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Consolidated Financial Results for the First Six Months of the Fiscal Year Ending February 28, 2021 (under IFRS)

October 7, 2020

Company name: **FamilyMart Co., Ltd.**
Listing: Tokyo Stock Exchange
Securities code: 8028
URL: https://www.family.co.jp/english.html
Representative: Takashi Sawada, Representative Director and President
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Scheduled date to file quarterly securities report: October 14, 2020
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Yen amounts are rounded to the nearest million, unless otherwise noted)

1. Consolidated financial results for the first six months of the fiscal year ending February 28, 2021 (from March 1, 2020 to August 31, 2020)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Gross operating revenue		Core operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
August 31, 2020	235,689	(11.2)	32,189	(30.5)	(12,542)	–	(6,590)	–
August 31, 2019	265,409	(17.4)	46,340	31.6	39,835	22.0	40,316	6.2

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended						
August 31, 2020	(10,725)	–	22,622	(37.3)	(21.19)	–
August 31, 2019	38,162	25.6	36,087	2.6	75.40	–

Note: The core operating profit is disclosed as an earnings indicator, which represents the amount after subtracting cost of sales and selling, general and administrative expenses from gross operating revenue.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
August 31, 2020	1,966,021	608,106	595,367	30.3	1,176.42
February 29, 2020	1,976,116	598,430	586,934	29.7	1,159.70

2. Cash dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2020	–	20.00	–	20.00	40.00
Fiscal year ending February 28, 2021	–	–			
Fiscal year ending February 28, 2021 (Forecast)			–	–	–

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

(Percentages indicate year-on-year changes.)

	Gross operating revenue		Core operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2021	460,000	(11.0)	57,000	(11.7)	94,000	103.4	60,000	37.8	118.55

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None
(ii) Changes in accounting policies due to other reasons: Yes
(iii) Changes in accounting estimates: Yes

Note: Please refer to "Changes in accounting policies" and "Changes in accounting estimates" in "(6) Notes to condensed quarterly consolidated financial statements" of "2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto" on page 15 for details.

(3) Number of issued shares (ordinary shares)

a. Total number of issued shares at end of the period (including treasury shares)

As of August 31, 2020	506,849,252 shares
As of February 29, 2020	506,849,252 shares

b. Number of treasury shares at end of the period

As of August 31, 2020	765,844 shares
As of February 29, 2020	741,180 shares

c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

For the six months ended August 31, 2020	506,103,359 shares
For the six months ended August 31, 2019	506,112,396 shares

*** Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.**

*** Proper use of earnings forecasts, and other special items**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors.

Attached Material Index

1. Qualitative Information Regarding Financial Results for the First Six Months

Consolidated financial results for the first six months of the fiscal year ending February 28, 2021 were as follows.

(1) Information regarding operating results

During the first six months of the fiscal year ending February 28, 2021 (March 1, 2020 to August 31, 2020), the Japanese economy continued to experience extremely harsh conditions, mainly due to the spread of COVID-19; however, the trend appears to be gradually reaching the bottom. On the other hand, the impacts of the spread in Japan and overseas and the fluctuations in the global economy remain as large as ever. Looking ahead, the economy looks likely to continue to move sluggishly for the near term.

FamilyMart Co., Ltd. (the "Company") has been taking steps to respond to a fall in the number of customer store visits and changing demand, which have resulted from a continuation of people refraining from going out and so forth. At the same time, we have been contributing to local communities while engaging with customers in each region and continuing our efforts to generate further business growth.

Furthermore, Retail Investment Company, LLC, a subsidiary of ITOCHU Corporation, which is a controlling shareholder (parent company) of the Company, executed a tender offer for the ordinary shares of the Company (the "Company Shares") in accordance with the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) on July 9, 2020, completing the tender on August 24, 2020, with the purpose of taking the Company private.

The Company Shares are currently, as of the submission date of this quarterly financial results report, listed on the first section of the Tokyo Stock Exchange. Through the procedure to be undertaken now, the Company Shares are expected to be delisted in accordance with the delisting criteria set out by the Tokyo Stock Exchange.

Under these circumstances, during the period under review, the Company prioritized "making steady progress in implementing franchised store support initiatives," while making efforts mainly to "strengthen earnings power," "advance financial and digital strategies," and "provide response to the spread of COVID-19."

(Making steady progress in implementing franchised store support initiatives)

For making steady progress in implementing franchised store support initiatives, in June 2020 we officially started shorter working hours, to be decided upon at the discretion of franchisees in accordance with the "Plan of Action to Support FamilyMart Franchised Stores" announced in April 2019. We will continue to support initiatives for strengthening franchisees' business foundations, while carefully examining the impacts of changes in the business environment.

