Everyday Fun and Fresh.

Integrated Report 2018

UFHD
FamilyMart UNY Holdings

Everyday Fun and Fresh.

By continuously creating new value for our customers, we help make their lives more fun and fresh every day. Valuing people as individuals, we aim to be a familiar and trusted presence in their lives.

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Editorial Policy
Beginning in 2018, FamilyMart UNY Holdings Co., Ltd., is issuing an integrated report. In preparing this report, we have combined financial information with non-financial information, including management strategies, business summaries by segment, and environmental, social, and governance information. Our aim is to further understanding of the initiatives that will sustain our growth.

The Company is leveraging a network of approximately 17,000 brick-and-mortar stores in Japan to achieve *Accelerated Pursuit of New Growth*. *Integrated Report 2018* explains how we will add value to these stores, create value, and build a strong chain. In addition, the report shows how—thanks to their links with customers and local communities—brick-and-mortar stores also play a pivotal role in realizing initiatives that address social issues. In this way, the report offers a unified picture of all of our corporate activities.

In this report, “the Company” refers to FamilyMart UNY Holdings, while “the FamilyMart UNY Group” refers to the Company and its consolidated subsidiaries, affiliates, and jointly controlled companies.

Voluntary Adoption of International Financial Reporting Standards (IFRS)
FamilyMart UNY Holdings Co., Ltd., decided to voluntarily adopt the International Financial Reporting Standards (IFRS) starting with its securities report for the fiscal year ended February 28, 2017. Performance data (including forecasts) contained in this report is disclosed in accordance with IFRS unless otherwise specifically stated.

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.

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Becoming the Most Familiar and Trusted Presence

The FamilyMart UNY Group has two mainstay businesses: the convenience store (CVS) business and the general merchandising store (GMS) business. The Group is advancing concerted measures based on its "Everyday Fun and Fresh" Group principles. Through these efforts, we aim to be the most familiar and trusted presence in customers' lives.

Store Network Rooted in Local Communities

The Group has built a network comprising roughly 17,000 stores in Japan. By operating stores that are rooted in local communities, we have established ourselves as an essential part of the infrastructure of society and daily life.

Stores globally

Approx. **24,000**

Number of store staff in Japan

Approx. **220,000**

Relationships with Customers Based on In-House Cards

As well as deepening relationships with customers, our point-accruing in-house cards will help us develop new businesses in the financial service field.

System for Providing Valued Products

Mainly in the food field, we have built a supply chain that reliably procures high-quality raw materials and manufactures and delivers products that cater to demand in a timely manner.

In-house card members

Approx. **20** million

Store visits per day in Japan

Approx. **16** million

Store Facilities Reflecting Changing Needs

We have not only enhanced our product lineup but have also added a range of facilities to our stores, such as ATMs and eat-in spaces.

Stores in Japan

Approx. **17,000**

Brick-and-Mortar Stores

The greatest attribute of the FamilyMart UNY Group is that its businesses are based on brick-and-mortar stores, where customers can handle real products as they browse. Capitalizing on the advantages of having points of contact with customers and providing them with services through store staff, we are evolving our business models so that we can cater to society's changing needs in a timely manner.

Value Creation Overview

Brick-and-mortar stores are at the core of the FamilyMart UNY Group's provision of added value. The Group continually heightens its social and economic value by remaining in step with social changes to garner customer endorsement while further evolving unique advantages.

Social changes

Social problems in Japan

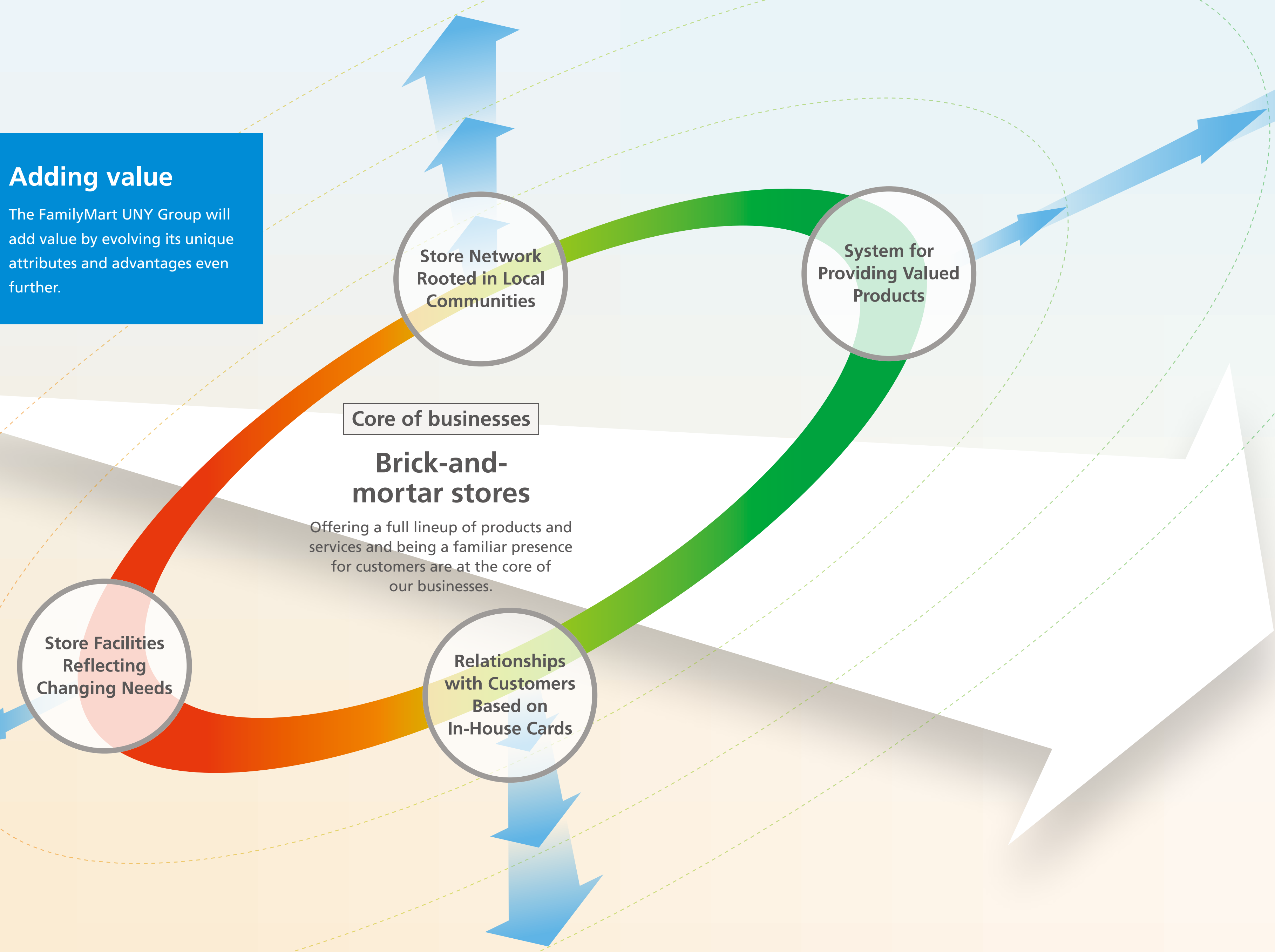
- Aging society
- Decreasing working-age population
- Increasing safety, reassurance, and health needs
- Increasing demands of a recycling-based society

Rapid technological progress

- Increasing automation
- Growing presence of e-commerce in retail
- Expanding AI and IoT markets

Adding value

The FamilyMart UNY Group will add value by evolving its unique attributes and advantages even further.



Core of businesses

Brick-and-mortar stores

Offering a full lineup of products and services and being a familiar presence for customers are at the core of our businesses.

