

## FamilyMart Co.,Ltd.

### Abbreviated Transcript of the Q&A Session for FY2020 First half Merchandising Policy (Teleconference)

◆ Date: March 13, 2020 (Friday) 10: 00AM-11: 00AM

Q. What is your plan to improve the gross profit ratio in FY2020?

A. We have been working on improving the gross profit ratio since before. In addition, we have introduced more detailed management in each category from this year. Furthermore, the introduction of the regional headquarters has created a system that pursues net income rather than the sales-weighted type as in the past, so that we would like to develop actions that will lead to higher margins.

Q. What is the reason that bento sales are struggling?

A. Sales of room-temperature bento are struggling. However chilled bento has been selling well, as store owner can increase orders because the shelf life is long. Ready-to-eat items ( RTE ) sales are rising, and we don't consider the cause of the struggle to be cannibalism with "Mother's Kitchen". We will continue our efforts to provide more appropriate products for chilled bento and room-temperature bento.

Q. Customer numbers are declining. Are there any countermeasures for that?

A. The number of customers age of 40s and 50s are increasing. We will offer TV Ads and develop new products to attract them more. In addition to the products which have already accepted by customers, we would like to increase customer numbers and spending per customer through purchasing "Mother's Kitchen". On the other hand, sales to younger customers, whose number is decreasing, were particularly strong in teens, as sales promotion using characters such as "*Stopuri*" and "*Touken Ranbu*" in FY2019. We will continue same kind of promotions this year.

Q. Do you have any plans for daily maker investment?

A. We consider that daily maker investment is needed to overcome the competition. After the management integration of 2016, there were some daily food manufacturers whose gross margin had been temporarily dropped, but improved afterwards. They have shown their willingness to invest in the future and we look forward to introducing new technologies.

Q. What is your target on food wastage in this fiscal year?

A. For pre-ordered products, we would like to promote reservations in cooperation with franchisees in order to increase the profit. We will continue to work on extending the shelf life by reviewing the sales deadline, manufacturing methods, and introducing new equipment.

Q. Does the gross margin become worse by using alternative raw materials due to the effects of coronavirus?

A. Although some raw materials have been switched to alternatives, none of them are major and have no major impact.

Q. How is the impact on sales and delivery routes due to coronavirus and reduced store operating hours?

A. Sales have been affected evening and night time on weekdays, and whole day on weekends due to expansion of "work at home" and temporary school close. By location, residential and roadside store sales in day time are strong. In the office area, store sales decreased in the morning and the evening commuting hours.

Change in delivery routes due to shorter operating hours has recognized us that our delivery system has room for improvement. Therefore it does not bring us disadvantages.