(Strengthening earnings power)

To strengthen earnings power, cumulative sales of our flagship product FAMICHIKI, launched in 2006, surpassed 1.5 billion units in June 2020, and we added new developments to the standard product, including BIG FAMICHIKI and Garlic Flavor, followed by Cheese Dak-Galbi in July, and BBQ Flavor in August, all of which were well received. In our strong-selling dessert category, we extended our sales of seasonal product lines, launching a series of products including items produced by the Afternoon Tea brand that is popular with women, items produced by patisserie KIHACHI, and the popular series of sweets made using matcha produced by Kanbayashi Shunsho Honten. Furthermore, in response to the decrease in opportunities for travel due to people refraining from going out, we opened the "Casual Travel Feeling! Hokkaido and Okinawa Fair," promotion restricted to certain areas in the Kanto region as part of our drive to create stores with strong ties to the local community.

(Advancing financial and digital strategies)

In advancing financial and digital strategies, our original FamiPay smartphone app with barcode payment function passed the one-year milestone since its launch in July 2019. By August 31, 2020, the number of downloads had reached around 6 million, and the ratio of cashless payments was around 30%, up by around 1.5 times from the previous year. We are implementing various coupons and stamp screens, etc. to make daily shopping more convenient and enjoyable. We participated in Unified QR Code, "JPQR," a Promotion Project of Ministry of Internal Affairs and Communications, and we have started receiving applications from other companies to offer FamiPay to their customers. Going forward, FamiPay will also be able to be used at other JPQR affiliated stores in addition to FamilyMart stores and e-commerce websites.

(Providing response to the spread of COVID-19)

In providing a response to the spread of COVID-19, we continued to operate under measures to prevent infection, while putting the safety of customers, franchisees, and store staff first. We have extended collection of donations at our stores as the pandemic as it has become prolonged; and this year we also started the Thank You Letter Contest 2020, collecting letters of gratitude to those who have been working at the front lines of COVID-19.

Furthermore, we collected donations to support those affected by the Heavy Rain Event of July 2020, and provided relief supplies in response to requests from local governments.

In addition to the above, we also engaged in the following initiatives.

(Sustainability)

As part of the "FamilyMart Environmental Vision 2050," which sets out our medium- to long-term goals for 2030 and 2050, from June 2020 we switched to paper containers for our six varieties of FamilyMart Collection Yogurt Drink. This is expected to reduce our annual plastic usage by 610 tons. Regarding our introduction of the use of biomass ink for our ready-to-eat product packaging in 2017, we have been steadily expanding its use to a wider range of categories, and in June 2020 we switched to biomass ink for the packaging of our salad dressing as well.

Following the introduction of rules mandating charging for plastic shopping bags, we started charging for plastic shopping bags provided at the cash register. As a result of customers' understanding and cooperation with this initiative, as of July 2020 the rate of refusal of plastic shopping bags at the cash register was 77%, a significant reduction in use compared to a refusal rate of 30% prior to the start of charging. We are also conducting a promotion that awards an eco stamp to customers who present our original FamiPay smartphone app with barcode payment function and refuse a shopping bag. Looking ahead, we will continue promoting initiatives for realizing a sustainable society.

(Overseas business)

The Company resolved to transfer a portion of its shareholding of Taiwan FamilyMart Co., Ltd. ("Taiwan FM"), a subsidiary of the Company, to a joint venture company planned to be newly established between the Company and either Pan Pacific International Holdings Corporation ("PPIH") or a subsidiary of PPIH. Taiwan FM is to undergo a change in category from a consolidated subsidiary of the Company to an entity accounted for using equity method. However, we will leverage PPIH's insight and expertise in retail operations in the Taiwan FM business as we continue striving to increase the corporate value of Taiwan FM.

The total number of stores operated in Japan was 16,634 (including 925 stores operated by three domestic area franchisers) as of August 31, 2020. The total number of stores operated overseas, primarily in East Asia, was 8,141 and the aggregate number of FamilyMart chain stores worldwide totaling both domestic and overseas stores was 24,775 as of the same date.

As a result, despite recording gross operating revenue for the period under review of ¥235,689 million (decreased by 11.2% year on year) and core operating profit (Note) of ¥32,189 million (decreased by 30.5%), the Company posted impairment losses on property, plant and equipment and other assets after taking into account the deterioration of profitability in some stores, and recorded loss before tax of ¥12,542 million (compared with a profit before tax of ¥39,835 million for the same period of the previous fiscal year) and loss attributable to owners of parent of ¥10,725 million (compared with a profit attributable to owners of parent of ¥38,162 million for the same period of the previous fiscal year).

