

# **Food and Beverage Distribution Business Strategies**

**May 31, 2018**  
**Fuji Electric Co., Ltd.**  
**Food and Beverage Distribution  
Business Group**

## ■ Business Overview

## ■ Review of FY2017

## ■ FY2018 Management Plan

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

## Vending Machines

Top share in Japanese and Chinese Vending Machines Markets\*



Can and PET bottle vending machine



Food vending machine



LCD vending machine

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



Cup vending machine



Vending machine for food and other goods

- Can and PET bottle vending machines
- Cup vending machines
- Vending machines for food and other goods
- Vending machines for overseas markets
- Automatic tea servers
- Cold beverage dispensers



● Vending machine convenience stores

## Store Distribution



Showcases



Café latte machine



Total store coordination



Automatic change dispenser

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

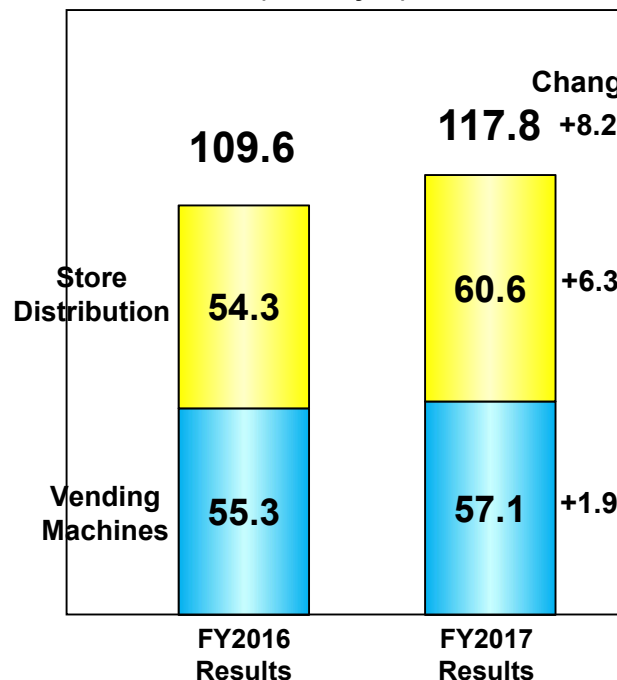
\*Source: Fuji Electric

# Review of FY2017

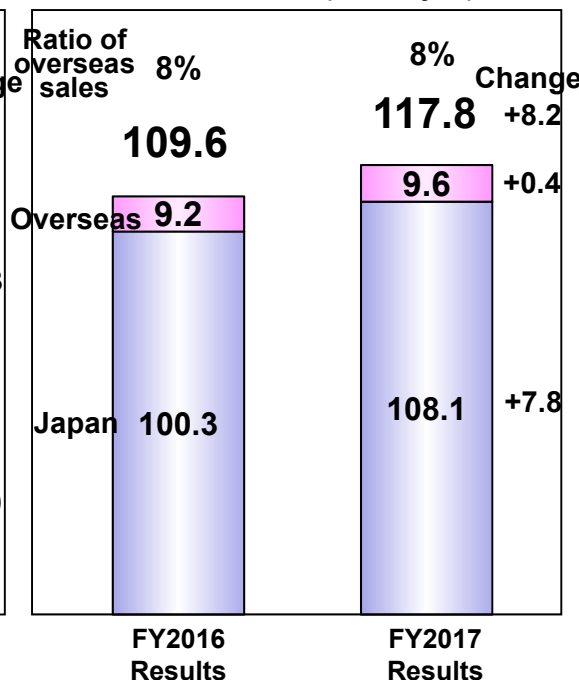
# Review of FY2017

- Shipment numbers bottomed out in the domestic vending machine industry  
→ Increased share by making development proposals
- Deployment plan revisions among certain customers in Chinese vending machine market continued during the first half of the fiscal year, but recovery was seen during the second half
- Increased demand for equipment for convenience stores in store distribution field  
→ Acquired orders for counter fixtures and replacement signs from convenience stores

