
Review of FY2016
Review of FY2016

- Continuation of limited investment among beverage manufacturers in domestic vending machine operations
- Revision of deployment plans among large-scale customers in Chinese vending machine operations
- Rising demand for equipment for convenience stores in store distribution business

### Net Sales by Subsegment

<table>
<thead>
<tr>
<th>Subsegment</th>
<th>FY2015 Results</th>
<th>FY2016 Results</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store Distribution</td>
<td>49.0</td>
<td>54.3</td>
<td>+5.3</td>
</tr>
<tr>
<td>Vending Machines</td>
<td>61.0</td>
<td>55.3</td>
<td>-5.8</td>
</tr>
</tbody>
</table>

### Net Sales in Japan / Overseas

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2015 Results</th>
<th>FY2016 Results</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>98.2</td>
<td>100.3</td>
<td>+2.2</td>
</tr>
<tr>
<td>Overseas</td>
<td>110.0</td>
<td>109.6</td>
<td>-0.5</td>
</tr>
</tbody>
</table>

### Operating Income / Operating Margin

<table>
<thead>
<tr>
<th>FY2015 Results</th>
<th>FY2016 Results</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.0</td>
<td>6.0</td>
<td>-2.0</td>
</tr>
</tbody>
</table>

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### Review of FY2016 (Results and Challenges)

<table>
<thead>
<tr>
<th>Category</th>
<th>Market changes (2015 → 2016)</th>
<th>Measures</th>
<th>Results (Net sales changes)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vending machines (Domestic)</strong></td>
<td>- Vending machine market contraction → Industry reorganization and sluggish investment (Sales down 32% from FY2014 and 17% from FY2015)</td>
<td>• Sales promotions for high-value-added vending machines and cup vending machines</td>
<td></td>
</tr>
<tr>
<td><strong>Vending machines (Overseas)</strong></td>
<td>- Slight contraction of Chinese market → Revision of customers' deployment plans</td>
<td>• Increased market surveys in China</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Establishment of operator company in Thailand</td>
<td></td>
</tr>
<tr>
<td><strong>Store distribution</strong></td>
<td>• Diversification of market needs</td>
<td>• Deployment of new counter fixture products</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Acquisition of new customers for showcases</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Expansion of automatic change dispenser operations</td>
<td></td>
</tr>
</tbody>
</table>

**Identified challenges**

- Lower sales volumes in domestic vending machine operations due to industry reorganization and limited investment
- Dependence on existing customers in overseas vending machine operations
- Delay in shift to in-house production of equipment in store distribution business
FY2017 Management Plan
Business Policies

- Further solidify position in existing markets and explore surrounding markets
- Strengthen initiatives and build foundations in overseas and other growth fields

Priority Measures

- **Vending machines**:  
  - Maintain strength and revise structures in domestic operations  
  - Expand operations centered on China and establish foundations in Southeast Asia

- **Store distribution**:  
  - Formulate development proposals for new labor-saving and energy-efficient products and for new products addressing operating environment changes  
  - Propose new products focused on compatibility with smart registers

- **Manufacturing**:  
  - Promote in-house production and pursue cost reductions through automation
Business Plan

Net Sales by Subsegment
(Billion yen)

- Store Distribution
  - FY2016 Results: 54.3
  - FY2017 Management Plan: 57.2
  - Change: +2.9

- Vending Machines
  - FY2016 Results: 55.3
  - FY2017 Management Plan: 61.2
  - Change: +5.9

Net Sales in Japan / Overseas (Billion yen)

- Japan
  - FY2016 Results: 100.3
  - FY2017 Management Plan: 103.3
  - Change: +3.0

- Overseas
  - FY2016 Results: 9.2
  - FY2017 Management Plan: 15.1
  - Change: +5.9

Operating Income / Operating Margin (Billion yen)

- FY2016 Results: 6.0
  - Change: 5.5%

- FY2017 Management Plan: 8.0
  - Change: 6.7%
Vending Machines
Vending Machines—Market Trends

- Bottoming out in Japan despite market contraction arising from reorganizations and limited investment among beverage manufacturers
- Contrary to temporary stagnancy seen in FY2016, substantial growth anticipated in the Chinese market due to rising demand for automation and cashless payment methods as well as drive to expand sales channels seen among beverage manufacturers
- Rising demand for vending machines seen centered on Thailand despite the fact that the overall Southeast Asia market is still taking shape

**Domestic Vending Machine Market**

<table>
<thead>
<tr>
<th>Year</th>
<th>Beverage manufacturers</th>
<th>Operators</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>314</td>
<td>20</td>
</tr>
<tr>
<td>FY2014</td>
<td>295</td>
<td>24</td>
</tr>
<tr>
<td>FY2015</td>
<td>241</td>
<td>23</td>
</tr>
<tr>
<td>FY2016</td>
<td>200</td>
<td>19</td>
</tr>
<tr>
<td>FY2017</td>
<td>203</td>
<td>18</td>
</tr>
<tr>
<td>FY2018</td>
<td>203</td>
<td>18</td>
</tr>
</tbody>
</table>