Note: Core operating profit, which represents the amount after subtracting cost of sales and selling, general and administrative expenses from gross operating revenue, is an earnings indicator unique to the Company, and is not required to be disclosed under IFRS.

(2) Explanation of financial position

(i) Assets, liabilities and equity

Assets were ¥1,966,021 million, a decrease of ¥10,095 million compared with the end of the fiscal year ended February 29, 2020. This was primarily due to a decrease in right-of-use assets. Furthermore, assets related to Taiwan FamilyMart Co., Ltd. ("Taiwan FM") and its subsidiaries, over which the Company plans to lose control through the transfer of a portion of its shareholdings, were reclassified to assets held for sale.

Liabilities were ¥1,357,915 million, a decrease of ¥19,771 million compared with the end of the fiscal year ended February 29, 2020. This was primarily due to a decrease in lease liabilities. Furthermore, liabilities related to Taiwan FM and its subsidiaries, over which the Company plans to lose control through the transfer of a portion of its shareholdings, were reclassified to liabilities directly associated with assets held for sale.

Equity was ¥608,106 million, an increase of ¥9,676 million compared with the end of the fiscal year ended February 29, 2020. This was primarily due to an increase in other components of equity despite a decrease in retained earnings.

As a result, the ratio of equity attributable to owners of parent as of August 31, 2020 was 30.3%, and the net debt-equity ratio was negative 0.1 times. Note that the calculation used for the debt-equity ratio at the Company excludes lease liabilities from the interest-bearing debt.

(ii) Cash flows

Cash and cash equivalents (hereafter "cash") at the end of the second quarter of the fiscal year ending February 28, 2021 was ¥218,357 million, a decrease of ¥64,888 million compared with the end of the fiscal year ended February 29, 2020. The respective cash flow positions and the factors thereof are as follows.

Cash flows from operating activities
Net cash provided by operating activities was ¥144,856 million, a decrease of ¥74,872 million compared with the first six months of the fiscal year ended February 29, 2020. This was primarily due to a decrease in trade and other payables.

Cash flows from investing activities
Net cash used in investing activities was ¥55,511 million, a decrease of ¥20,648 million compared with the first six months of the fiscal year ended February 29, 2020. This was primarily due to a decrease in purchase of investments, despite the absence of cash inflows from investing activities of discontinued operations in relation to the transfer of the shares of UNY CO., LTD. in the first six months of the fiscal year ended February 29, 2020.

Cash flows from financing activities
Net cash used in financing activities was ¥106,142 million, an increase of ¥2,727 million compared with the first six months of the fiscal year ended February 29, 2020. This was primarily due to an increase in repayments of lease liabilities.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The earnings forecasts for the fiscal year ending February 28, 2021 are unchanged from the forecasts announced on July 8, 2020.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed quarterly consolidated statement of financial position

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and cash equivalents	283,245	218,357
Trade and other receivables	150,373	140,825
Other financial assets	10,126	6,784
Inventories	23,495	3,911
Other current assets	7,672	9,048
Subtotal	474,910	378,924
Assets held for sale	–	231,766
Total current assets	474,910	610,691
Non-current assets		
Property, plant and equipment	197,424	146,030
Right-of-use assets	765,081	634,937
Investment property	13,608	7,571
Goodwill	139,557	136,041
Intangible assets	56,303	52,970
Investments accounted for using equity method	33,189	24,052
Leasehold deposits	88,338	84,775
Other financial assets	125,494	192,003
Deferred tax assets	75,348	69,294
Other non-current assets	6,863	7,658
Total non-current assets	1,501,206	1,355,331
Total assets	1,976,116	1,966,021

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	240,155	182,535
Deposits received	136,187	123,437
Bonds and borrowings	78,850	80,974
Lease liabilities	146,939	155,596
Income taxes payable	4,726	1,694
Other current liabilities	26,486	7,379
Subtotal	633,344	551,615
Liabilities directly associated with assets held for sale	–	204,113
Total current liabilities	633,344	755,728
Non-current liabilities		
Bonds and borrowings	113,938	98,208
Lease liabilities	560,801	448,880
Other financial liabilities	13,818	6,471
Retirement benefit liability	9,919	7,904
Provisions	38,119	39,138
Other non-current liabilities	7,747	1,586
Total non-current liabilities	744,342	602,187
Total liabilities	1,377,686	1,357,915
Equity		
Share capital	16,659	16,659
Capital surplus	236,775	236,779
Treasury shares	(1,200)	(1,257)
Other components of equity	1,560	30,893
Retained earnings	333,140	312,293
Total equity attributable to owners of parent	586,934	595,367
Non-controlling interests	11,497	12,739
Total equity	598,430	608,106
Total liabilities and equity	1,976,116	1,966,021

