

FY2026 Medium-Term Management Plan

Food & Beverage Distribution Business Group

May 23rd, 2024

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Hello everyone, I am Asano, in charge of the Food & Beverage Distribution Business Group. I will now begin the presentation.

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I . Business Overview

Business Overview

Vending Machines

(Domestic sales: 93%; Overseas sales 7%)

Japan

No. 1 share*



Beverage Vending Machines



Sustainable vending machines



Refrigerated food vending machines



Frozen food vending machines

Overseas

No. 1 share of beverage sales in China*



Energy-saving beverage vending machines

No. 1 share in Thailand*



Large-container beverage vending machines



Food vending machines



Temperature controlled IT lockers

Major Customer Industries

Japan

- Beverages
- Food products

Overseas

- Beverages
- Convenience stores
- Vending machine system integration

Net sales

(FY2023 results)

¥107.3 billion

(Domestic sales: 97%; Overseas sales: 3%)*



Store Distribution

(Domestic sales: 100%)



Refrigerated and freezer showcases



Total store solution



Counter fixtures



Automatic change dispensers



Vending machine convenience stores

Major Customer Industries

- Convenience stores
- Point of sale systems
- Super markets

* Shares represent estimates by Fuji Electric based on FY2023 performance.

* Percentages of total net sales figures represent FY2023 results and are calculated before deduction and adjustment for inter-segment sales.

This slide gives the business overview.

The Food & Beverage Distribution Business Group operates in two areas: Vending Machines and Store Distribution.

In vending machines, Fuji Electric has the top market share in Japan. Our business is primarily with beverage manufacturers, and we are shifting from traditional vending machines to high-value-added vending machines. Overseas, our main markets are China and Thailand in Southeast Asia.

In Store Distribution, we cater to major domestic convenience store operators, offering a wide range of equipment that includes showcases, counter fixtures, and automatic change dispensers.

Strengths of Food & Beverage Distribution Segment

Domestic Vending Machines

Beverage Vending Machines

No.1 domestic share*



Food/Goods Vending Machines

No.1 domestic share*



Two-way communication vending machines

- Core freezing and heating, conveyance, structural durability, and water-proofing technologies
- Trust fostered over half a century
- Nationwide service network
- High market share
→ Half of 2 million vending machines active in Japan supplied by Fuji Electric (estimate by Fuji Electric)

Overseas Vending Machines

Beverage Vending Machines

No. 1 share of beverage sales in China*



No. 1 share in Thailand*



Food/Goods Vending Machines

No.2 share*



- Japanese-quality technologies
→ Freezing and heating, energy conservation, and conveyance technologies
- Sale and service networks (China, Thailand, and Singapore)

Store Distribution

Convenience store showcases
No. 1 share*



Automatic change dispensers
No. 2 share*



Store energy management

Regular maintenance services

- Core freezing and heating, airflow control, structural durability, and conveyance technologies
- Lineup for meeting all store needs
- Nationwide service network (round-the-clock service)

* Shares represent estimates by Fuji Electric based on FY2023 performance.

This slide outlines the strengths of our business.

In the domestic vending machine business, Fuji Electric has the No. 1 market share for both beverage vending machines and food/goods vending machines.

Our greatest strengths lie in industry-leading technologies for “freezing and heating,” “conveyance,” “durability,” and “waterproofing,” as well as the trust we have built up over half a century of operations.

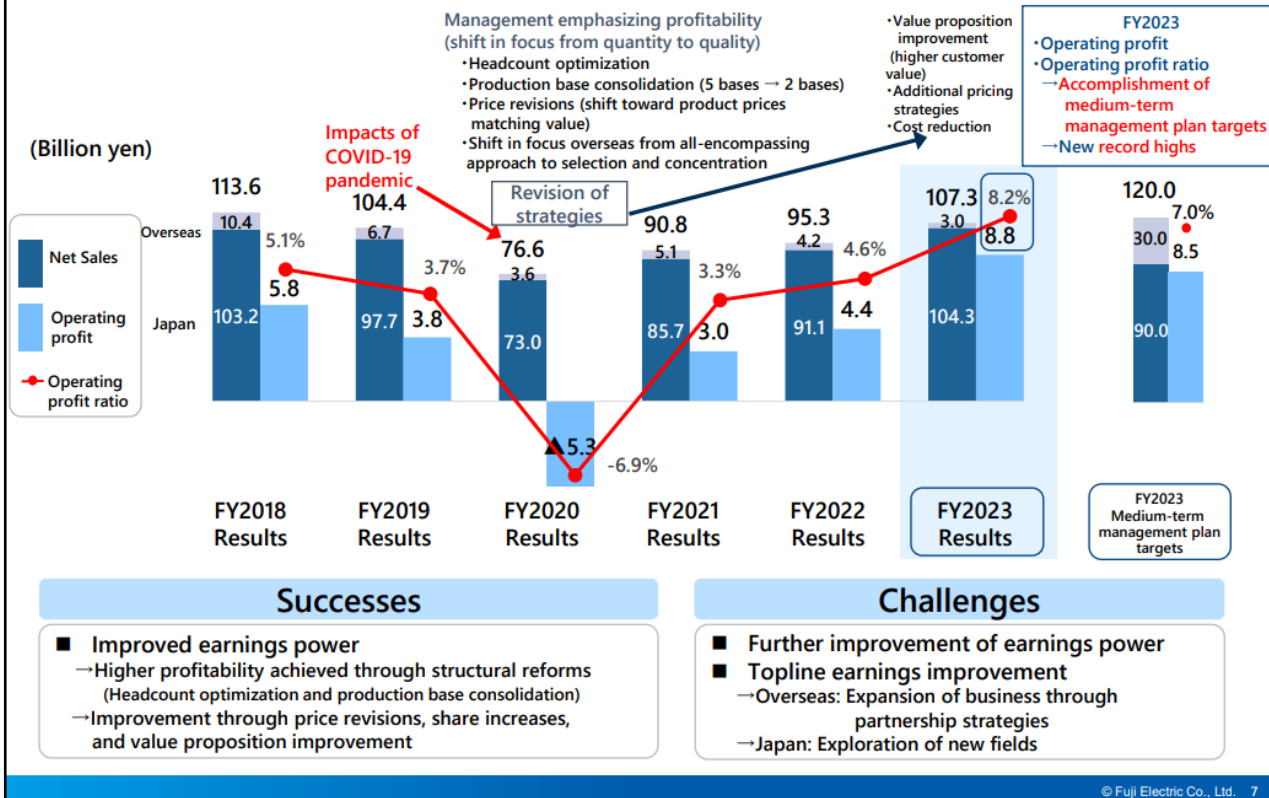
Approximately half of the vending machines currently installed in the market were manufactured by Fuji Electric, which allows the Company to secure stable replacement demand.

