
FamilyMart Co., Ltd.

Financial Review for FY2019 / Management Plan for FY2020

April 13, 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.

Increases in core operating profit and substantial increases in profit attributable to owners of parent

¥ billion	FY2018 Results	FY2019		
		Results	YoY	VS. Plan
Gross operating revenues	617.2	517.1	(100.1)	(7.9)
Core operating profit	51.6	64.5	13.0	(0.5)
Excluding special reasons	—	※1 80.0	—	15.0
Profit attributable to owners of parent	45.4	43.5	(1.8)	(6.5)
Excluding special reasons	*2 30.1	*3 50.0	19.9	0.0

[Special reasons]

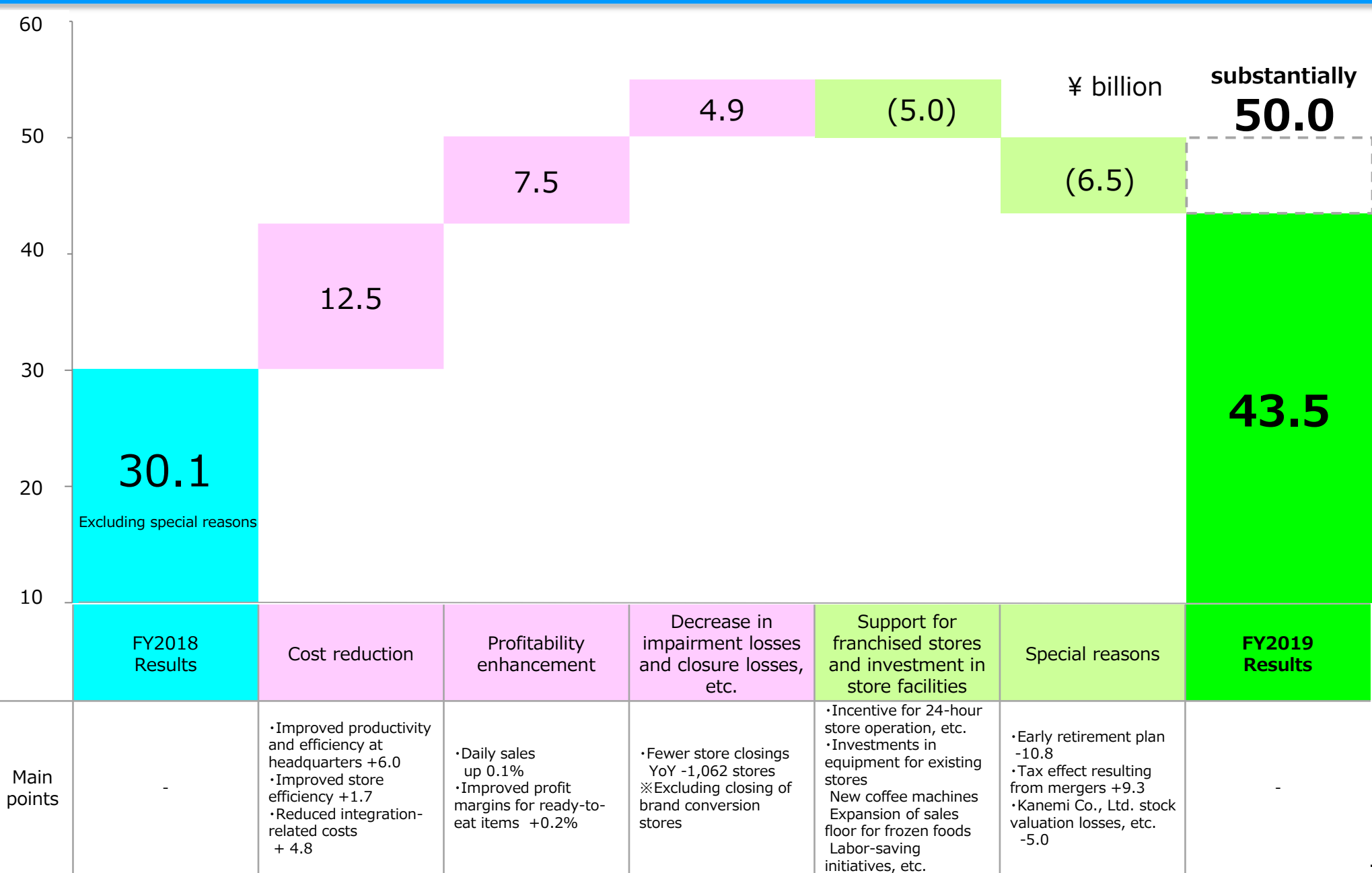
*1. Increased retirement payments related to early retirement incentive plan (-¥15.5 billion)