Group Principles

Everyday Fun and Fresh

Corporate Governance / Risk Management

➡ P50

Value we create

Economic

Strengthening management foundations, enhancing profitability

- Expanding customer base
- Increasing competitiveness of products and services
- Creating new revenue-generating businesses
- Enhancing competitiveness for hiring and development of personnel
- Growing profit margins by increasing operational efficiency

Social

For customers

- Providing products and services that match demand
- Eliminating inconvenient shopping areas

For local communities

- Revitalizing local communities
- Providing products and services that meet safety, reassurance, and health needs
- Building a recycling-based society

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

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Strategies for Adding Value

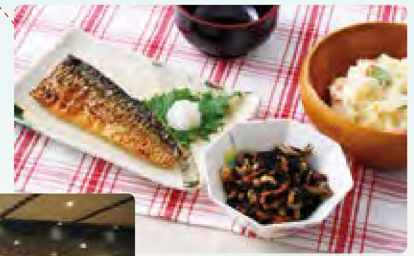
The retail industry is at a major turning point. Structural change in society and rapid technological progress are compelling retailers not just to revamp the products and services they offer but to rethink how they do business. We will continue taking on challenges with the aim of growing into a retail group that provides new value centered on brick-and-mortar stores.

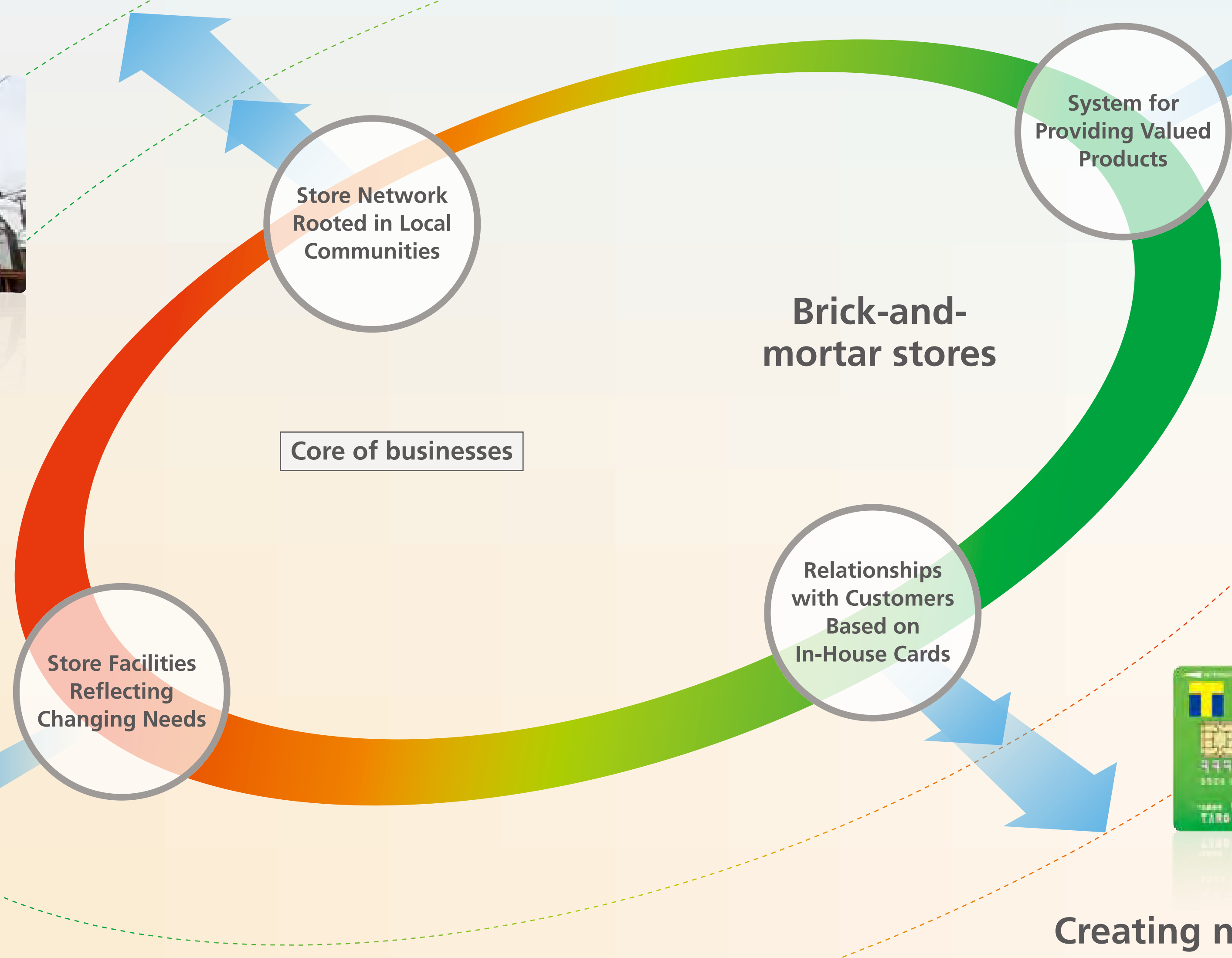
Establishing high-quality stores

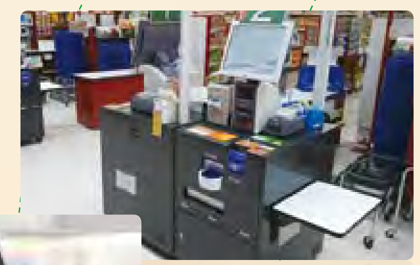
As well as rebuilding our store network to strengthen area dominance, we are collaborating with partners to create stores that attract even more customers.

Boosting product appeal

We are achieving differentiation in the food field by developing high-quality original products that cater to the growing concern with health and food safety.







Developing next-generation stores

We are capturing new demand by leveraging IT in store creation and by opening new-concept stores based on partnerships with companies belonging to industries with which we have strong affinities.

Creating new revenue-generating businesses

We are considering the investment of management resources not only in traditional merchandising businesses but also in new growth fields that utilize credit card functions and memberships.

To Our Stakeholders

Koji Takayanagi

Representative Director and President
FamilyMart UNY Holdings Co., Ltd.

UFHD
FamilyMart UNY Holdings

We will alter course by stepping up the creation of new retail formats based on brick-and-mortar stores.

Looking Back on a Year of Two Integrations

More than a year ago, I became president of FamilyMart UNY Holdings Co., Ltd. At the time, my most important mission was to lay organizational foundations that would maximize management integration synergies. With this in mind, I have been focusing efforts on two types of integration. First, we are proceeding with brand integration on an unprecedented scale in the CVS business. Second, we are maximizing synergies within the Group by combining the strengths of operating companies. Efforts to integrate brands in the CVS business are progressing well, including the rebuilding of supply chains. Our goal is to convert all Circle K and Sunkus stores to FamilyMart stores by November 2018. Further, integration of the Group, including the cultivation of solidarity among personnel, is on the whole proceeding as planned.

In fiscal 2017, we cemented the foundations of new growth by bringing forward measures to address concerns. For example, we closed underperforming stores ahead of schedule. Also, in August we formed a capital and operational tie-up with Don Quijote Holdings Co., Ltd., which operates discount stores under the Don Quijote brand. Thus, in fiscal 2017, the year ended February 28, 2018, we made strategic moves for future growth.

Thanks to the aforementioned initiatives, in fiscal 2017 net profit attributable to owners of parent surpassed our initial forecast of ¥24.0 billion by ¥9.6 billion to reach ¥33.6 billion, establishing the foundations for earnings in the current fiscal year and beyond.

Entrenching the "*Everyday IMPROVE*" Mind-Set

As a large entity accounting for sales of approximately ¥4 trillion, the Group must develop even more cohesively and accelerate its responses to the dizzying pace of change in competitive conditions and consumer behavior. For this reason, we have set out *Everyday IMPROVE* as the slogan of the medium-term management plan. To ensure that sales floors—the front line of retail operations—are always fresh and appealing places that customers enjoy visiting, we have to improve and innovate continually. Further, accumulating small, day-to-day improvements will enable major transformations. As their behavior changes, the attitude of each employee will change. This change will transform the organization and enable us to continue providing customers with value. Please expect to see us *IMPROVE*.