Overseas, we hold the top market share in China and Thailand, backed by made-in-Japan quality assurance technologies and a robust service network.

In Store Distribution, we hold the No. 1 market share for showcases for domestic convenience stores and the No. 2 market share for automatic change dispensers. Fuji Electric has a wide range of technologies, such as “refrigeration/freezing,” “airflow control,” and “finely tuned conveyance,” supported by a 24/7 service network, another of our strengths.

II. Review of FY2023 Medium-Term Management Plan

Review of FY2023 Medium-Term Management Plan (FY2018–2023)



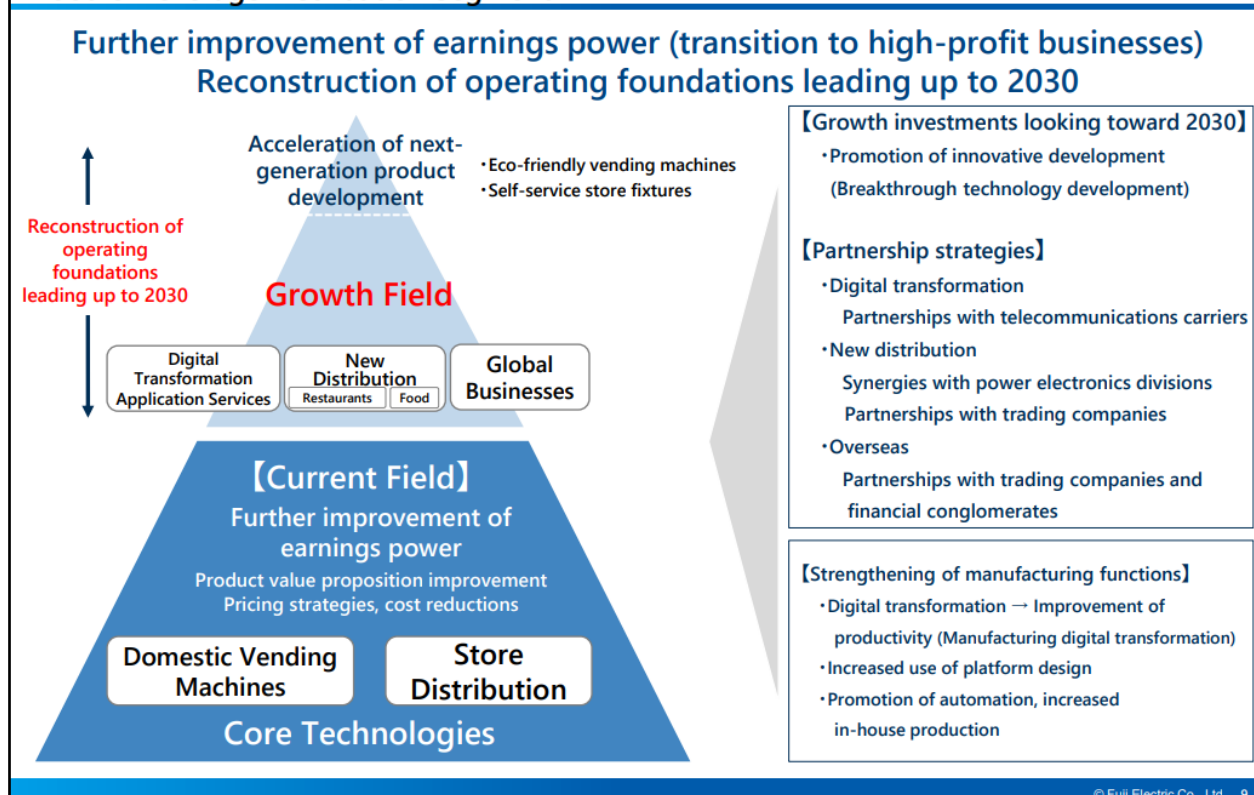
Here is a review of the previous medium-term management plan. Starting in FY2018, earnings have considerably deteriorated in the Food & Beverage Distribution Business Group, owing in part to the impact of COVID-19 in FY2020. We revised our strategies significantly to deal with the uncertainty of when the pandemic would end and a recovery would start.

We shifted our focus from quantity to quality, emphasizing profitability while optimizing personnel, restructuring manufacturing bases, and raising prices to reflect the value of products. By FY2021, we returned to profitability and continued to advance high-value-added pricing strategies and reduce costs. As a result, in FY2023, our group achieved growth to net sales of ¥107.3 billion, operating profit of ¥8.8 billion, and an operating profit ratio of 8.2%.

Compared to the initial medium-term management plan, we did not reach the original target for net sales, but we met our targets for operating profit and the operating profit ratio, and achieved record-high profits for the Food & Beverage Distribution Business Group.

Challenges include further strengthening profitability and expanding the sales. We aim to address these issues in the next medium-term management plan.