*2. Reasons related to discontinued operations, etc. (¥15.3 billion)

*3. Reasons related to increased retirement payments related to early retirement incentive plan, tax effect resulting from mergers, etc. (-¥6.5 billion)

Financial Results of FY2019

Reasons for increase/decrease
in profit attributable to owners of parent



Review of Key Initiatives in FY2019

Improve profitability

1) Increase product competitiveness

		Daily sales VS. FY2018
Improve sales floors	New coffee machines (all stores, 26,000 units)	10%
	Expand sales floor for frozen foods (4,000 stores)	30%
Expand product lineup	Rice balls (high added value/"super barley")	2%
	Fast food (<i>Pokechiki</i> released in May)	10%
	Desserts (Souffle Pudding series)	10%



2) Reduce food waste

(1) Reservation-only system for all seasonal products

VS. FY2018	<i>Doyo no Ushi</i> (eel)	Christmas	<i>ehomaki</i> sushi rolls
Wastage monetary amount	-80%	-50%	-50%
Income of franchised stores	+70%	+30%	+10%

(2) Improve shelf life of ready-to-eat items

		Target products Cost of disposal
Extend best-by dates	2019/5-	-30%
Revise sell-by dates	2019/9-	-20%

Promoting digital strategies

(1) FamiPay launched in July 2019

(2) Multiple-loyalty-point compatibility launched in November 2019

Number of downloads	Approx. 5.15 million
Ratio of cashless payments	Approx. 30% (up 40% from FY2018)



Monthly users: **20 million**

Review of Key Initiatives in FY2019

Support for franchised stores

1) Address staff shortages and cost increases, optimize store operations

Reduction in hours / day

New ordering terminals / system improvements	(All stores)	0.5
Smartphone payments	(All stores)	1.0
Increased introduction of self-checkout registers	(4,000 stores)	1.0
Increased introduction of new pullout shelves	(3,200 stores)	1.0
Eliminating need for product inspection, etc.	(3,000 stores)	2.0



2) System improvements targeting franchised stores

Enhance support system for store owners
(allowing approx. 2400 franchised store owners to take holidays)

End-of-year holidays (Dec. 31-January 3):
allow approx. **320** franchised stores to take holidays

3) Shorter operating hours (experimental stage)

First phase (franchised store surveys, orientations)	2019/6-8	24 stores
Second phase (franchised store orientations)	2019/10-12	Approx. 620 stores nationwide

Forecast increases in both core operating profit and profit attributable to owners of parent

	¥ billion	FY2019 Results	FY2020 ^{*1}	
			Forecast	YoY
Gross operating revenues		517.1	519.0	1.9
Core operating profit		64.5	85.0	20.5
Excluding special reasons		^{*2} 80.0		5.0
Profit attributable to owners of parent		43.5	60.0	16.5
Excluding special reasons		^{*3} 50.0		10.0

*1. The effects of COVID-19 have been incorporated up to the end of April, and we will promptly disclose any changes to our forecasts going forward if revisions are necessary.