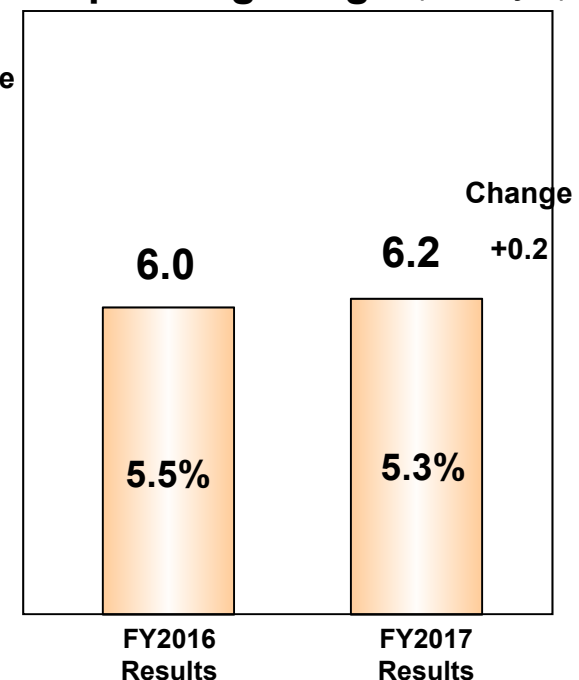
**Net Sales by Subsegment**  
(Billion yen)



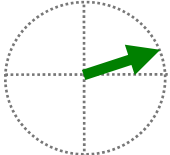
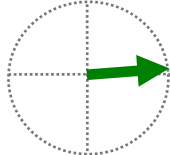
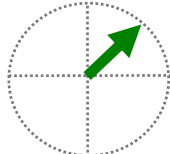
**Net Sales in Japan / Overseas**  
(Billion yen)



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



# Review of FY2017 (Results and Challenges)

Category	Market changes (2016→2017)	Measures	Results (Net sales changes)
<b>Vending machines (Domestic)</b>	<ul style="list-style-type: none"> <li>Industry shipment numbers bottomed out (FY2017 sales down 33% from FY2014 and unchanged from FY2016)</li> </ul>	<ul style="list-style-type: none"> <li>Sales promotions for high-value-added vending machines</li> <li>Labor-saving proposals</li> </ul>	
<b>Vending machines (Overseas)</b>	<ul style="list-style-type: none"> <li>Slight contraction of Chinese market (can and PET bottle vending machines) → Revision of certain customers' deployment plans</li> <li>Diversification of needs and accelerated trend toward cashless payment</li> <li>New market entries by customers (beverage manufacturers)</li> </ul>	<ul style="list-style-type: none"> <li>Completed second factory in China (July 2017)</li> <li>Acquired manufacturing and sales company in Indonesia (November 2017)</li> <li>Enhanced coordination between operations in China and Japan</li> </ul>	
<b>Store distribution</b>	<ul style="list-style-type: none"> <li>Rapidly growing dominance of big 3 convenience store brands</li> <li>Increased labor-saving demand</li> </ul>	<ul style="list-style-type: none"> <li>Sales promotions of counter fixtures</li> <li>Order acquisition efforts related to special demand from convenience store industry reorganization</li> <li>Labor-saving product development proposals</li> </ul>	

## [Identified challenges]

- Vending machines (overseas): Need to respond to rapid market changes and diversifying needs
- Store distribution: Necessity of redoubled response to labor-saving needs

# FY2018 Management Plan

- Continue strengthening foundations in existing business fields and accelerate initiatives in growth fields
- Preemptively address rapidly changing market conditions and build structures and advance measures targeting medium-term growth