III. Overview of FY2026 Medium-Term Management Plan



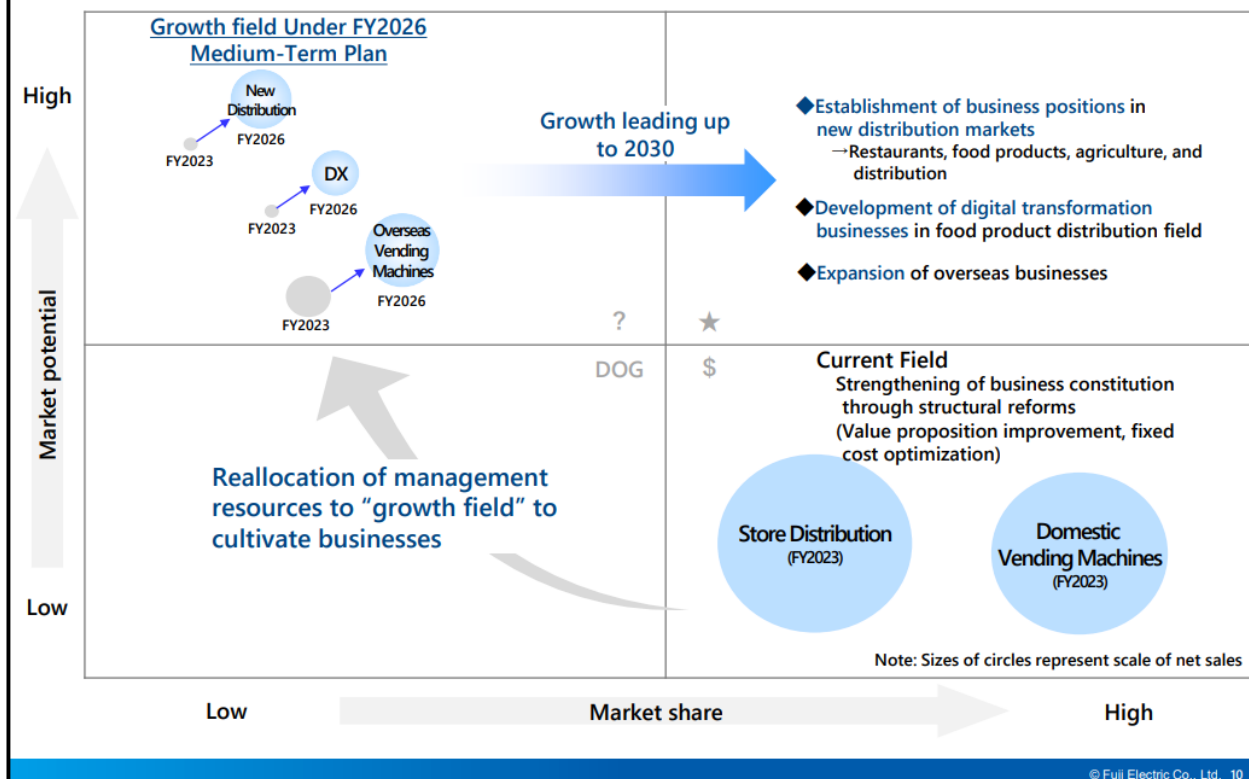
Next, I will present an overview of the FY2026 Medium-Term Management Plan for the Food & Beverage Distribution Segment.

We aim to further improve earnings power and reconstruct the operating foundation while eyeing 2030. We have positioned domestic vending machines and store distribution as core fields, and will work to enhance profitability further.

We will promote higher value added in our products, pricing strategies, and cost reductions. Additionally, as part of building the business foundation for 2030, our group will focus on growth areas such as digital transformation application services, new distribution fields like the restaurant and beverage industry, and global markets.

Fuji Electric will also strengthen the development of next-generation products. To achieve this, we will enhance our manufacturing capabilities, promote partnership strategies, and invest in growth.




Business Portfolio of Food & Beverage Distribution Segment



This one shows the business portfolio.

Through structural enhancements, our high market shares in the domestic vending machine and store distribution businesses have facilitated the generation of profit. We will nurture these businesses while shifting management resources from these areas to the growth sectors on the top left of the grid.

We aim to expand the new distribution, DX, and overseas fields with an eye on 2030.

	Operating environment Changes in needs	Business opportunities Response to needs (provision of value)	Market Outlook (FY2024–FY2026)
Vending Machines	Japan <ul style="list-style-type: none"> • Energy conservation, green power • Vending machine operation streamlining • Payment method diversification 	<ul style="list-style-type: none"> • Proposal of energy-efficient vending machines → High-value-added vending machines • Expansion of digital transformation application services → Improvement of distribution route efficiency and prediction of demand → Dynamic pricing, QR-code payment 	Vending Machines → Unchanged Digital Transformation Application Services → Growth
	Overseas <ul style="list-style-type: none"> • Energy conservation • Changing tastes (CAGR of 4% for coffee demand in China) • Economic growth in Asia 	<ul style="list-style-type: none"> • Solicitation of energy-efficient vending machines • Proposal of global coffee machines → Espresso machines, large-volume item vending machines • Entry into vending machine business in India 	China → Slight increase Asia → Slight increase
Store Distribution	Convenience Stores <ul style="list-style-type: none"> • Eco-friendliness (shift toward non-fluorocarbon gas and lower GWP) • Energy conservation • Space savings (increased counter fixtures) 	<ul style="list-style-type: none"> • Reduction of GWP of showcases • Store energy management proposals • More compact fixtures 	Convenience Stores → Unchanged
	New Distribution Restaurants Food products Logistics <ul style="list-style-type: none"> • Labor saving to address labor shortfalls (restaurants) • Labor saving in logistics (food product warehouses) • Automation of fresh food sales (labor saving) 	<div>New product</div> <ul style="list-style-type: none"> • Proposal of self-service coffee machines • Proposal of automated product picking systems • Proposals for the food product and agriculture markets (locker vending machines) 	New Distribution → Growth

This slide covers the operating environment, customer needs, and market trends.

In the domestic vending machines business, we anticipate increasing demand related to energy conservation and vending machine operation efficiency. We plan to address these needs by expanding digital transformation application services. We believe this market will gradually grow.

Overseas, we expect a minor increase in market size. We also see notable trends, such as growing demand for energy conservation and the rising popularity of coffee. We will promote our global coffee machines .

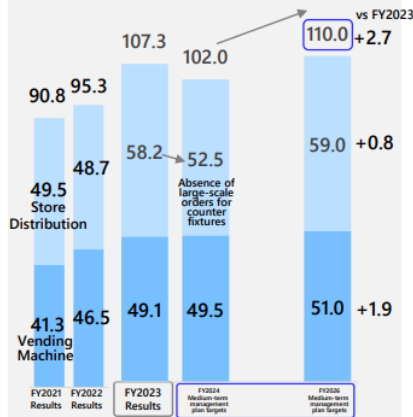
In the convenience store field, we think demand will continue to grow for environmental solutions and energy conservation.

We will work to expand sales of environmentally friendly showcases and store energy management solutions.

In new fields such as the restaurants, food products, and logistics, there are growing needs for labor-saving, efficiency, and automation. We plan to propose new products to meet these needs. I will discuss this in more detail later.

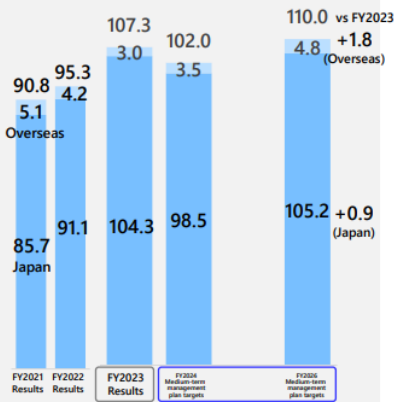
Net Sales by Subsegment (Billions of yen)

- Exploration of new distribution fields
- Increased deployment of high-value-added products
- Digital transformation application services, overseas vending machines



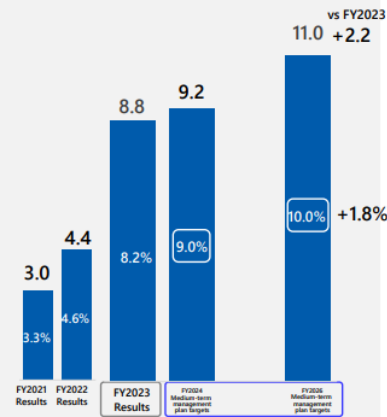
Domestic and Overseas Net Sales (Billions of yen)

- Overseas: Reconstruction of operating foundations (Cementing of foundations leading up to 2030)



Operating Profit / Operating Profit Ratio (Billions of yen)

- Operating profit over 10.0 billion yen
- Operating Profit above 10%



This slide shows the management plan.

