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# FamilyMart Co., Ltd.

## Financial Review for 1st Half of FY2020

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October 7, 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

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

¥ billion	FY2019 1H Results	FY2020 1H		FY2020 Full-year Forecast (No revision)
		Results	YoY	
Gross operating revenues	265.4	<b>235.7</b>	-29.7	460.0
Core operating profit	46.3	<b>32.2</b>	-14.2	57.0
Profit attributable to owners of parent	38.2	<b>-10.7</b>	-48.9	60.0
Excluding Special Reasons	28.4	<b>13.7</b>	-14.7	—

\* Excluding ¥9.8 billion in tax  
benefits resulting from the merger

\* Excluding ¥24.4 billion in  
additional impairment losses

- Although revenues decreased due to the implementation of new franchisee support measures and the exclusion of consolidated subsidiaries, daily sales appear to be recovering and the decrease in core operating revenues was less than in 1Q

- In order to dispel future concerns, we recorded ¥24.4 billion (after tax) in additional impairment losses in 2Q

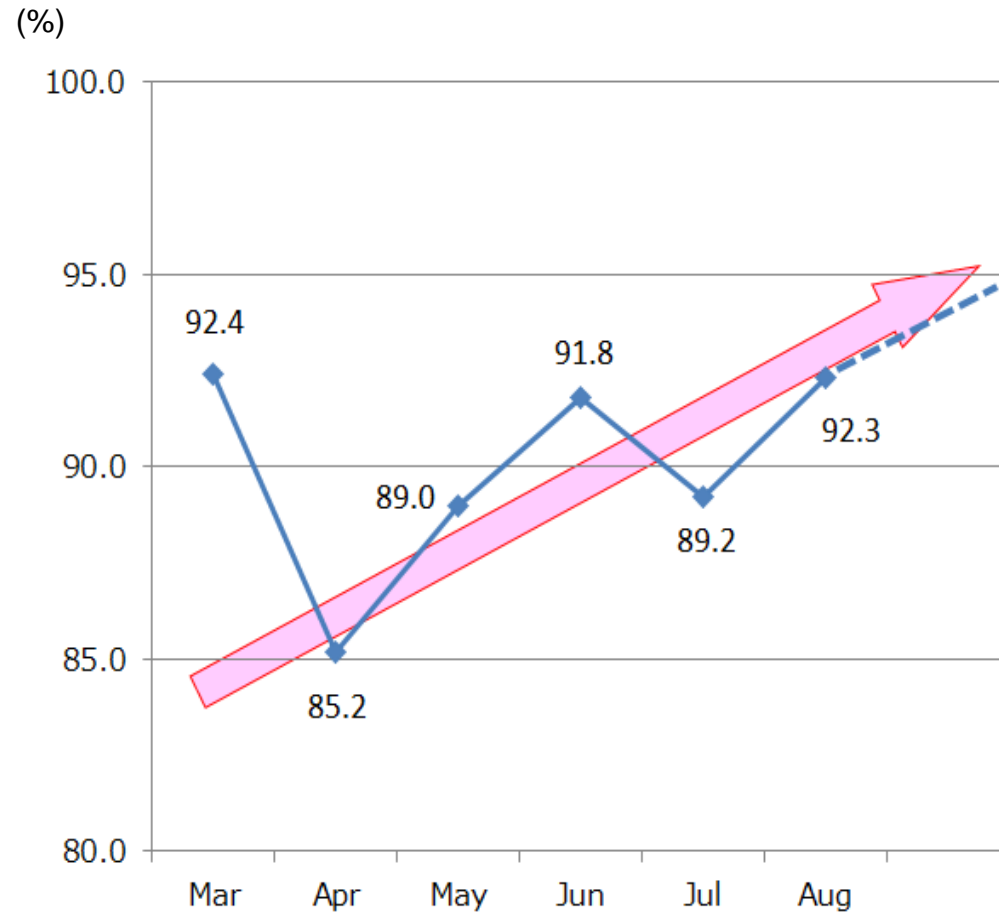
**Special Reasons:** Impairment losses of right-to-use assets and other assets were recorded due to the application of IFRS16 accounting standards  
Impairment losses were recorded in anticipation of future revenue deterioration due to the impact of COVID-19

} ¥24.4 billion (after tax)