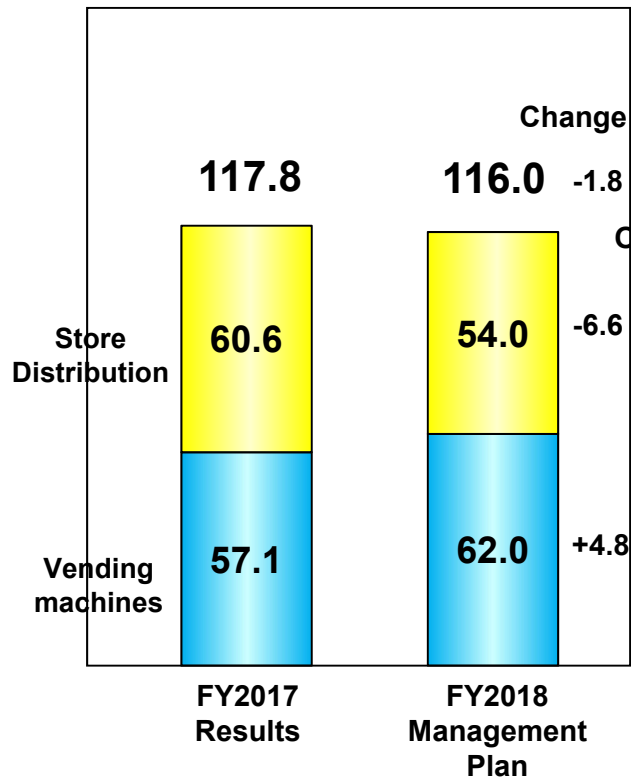
## Priority Measures

- **Vending machines:**
  - Propose development of high-value-added machines and labor-saving products in the domestic market
  - Step up response to diversifying needs in Chinese market
  - Accelerate efforts for creating new vending machine market in Southeast Asia
- **Store distribution:**
  - Formulate additional proposals for new labor-saving products and counter fixtures
- **Manufacturing:**
  - Promote efficient operation leveraging the advantages of the Mie Factory, DFB, and FMS\*
- **Services:**
  - Expand service businesses and promote in-house production

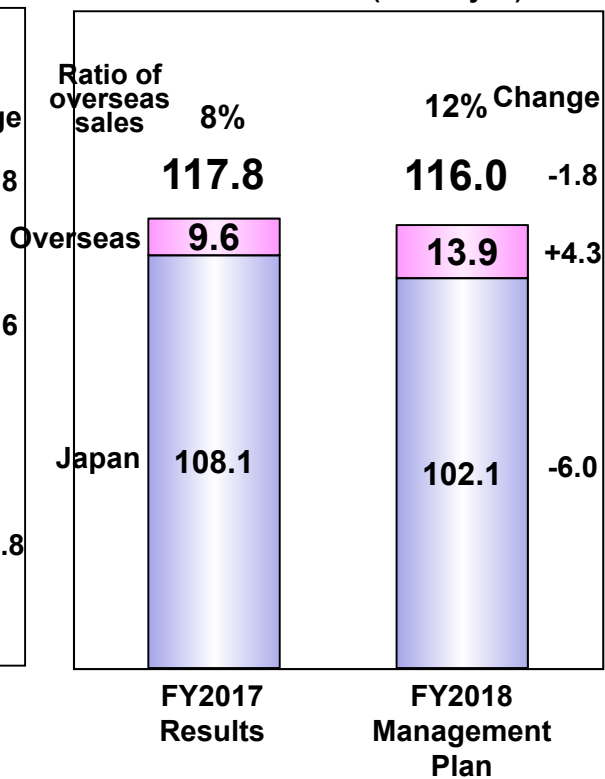
\*DFB (China): Dalian Fuji Bingshan Vending Machine Co., Ltd.  
FMS (Indonesia): P.T. Fuji Metec Semarang



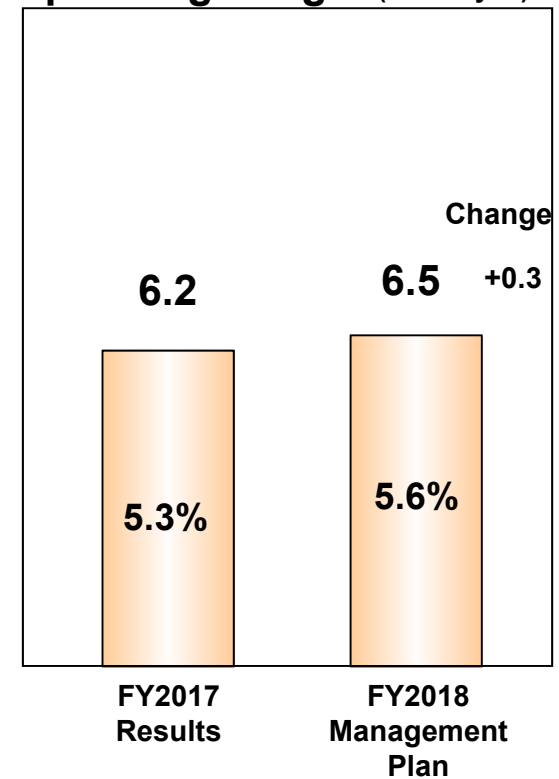
### Net Sales by Subsegment (Billion yen)



