FamilyMart Co., Ltd.
Abbreviated Transcript of the Question and Answer Session for the Financial Results Teleconference for the Nine-Month Period Ended November 30, 2019

Date: January 10, 2020 (Friday) 2:00PM–2:40PM

Q. Please tell us about the status of year-on-year sales and gross profit ratio at existing stores.
A. In terms of cumulative results for the third quarter, average daily sales at existing stores edged up 0.5%, number of customers at existing stores declined 1.2%, and spending per customer increased 1.7%. Sales of ready-to-eat items essentially cleared the level they were at during the same period of the previous fiscal year thanks in part to the solid performance of rice balls, the "Mother's Kitchen" series, and new coffee machines. Our performance in the third quarter specifically was somewhat weak due to the impact of the typhoon and sluggish tobacco sales. However, looking at the full year, thanks to our efforts to enhance product competitiveness and actively roll out sales promotions with *FamiPay* by linking loyalty point card services, we will be able to improve both year-on-year sales and gross profit ratio at our existing stores.

Q. Could you comment on the status of average daily sales at existing stores in the third quarter alone?
A. Results at existing stores in the third quarter alone were slightly less than desirable, with average daily sales edging down 0.3% and number of customers declining 1%. However, for the full year, there has been no slowdown in profitability at franchised stores, and we are making steady progress with the reduction of selling, general and administrative expenses. In light of these factors, on a core operating profit level, we are steadily exceeding our performance in the previous fiscal year.

Q. What kind of progress are you making in regard to support for franchised stores and investment in existing stores?
A. In terms of support for franchised stores and investment in existing stores, recording depreciation on capital expenditures aimed at boosting the efficiency of existing stores has had an impact on our profit and loss situation. We originally planned to allocate ¥9.0 billion to support franchised stores. However, without constraining ourselves to this initial figure, we will make decisions on further investment while analyzing the conditions at each franchised store.

Q. How are efforts to reduce food loss progressing and what is the status of profitability at franchised stores?

A. To promote efforts to reduce food loss, we are working to revise our selling methods for seasonal products and offer ready-to-eat items with longer shelf lives. For the sale of seasonal products, we have implemented a reservation-only system, including for Christmas cake reservations in December. These efforts have already produced a certain amount of results, helping to reduce overall food waste costs for cakes, including cakes sold over the counter, by 50%, and boost profits at franchised stores by 30%.

As for profitability at franchised stores, while personnel costs have risen, we are seeing a slight year-on-year increase in profits owing in part to improved daily sales and reduced food loss.

Q. What is the reason behind the increase in equity-method investment profit?
A. The primary reason behind this increase was the absence of the impairment loss recorded by Central FamilMart Co., Ltd. in the previous fiscal year.

Q. Could you please tell us about the progress you are making with the plans for profit after tax?
A. We are making steady progress with cost reductions thanks to such efforts as the closing of unprofitable stores in the previous fiscal year, centered on company-owned stores, as well as the absence of expenses related to brand conversion. In particular, for advertising and sales promotion costs, the introduction of *FamiPay* has made it possible for us to roll out effective sales promotions, which has led to cost reductions that have exceeded our initial expectations. In relation to store closings, we will conduct a review at the end of the period, which means that there is a possibility that deficits could expand. Although there are various factors such as these, we do not intend to change our plan for an annual profit after tax of ¥50.0 billion.

Q. Do the projected structural reform expenses for the fourth quarter include expenses related to the early retirement program? Also, is there any change to your policy of acquiring additional shares in Pan Pacific International Holdings Corporation?
A. We have not disclosed amounts for expenses related to the early retirement program, but these expenses are included in our structural reform expenses. Although due to the transfer of operations, the actual time of retirement will be in March, we intend to record retirement expenses for employees who have voiced their intention to retire as of the end of February as payables for fiscal 2019, meaning these expenses will not be carried over to fiscal 2020. Also, there will be no change to our policy of acquiring an addition 10% to 15% of shares in Pan Pacific International Holdings Corporation over a certain period of time.

Q. Are there any other structural expenses, aside from those related to the early retirement

program, that you intend to record during the current fiscal year?
A. We do not plan on recording structural expenses other than those related to the early retirement program.

Q. What is the purpose of the organizational reforms?
A. Under our policy of expanding store numbers, we adopted a function-specific organizational structure. However, going forward, we will transition to an area-specific organization in order to shift our focus to the quality of our stores rather than the quantity. By being able to ascertain the conditions of each store more accurately, we hope that this new structure will lead to store regeneration.

Q. Under your medium-term management plan, you stated that the Company could easily realize ¥60.0 billion in profit attributable to owners of parent in fiscal 2020. However, in light of the current business environment and your plans for new franchised store support systems and head office structural reforms, will you still be able to reach that target?
A. We will continue to focus our efforts on improving profitability. When it comes to cost reductions, although we plan on allocating ¥10.0 billion to new franchised store support systems, we believe that this expense can be offset by the effects of our head office structural reforms and our efforts to reduce other expenses. Additionally, for impairment losses and store closure losses, the Store Regeneration Division, which will be established on March 1, will minimize loss by working to regenerate unprofitable stores. While it certainly will not be easy to reach ¥60.0 billion in profit attributable to owners of parent in the next fiscal year, we still very much believe that we have the capacity to do so.