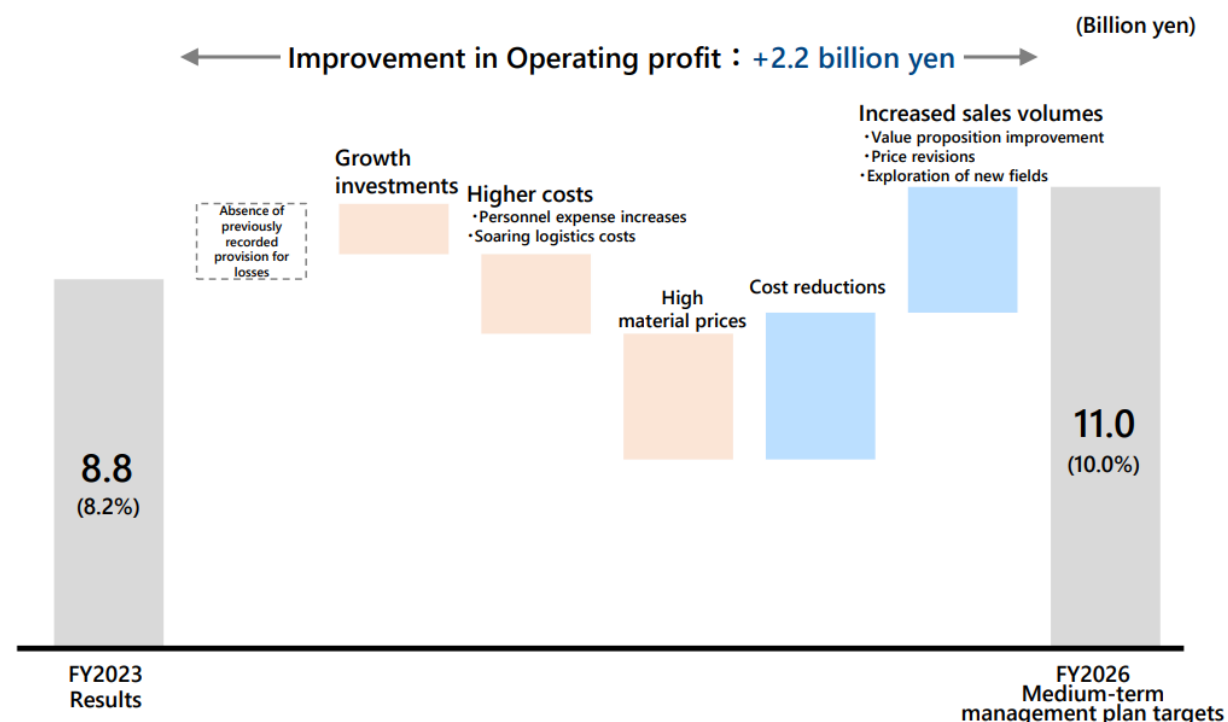
For FY2024, Fuji Electric projects a year-on-year decrease in sales with the absence of a large order for counter fixtures booked in the previous year in the store distribution business. Towards 2026, we aim for growth in new distribution fields, high-value-added products, and digital transformation areas, targeting net sales of ¥110 billion.

We plan to steadily increase overseas sales through 2030.

Fuji Electric targets an operating profit ratio of 9.0% in FY2024 and 10.0% in fiscal 2026, compared to 8.2% in FY2023.

The Food & Beverage Distribution Business aims to generate more than ¥10 billion in operating profit and reach an operating profit ratio of at least 10% during this medium-term management plan.













Factors Affecting Operating Profit (Year-on-Year Growth)



This slide shows factors behind projected changes in operating profit from 2023 to 2026.

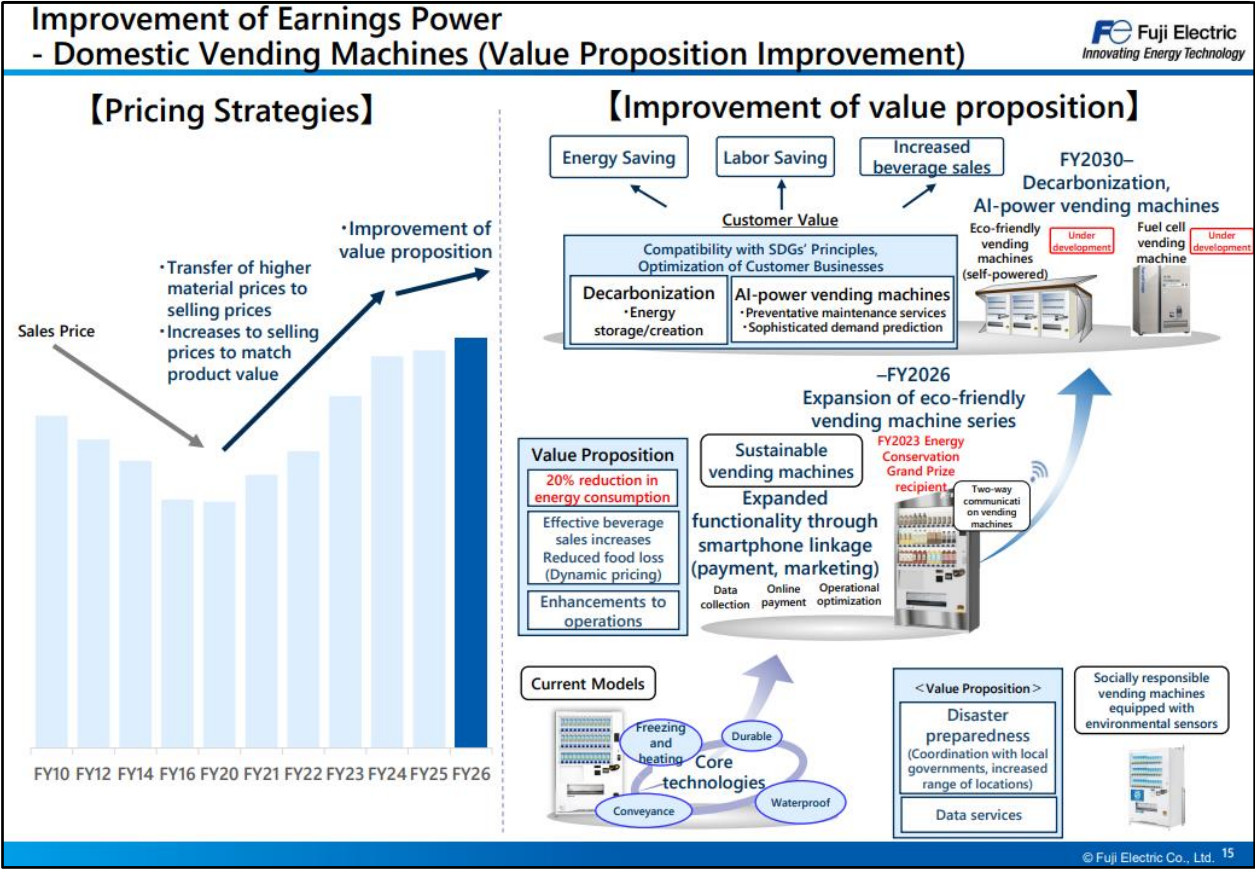
While there will be a boost to profit from the absence of a loss provision recorded in FY2023, there are negative factors, such as growth investments, higher personnel expenses, as well as rising logistics costs and material prices. We plan to counter the rise in material prices with cost reductions, and offset growth investments with high-value-added products, price hikes, and higher volumes in new fields. We aim to secure an operating profit of ¥11 billion.