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



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

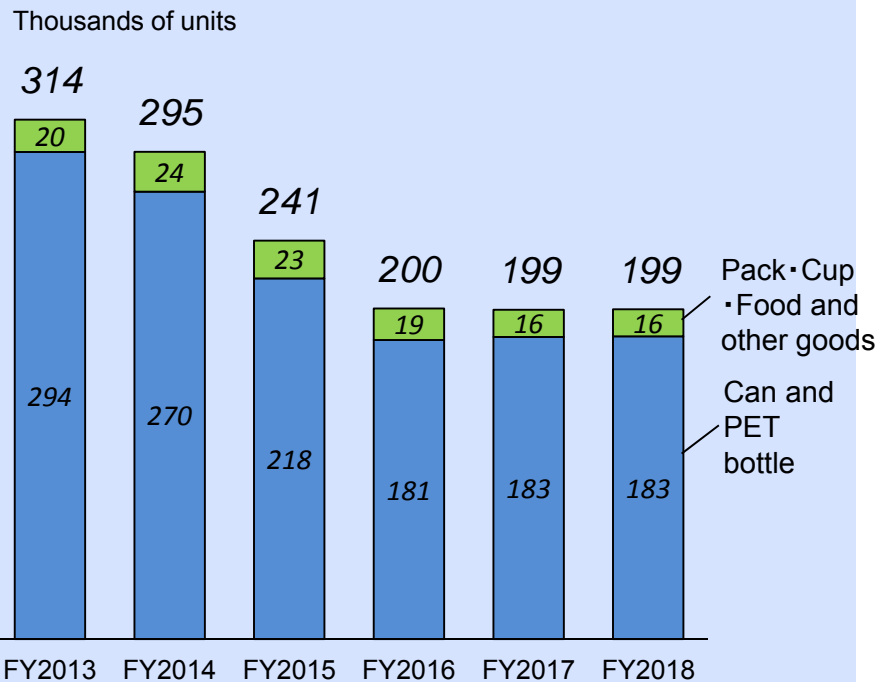


# Vending Machines

# Vending Machines—Market Trends

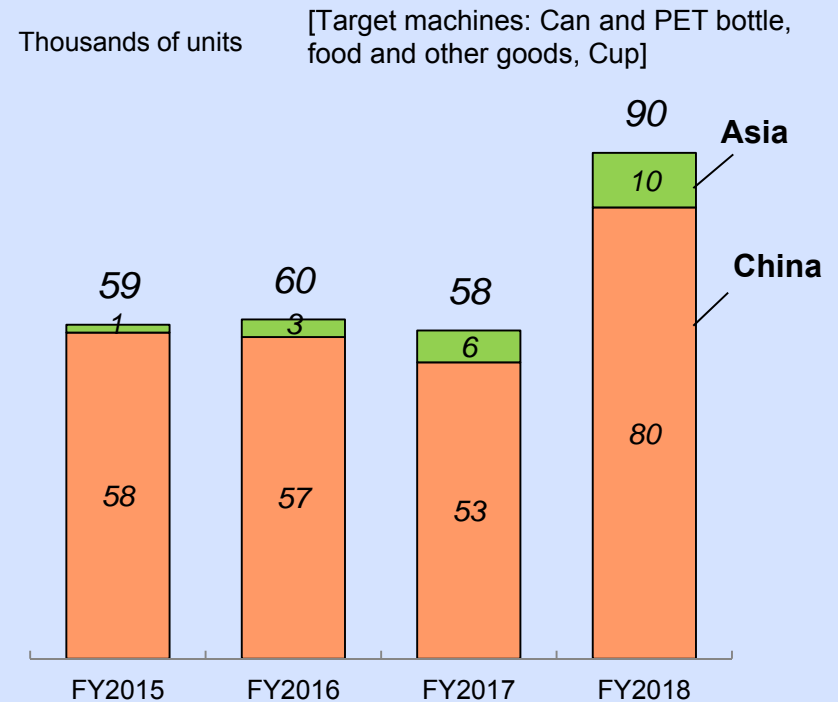
- Bottoming out of domestic market contraction that had accompanied industry reorganizations and limited investment among beverage manufacturers, current situation expected to become norm; growth in sales-expansion and labor-saving needs among customers projected
- Previously stagnant Chinese market expected to grow amid diversifying needs and new market entries by customers
- 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 Scale: Shipment Volumes**