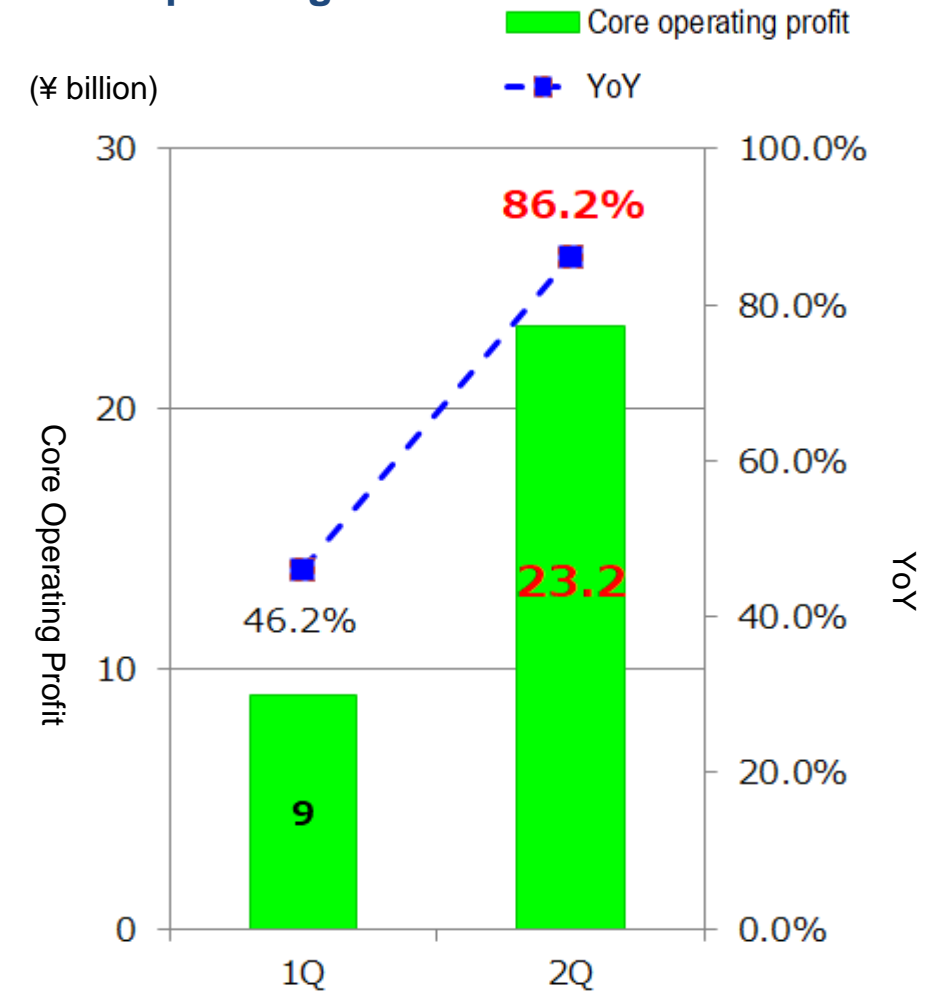
- In the 2H of FY2020, revaluation gains of ¥50.0 billion (after tax) are expected on the partial transfer of shares of our subsidiary, Taiwan FamilyMart