18/2 Results, 19/2 Numerical Targets (Consolidated, IFRS)

(¥ billion)

	18/2	19/2
PL		
Group sales*	3,728.8	3,682.5
Operating revenues	1,275.3	1,270.2
Core operating income	66.2	77.3
Net profit attributable to owners of parent	33.6	40.0
BS		
Interest-bearing liabilities	502.1	500.0
Shareholders' equity	543.2	570.0
Ratios		
D/E ratio (times)	0.9	0.9
ROE (%)	6.3	7.2

* Calculated using the non-consolidated operating revenues (JGAAP) of FamilyMart (including those of franchised stores) and UNY

Leveraging and Strengthening Brick-and-Mortar Stores

When formulating growth strategies, we will not prevail against our competition if we target a corporate profile that is premised on continuing established approaches to the retail business. Amid Japan's shifting demographic composition and the emergence of competition that transcends business categories, business models based on growing earnings through expansion of store networks and the sale of goods are beginning to lose traction. To cater to the changes in consumer behavior and the diversification of demand due to expansion of the e-commerce market, coupled with the evolution of leading-edge technologies, we must be willing to take on out-of-the-box ideas that revolutionize business formats. We have set out *Everyday IMPROVE* as a slogan because maintaining this mind-set is the most important way of heightening competitiveness in the current conditions.

One of our advantages is that we have brick-and-mortar stores. The greatest assets of the FamilyMart UNY Group are its stores, which are points of contact with customers and local communities, and its networks, which provide products and information to each store. The Group's growth strategy entails capitalizing on the unique capabilities of brick-and-mortar stores while strengthening these capabilities even further to achieve differentiation and create revolutionary new business formats that are based on brick-and-mortar stores.

Accelerating Pursuit of New Growth

Achieving *complete integration* was the main focus of the initiatives set out in the medium-term management plan announced in April 2017. As I have already mentioned, however, given that we have made a certain amount of progress with the brand integration of the CVS business and integration among organizations, in fiscal 2018, the year ending February 28, 2019, we are moving into a phase of *Accelerated Pursuit of New Growth*. While leveraging and strengthening brick-and-mortar stores, we are beginning full-scale efforts to establishing foundations for earnings growth.

Our goals are to have a strong presence as a chain and outstanding retail capabilities. To achieve these goals, first of all we must rigorously improve existing stores. I see our priority tasks for the immediate future as strengthening store capabilities in the CVS business further and establishing fresh differentiation in the GMS business as a *new lifestyle creation retail business*. In addition, customers' purchasing information obtained through loyalty cards and the information infrastructure that we have established to use this information for product development and marketing are important management resources that we have accumulated through points of contact with customers at brick-and-mortar stores. We are considering the *creation of new revenue-generating businesses* that leverage these management resources to create high added value and which go beyond the boundaries of product sales. In light of these plans, we have earmarked ¥140.0 billion for investment in *Accelerated Pursuit of New Growth* in fiscal 2018. We will concentrate efforts on *improving the quality of existing stores* and *creating new revenue-generating businesses.*

> **“Our goals are to have a strong presence as a chain and outstanding retail capabilities. To achieve these goals, first of all we must rigorously improve existing stores.”**

Improving the Quality of Existing Stores

Brand integration in the CVS business and management integration have established a network of brick-and-mortar stores that underpins the business. In other words, we have secured scale. While resolutely keeping this scale, we will focus on boosting the competitiveness of existing stores. We will implement a build-and-scrap (B&S) strategy to establish stores in optimal locations and introduce strategic new fixtures to improve store environments. Moreover, we will proactively reform store layouts with a view to increasing store capabilities. At the same time, we will raise the quality of the network even further by only opening new stores that are highly profitable.

Focusing on products that encourage customers to visit stores, we are also enhancing the quality of ready-to-eat items. As part of this effort, we are implementing capital investment to add value to products. For example, we are introducing new coffee machines to the CVS business. In addition, we are moving forward with the prepared dish project, which laterally introduces to the GMS business successes from *structural reform in ready-to-eat items.*

In conjunction with these measures, we will accelerate investment designed to increase the efficiency of store operations and reduce workloads. We will renew cash registers, product shelves, and other store equipment. The aim of such renewals is to enhance labor productivity by simplifying work processes and shortening the time they take. A further aim is to allow store staff to concentrate on realizing high-quality store operations and cordial customer service, which are the forte of brick-and-mortar stores.

Creating New Revenue-Generating Businesses

Outside the merchandising area, we are considering the creation of businesses that are highly compatible with brick-and-mortar stores and that can become new earnings mainstays. We envision businesses that can take maximum advantage of stores as points of contact with customers and the supply chains that underpin the store network. Specifically, strong candidates are financial services businesses related to settlement and loyalty points, businesses that use logistics networks to service e-commerce, and other businesses that can utilize the current store network and infrastructure to enhance customer convenience. Regarding financial services businesses, in fiscal 2017 we reorganized Group companies to consolidate the financial services-related capabilities of our CVS and GMS businesses. With our sights set on the new potential of financial services, we plan to prepare concrete strategies during 2018.

Utilizing the Resources of Other Industries

In the retail industry, competition is transforming rapidly. Competition that existed between chains is becoming competition between business formats, while online and brick-and-mortar businesses are becoming rivals. On the other hand, I get the distinct feeling that there is burgeoning potential for business collaborations across industry boundaries. I think that in competitive conditions where speed is of the essence there will be a constant rise in cases where we find opportunities for new growth by securing expertise or resources that we do not have through business alliances with partners in other industries. For example, the integrated stores that our CVS business operates can swiftly cater to the diversifying needs of customers by offering them the product and service lineups of other types of business in combination with the convenience of our stores. Other examples of using the mutually complementary management resources of other types of businesses to establish foundations for accelerated growth strategies are the strengthening of our relationship with Don Quijote Holdings Co., Ltd., through a capital and operational tie-up and becoming a consolidated subsidiary of ITOCHU Corporation, the Company's largest shareholder.

Learning from Retailers with Different Approaches

At this point, I would like to explain the capital and operational tie-up with Don Quijote Holdings. While Don Quijote Holdings is also a retailer, its approach to store management differs greatly from that of our chain. The company delegates significant responsibility for purchasing and pricing to Don Quijote stores. Unlike the chain stores of the GMS business, Don Quijote stores attract a broad customer group by offering an array of different products at each store and creating individualistic sales floors, which reflect the strong commitment of store staff to earnings generation that is based on selling all products in stock. We decided to form an operational tie-up with Don Quijote Holdings because the potential for creating synergies through the use of each company's management resources and building a new business format that transcends existing retailing categories was very attractive.

In February and March 2018, we opened six double-branded MEGA Don Quijote UNY stores in the Chukyo area around the city of Nagoya and in Kanagawa Prefecture. At all of these stores, sales and customer numbers are favorable. More than these successes, however, the fact that UNY employees are absorbing know-how is a major boon. Experiencing the Don Quijote approach to day-to-day store management firsthand is inspiring the employees who volunteered to participate in the opening and operation of double-branded stores. While monitoring the results of the six stores, we will actively incorporate the Don Quijote approach into the management of UNY stores.

Combining Merchandising with Enhanced Store Capabilities

In April 2018, ITOCHU Corporation, the Company's largest shareholder, announced its intention to implement a tender offer for shares in the Company. We approved this tender offer as we concluded that becoming ITOCHU's subsidiary would contribute to enhancement of our corporate value over the medium to long term. Upon completion of the tender offer, ITOCHU will become our parent company and hold the majority of our voting rights. However, we intend to continue independent business management as a listed company that also benefits minority shareholders.