\* The Company's estimations

**[Overseas] Vending Machine Market Scale: Shipment Volumes**




\* The Company's estimations

# Vending Machines—Priority Measures (Japan)


- Formulate development proposals for high-value-added vending machines (that contribute to higher sales for customers)
- Propose development of labor-saving (operation-supporting) products utilizing IoT

## 《High-Value-Added Vending Machines—Contribute to Higher Sales for Customers》

《Provide products that capitalize on unique characteristics of vending machines to users》




- Automated sales promotions based on weather and sales trends (Changes in product temperature, discount amounts, etc.)
- QR code payments via smartphones



Digital signage vending machine

- Compatible with QR code payments




Below-freezing vending machine

- Capable of selling normal products alongside products at temperature just before freezing (-5° C)
- Can offer vending machine-exclusive products


## 《Utilization of IoT—Labor-Saving Products》

《Formulate operation optimization plans for customers》



- Inventory optimization support
- Operation optimization proposals
- Operation information (monitoring)

《Provision of work simplification solutions for operators》



- Vending machine operation support
- Configuration via remote control
- Elimination of need to collect cash (Smartphone / credit card payment)

# Vending Machines—Priority Measures (China)

- Respond to diversification of needs (cashless payments, wider product lineup, etc.)
- Approach new customers
- Support beverage manufacturers in deploying (operating) vending machines
- Enhance coordination between operations in China and Japan



## Product Lineup Expansion



Can and PET bottle vending machine



LCD vending machine



Cup vending machine



Tabletop coffee machine



Food vending machine

# Vending Machines—Priority Measures (China)

● Strengthen sales and service systems and construct production and development systems in response to diversifying needs

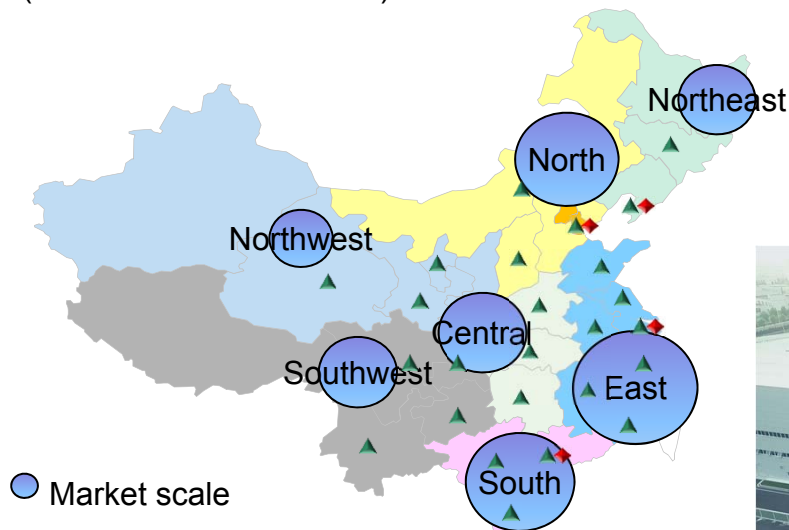
## Strengthening of sales and service systems

[Base expansion]

- Sales and service bases (26 in 2017→31 in 2018)

◆ Sales base    ▲ Service base

- Sales agents (63 in 2017→100 in 2018)



[Enhancement of service level]

- Remotely manage vending machines
- Address needs for cup, food, goods, and other vending machines

## Construction of production and development systems

[First Factory]

- Consolidated back-office divisions to enhance functions centered on development
- Utilize as base for providing overhauls and other vending machine services
- Manufacture cup vending machines

[Second Factory]

- Ensure high productivity and quality by introducing cutting-edge equipment
- Manufacture can and PET bottle vending machines and vending machines for food and other goods etc.

[Common]

- Accelerate local procurement



Second factory of Dalian Fuji Bingshan Vending Machine Co., Ltd.