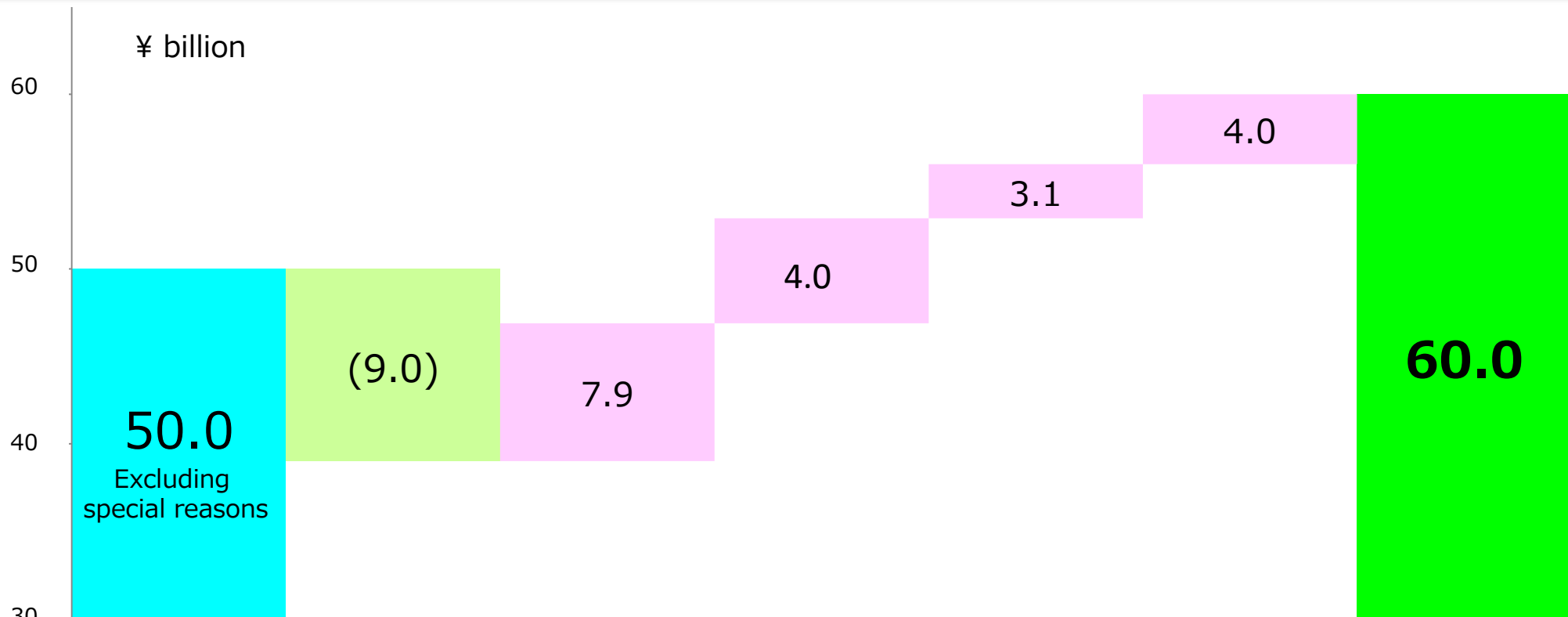
*2. Figures exclude increased retirement payments related to early retirement incentive plan

*3. Figures exclude reasons related to increased retirement payments related to early retirement incentive plan and tax effect resulting from mergers, etc.

FY2020 Quantitative Forecasts

Reasons for increase/decrease
in profit attributable to owners of parent

7



FY2019 Results	Support for franchised stores and investment in store facilities	Cost reduction	Decrease in impairment losses and closure losses, etc.	Profitability enhancement	Others	FY2020 Forecasts
	<ul style="list-style-type: none"> •Incentives for stores operating 24 hours •Incentives for operating multiple stores •Depreciation and amortization of capital investments 	<ul style="list-style-type: none"> •Results of optimizing employee numbers •Rent reduction •Increase in store efficiency 	<ul style="list-style-type: none"> •Improving store profits and carefully selecting opening new stores •Reduction of closures through store revitalization 	<ul style="list-style-type: none"> •Creation of stores rooted in the community •Increase product competitiveness and strengthen sales •Improving profits at directly managed stores 	<ul style="list-style-type: none"> •One-time revenue, etc. 	