For many years, ITOCHU has been collaborating with us in a broad variety of operational areas, including functions related to supply chains for ready-to-eat items, store management, and information systems. In considering new businesses outside the merchandising area, such as financial services and businesses that service e-commerce, we believe that it makes sense to use ITOCHU's trading company capabilities and networks rather than only relying on our own resourcefulness. Therefore, the Group will advance businesses based on optimized cooperation.

Leveraging Strong Stores to Sustain Growth

Looking over the initiatives that I have described so far as a whole, we are steadily establishing the tangibles for new growth, including store networks and organizations, strategies, and operational collaborations. Going forward, however, we need to strengthen intangibles. The prime movers in the creation of new ideas are not organizations but people. To shift from an earnings model focused on procuring and selling products to one that adds functions to sales floors, we should not only rely on external resources but also actively foster and hire personnel with a variety of different mind-sets and fields of expertise. I feel that, at the same time as inculcating the *Everyday IMPROVE* mind-set, we have to develop systems and workplace environments that promote a corporate culture that is conducive to new ideas and take on ambitious challenges. In addition, the FamilyMart UNY Group's businesses must cater to the needs of society and address its issues. In my view, leveraging our assets—in other words, brick-and-mortar stores rooted in local communities—to continue providing new value aimed at addressing social issues will sustain not only our development but that of society at large.

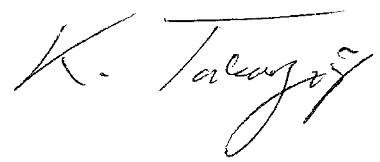
As for our earnings growth scenario, taking into account the *creation of new revenue-generating businesses*, the medium-term management plan sets a target of ¥60.0 billion for profit for the year attributable to owners of the parent in fiscal 2020. In fiscal 2018, partly thanks to the bringing forward of measures to address concerns, which I mentioned earlier, we will steadily advance management strategies with a view to achieving profit for the year attributable to owners of the parent of ¥40.0 billion.

As for the distribution of profits, given that it views returning profits to shareholders as an important management task, the Company maintains the basic policy of distributing profits to shareholders on a stable and continuous basis commensurate with its consolidated operating performance. Guided by this basic policy, we target a consolidated payout ratio of 40%. For fiscal 2018, we have set an annual dividend of ¥127 per share, up ¥15 year on year. Going forward, we will continue to invest aggressively to grow earnings while proactively advancing returns to shareholders.

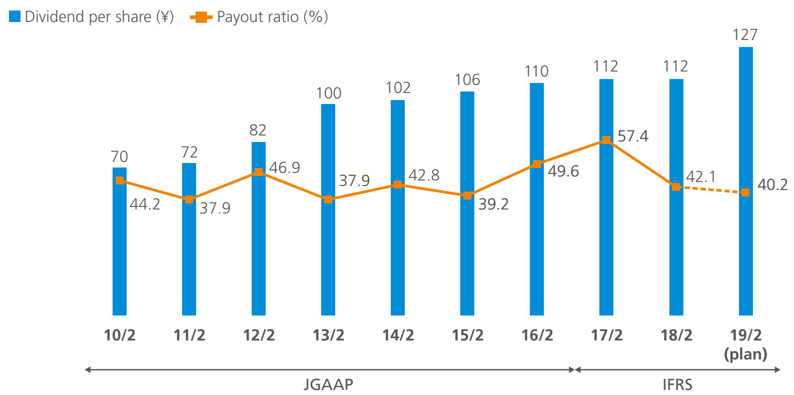
As we pursue new growth, I would like to ask all of our stakeholders for their continued support of FamilyMart UNY Holdings.

June 2018

Representative Director and President
FamilyMart UNY Holdings Co., Ltd.



Dividend per Share and Payout Ratio



Fiscal 2018 Management Plan

—Accelerated Pursuit of New Growth—

Fiscal 2018 Priority Measures

In fiscal 2018, the year ending March 31, 2019, with *Accelerated Pursuit of New Growth* as our goal, we will concentrate on establishing foundations for medium-to-long-term growth while beginning preparations for the creation of new revenue-generating businesses. Therefore, the majority of investment in fiscal 2018 will focus on the CVS business. Given that the investment needed for management integration will have ended, starting from fiscal 2019 we plan to pursue a basic policy of keeping investment within the scope of operating cash flows.

Total investment for FY2018 **¥140.0 billion**

	Amount
Breakdown of investment by measure	
Reinforcement of store foundations	¥105.0 billion
Enhancement of product competitiveness	¥12.0 billion
Improvement of store operating procedures	¥20.0 billion
Development of earnings foundations in financial and peripheral e-commerce operations	¥3.0 billion +α
Breakdown of investment by segment	
CVS business, HD, new	¥127.0 billion
GMS business	¥13.0 billion

1 Improvement of quality at existing stores

	CVS	GMS
Reinforcement of store foundations	• Complete brand conversion • Advance B&S initiatives • Renovate existing stores and improve facilities • Open high-quality stores, etc.	• Develop UD Retail business • Renovate existing stores and improve facilities • Open high-quality stores, etc.
Enhancement of product competitiveness	• Improve quality of ready-to-eat items and conduct capital investments • Introduce new coffee machines, etc.	• Advance side dish project (develop products through team merchandising, renovate sales floors), etc.
Improvement of store operating procedures	• Enhance operational efficiency (introduce new store facilities, etc.)	• Invest in new systems (introduce new registers, etc.)

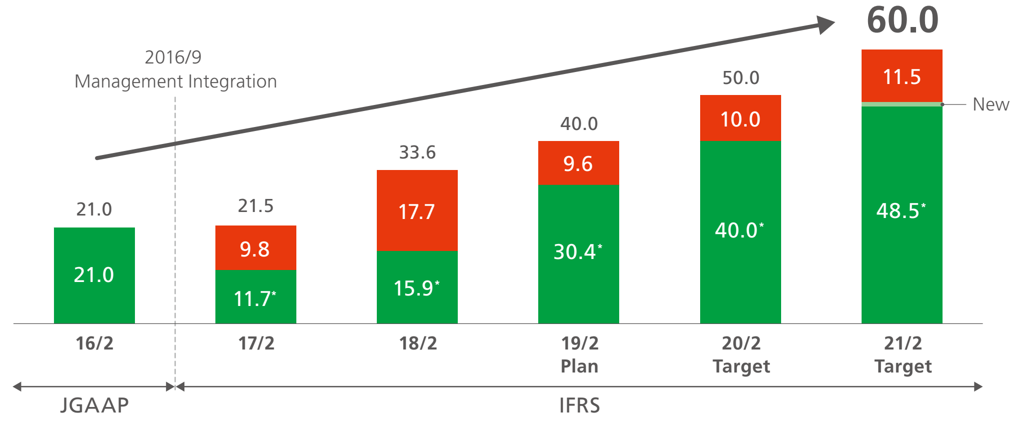
2 Creation of new revenue-generating businesses

Development of earnings foundations in financial and peripheral e-commerce operations	• Advance initiatives in the Company's financial operations • Develop customer database • Improve convenience and enable smartphone compatibility for point services

Earnings Growth Scenario

In fiscal 2017, the year ended March 31, 2018, we brought forward the closures of underperforming stores and the recognition of impairment losses to address future concerns associated with the CVS and GMS businesses. Consequently, we expect to have significantly lower impairment loss risk from fiscal 2018 onward. Taking into account contributions to earnings from new revenue-generating businesses, the Group is targeting ¥60.0 billion for profit for the year attributable to owners of the parent in fiscal 2020, the medium-term management plan's final year.