Automation equipment

# Vending Machines—Priority Measures (Southeast Asia)

- Stimulate demand for replacing used vending machines with new machines (create new vending machine market)
- Accelerate research on customer needs
- Advance operations in Southeast Asian markets centered on FMS (Indonesian manufacturing and sales subsidiary)
- Support expansion of vending machine operations of beverage manufacturers and cultivate operators



Can and PET bottle vending machines  
Suvarnabhumi International Airport in Thailand



Food product (dairy product) vending machine  
Lactasoy vending machine in Thailand



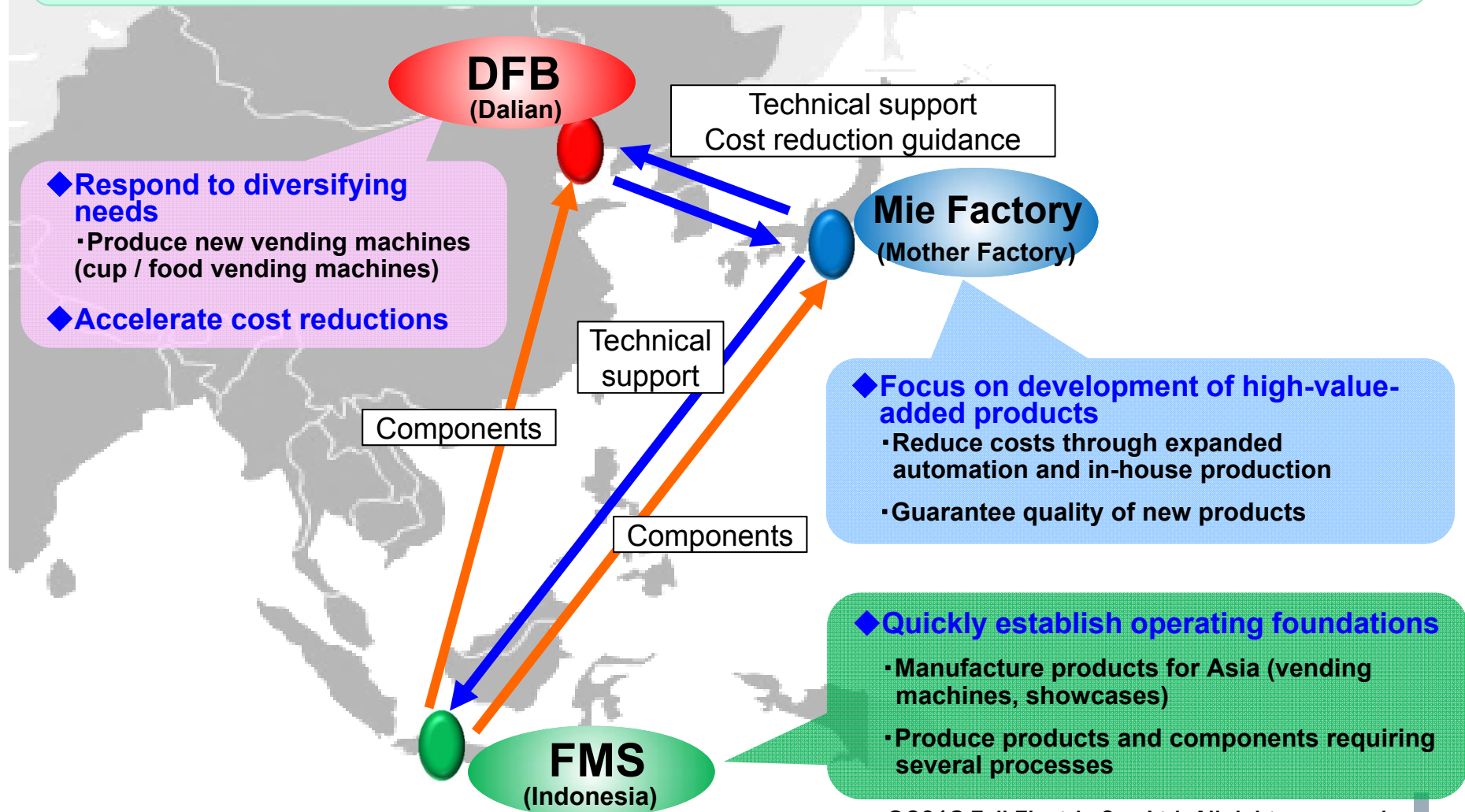
Digital signage cup vending machine  
On display in Thailand expo from May 29, 2018