Priority Measures

Improvement of profitability	① Domestic Vending Machines	<ul style="list-style-type: none"> • Deployment of “high-value-added” vending machines matched to customer needs and advancement of “pricing strategies” 	 Sustainable vending machines  Socially responsible vending machines
	② Store Distribution	<ul style="list-style-type: none"> • Promotion of “high-value-added” vending machines that help convenience stores achieve their environmental targets • Expansion of sales of one-of-a-kind “counter fixtures” 	 Eco-friendly showcases  New counter fixtures
	③ Reductions in total costs	<ul style="list-style-type: none"> • Optimization of manufacturing systems and promotion of manufacturing digital transformation, • Increased use of platform design for vending machines and showcases • Implement automation, and increased in-house production 	 Dashboard  In-house component production
Operating foundation reconstruction (Topline sales growth)	① Digital transformation application services	<ul style="list-style-type: none"> • Deployment of operational efficiency improvement services (vending machines) • Redoubling of energy management proposals (store distribution) 	 Vending machine IoT services
	② Exploration of new distribution services	<ul style="list-style-type: none"> • Entry into new fields (restaurants, food products, and logistics) • Expansion of operations spanning larger segments of supply chains of existing customers 	 Coffee machines for restaurants  Locker vending machines
	③ Global strategies	<ul style="list-style-type: none"> • Reconstruction of operating foundations to grow sales • Enhancement of marketing and expansion of target fields 	 Energy-saving beverage vending machines  Temperature controlled IT lockers  Global coffee machines
	④ Development of next-generation products	<ul style="list-style-type: none"> • Acceleration of development to promote decarbonization and contribute to self-service stores 	

These are our priority measures.

We will promote measures to improve profitability and expand sales to build a solid business foundation.

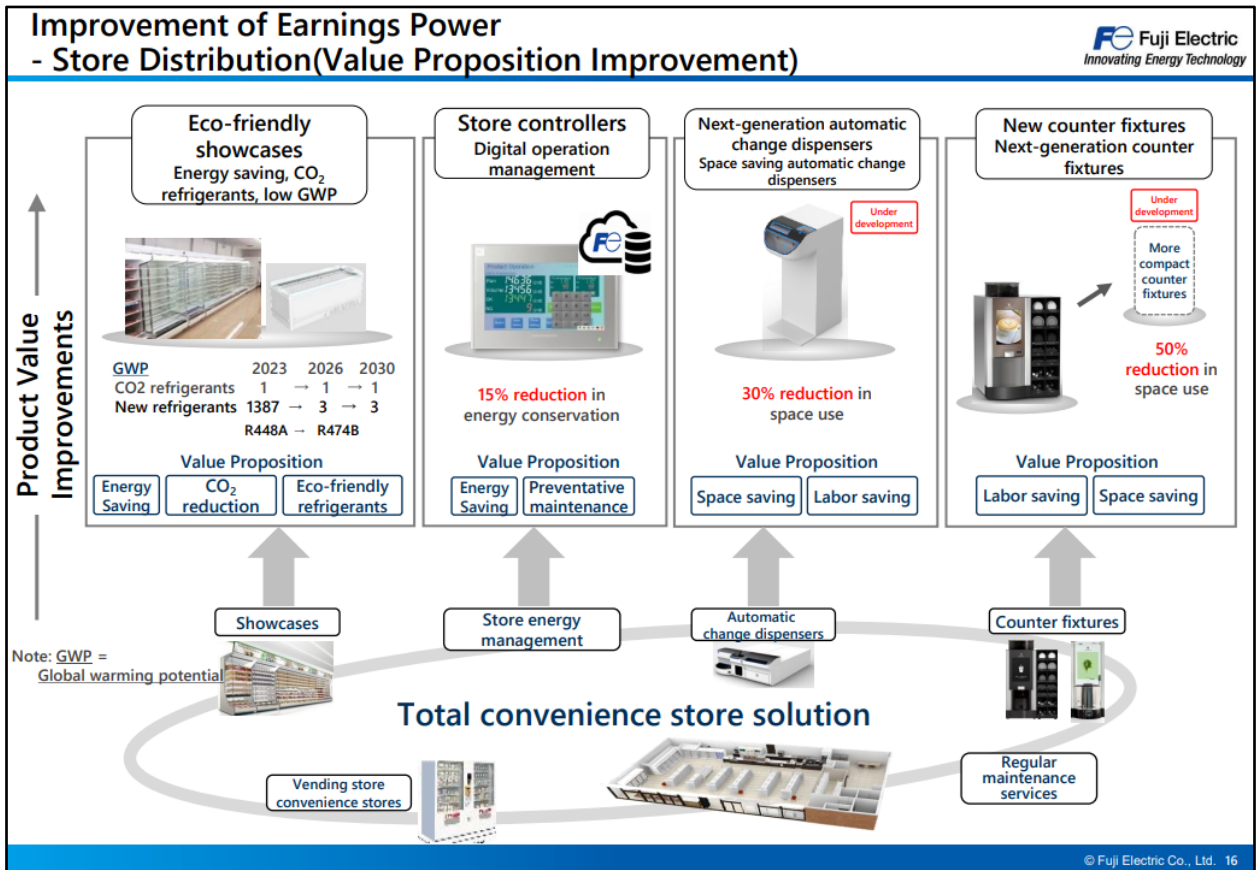


This slide outlines our efforts to strengthen the profitability of domestic vending machines.