■ CVS segment + New ■ GMS segment (60% of total profit attributable to the Company from FY2018)
(¥ billion)

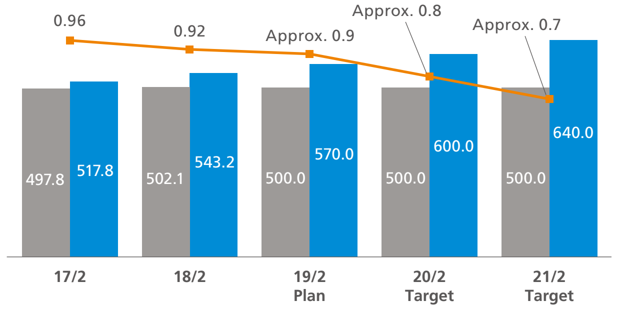


* Includes adjustments and HD

Interest-Bearing Liabilities and the D/E Ratio

As we will continue actively investing from fiscal 2019 onward, we expect interest-bearing liabilities to remain around ¥500.0 billion. However, we aim to improve the D/E ratio to approximately 0.7 times by accumulating shareholders' equity through earnings growth.

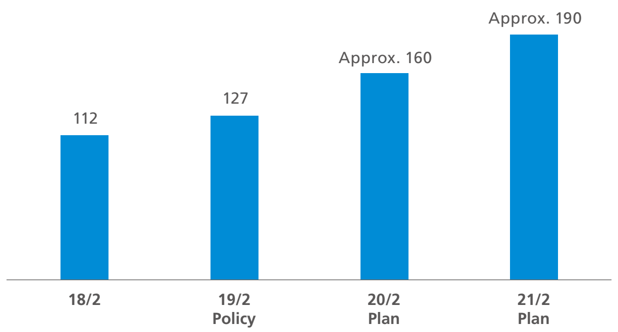
■ Interest-bearing liabilities ■ Shareholders' equity D/E ratio (times)
(¥ billion)



Dividend Policy

Targeting a consolidated payout ratio of 40%, we will distribute profits to shareholders on a stable and continuous basis commensurate with our consolidated operating performance.

■ Dividend per share (¥)



Establishing high-quality stores

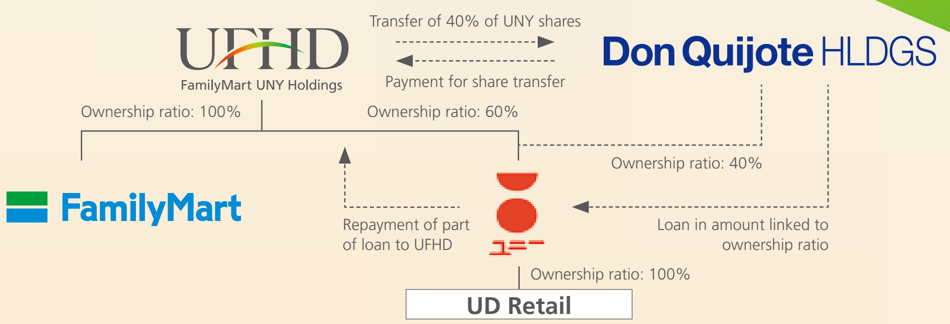
Accelerated Pursuit of New Growth

Capital and Business Alliance with Don Quijote Holdings

We concluded a final agreement on a capital and business alliance with Don Quijote Holdings Co., Ltd., in August 2017. In November of the same year, we completed the transfer of 40% of the issued shares of UNY that we owned.

Aim of the Capital and Business Alliance

The capital and business alliance promises to enable collaborations that exploit the strengths and expertise of the Group's CVS and GMS businesses and Don Quijote Holdings' discount store business as well as realize complementary benefits. In addition, we want to create a new GMS business through close collaboration that includes joint investment. This collaboration will extend our customer base to encompass younger generations and capitalize on the store development and management know-how of the discount store business.



Establishment of UD Retail

One of the main focuses of the alliance between UNY and Don Quijote Holdings is the management and operation of double-branded MEGA Don Quijote UNY stores. To create an organization for the management of these stores during and after conversion, the Company established UD Retail Co., Ltd., as a wholly owned subsidiary of UNY in November 2017. The assets of stores to be converted were transferred from UNY to the new subsidiary through an absorption-type demerger.

Opening of Double-Branded Stores

February 2018 saw the unveiling of the MEGA Don Quijote UNY Oguchi store—the first UNY store converted to a double-branded store. The six double-branded stores we had opened by March got off to an impressive start by surpassing projections for sales and customer numbers.

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Joint Trial Using FamilyMart Stores

In June 2018, we launched a joint trial that entails incorporating Don Quijote's product lineup, sales floors, and management methods at three FamilyMart stores in Tokyo.

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Since management integration in September 2016, FamilyMart UNY Holdings Co., Ltd., has given first priority to achieving complete integration. To this end, we have combined the strengths of operating companies to maximize synergies and integrated the brands of Circle K and Sunkus stores under the FamilyMart brand in the CVS business.

Aiming for Full-Scale Development of Financial Services and Businesses That Service E-Commerce

To leverage the retail industry's unique advantages to establish financial services as new growth fields, we have strengthened our relationships with Group companies responsible for financial services and businesses that service e-commerce. We will focus on such areas as payment method diversification and marketing that uses loyalty points.

Establishment of UFI FUTECH

In September 2017, we changed the status of the company that managed the FamilyMart Internet shopping website to establish a new company tasked with promoting fintech-related businesses. Specifically, FamilyMart UNY Holdings assumed all shares of famima.com Co., Ltd., which had been held by FamilyMart Co., Ltd., and changed famima.com's name to UFI FUTECH Co., Ltd. We will advance fintech-related businesses in such areas as electronic money, credit cards, loyalty points, and customer IDs.

Creating new revenue-generating businesses

Entrenchment of Relationship through Joint Tender Offer Bid for Pocket Card

FamilyMart acquired shares of Pocket Card Co., Ltd., which manages Famima T Card, through a joint tender offer bid with the ITOCHU Group in November 2017. As a result, FamilyMart and the ITOCHU Group acquired an 80% stake in Pocket Card. Based on this reinforced relationship, we will further strengthen financial services, which promise to become a new growth field.

Conversion of UCS into a Wholly Owned Subsidiary of UNY

In May 2018, UNY made UCS CO., LTD., a wholly owned subsidiary by acquiring its shares through a share exchange. UCS is a Group company that operates credit card businesses as well as insurance and leasing businesses. We will combine UNY's store network with UCS' business expertise to strengthen marketing initiatives and broaden the customer base. At the same time, by investing in systems as the GMS business grows, UCS will strengthen financial services and increase management efficiency, thereby enhancing the Group's profitability.

Completion of Convenience Store Brand Integration

Since management integration in September 2016, we have been steadily converting Circle K and Sunkus stores to the FamilyMart brand. We plan to complete unification of the brands into a single brand by November 2018.

While converting stores, we are optimizing the existing supply chains of each convenience store chain. After increasing efficiency by reorganizing and integrating production and distribution bases, we will implement new investments to enhance profitability and product quality.

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CLOSE UP
Convenience Store Business

Adding Value through Brand Integration

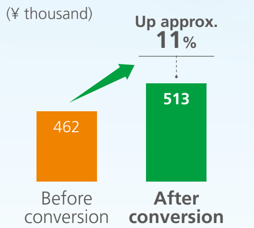
Convenience store brand conversion is moving forward briskly, with post-conversion daily sales and customer numbers above their pre-conversion levels. In the next phase, our network of 17,000 stores in Japan will work in concert to accelerate initiatives to provide new added value.

Brand Conversion on an Unprecedented Scale

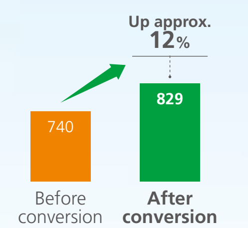
After management integration, FamilyMart Co., Ltd., faced a daunting task. It had to convert the brands of roughly 5,000 convenience stores in just over two years. This was a project on an unprecedented scale. However, we realized that completing the brand conversion as quickly as possible was essential if we were to create management integration synergies and provide customers with new added value. Therefore, we made brand conversion our highest priority management strategy and took maximum advantage of know-how acquired from past brand integrations involving am/pm and Cocostore. As a result, the benefits of brand integration are emerging clearly, with sales and customer numbers up more than 10% compared with their levels before the conversion.