FMS

# Manufacturing—Priority Measures

- Optimize manufacturing base network with Mie Factory as mother factory
- Aggressively promote cost reductions through global procurement

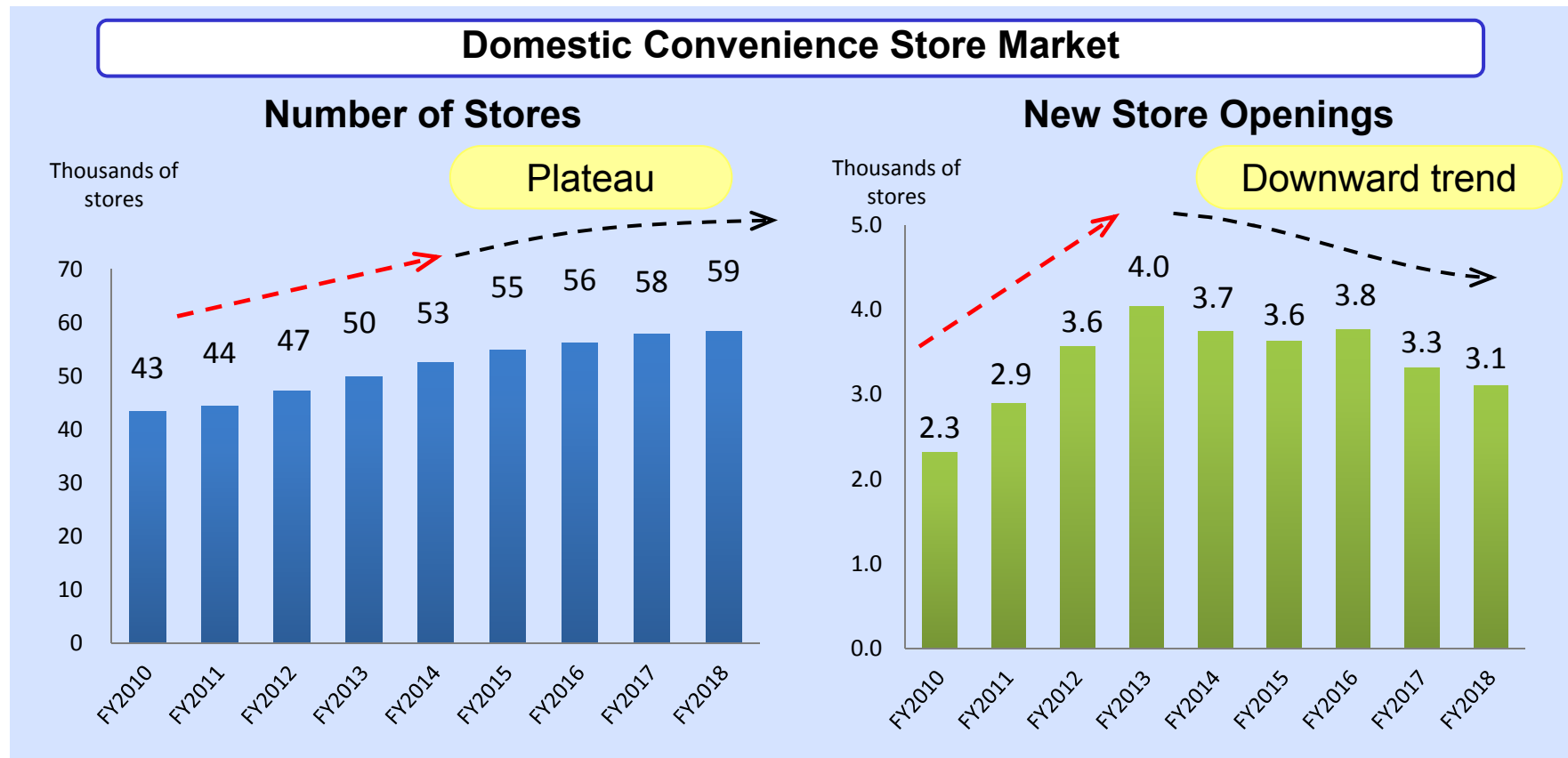




# Store Distribution

# Store Distribution—Market Trends

- Consolidation of domestic convenience store market around big 3 brands leading to plateau in store numbers and downward trend in new store openings
- Forecast increase in spending for expanding sales and reducing labor requirements at existing stores with particularly large increase in labor-saving needs given severe labor shortfalls at stores