(2) Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Continuing operations		
Gross operating revenue	265,409	235,689
Cost of sales	(31,632)	(26,529)
Operating gross profit	233,777	209,160
Selling, general and administrative expenses	(187,438)	(176,971)
Share of profit (loss) of investments accounted for using equity method	2,114	808
Other income	979	4,153
Other expenses	(6,380)	(44,811)
Finance income	978	600
Finance costs	(4,197)	(5,481)
Profit (loss) before tax from continuing operations	39,835	(12,542)
Income tax expense	(836)	5,952
Profit (loss) from continuing operations	38,999	(6,590)
Discontinued operations		
Profit from discontinued operations	1,317	–
Profit (loss)	40,316	(6,590)
Profit (loss) attributable to		
Owners of parent	38,162	(10,725)
Non-controlling interests	2,154	4,134
Profit (loss)	40,316	(6,590)
Earnings per share		
Basic earnings (loss) per share (Yen)		
Continuing operations	72.80	(21.19)
Discontinued operations	2.60	–
Total	75.40	(21.19)
Diluted earnings per share (Yen)		
Continuing operations	–	–
Discontinued operations	–	–
Total	–	–

Reconciliation of core operating profit

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Gross operating revenue	265,409	235,689
Cost of sales	(31,632)	(26,529)
Selling, general and administrative expenses	(187,438)	(176,971)
Core operating profit	46,340	32,189

Note: Core operating profit, which represents the amount after subtracting cost of sales and selling, general and administrative expenses from gross operating revenue, is an earnings indicator unique to the Company, and is not required to be disclosed under IFRS.

(3) Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Profit (loss)	40,316	(6,590)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(2,902)	28,999
Share of other comprehensive income of investments accounted for using equity method	(26)	19
Total of items that will not be reclassified to profit or loss	(2,928)	29,018
Items that may be reclassified to profit or loss		
Cash flow hedges	(13)	9
Exchange differences on translation of foreign operations	(1,254)	(195)
Share of other comprehensive income of investments accounted for using equity method	(33)	379
Total of items that may be reclassified to profit or loss	(1,301)	194
Other comprehensive income, net of tax	(4,229)	29,212
Comprehensive income	36,087	22,622
Comprehensive income attributable to		
Owners of parent	34,698	18,609
Non-controlling interests	1,389	4,013
Comprehensive income	36,087	22,622

(4) Condensed quarterly consolidated statement of changes in equity

First six months of the fiscal year ended February 29, 2020 (from March 1, 2019 to August 31, 2019)

(Millions of yen)

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of March 1, 2019	16,659	236,747	(1,185)	(881)	5	7,649
Effect of accounting change	–	–	–	–	–	–
Restated balance	16,659	236,747	(1,185)	(881)	5	7,649
Profit	–	–	–	–	–	–
Other comprehensive income	–	–	–	(559)	(13)	(2,891)
Total comprehensive income	–	–	–	(559)	(13)	(2,891)
Purchase of treasury shares	–	–	(5)	–	–	–
Disposal of treasury shares	–	0	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	28	–	–	–	(8)
Disposal of subsidiaries	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(2,443)
Total transactions with owners	–	28	(4)	–	–	(2,450)
Balance as of August 31, 2019	16,659	236,775	(1,190)	(1,440)	(9)	2,307

(Millions of yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of March 1, 2019	–	6,773	309,768	568,762	20,975	589,737
Effect of accounting change	–	–	(5,300)	(5,300)	–	(5,300)
Restated balance	–	6,773	304,468	563,461	20,975	584,437
Profit	–	–	38,162	38,162	2,154	40,316
Other comprehensive income	–	(3,463)	–	(3,463)	(765)	(4,229)
Total comprehensive income	–	(3,463)	38,162	34,698	1,389	36,087
Purchase of treasury shares	–	–	–	(5)	–	(5)
Disposal of treasury shares	–	–	–	1	–	1
Dividends	–	–	(10,186)	(10,186)	(2,387)	(12,572)
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	(8)	–	20	(377)	(357)
Disposal of subsidiaries	–	–	–	–	(10,171)	(10,171)
Transfer from other components of equity to retained earnings	–	(2,443)	2,443	–	–	–
Total transactions with owners	–	(2,450)	(7,743)	(10,170)	(12,934)	(23,104)
Balance as of August 31, 2019	–	859	334,887	587,990	9,430	597,420