FY2020 Quantitative Forecasts

Consolidated B/S

¥ billion

		FYE2018 Results	FYE2019 Results	FYE2020 Forecasts
	Current assets	603.9	474.9	440.0
	Non-current assets	768.3	1,501.2	1,590.0
Total assets		1,372.1	1,976.1	2,030.0
	Current liabilities	450.9	633.3	650.0
	Non-current liabilities	331.4	744.3	740.0
Total liabilities		782.4	1,377.7	1,390.0
Total equity		589.7	598.4	640.0
Total liabilities and equity		1,372.1	1,976.1	2,030.0
D/E ratio (times)		0.57	1.53	1.42
Net D/E ratio (times)		(0.06)	1.05	1.03

Consolidated C/F

¥ billion

	FY2019 Results	FY2020 Forecasts
CF from operating activities	253.5	300.0
CF from investing activities	(123.8)	(150.0)
CF from financing activities	(211.5)	(190.0)
Increase / decrease in cash and cash equivalents	(81.9)	(40.0)
Cash and cash equivalents, beginning of year	353.5	283.2
Cash and cash equivalents, end of year	283.2	243.2


Payout Ratio

FY2020 Target

Payout ratio **40%**

* Since FY2019, the Company has adopted IFRS 16 "Leases."

Key Initiatives in FY2020

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- 1. Make steady progress implementing franchised store support initiatives**
 - 2. Strengthen profitability**
 - 3. Advance financial and digital strategies**
 - 4. Provide response to the spread of COVID-19**
 - 5. Promote business collaboration with Pan Pacific International Holdings Corporation (PPIH)**

Key Initiatives in FY2020

1. Make steady progress implementing franchised store support initiatives

Steadily implement support measures by headquarters in response to management environment for CVS business

1) Implement new franchised store support systems (¥11.0 billion annually)

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|--|---------------------|
| (1) Expand incentive system for operating multiple stores and re-contracting, etc. | ¥6.0 billion / year |
| (2) Increase incentive for 24-hour operations | ¥3.0 billion / year |
| (3) Revise incentive scheme for assisting with losses from food waste | ¥2.0 billion / year |

2) Shorter operating hours

- March 2020 Begin accepting applications
- Under consultations for implementing short operating hours from June 2020

Key Initiatives in FY2020

2. Strengthen profitability

1) Revitalize stores with low profitability and implement the “return to franchise” process

Rebuild high-quality store network by revitalizing 300-500 stores under the jurisdiction of the Store Regeneration Division and implementing the “return to franchise” process

2) Create stores rooted in the community

- (1) Establish new Area Division (four headquarters)
- (2) Enhance product lineups, improve sales floors, and develop products by unifying franchised stores and Area Division
- (3) Implement sales promotions that cater to local characteristics

3) Increase product competitiveness and strengthen sales

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|--|---|
| (1) Enhance FamilyMart flagship products | Fast food / coffee and cafe lattes |
| (2) Cultivate growing product categories | Desserts / “Mother’s Kitchen”
(frozen food / side dishes/ daily foods) |
| (3) Develop health-conscious products | “Super barley” / soy-based meat / whole-wheat sandwiches |

Key Initiatives in FY2020

2. Strengthen profitability

4) Reduce SG&A expenses by promoting structural reforms

- (1) Optimize deployment of SV (working in close proximity to residence, promoting teleworking by utilizing IT)
- (2) Lower facility expenses
- (3) Enhance operational efficiency by reducing the size of our organization
- (4) Streamline accounting centers and offices
- (5) Curtail costs by enhancing logistics efficiency

Key Initiatives in FY2020




3. Advance financial and digital strategies

1) Promote the use of *FamiPay* app

[Targets]	Number of downloads	10 million	Annual payment volume	¥100.0 billion
	Annual app users	20 million	Ratio of cashless payments	50%

2) Promote sales promotion digitalization and multi-point systems

Increase investment in digital sales promotions from ¥1.5 billion to ¥3.0 billion

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70 million	100 million	70 million

3) Enter new businesses utilizing customer and purchasing data

- (1) Financial: Introduce microfinance such as deferred payments (transaction volume, including agency payment services, to the scale of ¥6 trillion)
- (2) Advertising: Utilize apps to secure advertising revenue

Key Initiatives in FY2020

4. Provide response to the spread of COVID-19

1) Respond to changes in consumer trends

① Stable supply of daily necessities

Food and water: Utilize Company-owned and dedicated factories

② Enhanced product lineup geared toward the trend of remaining at home for long periods (Processed food, frozen food)

③ Sales promotions that support lifestyles

“Mother’s Kitchen,” fast food, ready-to-eat products

5. Promote business collaboration with Pan Pacific International Holdings Corporation (PPIH)

1) Joint development of products and services (daily necessities, miscellaneous goods, confectionery)

2) Joint development of overseas business