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# FamilyMart Co., Ltd.

## Financial Review for 1st Quarter of FY2020

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July 8, 2020

**Cautionary Statement:**

This report contains forward-looking statements, including the Company's strategies, future business plans, and projections. Such forward-looking statements are not based on historical facts and involve known and unknown risks and uncertainties that relate to, but are not necessarily confined to, such areas as economic trends and consumer preferences in Japan and abrupt changes in the market environment. Accordingly, the actual business performance of the Company may substantially differ from the forward-looking statements in this report

# Details on Today's Announcement

## Takeover Bid (TOB) by ITOCHU Corporation

- FamilyMart Co., Ltd. received a request to hold examinations on going private via a tender offer by ITOCHU Corporation with the aim of enhancing the Company's corporate value.
- A special committee was established comprising three outside directors to serve as an advisory body to the Board of Directors for these examinations.
- After receiving a report from said committee, the Board of Directors expressed that it agrees with the proposed TOB from the perspective of helping the Company enhance its corporate value in a sustainable manner, and has decided to entrust the shareholders with the decision to apply for the TOB.

# Details on Today's Announcement

## Partial Transfer of Shares in Taiwan FamilyMart Co., Ltd.

- FamilyMart and Pan Pacific International Holdings Corporation (PPIH) have concluded an agreement to establish a special-purpose company (SPC) with the aim of promoting investment projects in Taiwan. The equity ratio in the SPC will be 51% PPIH and 49% FamilyMart
- FamilyMart will transfer 5% of shares held in Taiwan FamilyMart to the SPC (slated to be executed in 3Q) Drawing on the retail expertise and know-how possessed by PPIH, the SPC will work to establish new business models and promote product development.
- This project is expected to have an impact on business performance of approx. ¥50.0 billion (after taxes)

# FY2020 Quantitative Forecasts (Consolidated, P/L)<sup>4</sup>

¥ billion	Initial plan FY2020	Revised forecast FY2020	
			YoY
Gross operating revenues	519.0	<b>460.0</b>	-59.0
Core operating profit	85.0	<b>57.0</b>	-28.0
Profit attributable to owners of parent	60.0	<b>60.0</b>	—

- In addition to the impact from the spread of COVID-19, we revised our consolidated full-year performance forecast for operating revenues and core operating profit as Taiwan FamilyMart will be changed from a consolidated subsidiary to an equity-method affiliate.
- We intend to record profit and expenses from revaluation, etc. No changes have been made to the forecast for profit attributable to owners of parent.
- We have decided not to issue dividends based on the assumption that the TOB will be approved. In the event that the TOB is not approved, we will promptly disclose our forecast for dividends.

# Financial Results for 1Q of FY2020 (P/L)

¥ billion	FY2019 1Q Results	FY2020 1Q	
		Results	YoY
Gross operating revenues	132.9	111.8	-21.2
Core operating profit	19.5	9.0	-10.5
Profit attributable to owners of parent	9.4*	5.8	-3.6

\* Figures exclude a gain of ¥9.6 billion from tax effects due to mergers in the previous period as well as net income of ¥1.3 billion from discontinued operations

- Stores located in office locations, in particular, were heavily impacted by the decline in customers resulting from the trend of refraining from going outside. As a result, gross operating revenues declined.
- Profit attributable to owners of parent came to ¥5.8 billion, resulting from the gain on sale of overseas businesses.

# Financial Results for 1Q of FY2020

## 1) Sales Trends by Region and Location

- Sales were down at stores in Tokyo, Osaka, and Kyoto, where a large number of offices are located and where tourists often visit, due to the impact of teleworking, the decline in inbound demand, and the decrease in domestic travel.
- Stores located on roadsides saw steady sales across the country.
- Customer numbers have recovered to the levels that they were in March, before the state of emergency was declared, primarily at stores located on roadsides.

## 2) Initiatives by the Store Regeneration Division Headquarters

- Promote sales floor improvements after stores have been changed over to directly-managed stores
- Apply successful approaches to sales floor improvements at franchised stores

# Key Initiatives in FY2020

## Provide Response to the Spread of COVID-19

### 1) Respond to Infection Risks

Change in certain store operations to ensure that customers can shop with peace of mind

Ensure all employees wear masks, install sheets to prevent droplet infection, properly ventilate stores, etc.