First six months of the fiscal year ending February 28, 2021 (from March 1, 2020 to August 31, 2020)

(Millions of yen)

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of March 1, 2020	16,659	236,775	(1,200)	(1,307)	(7)	2,874
Profit (loss)	–	–	–	–	–	–
Other comprehensive income	–	–	–	281	9	29,044
Total comprehensive income	–	–	–	281	9	29,044
Purchase of treasury shares	–	–	(58)	–	–	–
Disposal of treasury shares	–	0	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	4	–	–	–	–
Total transactions with owners	–	4	(57)	–	–	–
Balance as of August 31, 2020	16,659	236,779	(1,257)	(1,026)	2	31,917

(Millions of yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of March 1, 2020	–	1,560	333,140	586,934	11,497	598,430
Profit (loss)	–	–	(10,725)	(10,725)	4,134	(6,590)
Other comprehensive income	–	29,334	–	29,334	(121)	29,212
Total comprehensive income	–	29,334	(10,725)	18,609	4,013	22,622
Purchase of treasury shares	–	–	–	(58)	–	(58)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(10,122)	(10,122)	(2,766)	(12,889)
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	–	–	4	(4)	–
Total transactions with owners	–	–	(10,122)	(10,175)	(2,771)	(12,946)
Balance as of August 31, 2020	–	30,893	312,293	595,367	12,739	608,106

(5) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from operating activities		
Profit (loss) before tax from continuing operations	39,835	(12,542)
Depreciation and amortization	100,447	102,867
Impairment losses	3,476	42,201
Share of loss (profit) of investments accounted for using equity method	(2,114)	(808)
Decrease (increase) in trade and other receivables	(13,014)	1,956
Decrease (increase) in inventories	458	3,404
Increase (decrease) in trade and other payables	107,819	(8,116)
Increase (decrease) in deposits received	(23,440)	13,790
Increase (decrease) in retirement benefit liability	(239)	(5)
Other	13,812	2,717
Subtotal	227,041	145,463
Interest and dividends received	2,142	1,258
Interest paid	(4,062)	(3,633)
Income taxes paid	(5,953)	(1,616)
Income taxes refund	560	3,384
Net cash provided by (used in) operating activities	219,728	144,856
Cash flows from investing activities		
Payments into time deposits	(4,051)	(3,306)
Proceeds from withdrawal of time deposits	–	1,197
Purchase of property, plant and equipment, right-of-use assets and investment property	(37,495)	(22,437)
Proceeds from sale of property, plant and equipment, right-of-use assets and investment property	473	393
Purchase of intangible assets	(3,547)	(4,418)
Payments for leasehold deposits	(2,028)	(1,222)
Proceeds from refund of leasehold deposits	1,736	785
Purchase of investments	(56,509)	(24,909)
Proceeds from sale and redemption of investments	6,273	2,223
Payments for disposal of businesses	(717)	–
Other	(1,995)	(3,816)
Cash flows from investing activities of discontinued operations	21,699	–
Net cash provided by (used in) investing activities	(76,159)	(55,511)

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from financing activities		
Proceeds from issuance of bonds and borrowings	42,201	64,808
Repayments of bonds and borrowings	(50,342)	(70,717)
Repayments of lease liabilities	(84,509)	(89,898)
Payments for purchase of treasury shares	(5)	(58)
Purchase of interests in subsidiaries from non-controlling shareholders	(357)	–
Dividends paid	(10,186)	(10,122)
Dividends paid to non-controlling interests	(218)	(155)
Other	1	0
Net cash provided by (used in) financing activities	(103,415)	(106,142)
Effect of exchange rate changes on cash and cash equivalents	(2,089)	(306)
Net increase (decrease) in cash and cash equivalents	38,065	(17,103)
Cash and cash equivalents at beginning of period (Opening balance on the consolidated statement of financial position)	353,498	283,245
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	11,665	–
Cash and cash equivalents at beginning of period	365,162	283,245
Cash and cash equivalents included in assets held for sale	–	(47,785)
Cash and cash equivalents at end of period	403,227	218,357

(6) Notes to condensed quarterly consolidated financial statements

Notes on going concern assumption

Not applicable.