We intend to enhance profitability through pricing strategies and by adding higher value. This graph shows trends in average prices. Compared to selling prices in 2010, prices had fallen by about 20% by 2020.

Since then, we have increased prices to pass on higher material costs and to reflect the true value of our products. We expect prices in FY2024 to be 15% higher than in 2010. We have almost reached agreement with our customers on prices for 2024, placing us in position to reap the benefits of these efforts.

Looking ahead to 2026, we will promote higher value added in our products. We will also look into passing on higher costs associated with rising personnel expenses. Backed by our updated vending machines, which won the Energy Conservation Grand Prize from the Minister of Economy, Trade and Industry in 2023, we will strive to improve functionality, including two-way communications capabilities, and enhance value provided. As we approach 2030, we aim to develop vending machines with fuel cells in response to increasing needs for decarbonization.



This slide covers store distribution. We will move to enhance value added as a total solution for convenience stores. As we evolve our showcases into environmentally friendly models, we will contribute to energy conservation and predictive maintenance through store controller solutions.

Automatic change dispensers and counter fixtures will be modified to address labor shortages and made smaller to help save space.

■ Manufacturing Network (2 Bases Worldwide)



■ Increased use of platform design (vending machines and showcases)

< Vending Machines >

Development of vending machine control platforms

Customer-specific systems (3 types)

Shared vending machine control systems (1 type)

• Highly augmentable interface

• Cost reductions through use of shared control panels

< Showcases >

Standardization of showcase

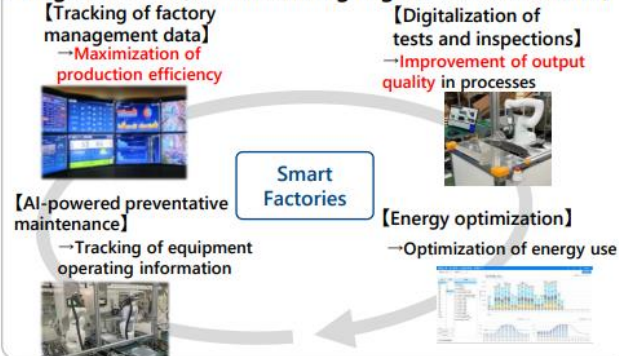
Rate of standardization: 60% → 85%

• Consolidation of models

• Development of shared modules

• Reduction of important materials through standardization of parts

■ Digitalization (Manufacturing Digital Transformation)



■ Promotion of Automation and In-House Production

【Automation】



【In-House Production】

- Control boards (equipped with two-way communication functions)
- Vending machine buttons
- Inverter substrates for cooling units



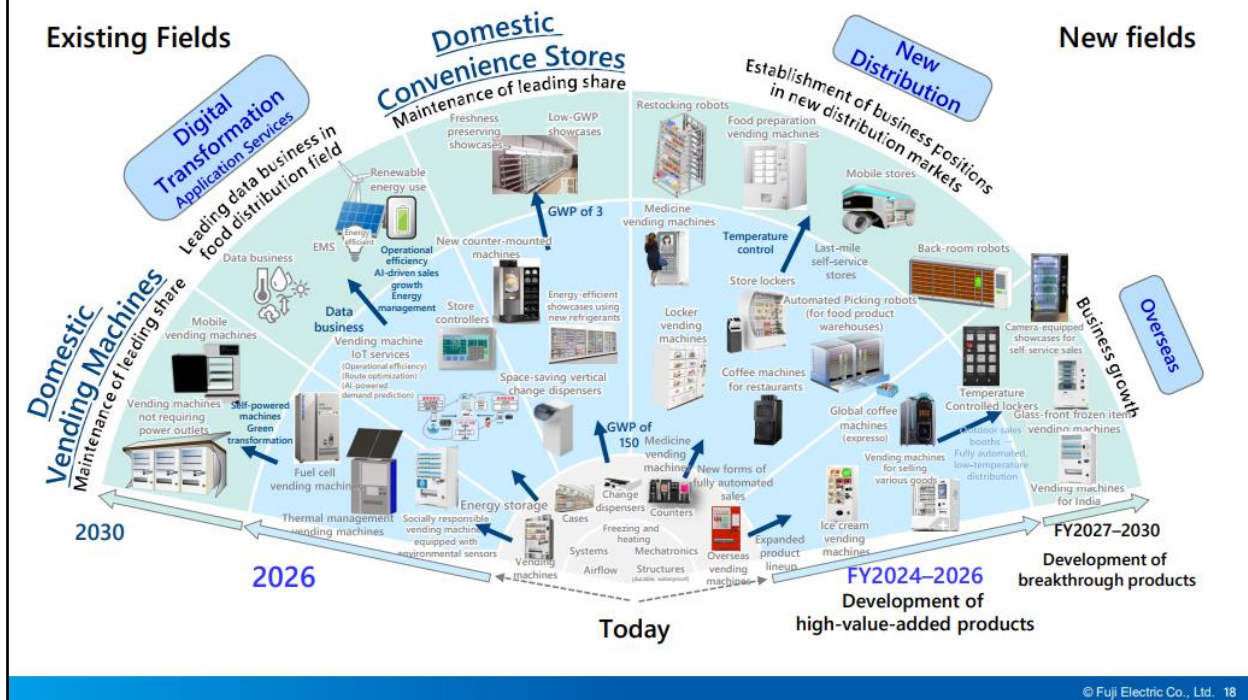
This slide discusses manufacturing.

Fuji Electric has established a two-base global manufacturing system. By advancing the digitalization of manufacturing, we aim to maximize production efficiency, improve quality, and evolve into a smart factory.

We intend to expand platform design, streamline models, and standardize parts to reduce costs. Additionally, we will promote automation and in-house production to reduce total costs.

