

FamilyMart Co., Ltd.
Abbreviated Transcript of the Q&A Session for FY2020 Second Half
Merchandising Policy (Teleconference)

Date: September 16, 2020 (Wednesday) 10:30AM–11:40AM

Abbreviations: FM = FamilyMart Co., Ltd.: CVS = Convenience Stores

Q. Could you please comment on how are you analyzing the year on year performance of daily sales at existing stores?

A. We recognize that our results are due to not fully utilizing FM's feature of creating sales floors. Additionally, we also had issues with the ability to communicate messages to consumers. As for products, we believe that we were unable to provide a sales floor that satisfied customers due to an insufficient lineup of side dishes, daily foods, and processed foods, as well as the range of those items sold at stores.

Q. Which part of your customer base are you targeting?

A. During the current COVID-19 pandemic, we have been unable to bring in female customers. We aim to create a sales floor that housewives will use on a daily basis by expanding the lineup of processed foods, confectionary, and daily foods. Furthermore, regarding fast food displayed at the counter, we are currently considering the creation of a sales floor that anticipates the demand for evening meals by housewives.

Q. Could you please tell us what your strategies are for boosting motivation to order from franchises and maintaining appropriate inventory at stores, amid falling sales due to the COVID-19 pandemic?

A. From this fiscal year, we have introduced an area headquarters system, which allows us to provide more detailed ordering guidance. In March and April, we focused on our COVID-19 response and as such could not give guidance on product inventory, however we are now strengthening ordering accuracy while coordinating between supervisors, area headquarters, and merchandising headquarters.

Q. Could you please explain your strategies regarding the rise of e-commerce and home delivery services during the COVID-19 pandemic?

A. The COVID-19 pandemic has made it clearer that CVS need to not only develop their business in actual stores but also develop initiatives regarding e-commerce and home delivery. Currently, as a new business, we are working to deliver our store's products via the UberEats service. When CVS use e-commerce and home delivery services, storage locations for product inventory become an issue. However we will actively explore the possibility of utilizing a dedicated logistics center, since our subsidiary Taiwan FamilyMart have abundant knowledge about inter-store logistics.

Q. Could you please explain your marketing initiatives for recovering customer numbers in the second half of the fiscal year?

A. We predict that customer numbers will steadily recover in the future. We will continue to communicate with customers by attracting people through mass advertising, such as TV commercials, using receipt coupons as an incentive for customers to revisit stores, and through digital and social media advertising.

Q. Which products will drive future growth?

A. We will increase the number of affordable products and products with high turnover rates, and contribute to improved sales at stores by increasing the total number of items purchased, rather than increasing product unit price. Additionally, we will implement measures to encourage customer to use the store on a daily basis.

Q. Could you please tell us about your future marketing initiatives and changes to CVS structure?

A. In October 2020, we will welcome Mr Hikaru Adachi as our Chief Marketing Officer. He will increase customer appeal by supervising the content creation related to all customer points of contact, such as advertising promotional materials, product packaging and characters, and in-house media. In addition, the *structural reform in ready-to-eat items*, which we have been working on for some time, is still ongoing, and we have consolidated the number of daily maker (DM) manufacturing locations to 88. Sales of ready-to-eat items have been affected by the COVID-19 pandemic, and I myself have participated in regular discussions with the management of DM manufacturers. We are working to improve manufacturing efficiency and aiming to realize a management structure with a low center of gravity.

Q. What is the expected impact of being delisted on merchandise policy?

A. Even after being delisted, our mutual relationship with ITOCHU will not see any significant changes. We already have a business partnership with The Nation Federation of Agricultural Cooperative Associations (ZEN-NOH) in terms of purchasing rice and opening integrated stores, and would like to expand initiatives with other ITOCHU Group companies.