Changes in accounting policies

The significant accounting policies for the condensed quarterly consolidated financial statements of the Company and its consolidated subsidiaries (collectively, the "Group") have not changed from the previous fiscal year except for the following accounting standard.

Income tax expense for the first six months of the fiscal year ending February 28, 2021 was calculated based on the estimated average annual effective tax rate.

The Group has early applied the following standard effective from the first quarter of the fiscal year ending February 28, 2021.

IFRS		Outline of a new standard and amendments
IFRS 16	Leases	Amendment concerning accounting treatment in regard to COVID-19-related rent concessions

This amendment allows a lessee of a lease subject to a rent concession occurring as a direct consequence of the COVID-19 pandemic to elect to apply a simplified accounting treatment.

Under this amendment, the lessee may elect to apply the practical expedient and not assess whether a COVID-19-related rent concession that meets certain prescribed conditions is a "lease modification," as stipulated in IFRS 16.

The Group has elected to apply this practical expedient for rent concessions that meet those certain prescribed conditions referred to above.

As a result of applying the practical expedient, loss before tax for the first six months of the fiscal year ending February 28, 2021 decreased by ¥1,244 million.

Changes in accounting estimates

Changes in useful lives

During the second quarter of the fiscal year ending February 28, 2021, the Company decided on building a platform for the next-generation digital services for the purpose of enhancing stores' competitiveness. Accordingly, for property, plant and equipment held by the Company that are expected to be retired, their useful lives have been shortened and the change is applied prospectively.

As a result of this change, loss before tax for the first six months of the fiscal year ending February 28, 2021 increased by ¥238 million.

Segment information

Information about operating segments

As the Group uses a single reportable segment, the "convenience store business," information by reportable segment is omitted.

Loss of control

First six months of the fiscal year ended February 29, 2020 (from March 1, 2019 to August 31, 2019)

Sale of subsidiaries

Partial transfer of shares in Kanemi Co., Ltd.

The Company decided, by resolution at the meeting of the Board of Directors held on February 27, 2019, to partially transfer shares held by the Company in Kanemi Co., Ltd. to Pan Pacific International Holdings Corporation and the transfer was completed on April 12, 2019. Consequently, the proportion of voting rights owned in Kanemi Co., Ltd. changed from 53.14% to 26.57%, and said company became an associate of the Company.

a. Major components of assets and liabilities as at the date of loss of control

(Millions of yen)

	Amount
Current assets	20,365
Non-current assets	17,571
Total assets	37,936
Current liabilities	11,153
Non-current liabilities	196
Total liabilities	11,349

b. Cash flows from the loss of control

(Millions of yen)

	Amount
Cash and cash equivalents received as consideration for the loss of control	7,892
Cash and cash equivalents of subsidiaries over which control was lost	(8,609)
Payments for sale of shares of subsidiaries	(717)

c. Gain or loss on the loss of control

Loss recognized in conjunction with the loss of control over Kanemi Co., Ltd. is ¥732 million and included in “other expenses” in the condensed quarterly consolidated statement of profit or loss. This is valuation loss recognized as a result of remeasurement of the remaining investment after the transfer at fair value as of the date of loss of control.

Subsequent events

Share consolidation, abolishment of provisions on share unit numbers, partial amendment to the Articles of Incorporation and cancellation of treasury shares

Retail Investment Company, LLC, which is a subsidiary of ITOCHU Corporation (“ITOCHU”), the parent company of the Company, conducted a tender offer for the Company Shares from July 9, 2020 through August 24, 2020 (the “Tender Offer”). As a result of the Tender Offer, Retail Investment Company, LLC (the “Tender Offeror”) came to own a total of 79,017,984 shares of the Company Shares (15.61% of the total number of voting rights held by all shareholders of the Company) as of August 28, 2020, the commencement date of the settlement.

As stated in the “Announcement of Holding of an Extraordinary Shareholders Meeting Regarding the Share Consolidation, Abolishment of Provisions on Share Unit Numbers, and Partial Amendment to the Articles of Incorporation” (including subsequent corrections) released on September 10, 2020, the Company, in response to a request issued by ITOCHU, resolved at its Board of Directors meeting held on September 10, 2020 to convene an extraordinary general meeting of shareholders to be held on October 22, 2020 (the “Extraordinary Shareholders Meeting”) and to submit proposals at the

Extraordinary Shareholders Meeting to conduct a consolidation of shares (the “Share Consolidation”) and to make a partial amendment to the Articles of Incorporation. The details are as follows.