### 2) Respond to Changes in Consumer Trends

#### Sales promotions that support lifestyles

(Sales promotion costs of roughly ¥2.0 billion)



	(Year on year)
Rice ball ¥100 sale	<b>140%</b>
FAMICHIKI ¥100 sale	<b>500%</b>
Pasta ¥50-off sale	<b>120%</b>
FamilyMart Collection ¥20-off sale (snacks and processed foods)	<b>155%</b>
"Mother's Kitchen" buy-two, get-¥30-off sale	<b>110%</b>

#### Carry out changes to product lineups and sales floors in response to stay-at-home demand

- Expand product lineup of daily foods, frozen foods, and daily necessities
- Expand sales floors at eat-in areas



# Key Initiatives in FY2020

## Strengthen Profitability

### Demand for Ready-To-Eat Items: Strengthen the "Mother's Kitchen" Series

#### ➤ Daily foods: Up 4% YoY

Incorporate daily foods into the "Mother's Kitchen" series



#### ➤ Frozen foods: Up 45% YoY

Enhance lineup of products in containers that are simple and easy to prepare



Tray containers    Sealed-top products

#### ➤ Side dishes: Up 1% YoY

Expand lineup of Japanese, Western, and Chinese-style side dishes



### Health-oriented: Utilize healthy ingredients



- Soy meat
- Super barley
- Whole-wheat flower
- Lactobacillus paracasei MCC1849

Soy meat! Keema curry

etc.

### High added value: Desserts in collaboration with famous specialty stores



- Hand-made desserts  
20% sales growth since June

Collaboration with patisserie KIHACHI



# Key Initiatives in FY2020

## Advance Financial and Digital Strategies

### 1) Promote the Use of *FamiPay* App

Downloads

Approx. 5.2 million

Cashless  
percentage

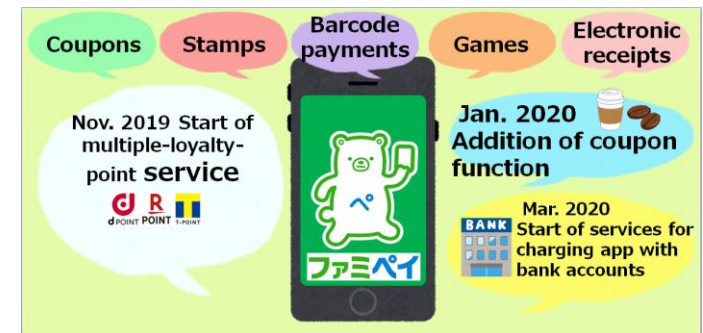
Approx.30%(Up 50% YoY)  
(As of end of May)

#### <Strengthening of FamiPay sales promotions>

Offering of coupons and stamp cards for ready-to-eat items

#### <Commencement of services that connect bank accounts for charging FamiPay>

Commencement of charging services, including with megabanks, from March with a view to entering microfinance businesses (such as deferred payments)



### 2) Expanded use of *FamiPay* app at locations other than FamilyMart

- Commencement of FamiPay payments via the Mercari app (mid-August)
- Participation in the Unified QR JPQR Promotion Project by the Ministry of Internal Affairs and Communications (starting use in October)

## Promote Business Collaboration with PPIH

\*PPIH = Pan Pacific International Holdings Corporation

## Joint development of overseas business




# Social and Environmental Initiatives

## 『FamilyMart Environmental Vision 2050』

### Plastic Countermeasures

Make use of eco-friendly containers and packaging in original products, etc.

**Targeted ratio of use: 60% by 2030, 100% by 2050**

Starting month	Initiative		Annual reduction
April	Complete transition to biomass plastic containers (all salad products/approx. 30 other products)		<b>900 t</b>
June	Change to plastic containers for six kinds of private brand beverages		<b>616 t</b>
July	Achieve 30% ratio of biomass in shopping bags		<b>7,000 t</b>

# Reference Materials

## Business Performance (Non-consolidated)

		FY2019 1Q	FY2020 1Q	
		Results	Results	YoY
Average daily sales at total stores	¥ thousand	528	465	-63
Growth rate of average daily sales at existing stores	%	101.7	89.5	-
Store openings	stores	67	64	-3
Store closures	stores	73	61	-12
Net increase / decrease	stores	-6	3	9
Number of stores at fiscal year end	stores	15,507	15,689	182