FamilyMart UNY Holdings Co., Ltd.
Abbreviated Transcript of the Question and Answer Session for the Financial Results Teleconference for the Nine-Month Period Ended November 30, 2018

The following is an abbreviated transcript of major questions asked at the question and answer session for the financial results teleconference for the nine-month period ended November 30, 2018. Certain additions and revisions have been made to better facilitate understanding.

Date: January 10, 2019 (Thursday) 2PM–3PM
Abbreviations: FM = FamilyMart Co., Ltd.; CVS = convenience store; GMS = general merchandise store; Don Quijote HD = Don Quijote Holdings Co., Ltd.

【FamilyMart UNY Holdings Overall】
Q. What are your policies for the acquisition of stock in Don Quijote HD and the application of the equity method going forward?
A. There has been no change to the Company's policy to convert Don Quijote HD into an affiliate accounted for under the equity method and to dispatch officers to this company, but the Company has not decided to acquire additional shares in Don Quijote HD from the market. The business plan currently being formulated for fiscal 2019 does not incorporate the earnings from Don Quijote HD. However, we do believe that it will be entirely possible to achieve the figure of ¥50.0 billion for profit attributable to owners of parent targeted in fiscal 2019 under the medium-term management plan.

Q. Has there been any change to the profit targets set forth in the medium-term management plan for fiscal 2020?
A. In the CVS business, we anticipate a massive reduction in impairment losses and other expenses associated with store closures in fiscal 2020. This reduction will be attributable to an increase in the number of underperforming stores closed in the fourth quarter of fiscal 2018. Considering this reduction, we have chosen not to change our targets at this point in time. However, the target of ¥60.0 billion for profit attributable to owners of parent for fiscal 2020 includes the performance of the GMS business, which is to be discontinued. We therefore recognize the need to reevaluate targets for this reason.

Q. What impact will the application of IFRS 16 have on the Company?
A. We are currently in the process of evaluating the impact of the application of IFRS 16 on the Company's financial statements. At the moment, we project increases in the amounts of assets and liabilities of up to ¥1.0 trillion. The impact on profit, however, will be minimal.

【CVS Segment】

Q. How did performance at FM compare to targets in the nine-month period ended November 30, 2018, on a non-consolidated basis?

A. On a non-consolidated basis, core operating profit greatly exceeded targets due to higher daily sales and reduced expenses at stores that had undergone brand conversion. Meanwhile, we failed to achieve the target for profit attributable to owners of parent due to the ahead-of-schedule closure of underperforming stores and the incurring of losses on disasters.

Q. To what extent are closures of underperforming stores planned to increase during the fourth quarter of fiscal 2018?

A. We are in the process of determining the exact number of stores to be closed and the amount of losses to be incurred as a result of store closures. We plan to begin by addressing those stores that are at risk of suffering impairment losses, particularly the directly operated stores at which the Company has decision-making authority, during fiscal 2018.

Q. What are the sales growth rates and gross profit ratios of existing FM stores, excluding those that have undergone brand conversion, and what are your policies for these stores going forward?

A. We are currently tasked with the need to address a decline in customer numbers. One measure for addressing this task will be promoting compatibility with multiple forms of cashless payments in order to increase the convenience of payments and thereby boost customer numbers. In addition, we aim to heighten profitability at franchised stores by improving operational efficiency through means such as eliminating in-store inspections and introducing 7L fryers. Furthermore, we plan to increase gross profit ratios through efforts to supply appealing products, which will include enhancing our lineup of “Mother’s Kitchen” brand delicatessen items and frozen food items.