1. Share consolidation

(1) Purpose of the share consolidation

As stated in the “Announcement Regarding a Request by a Shareholder to Convene an Extraordinary General Meeting of Shareholders” released on August 25, 2020 and the “Announcement of Holding of an Extraordinary Shareholders Meeting Regarding the Share Consolidation, Abolishment of Provisions on Share Unit Numbers, and Partial Amendment to the Articles of Incorporation” (including subsequent corrections) released on September 10, 2020, because the Tender Offeror was unable to purchase all the Company Shares (excluding the Company Shares held by ITOCHU and treasury shares held by the Company) through the Tender Offer, ITOCHU, upon being petitioned by the Tender Offeror and after holding discussions with the Tender Offeror, issued a request to the Company to convene an extraordinary general meeting of shareholders that includes the submission of the proposal to amend the Articles of Incorporation to abolish provisions on share unit numbers subject to the share consolidation and the effectuation of the share consolidation with the purpose of taking the Company private (the “Request”). The Company has decided to implement a series of procedures with the purpose of taking the Company private in accordance with the Request from ITOCHU. Specifically, on the assumption that shareholder approval will be obtained at the Extraordinary Shareholders Meeting, the Company will consolidate every 253,043,334 shares of the Company Shares into one share. Through the Share Consolidation, the Company plans to make the number of ordinary shares held by shareholders other than ITOCHU a fractional share less than one share.

(2) Class of shares subject to consolidation

Ordinary shares

(3) Consolidation ratio

The Company will consolidate every 253,043,334 shares of the Company Shares into one share.

(4) Total number of issued shares to be reduced

506,086,666 shares

(5) Total number of issued shares before the effectuation of the share consolidation

506,086,668 shares

(6) Total number of issued shares after the effectuation of the share consolidation

Two shares

(7) Total number of authorized shares on the effective date

Two shares

(8) Method of processing fractional shares and amount of money expected to be delivered to the shareholders as a result of that processing

Through the Share Consolidation, the Company plans to make the number of the Company Shares held by shareholders other than ITOCHU a fractional share less than one share. With respect to the fractional shares less than one share that arise from the Share Consolidation, the number of shares equivalent to the sum total (if the sum total contains fractional shares less than one share, the fractional shares shall be rounded down in accordance with the provisions of Article 235, paragraph (1) of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same) shall be sold in accordance with the provisions of Article 235 of the Companies Act and other relevant laws and regulations and the proceeds obtained from that sale shall be delivered to the shareholders commensurate to the respective factional shares. Regarding the aforementioned sale, the Company plans to obtain permission of a court in accordance with the provisions of Article 234, paragraph (2) of the Companies Act, which is applied mutatis mutandis in accordance with the provisions of Article 235, paragraph (2) of the same act and sell the Company Shares equivalent to the sum total of said fractional shares to ITOCHU or the Tender Offeror.

If the permission of the court is obtained as expected, it is expected the sale price in that case will be set at a price that will ensure delivery of money equivalent to the amount obtained by multiplying the number of the Company Shares owned by the shareholders by ¥2,300, which is the same amount as the Tender Offer price. However, if the permission of the court is not obtained, or if adjustment to the fractional number of shares in the calculation is required, the money that is actually delivered may differ from the above-mentioned amount.

(9) Effective date of the share consolidation

November 16, 2020 (planned)

(10) Impact on per share information

Assuming that the Share Consolidation was conducted at the beginning of the fiscal year ended February 29, 2020, per share information for the six months ended August 31, 2019 and for the six months ended August 31, 2020 is as follows.

	Six months ended August 31, 2019	Six months ended August 31, 2020
Basic earnings (loss) per share (Yen)		
Continuing operations	18,422,274,118.50	(5,362,459,558.00)
Discontinued operations	658,599,738.50	–
Total	19,080,873,857.00	(5,362,459,558.00)

(11) Scheduled date of delisting

If the above-mentioned procedures are carried out according to plan, the Company Shares shall fall under the purview of the delisting criteria of the first section of the Tokyo Stock Exchange, and the shares are expected to be delisted on November 12, 2020 after being designated as securities to be delisted for the period between October 22, 2020 and November 11, 2020.

2. Abolishment of provisions on share unit numbers

(1) Reasons for abolishment

The provisions on share unit numbers are to be abolished because the total number of issued shares of the Company after the effectuation of the Share Consolidation will be two shares and it will no longer be necessary to provide for share unit numbers.

