

July 8, 2020

FamilyMart Co., Ltd.
Abbreviated Transcript of the Question and Answer Session of the Financial Results
Teleconference for the Three-Month Period Ended May 31, 2020

Date: July 8, 2020 (Wednesday) 6:30PM–7:30PM

Abbreviations: FM = FamilyMart Co., Ltd.; ITC = ITOCHU Corporation; CVS = Convenience stores; PPIH = Pan Pacific International Holdings Corporation

Q: Could you please provide an overview of the Company's performance in the first quarter?

A: In our performance forecasts at the start of the period, we incorporated the impact of COVID-19 into our outlook for March and April. However, with the lifting of the state of emergency in May, we were delayed in our response in terms of offering product lineups that cater to stay-at-home demand and creating sales floors. As a result, we faced challenging circumstances during the first quarter. At the moment, however, we are seeing an overall trend of recovery, although the pace of that recovery is slightly slower in major urban areas.

Q. Could you please comment on reducing SG&A expenses on a non-consolidated basis for FM after making the revisions to your performance forecast?

A. We are steadily making progress with reducing costs at our head office and other costs, for which we had initially planned. However, as we will have to operate in the “with Corona” era going forward, we determined that costs for aggressive response measures are necessary, and we will now plan to keep the amount of SG&A expense reductions to ¥500 million.

Q. Can you please explain the details of the additional impairment losses to be recorded under your planned revisions to the forecasts?

A. We have thus far organized impairment losses as part of our structural reforms, centered on stores and other non-current assets. However, under IFRS 16, which we applied to our financial statements in fiscal 2019, right-to-use assets totaling ¥600.0 billion were newly recorded as assets. Accordingly, we have once again carried out an examination of our assets, including non-current assets, goodwill, and right-to-use assets, and we now expect to record additional impairment losses as a means to dispel concerns in the future.

Q. Given the impact of COVID-19, what is your vision for CVS in the Greater Tokyo Area going forward?

A. Various issues have become clearer due to the impact of COVID-19. As we look for a new vision for our CVS chains that differs from the past, we will accelerate collaboration with the ITC Group, including in terms of store layout, product mix, and store operations.

Q. Can you please talk about your view on the impact of COVID-19 in the business plan disclosed in the TOB press release? Also, can you explain the differences between that plan and the plan being considered by ITC?

A. We had originally ascertained the impact of COVID-19 as something that was temporary. However, taking into account the current situation, we view this impact as

slightly more long term within our business plan. In fiscal 2019, average daily sales at all stores were ¥523,000. We are currently analyzing the impact of COVID-19 by each location, and we anticipate that average daily sales at all stores will return to the fiscal 2019 level by fiscal 2023. Meanwhile, in its business plan, ITC's outlook for daily sales is lower than ours, and we believe that is one of the main differences between our business plans. While we still need to confirm the details of ITC's business plan, we also believe their view on the impact from COVID-19 differs from ours. We have determined that going private will help us pursue new businesses and growth strategies at an accelerated pace, thereby enhancing our corporate value. In addition, looking at the future after going private, we intend to leverage the abundance of management resources possessed by the ITC Group.

Q. Please tell us the kinds of expectations that the FM franchised stores have of ITC. Also, how will the TOB impact your relationship with PPIH?

A. In regard to our franchised stores, we have adopted a thorough medium- to long-term vision, and with the help of ITC, we believe we can engage in swift decision-making and steadily execute initiatives to a greater extent than ever before. Additionally, we hope to pursue collaborations with strategic partners of ITC. Also, we do not believe the TOB will impact our relationship with PPIH.

Q. What are the merits of going private?

A. Issues with our store formats and stores in the Greater Tokyo Area, among others, have become clearer due to the impact of COVID-19. Going private will enable us to take swift and decisive action with necessary reforms, and together with ITC, we will clarify our medium- to long-term targets and establish an order of priority for them. Furthermore, by integrating ourselves with ITC, we will be able to further draw on the comprehensive strengths of a general trading company to implement measures in various areas such as strengthening our business foundation, creating new businesses, and pursuing new overseas development. As a result, we believe that going private will enhance our corporate value.