

# Food and Beverage Distribution

We will promote our growth strategy by grasping changes in the market and accelerating efforts to introduce new products and develop new customers.

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## Awareness of Market Needs and Business Opportunities

The vending machine market in Japan continued to contract slightly due to increasing competition from convenience stores and other sales channels and saturation of locations where vending machines are installed. In fiscal 2021, we expect demand to remain on a par with fiscal 2020 amid ongoing investment curtailments among beverage manufacturers (our customers) stemming from the spread of COVID-19. On the other hand, there is a growing need for more efficient operation of vending machines, contact-free, non-face-to-face machines to avoid infectious diseases, and eco-friendliness to help realize a decarbonized society.

In store distribution, where our main customers are convenience stores and supermarkets, demand is increasing for renovations to accommodate changes in lifestyles resulting from the COVID-19 pandemic. Moreover, business opportunities are increasing to address the growing need for food loss reduction.

In China and other overseas vending machine markets, responding to diversifying customer needs has become an issue. In addition to demand among major beverage manufacturers for energy saving and eco-friendliness, our store-based customers are increasingly looking to vending machines as a way to expand their satellite locations.

## Fiscal 2020 Results and Fiscal 2021 Business Plan

In fiscal 2020, sales declined ¥27.9 billion year on year, to ¥76.6 billion, due to curtail investment in vending machines and postponement of projects for convenience stores. Despite efforts to reduce fixed costs, the segment posted an operating loss of ¥5.3 billion, decrease of ¥9.1 billion from the previous fiscal year.

Although we expect market conditions to remain severe in fiscal 2021, we anticipate an increase in our share of the domestic vending machine market, higher sales mainly of

new products, a greater share of the convenience store facilities market, and an increase in renovation projects. For the year, we forecast sales of ¥87.5 billion, up ¥10.9 billion year on year. We also project operating income of ¥2.7 billion, increase of ¥8.0 billion from fiscal 2020, thanks to increased sales volume, business restructuring in the previous fiscal year, further cost reductions, and price revisions for some unprofitable models.

## Priority Measures

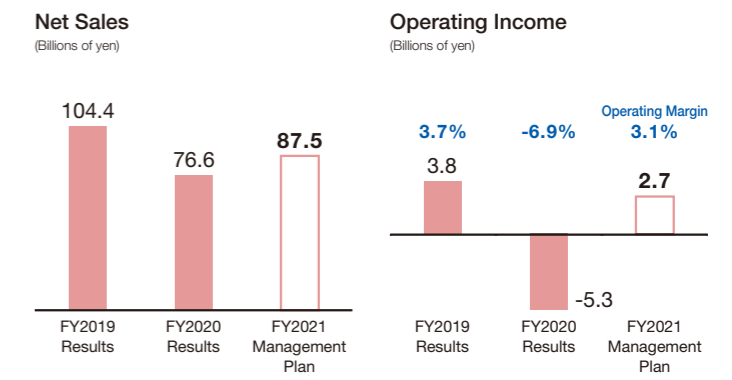
### Reinforcing our constitution through business restructuring

In fiscal 2020, we undertook business restructuring in response to significant declines in demand both in Japan and overseas. We also strengthened our business constitution by significantly reducing fixed costs through a review of our product development system. In addition,

we reassigned personnel to growth areas in the Group and reassessed our plant and equipment investment plan.

In fiscal 2021, we will reap the maximum benefits of our business restructuring and improve profitability through further cost reductions in manufacturing and the introduction of high-value-added products.

<b>Business Areas</b>	<b>[Vending machines]</b> Beverage vending machines, Vending machines for food and other goods <b>[Store distribution]</b> Store facilities and equipment, Automatic change dispensers
<b>Supplied to</b>	Beverage manufacturers, Vending machine operators, Convenience stores, Supermarkets, POS manufacturers
<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Top share of the vending machine market in Japan, China (beverage) and Thailand * Our estimate</li> <li>• Heating and cooling technologies that efficiently heat and cool products</li> <li>• Automation technologies built up through vending machines that contribute to labor saving</li> </ul>



## Offering high-value-added vending machines that meet social needs

In March 2021, we developed a completely contact-free vending machine that enables customers to purchase products without touching the machine, thus responding to social needs for contact-free, non-face-to-face and cashless solutions. The machine is equipped with a two-way telecommunication device that we developed in-house. It allows users to complete the entire process, from product selection to payment via smartphone. Also, the delivery port opens and closes automatically.

Meanwhile, domestic beverage manufacturers and vending machine operators urgently need to improve the efficiency of product replenishment and other operations. In response, we are planning a new service-based business that will use AI to support product demand forecasting and sales planning, which are necessary for efficient vending machine operations. This service and our high-value-added vending machines will enable us to capture new demand.

## Expanding our vending machine business in China and the rest of Asia

In China, where environmental awareness is increasing, we will offer energy-saving and eco-friendly vending machines

to major beverage manufacturers who are seeking Japanese-level quality. We will also provide food vending machines and coffee vending machines for convenience stores and store-based customers.

Elsewhere in Asia, the vending machine market is expanding, especially in Thailand. In response, we will provide new beverage manufacturers and store-based customers with cashless vending machines, food vending machines, vending machine convenience stores, and other offerings that meet local needs.

## Proposing solutions that meet the diverse needs of stores

In store distribution, we will provide comprehensive solutions for convenience stores by combining our core showcases with counter fixtures, automatic change dispensers, vending machine convenience stores, and store operation management systems.

For showcases, we will deploy our heating and cooling technology and airflow control technology to develop freshness maintaining showcases that help reduce food loss and fluorocarbon-free (CO<sub>2</sub>) showcases that help realize a decarbonized society.