(2) Scheduled date of abolishment

November 16, 2020 (planned)

(3) Conditions for abolishment

The abolishment is subject to the approval and adoption of the proposal on the Share Consolidation and the proposal on the partial amendment to the Articles of Incorporation regarding the abolishment of provisions on share unit numbers at the Extraordinary Shareholders Meeting as originally proposed and the effectuation of the Share Consolidation.

3. Partial amendment to the Articles of Incorporation

(1) Purpose of the amendment to the Articles of Incorporation

If the proposal on the Share Consolidation is approved and adopted at the Extraordinary Shareholders Meeting as originally proposed and the Share Consolidation is effectuated, the total number of authorized shares of the Company Shares will be reduced to two shares in accordance with Article 182, paragraph (2) of the Companies Act. In order to clarify that point, Article 6 (Total Number of Authorized Shares) of the Articles of Incorporation is to be amended subject to the effectuation of the Share Consolidation.

In addition, if the proposal on the Share Consolidation is approved and adopted as originally proposed and the Share Consolidation is effectuated, the total number of issued shares of the Company will be two shares, and it will no longer be necessary to provide for share unit numbers. Accordingly, subject to the effectuation of the Share Consolidation, in order to abolish the provisions on share unit numbers of the Company Shares, which currently provide that 100 shares constitute one unit, the provisions of Article 7 (Share Unit Numbers) and Article 8 (Additional Buying of Shares Not Constituting One Unit) are to be entirely deleted and the article numbers are to be moved forward as a result of that amendment.

(2) Details of the amendment to the Articles of Incorporation

The details of the amendment to the Articles of Incorporation are as follows.

(Underlined portions indicate the amendment.)

Current Articles of Incorporation	Proposed Amendment
(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company is <u>1 billion</u> shares.	(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company is <u>two</u> shares.
<u>(Share Unit Numbers)</u> <u>Article 7</u> <u>The share unit number of the Company is 100 shares.</u>	(Deleted)
<u>(Additional Buying of Shares Not Constituting One Unit)</u> <u>Article 8</u> <u>A shareholder of the Company may request that the Company sell to it the number of shares which, together with the shares less than one unit owned by that shareholder, will constitute the share unit number of the Company; provided, however, that if the Company does not hold the number of shares equivalent to the number to be sold upon such a request, that request will not take effect.</u>	(Deleted)
Article <u>9</u> – Article <u>37</u> (Provisions Omitted)	Article <u>7</u> – Article <u>35</u> (Unchanged)

(3) Scheduled date of the amendment to the Articles of Incorporation

November 16, 2020 (planned)

(4) Conditions for the amendment to the Articles of Incorporation

The amendment to the Articles of Incorporation is subject to the approval and adoption of the proposal on the Share Consolidation at the Extraordinary Shareholders Meeting as originally proposed and the effectuation of the Share Consolidation.

4. Cancellation of treasury shares

At the Board of Directors meeting held on September 10, 2020, the Company resolved to cancel its treasury shares pursuant to the provisions of Article 178 of the Companies Act.

(1) Class of shares to be canceled:	Ordinary shares
(2) Number of shares to be canceled:	762,584 shares (Representing 0.15% of the total number of issued shares of the Company before the cancellation)
(3) Scheduled cancellation date:	November 16, 2020
(4) Cancellation method:	Reduction from capital surplus

The cancellation of treasury shares is subject to the approval and adoption of the proposal on the Share Consolidation at the Extraordinary Shareholders Meeting as originally proposed.

Additional information

The Company passed a resolution at the Board of Directors meeting held on July 8, 2020, to transfer some of its shares held in Taiwan FamilyMart Co., Ltd. (“Taiwan FM”), a subsidiary of the Company, to a joint venture to be established by Pan Pacific International Holdings Corporation (“PPIH”) and the Company, and is currently proceeding with preparations to conclude an agreement between the Company and PPIH with the objective of transferring shares of Taiwan FM within the fiscal year ending February 28, 2021.

Due to this share transfer, the Company will lose control over Taiwan FM, and Taiwan FM will change from a subsidiary to an associate.

As a matter expected to have an impact on future earnings, the Company plans to record approximately ¥70.0 billion (estimation) as “other income” in the consolidated statement of profit or loss for the fiscal year ending February 28, 2021 mainly due to revaluation gain of retained interest accompanying Taiwan FM’s exclusion from the scope of consolidation based on fair value as of the time of the share transfer. As a result, profit attributable to owners of parent for the fiscal year ending February 28, 2021 is expected to increase by approximately ¥50.0 billion. The above-mentioned figures will change based on the share price of said shares, exchange rate and other factors as of the transfer date.