* The Company’s estimations

**Overseas Vending Machine Market**

**Chinese Vending Machine Market Scale**

<table>
<thead>
<tr>
<th>Year</th>
<th>Beverage manufacturers</th>
<th>Operators</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>44</td>
<td>27</td>
</tr>
<tr>
<td>FY2016</td>
<td>40</td>
<td>17</td>
</tr>
<tr>
<td>FY2017</td>
<td>75</td>
<td>40</td>
</tr>
<tr>
<td>FY2018</td>
<td>115</td>
<td>72</td>
</tr>
</tbody>
</table>

* The Company’s estimations
Utilize IoT to realize labor savings, support operations, and develop vending machines for growing sales

Improve productivity (maintain consistent levels of production) and reduce costs with IoT

Revise further structures

Vending Machine IoT Systems and Services

Characteristics

Sales growth
- Payment services allowing for e-money to be used to make multi-item purchases and buy presents (customer retention)
- Sales promotion support services that entail transmitting advertisements and coupons

Operational efficiency improvement
- Operational support services that make sales projections and provide remote malfunction monitoring services
Vending Machines—Priority Measures (China)

Promote localization of operations
• Enhance production systems, production capacities, and sales and service systems

**First Factory**
• Consolidate back-office divisions to enhance functions centered on development
• Utilize as base for providing overhauls and other vending machine services
• Manufacture cup vending machines and other models

**Second Factory**
• Ensure high productivity and quality by introducing cutting-edge equipment
  Introduce integrated production line technologies at use in Mie Factory
• Primarily manufacture can and PET bottle vending machines

**Chinese Market Scale and Sales and Service Bases**
• Sales and service bases
  (9 in 2015 → 26 in 2016 → 31 in 2018)
  ◆ Sales base ▲ Service base
• Sales agents
  (7 in 2015 → 63 in 2016 → 100 in 2018)

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Vending Machines—Priority Measures (China)

- Conduct ongoing market surveys and address emerging market and customer needs
- Bolster lineup of new products through tie-ups with customers
- Support the vending machine operations of beverage manufacturers (operational and vending machine business model support)

Expansion of new product lineup

- Digital signage cup vending machine
- Traditional Chinese alcohol vending machine
- Dairy product vending machine
- Food product vending machine

- Payment via smartphone (top)
- Product selection via digital signage (bottom)

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Vending Machines—Priority Measures (Southeast Asia)

- Address expansion of demand for new vending machines (Thailand, Malaysia, Singapore)
  * Cater to need to replace old vending machines with newer models due to government measures for promoting energy savings instituted in Thailand
- Bolster lineup of new products (glass-front vending machines, can and PET bottle vending machines, cup vending machines)
- Expand market by promoting activities of operator companies (Thailand)
- Support vending machine operations of beverage manufacturers and cultivate operators
Store Distribution
Ongoing investment in store renovations projected in domestic convenience store market despite absence of robust growth seen previously
Rising needs related to ever more serious labor shortages at stores, changes in customer demographics, and energy saving
Continuation of overseas expansion by Japanese convenience store operators

**Convenience Store Market**

Domestic Convenience Store Market Scale (Number of Store Openings)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Store Openings</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>54</td>
</tr>
<tr>
<td>FY2016</td>
<td>55</td>
</tr>
<tr>
<td>FY2017</td>
<td>56</td>
</tr>
</tbody>
</table>

Scales of Chinese and Southeast Asian Markets for Japanese Convenience Store Chains (Number of Store Openings)

- China:
  - FY2015: 15, of which 4 (Thousands of units)
  - FY2016: 16, of which 5 (Thousands of units)
  - FY2017: 16, of which 7 (Thousands of units)

- Southeast Asia:
  - FY2015: 15
  - FY2016: 16
  - FY2017: 16

* The Company’s estimations
Contribute to development of appealing stores

- Address labor saving requirements (labor shortages at stores)
- Provide responses to changes in customer demographics
- Promote further energy savings
- Propose new products for convenience stores

Promote in-house production of equipment
Store Distribution—Priority Measures
(Contribute to Development of Appealing Stores)

Induction heating super steamer
Tobacco seller
Digital signage, Non-leak showcase

Automatic change dispenser
Eat-in area

New counter fixtures
Soup dispenser
Highball dispenser

Automated showcase
Back-loading

ECOMAX controller
Showcases
Freezers
Air-conditioning
Lighting
Ventilation fans

Energy Management
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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 expanding in-house production 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
  - Develop next-generation vending machines and store equipment utilizing IoT and AI

### Capital Investment (Billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Results</th>
<th>FY2017 Management Plan</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.7</td>
<td>6.5</td>
<td>+2.8</td>
</tr>
</tbody>
</table>

- Construction of 2nd vending machine factory in China
- Integrated production system for domestic-use vending machine and store equipment
- Expansion of in-house production of store equipment

### Research and Development (Billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Results</th>
<th>FY2017 Management Plan</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.5</td>
<td>2.4</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

- Fundamental technology development to contribute to labor savings
- Development of new modules from a global perspective focused on China and other parts of Asia

* 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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