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

## Growth Rate of Average Daily Sales at Existing Stores



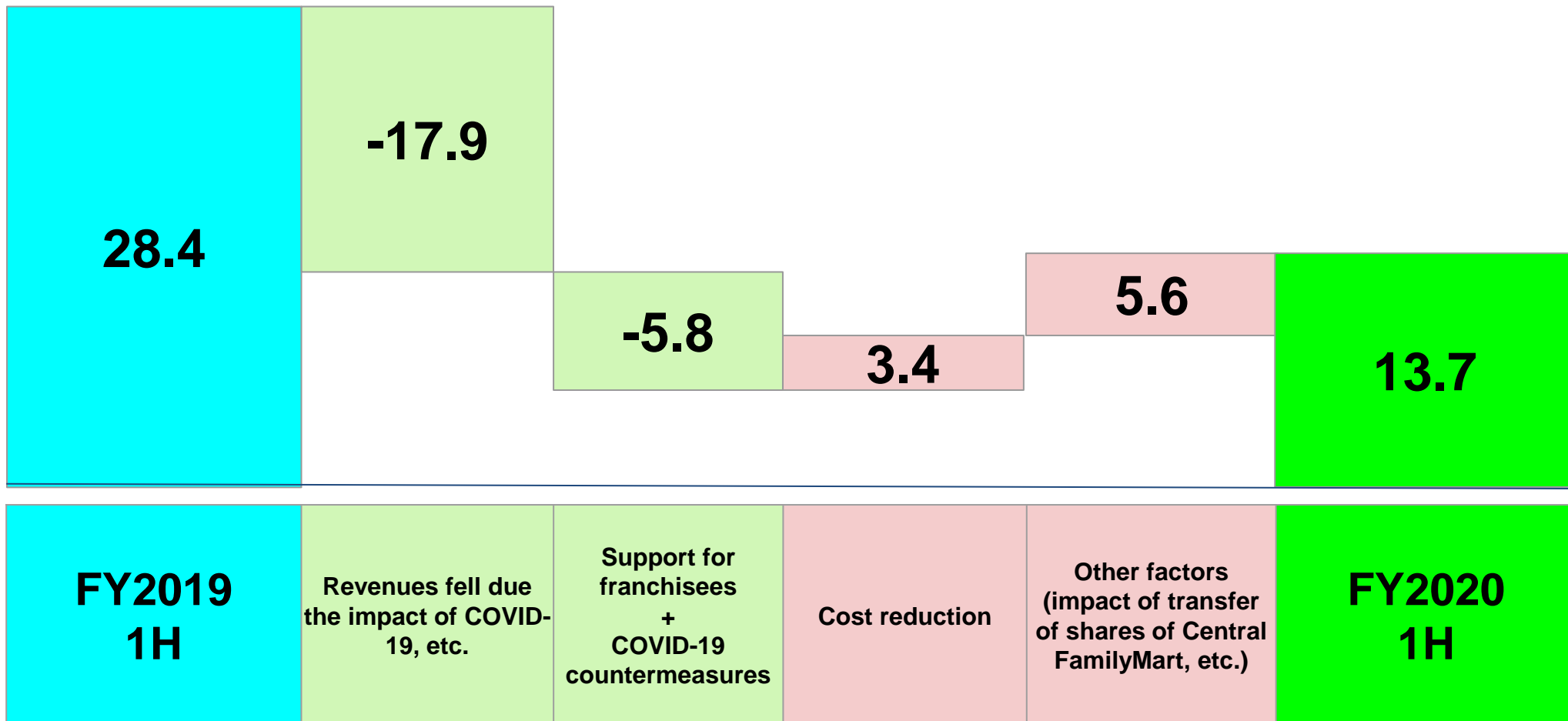
## Core Operating Profit



- Daily sales at existing stores: after the state of emergency was lifted (end of May 2020), we implemented various initiatives and are on track for recovery
- Core operating profit: earning capability showed significant improvement compared to 1Q

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

## Reasons for increase/decrease in profit attributable to owners of parent (¥ billion) <Excluding special reasons>



# Key Initiatives in FY2020

## Strengthen Profitability

### 1) Store regeneration

- Improving daily sales and profitability at low-profit stores  
Comparison of before/after regeneration: Daily sales **+10% improvement** (average of regenerated stores)  
Accepted by store regeneration division headquarters : approx. 200 stores  
→ **“return to franchise”: approx. 100 stores** (expected at the end of FY2020)
- Develop a sustainable store operating environment, even after “return to franchise” process, by reinforcing store staff capability

### 2) Regional strategies

- Promote **the creation of stores that utilize local characteristics**, led by regional headquarters  
Develop regional specialty goods (franchisee participation)  
Implement regional fairs (Fairs in Okinawa, Hokkaido and six prefectures in Tohoku)  
Distribute regionally limited coupons to users of *FamiPay*
- Collaborate with local governments (such as Akita) on regional development projects
- Cooperate with the government economic assistance programs “Go To Travel” campaign and “Go To Eat” campaign

Examples of developed regional specialty goods



Chicken cutlet curry with *senshu* onions



Blancmange with mandarin orange juice




# Key Initiatives in FY2020

## Strengthen Profitability

### 3) Enhance product appeal and sales promotion

#### (1) Strengthen the “Mother’s Kitchen” series

- Respond to demand for eating at home during the COVID-19 pandemic

	Daily Foods	Frozen Foods	Side Dishes
1H	<p><u>YoY 5%</u></p> <p>Incorporate daily foods into the “Mother’s Kitchen” series</p>	<p><u>YoY 45%</u></p> <p>Enhance lineup of products that use microwaveable containers</p>	<p><u>YoY 2%</u></p> <p>Expand lineup of Japanese, Chinese, and Western side dishes</p>
2H	<p>Sales floor proposal where fresh-cut vegetables and seasoning can be purchased together (from September 2020)</p> 	<p>Expand lineup of ¥108 (tax included) frozen vegetables (from October 2020)</p> 	<p>Strengthen the development of high added-value premium series (from September 2020)</p> 

# Key Initiatives in FY2020

## Strengthen Profitability

### (2) Strengthen the development of high added-value products

- Strong sales of “little luxury” products

#### Desserts

1H

YoY 6%

Strong sales driven by products, such as soufflé and pudding

2H

Continuous development of high added-value products under the supervision of specialty stores