Circle K and Sunkus Stores after Brand Conversion

Daily Sales



Daily Customer Numbers



September 2016–February 2018 results, year on year

Stores Converted to FM Brand

	17/2	18/2	19/2 Plan	Total
Brand conversion	829	2,720	1,045	**4,594**
Build & scrap	64	203	140	**407**
Total	893	2,923	1,185	**5,001**
Circle K and Sunkus store closures	244	664	396	**1,304**

Converting Products, Infrastructure, and Stores

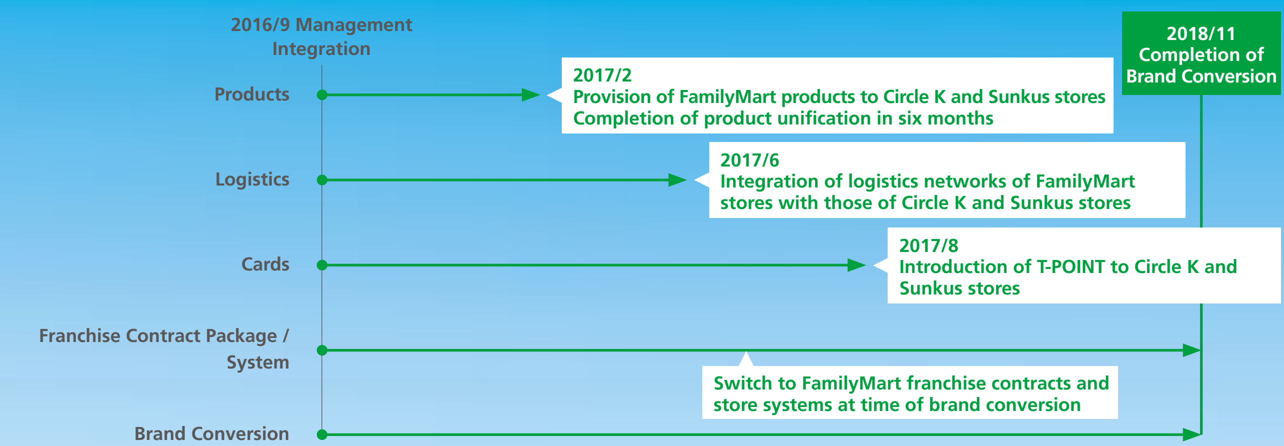
In preparation for brand conversion, we completed the conversion to FamilyMart products at Circle K and Sunkus stores by the end of February 2017 and unified logistics in June of the same year. Other preparations before the brand conversion included integrating services by enabling the use of T-POINT and other services at these stores in August 2017.

In addition, we increased efficiency by integrating a range of different functions and infrastructure related to store management. FamilyMart has been implementing *structural reform in ready-to-eat items* since fiscal 2014, the year ended February 28, 2015. This reform has two objectives: enhancing product quality through new investment and increasing efficiency through reorganization of production and distribution bases. Since management integration, FamilyMart has extended these initiatives to encompass reorganization of the entire supply chains of Circle K and Sunkus stores, including the production bases for ready-to-eat items, distribution bases, and logistics networks that have been producing and handling the stores' products.

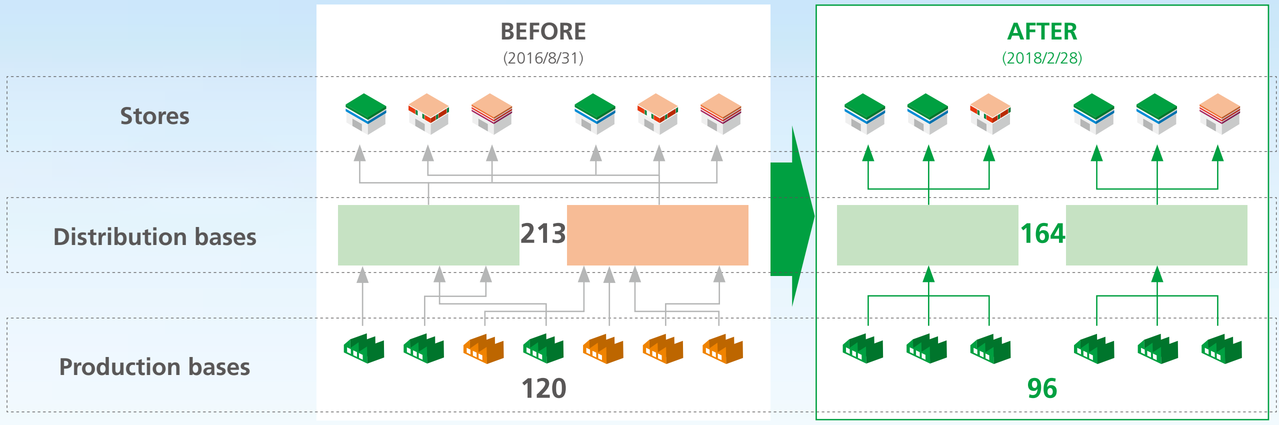
As of the end of February 2018, we had rightsized production bases for ready-to-eat items from 120 to 96 bases and distribution bases from 213 to 164 bases compared with their numbers at the time of management integration.

With respect to manufacturing bases, we aim to raise profitability through a reorganization that dedicates each plant to the manufacture of products within a specific temperature range. We will implement the new investment in plants that this reorganization requires. As for logistics networks, in addition to rightsizing distribution bases, we have streamlined delivery routes to achieve overall optimization. For the supply chain as a whole, a smaller fleet of delivery vehicles will result in approximate annual reductions of 53 million kilometers in delivery distances and 20,000 tons in CO_2 emissions compared with levels prior to management integration. Furthermore, amid concerns about a declining working-age population, reorganization measures promise to lower manpower requirements for driving and other operations.

Timeline until Completion of Brand Integration



More Efficient Supply Chain



CLOSE UP **Adding Value through Brand Integration**

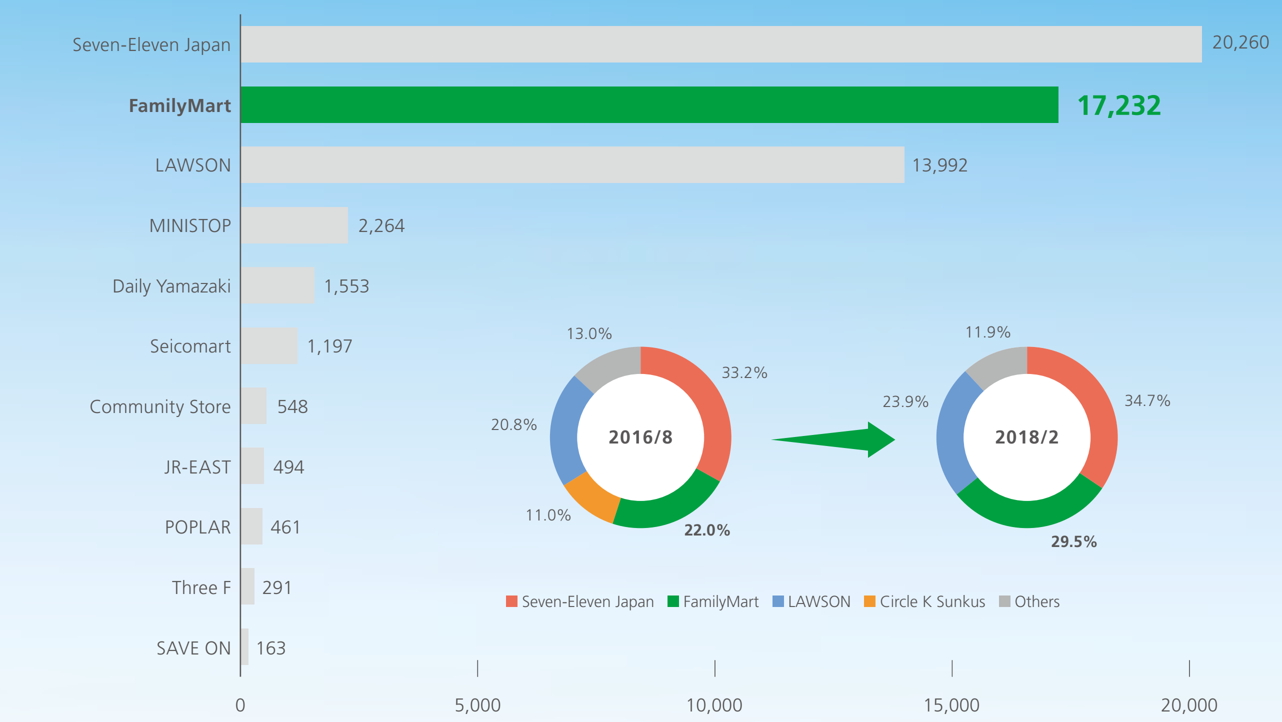
Using Strong Area Dominance to Formulate New Strategies