Q. What impact will integration synergies have on the consolidated statement of profit or loss?

A. We have divided integration synergies into three categories: product- and distribution-related synergies, construction-related synergies, and system-related synergies. We expect the benefits of product- and distribution-related synergies to amount to ¥6.0 billion in fiscal 2018, which will primarily be attributable to higher mark-up rates achieved through lower procurement costs. The impact of construction-related synergies, meanwhile, will be exceptionally small. Furthermore, we anticipate a ¥3.0 billion reduction in system operation expenses in fiscal 2019 to stem from the completion of the brand integration on November 30, 2018. The benefits of integration synergies prior to November 30, 2018, amounted to roughly ¥4.0 billion.

Q. What is the Company's profit forecast for the CVS business in fiscal 2019? Also, to what extent will profit be buoyed by the benefits of the ahead-of-schedule introduction of strategic fixtures and the recording of impairment losses?
A. For fiscal 2019, we are in the process of formulating a plan for achieving profit attributable to owners of parent of ¥50.0 billion, which was our initial target. This plan will be prefaced on our projection of growth in CVS business profit of between ¥4.0 billion and ¥5.0 billion to result from a 1.2% increase in sales at existing stores and an improved gross profit ratio as well as a decrease in integration costs and a large reduction in impairment. We are currently measuring the amount of impact that the additional measures to be implemented in the fourth quarter of fiscal 2018 will have on performance in fiscal 2019.

Q. What will be the areas of focus for FM in fiscal 2019?
A. In terms of products, we will maintain our focus the "Mother's Kitchen" line of delicatessen items and frozen food items that continues to post massive increases in sales, despite being in its second year since launch. In addition, we will endeavor to boost daily sales by bolstering our lineup of frozen foods and introducing new coffee machines ahead of schedule. Our measures to address the consumption tax hike scheduled to be instituted in October 2019 will include deploying ready-to-eat items and other high-value-added products.

On the store development front, the overall quality of our stores is on the rise thanks to the closure of underperforming stores. We anticipate only a slight net increase in the total number of stores in fiscal 2019, despite the ongoing opening of new stores in locations chosen based on a rigorous selection process. This increase will come as we enhance our market dominance in three major Japanese cities, primarily through a build and scrap approach. At the same time, we will streamline our distribution center and ready-to-eat item manufacturing plant infrastructure by consolidating bases in a continuous process of drastic reform.

【Others】
Q. What benefits are anticipated from the barcode payment services introduced in December 2018?
A. The average number of barcode payments per store has risen to more than 10 a day, and we believe that this rise was a factor behind the 1.6% increase in sales at existing stores seen in December 2018. We are also planning the launch of FamiPay, a proprietary e-money smartphone payment application, in July 2019. Our goal is to

achieve 10 million downloads for this application by fiscal 2022. Cashless payments currently represent less than 20% of total payments, but we aim to increase this figure to 50% in the future. FamiPay will be central to our efforts to increase cashless payments going forward, and we will also look to utilize this service to develop peripheral financial and data marketing businesses by analyzing the resulting big data.

Q. Could you please tell us how you plan to generate benefits from FamiPay and other payment services?
A. Our first step will be to attract customers by improving convenience. As the next step, we will seek to further capitalize on these services by developing them as a financial business and achieving profitability with this respect.

Q. Is it possible that increases in the ratio of cashless payments will lead to higher expenses from commissions and other sources?
A. The flagship offering in our lineup of payment services will be FamiPay, and this service will be central to our efforts to promote cashless payments. By promoting cashless payments in this manner, we look to achieve increases in customer numbers driven by higher convenience. We also aim to create a virtuous cycle in which the big data gained through FamiPay can be used to develop new products and services and thereby bolster profitability. Furthermore, we are taking part in joint product development with Don Quijote HD as part of our business alliance, and we are examining the possibility of coordinating our big data with that of Don Quijote HD through this alliance.

Q. Is there any possibility for new alliances to be formed in the cashless payment field?
A. There are various potential methods through which we could ally with other companies to diversify payment methods. We are currently in the process of examining these methods. Our goal on this front is to improve customer convenience and establish a unique customer base to be leveraged in developing products and services and promoting store visitations.