\* 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
- Propose new counter products

## Promote in-house production of equipment

# Store Distribution—Priority Measures

## ● Step up efforts to develop appealing stores

### 《Utilization of experimental stores to develop ideal stores through collaboration with customers》



Exterior



Interior



Weather reproduction system

- Deployment of new showcases (Labor-saving, energy-saving, freezing, new refrigerant-using)
- Development of new counter products (Joint development of unique offerings for individual customers)

### 《Proposal of labor-saving products》



Vending machine convenience stores



Coffee vending machines



Self-checkout systems



Convention



Use

Swing racks



(Left) Digital signage, non-leak showcase  
(Right) Automated showcase

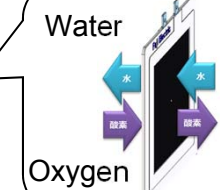
### 《Proposal of new counter products》



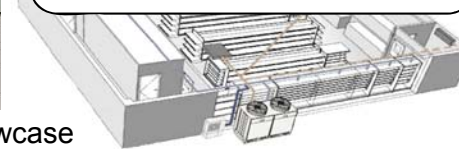
Induction heating super steamer



Humidity control (extends product shelf lives)



- Keep out dirt and insects → Requires less cleanings
- Contribute to food and safety
- uses less heat



Positive pressure control



Evolution of coffee machines

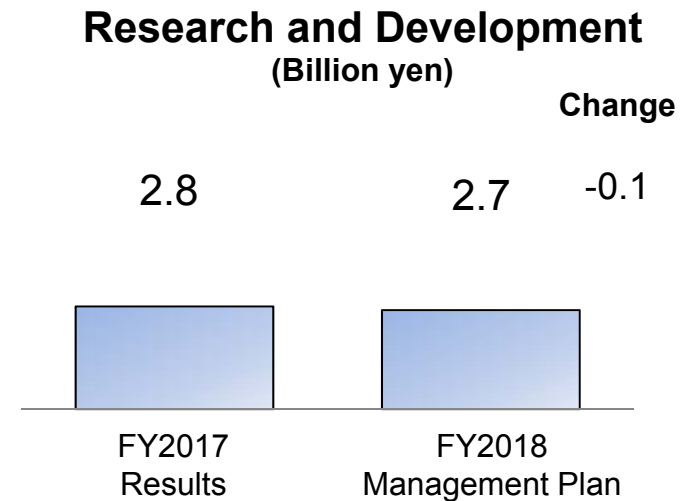
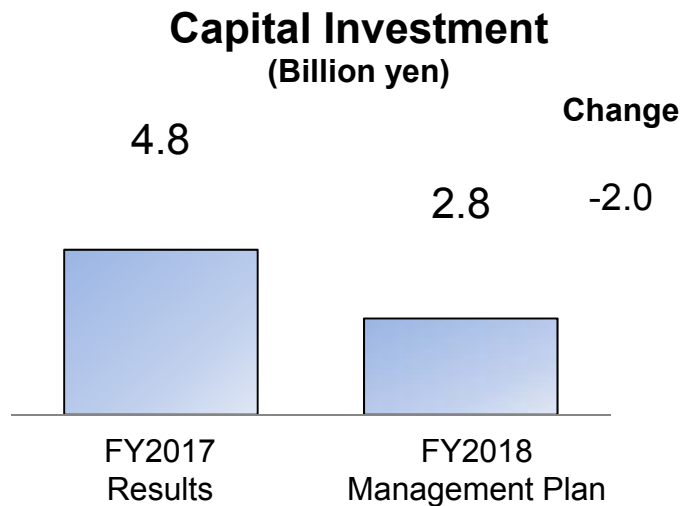
# Capital Investment / Research and Development

## ● Capital Investment

- Improve productivity by expanding scope of automation at domestic bases
- Construct production lines that match diversifying needs in China
- Rationalize production of vending machines and store equipment for Japanese market

## ● Research and Development

- Create equipment and systems utilizing IoT
  - Develop and commercial fundamental technologies focused on labor saving
- Promote development within fiscal year



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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