In developing the convenience store network, opening a new store normally requires an investment of about ¥50 million per store, including deposits and other costs. Meanwhile, the current brand integration has been allowing us to expand the convenience store network more efficiently. We are able to curb investment by remodeling a single store for a little over ¥10 million. Also, we have established three basic remodeling methods, which have enabled us to accelerate integration. The establishment of strong area dominance rapidly and efficiently in this way will be a significant advantage for the growth of the CVS business.

Having conducted several brand integrations through FamilyMart in the past, we appreciate the importance of establishing a common philosophy and values as well as relationships of trust among everyone involved, from franchisees who manage convenience stores through to head office employees. For these reasons, we have built frameworks that grow the entire chain by uniting franchised stores and the head office. For example, every six months we hold forums in which franchisees, store staff, and members of the senior management team participate. Also, when convenience stores are very busy during seasonal promotions we send head office employees to provide support.

Having one of Japan's largest convenience store networks gives us the foundations for achieving economies of scale. With this in mind, we will move into a phase of setting out new strategies that increase the competitiveness of individual stores by making maximum use of these foundations.

Major Chains' Stores and Market Shares in Japan



As of February 28, 2018 (December 31, 2017 for certain chains)
Sources: Data released by each company

Adding Value through Brick-and-Mortar Stores

In Japan's retail industry, competition across industry boundaries is becoming fiercer as drugstores and specialty stores emerge and the e-commerce market expands. Consequently, FamilyMart needs to anticipate change and realize self-reform even more quickly than ever.

The CVS business has grown as a result of its 24-hour business format that caters to local customers and by adding store features that help provide the products and services that customers seek. To realize further growth in rapidly changing conditions, the business must fully exploit the advantages of its points of contact with customers—in other words, brick-and-mortar stores—to evolve into a presence that is even more familiar to, and convenient for, customers.

With brick-and-mortar stores at the core of its business strategies, FamilyMart will enhance the competitiveness of the entire chain by creating stores that provide customers with even higher added value. Just as we have evolved brick-and-mortar stores by incorporating a range of added value, we believe that there are limitless possibilities for evolving business models that are based on convenience stores. We will pay close attention to society's needs and leverage the management resources of franchised stores and business partners to achieve further growth as a chain that stands apart from other chains.

Convenience Store Business

Message from the President

CVS

Convenience Store Business

Takashi Sawada
Representative Director and President
FamilyMart Co., Ltd.

あなたと、コンビに、
FamilyMart

One FamilyMart: A New Mission to Achieve Real Integration

Moving from Brand to Organizational Integration

I became president in September 2016, a little over a year and a half ago. During this time, the whole Company has made a concerted effort to integrate Circle K and Sunkus stores under the FamilyMart brand. Converted stores are seeing significant increases in daily sales and customers. Moreover, we have integrated manufacturing and logistics at the same time. As a result, our expansion of the convenience store network is creating economies of scale that are growing the earnings of the whole chain, and we plan to complete integration by November 2018. We have been able to proceed successfully with this 5,000-store brand conversion thanks to the tireless efforts of franchised stores, suppliers, and personnel as well as the know-how and business partner networks developed through previous initiatives, and the general mobilization of the capabilities of our organization and personnel. As well as being proud of our employees, I am genuinely thankful to everyone involved.

Our next task is to rebuild the head office's support system for franchised stores. I feel that making brand integration our first priority has given rise to a range of issues with respect to optimization of the head office organization and personnel assignment. In fiscal 2018, under our new *One FamilyMart* slogan, we will achieve "real" integration that coalesces personnel as well as brands and infrastructure, and we will establish an environment that allows us to maximize our support for franchised stores as important partners.

Stepping Up Efforts through a Results-Oriented Organization

As we advance brand integration, enhancing the quality of our store network in Japan, which has reached 17,000 stores, has become a pressing management task for the near term. We aim to change course significantly by transitioning from scale expansion to the stepped-up pursuit of quality and the cultivation of solidarity as a company. To these ends, we will take a range of measures that clarify roles and responsibilities in the organization and enable it to achieve results.

As part of these efforts, we renewed FamilyMart's organization at the beginning of fiscal 2018. Aiming to establish a group of autonomous organizations with their own goals and responsibilities, we changed from a chain of command directly under the control of the president to a system in which each division has overall control of important functions. The new system also clarifies key performance indicators. Under this system, we will accelerate efforts to heighten the quality of our stores.

Aiming to Be Rooted in Local Communities

Being rooted in local communities is the guiding principle of FamilyMart's medium-to-long-term growth scenario. As Japan's population declines, competition in the retail industry is becoming challenging. In addition, e-commerce businesses are increasing the pace of their forays into the retail industry. Our existing approach of rolling out homogeneous products and services cannot win against such fierce competition. By being deeply rooted in each local community and responding flexibly to its distinctive consumer behavior and events, stores will become indispensable and achieve significant differentiation. With this in mind, we will create systems that support the innovation and decision-making of individual stores. Furthermore, we will consider "localizing" supervisors who work in frontline operations supporting franchised stores so that supervisors can participate in store development with a stronger sense of ownership. Through marketing that reflects demand in retail zones and store management that accords with local communities, we aim to create convenience stores that earn the overwhelming trust and endorsement of customers and grow while contributing to local communities.

Recent years have seen remarkable advances in a range of technologies. Seeing great potential in such technologies, we are working with multiple specialist organizations to utilize leading-edge technologies for conserving energy in store operations and the development of next-generation convenience stores. Meanwhile, the greatest strength of our business is the points of contact with customers that brick-and-mortar stores give us. I am convinced that the age of digitization will, in fact, create strong demand for a return to basics and services provided by people.

As the name FamilyMart suggests, franchised stores, suppliers, and the many other members of our "family" business will unite to continue building a chain that customers support because it is the "family" that belongs to local communities and to Japan.

Convenience Store Business

Raising the Value of the Entire Chain by Strengthening Support for Franchised Stores

Overview of Business Conditions

In Japan, there are nearly 60,000 convenience stores, with three major chains accounting for nearly 90% of them. Due to fiercer competition with companies in an expanding e-commerce market and with other business formats, convenience store operators must increase the competitiveness of chains by leveraging store networks as infrastructure and expanding and improving their capabilities. Also, in response to the decline in Japan's population, chains urgently need to increase work efficiency and reduce workloads if they are to sustain long business hours and high-quality store operations.