**Released in October 2020**

Rich chocolate éclair

Supervised by Chef Ujiie of Ken's Cafe

**Released in November 2020**

Whipped cream puff with brown sugar syrup and red bean paste  
Product supervised by Eitaro



#### High Added-value Rice Balls

YoY 6%

Strong sales of rice balls using high added-value ingredients

Launching **Gochimusubi**, a new brand focusing on ingredients and ingredient volume (October 2020)





# Key Initiatives in FY2020

## Strengthen Profitability

### (3) Marketing policies: creating a strategic PR system

- Enhanced connection from mass advertising (TV commercials), digital sales promotion, to sales promotion at stores

#### TVCM

[September: Pokechiki]



[Sep/Oct: Mother's Kitchen]



[October: Coffee renewal]



#### Digital sales promotion

SNS /  
App, coupon



Utilizing hashtags and followers on Twitter  
Distributing coupons through various apps, such as SmartNews



2020年9月22日(火) 10:00 ~ 9月28日(月) 23:59

October 2020  
New coffee TV commercial  
scheduled to be broadcast

sales  
promotion at  
stores



VS. before  
enhancement:  
+150%



VS. before  
enhancement:  
+25%

Enhancing cross-media  
connections, including within  
stores



# Key Initiatives in FY2020

## Advance Financial and Digital Strategies

As of August 31, 2020

### 1) *FamiPay*

- Expanding “value for money” for customers  
Doubling distribution of coupons after 2Q
- Capability to be used in 100,000 stores outside of FamilyMart (from October 2020)  
Participating in the Ministry of Internal Affairs and Communications’ Unified QR Code,  
“JPQR” Promotion Project
- Deferred payment and loan capabilities (from May 2021)

Downloads	Approx. <b>6.0</b> million
Cashless percentage	Approx. <b>30%</b> (Up 40% YoY)

[App renewal (September 2020)]

- Integrated functions  
on the home screen  
- Coupons, stamps,  
etc.



### 2) Digital advertisement business

- Establishment of Data One Corp., an advertising company, with ITOCHU Corporation, NTT DOCOMO, INC., and CyberAgent, Inc. (December 2020)
- Distributing digital advertisements through utilization of the 15 million daily customers who visit FamilyMart stores every day and Docomo user data
- Franchisees will see increased revenue due to customers drawn to stores by dissemination of information through both in-store and digital media

# Key Initiatives in FY2020

## Support for Franchised Stores

### 1) Shorter operating hours

- Full-fledged launch of shorter operating hour system at the discretion of franchisees

June 2020: 789 stores

As of September 1, 2020: 804 stores

### 2) Support for franchisees

- Additional support for franchisees: **¥11.0 billion** (implemented since March 2020)
- COVID-19 countermeasures support: **¥3.0 billion** (from March 2020)
- Additional support to reinforce sales floor lineup: **¥1.0 billion** (from September 2020)

### 3) Support for store operation

- Employing price cards with images of products (June 2020)
- Renewal of the new SAT (ordering terminal) system (from September 2020)
- Improving convenience of the Company's recruitment website through expansion of a matching service

Price cards with images of products



# Social and Environmental Initiatives

## FamilyMart Environmental Vision 2050



### 1) Plastic countermeasures

- Stores begin charging a fee for plastic bags (July 2020)  
The rate of customers declining plastic bags is 77%, an estimated decline of 2.3 billion bags per year (reduction of approx. 9,000 tons of plastic)
- Using eco-friendly packages for salad products and switching to environmentally conscious packaging for chilled boxed lunches, etc.  
Environmentally conscious packaging usage rate: 33%  
23% up from FY2019 (as of August 31, 2020)
- Thinning of packaging material for ready-to-eat products, such as rice balls and *inarizushi* (October 2020)

### 2) Reduce food wastage

- Sales begin for salads utilizing gas exchange packaging (July 2020)
- Continuation of the midsummer eel products reservation only system  
Disposal costs reduced by 80% compared to post-implementation (August 2020)

### 3) Reduce greenhouse gases

- Switching to packaging with “biomass ink” for salad dressing (June 2020)
- Delivery vehicles using biodiesel fuel made from *Euglena microalgae* (September 2020)
- Introduction of CO<sub>2</sub> refrigeration freezer/refrigerator (2H of FY2020)



## Business Performance (Non-consolidated)

		FY2019 1H	FY2020 1H	
		Results	Results	YoY
Average daily sales at total stores	¥ thousand	540	488	-52
Growth rate of average daily sales at existing stores	%	0.9	-8.9	-
Store openings	Stores	209	122	-87
Store closures	Stores	140	99	-41
Net increase / decrease	Stores	69	23	-46
Number of stores at fiscal year end	Stores	15,582	15,709	127