Operating Foundation Reconstruction (Topline Earnings Improvement) - Product Strategies

Provision of products and solutions matched to market needs and based on core technologies to grow business



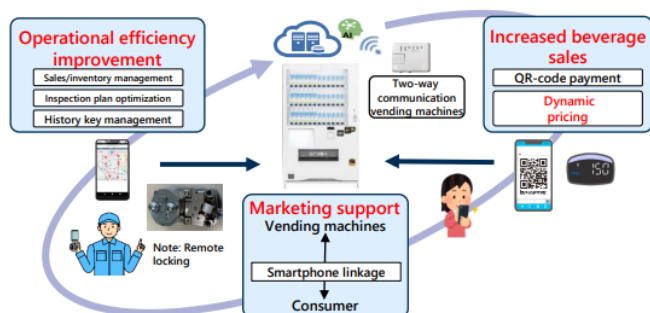
This slide shows our initiatives to build the business foundation and expand sales.

This depicts an overview of our product strategy from 2026 to 2030.

For vending machines and convenience stores, as explained previously, we will evolve our equipment to meet customer needs and maintain our leading market share.

【Digital Transformation-Driven Vending Machine Innovation】

Offerings: Two-way communication terminals, recurring services



Collaboration

Fuji Electric

- Optimization of operating routes
- Digital technologies for utilizing vending machine data
- Hardware development capabilities

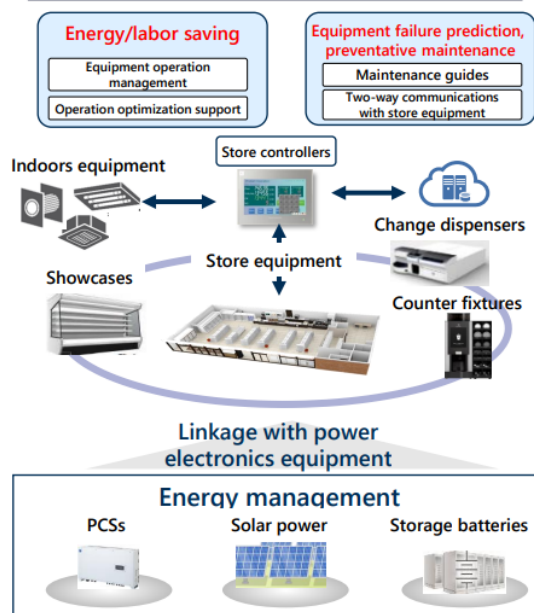


Telecommunications

- AI-powered demand prediction
- Specialized IoT technologies
- Service operation expertise

【Convenience Store Digital Transformation Energy Solutions】

Offerings: Store controllers, recurring services



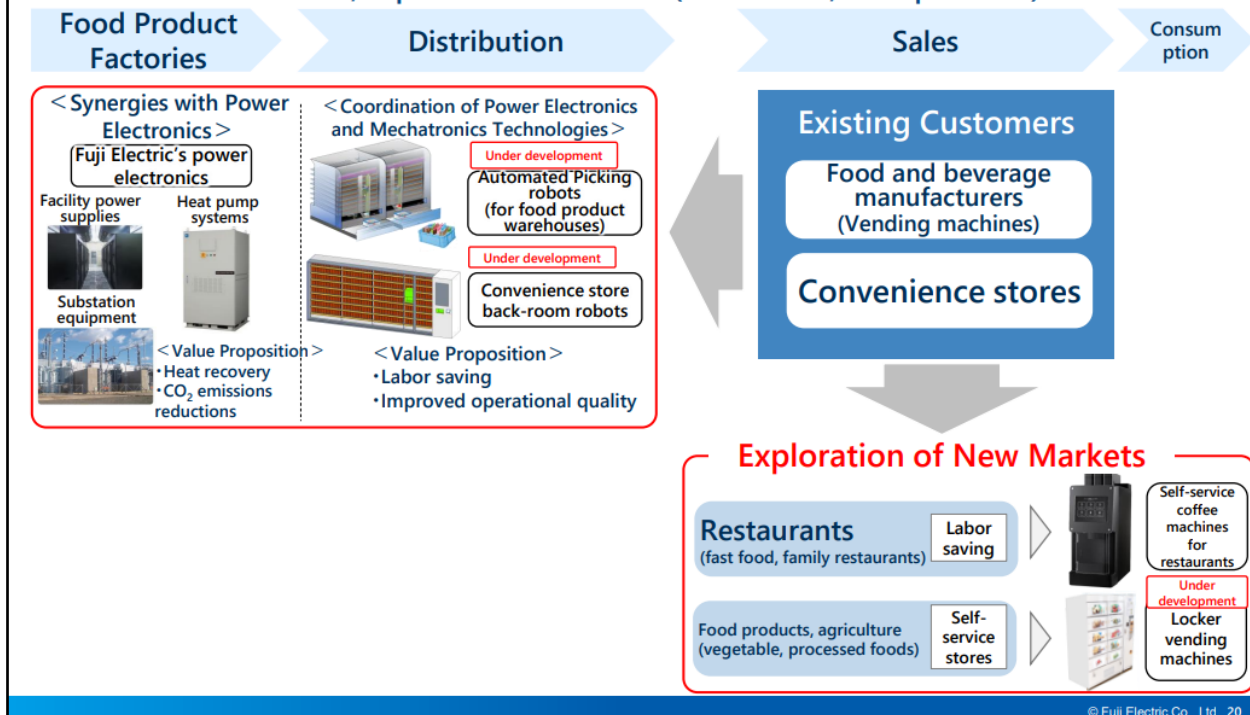
This slide covers services applying digital transformation.

As part of vending machine innovation, we will install our two-way communication equipment in vending machines and expand services. We will also retrofit existing vending machines with our two-way communication equipment to enhance the efficiency of vending machine operations, allow dynamic pricing, and provide marketing support through smartphone integration, in collaboration with telecommunications carriers. Recently, an article about our collaboration with three companies was featured in the mass media, and we intend to promote this as one of our business options.

For convenience store digital transformation initiatives, we will leverage our energy-saving expertise and offer services centered around store controllers, such as energy conservation and failure prediction.

Topline Earnings Improvement: New Distribution Fields

Expansion of operations spanning larger segments of "supply chains" of existing customers, exploration of markets (restaurants, food products)



This slide talks about new distribution fields.

We aim to expand business in two directions, starting with existing accounts.

One direction is the expansion of business within the supply chain of existing accounts. In the logistics field of our customers, we will develop new products, such as automatic picking robots for the beverage warehouses of beverage manufacturers and backroom replenishment robots for convenience stores, using our power electronics and mechatronics technologies.

For food and beverage factories, we aim to deliver our power electronics equipment and pursue synergies in power electronics.

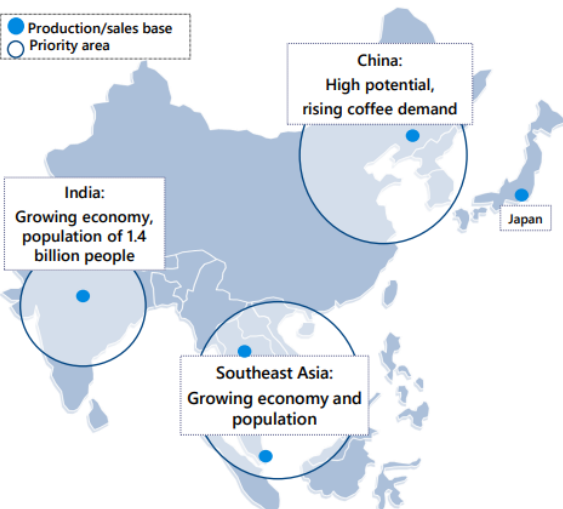
With an eye on entering into new markets, we will develop products based on our core technologies in food distribution.

In the food service industry, such as fast food and family restaurants, there are needs for labor-saving solutions. We promote business centered on the self-service coffee machines that we launched in 2023. There has been a significant increase in inquiries recently, and we aim to convert this into more sales.

Topline Earnings Improvement: Global Strategies

< Area Strategies >

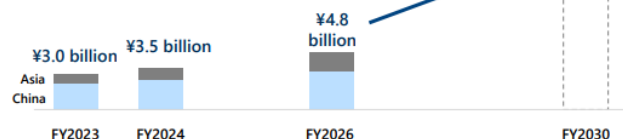
- China: Acquisition of beverage vending machine replacement orders
Deployment of coffee machines
- Southeast Asia: Promotion of partnership strategies
- India: Entry into this new market through partnership with general trading companies
- Approach targeting manufacturers of global beverage brands in all markets



< Sales Strategies >

	Existing markets		New markets
	China	Southeast Asia	India
Target customers	<ul style="list-style-type: none"> Major beverage manufacturers Restaurants 	<ul style="list-style-type: none"> Major beverage manufacturers Financial conglomerates (stores, e-money providers) 	<ul style="list-style-type: none"> Major beverage manufacturers
Product strategies	<ul style="list-style-type: none"> Beverage Vending Machines IT lockers Global coffee machines Under development Dispensers 	<ul style="list-style-type: none"> Beverage Vending Machines 	<ul style="list-style-type: none"> Beverage Vending Machines
Points of differentiation	<ul style="list-style-type: none"> Energy efficient Compatibility with larger products 	<ul style="list-style-type: none"> Compatibility with different temperatures and differently shaped products Compatibility with expresso and large-volume items Extraction technologies 	<ul style="list-style-type: none"> Energy efficient Compatibility with larger products
Partnership strategies	<ul style="list-style-type: none"> Development of area-specific networks Expansion of service networks 	<ul style="list-style-type: none"> Coordination with system companies Partnership with kitchen equipment manufacturers 	<ul style="list-style-type: none"> Partnership with general trading companies

< Net Sales Targets >



This slide covers our global strategy.

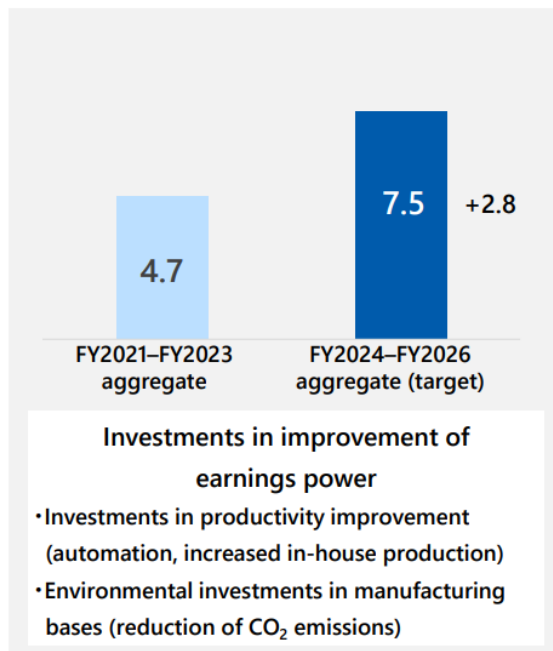
In addition to China and Southeast Asia, we will also focus on business in India. In China, we aim to capture replacement demand for vending machines from major beverage manufacturers, and expand our coffee machines by tapping into the growing coffee market.

In India, we will collaborate with general trading companies to enter the market with major beverage manufacturers. We will introduce unique products, including coffee machines, with a focus on beverage vending machines.

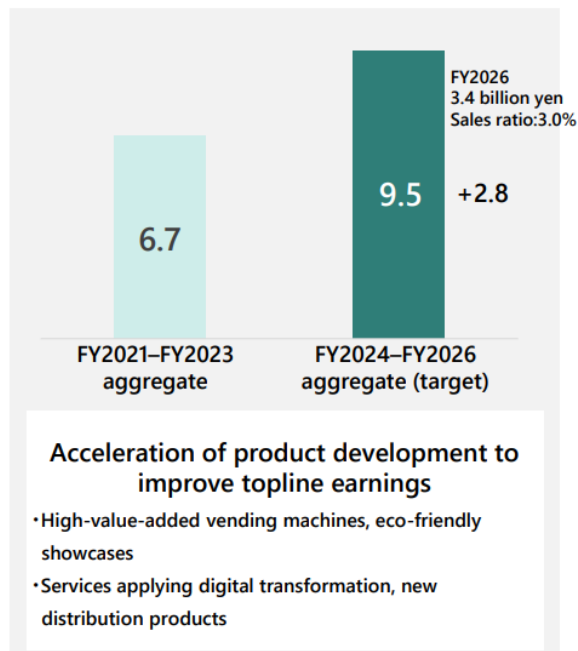
Looking ahead to 2030, we plan to steadily increase sales during this medium-term management plan.

Capital Investment and Research and Development

Capital Investment (Billions of yen)



Research and Development (Billions of yen)



Note: The 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.

For capital investment, we will limit investments in aging facilities to the necessary level and promote investments aimed at strengthening profitability through automation and in-house production, as well as environmental investments such as solar power generation equipment.

In research and development, we aim to increase the ratio of R&D expenses to net sales to 3% by 2026. We will focus on developing products to expand topline sales, particularly in digital transformation and new distribution fields.

This concludes my presentation about the Food & Beverage Distribution Business Group.

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