Complete brand integration

Implement strategic investment focused on existing stores

Enhance quality of ready-to-eat items and invest in production bases

Increase efficiency of store operations by introducing new fixtures

Store Network Rooted in Local Communities

System for Providing Valued Products

Shifting toward Quality Enhancement

Since management integration in September 2016, we have been integrating convenience store brands. Given that we will complete brand integration by November 2018, we will accelerate efforts to increase the quality and competitiveness of our convenience stores. As well as implementing capital investment to heighten product quality, we will introduce new fixtures and systems to increase the efficiency of store operations.

Store Facilities Reflecting Changing Needs

Relationships with Customers Based on In-House Cards

Create next-generation stores

- Establish collaborations in fitness and laundromat areas

Prepare for full-scale rollout of financial services and businesses that service e-commerce

- Strengthen relationship with Pocket Card

STRATEGY 1

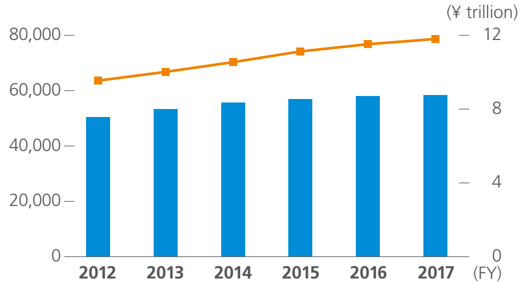
Heightening Store Quality

Opening Quality Stores

Through management integration, we established a network with the second largest number of stores in Japan. As Japan's population trends downward, the number of convenience stores is approaching a saturation point in the country's retail zones. Mindful of these business conditions, we will give first priority to establishing a quality store network. For new store openings, our basic policy will be to continue stringent selection of high-quality stores that promise stable earnings.

Concentrating on directly managed stores, we will close underperforming stores. As a result, the number of stores in our domestic network will temporarily dip toward the end of the current fiscal year. Meanwhile, the benefits of our uncompromising approach to new store selection are emerging, with the average daily sales of newly opened stores surpassing ¥500,000 in fiscal 2017. Moreover, from the current fiscal year onward we expect lower impairment loss risk because we brought forward measures to mitigate this issue. In fiscal 2019 and beyond, we will continue developing highly profitable stores.

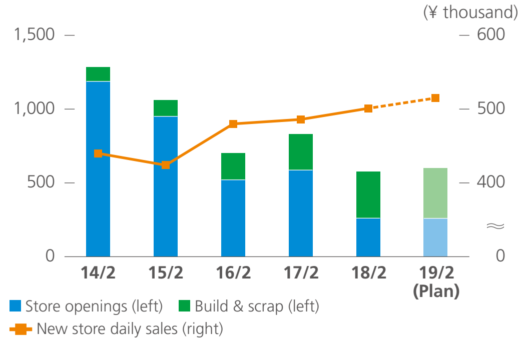
Store Numbers and Market Size in Japan



Sources: *Current Survey of Commerce*, Ministry of Economy, Trade and Industry; and *Convenience Store Sokuho*, Ryutsu Sangyo Shinbunsha

Note: For each year, figures for the number of stores are as of the end of February, while figures for market size are as of the end of March.

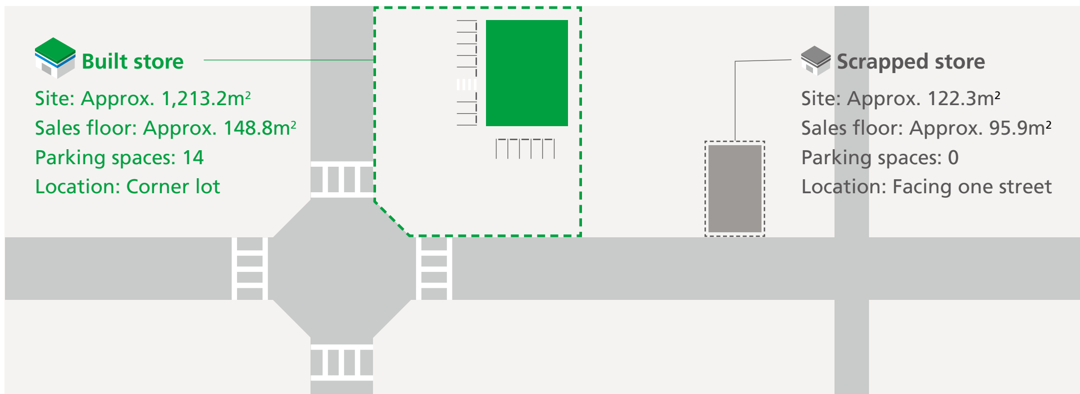
Store Openings and New Store Daily Sales



Building Competitiveness through Strategic Store Openings

As a measure to heighten the competitiveness of individual stores, we are moving forward with a build-and-scrap (B&S) strategy. This entails relocating existing stores to stores with locations and sales floor areas that suit retail zones. The B&S strategy relocated 110 stores in fiscal 2014. In fiscal 2017, this number had risen steeply to 315, or more than half of all store openings. The benefits of improvements, such as the establishment of store parking spaces and eat-in spaces, are emerging steadily. At stores for which we have implemented the B&S strategy, daily sales are at least 15% up from their level before relocation. As of February 28, 2018, roughly 7,000 stores had introduced eat-in spaces—which boost daily sales. Plans call for establishing these spaces in even more stores.

A Build-and-Scrap Case Study



STRATEGY 2

Strengthening Measures to Support Franchised Stores

1 Accelerating Reform of Store Operations

FamilyMart has begun reforming store operations in earnest to increase their efficiency. In fiscal 2017, in addition to the short-term measures of simplifying work manuals and reducing sales promotion items, we introduced next-generation point-of-sale (POS) cash registers and invested in IT. As a result, we reduced store work by six hours. In fiscal 2018, we will eliminate the need for inspections of products when they are delivered and introduce larger, labor-saving store fixtures and food preparation equipment. Also, we plan to introduce about 1,000 self-checkout cash registers. Through these additional measures to increase work efficiency, we expect to reduce store work hours by a further 3.5 hours. FamilyMart will actively invest to improve store operations and to establish environments that enable store staff to focus on strengthening the differentiating features of brick-and-mortar stores, such as customer service and high-quality store management.

A next-generation POS cash register

New drawer-type shelves

A new fryer

1 Accelerating Reform of Store Operations
- Simplifying manuals
- Eliminating need for product inspections
- Introducing next-generation POS cash registers
- Introducing self-checkout cash registers
- Reducing workloads by introducing new fixtures

2 Enabling Head Office to Support Stores
- Helping to hire and train store staff
- Assisting with store staff retention
- Having head office employees support store operation

3 Support Systems for Franchised Stores
- New franchise contract
- Support for management of multiple stores
- Senior Citizen Franchisee System

P61

2 Enabling Head Office to Support Stores

Due to the concern over the ongoing decline in Japan's working-age population, securing and training store staff along with rising personnel expenses are becoming management issues. Therefore, we are creating systems that enable the head office to help hire and train store staff. To alleviate the work burden involved for franchised stores when recruiting store staff, we have established a store staff recruitment section, FamiJOB, on the FamilyMart website. In addition, we have extended the reach of our recruitment. By establishing flexible working hours, we are encouraging applications from those without convenience store work experience, such as housewives and senior citizens. Also, we have prepared work manuals in multiple languages so that we can more actively hire non-Japanese people who would like to work in our stores.

To ensure that store staff can contribute to store operations as soon as possible, we began the FamilyMart School system in April 2017. Under this system, head office training managers visit training facilities and franchised stores nationwide and provide training in accordance with the proficiency levels of store staff. In fiscal 2017, roughly 30,000 store staff participated in 6,500 training sessions. Also, we are developing an environment that encourages motivated store staff to work at our stores long term. For example, we have introduced a qualification system that reflects work proficiency as well as an award system that recognizes talented store staff.

Aiming to allow supervisors to exercise their abilities to the utmost, we have revised training and evaluation methods so that they can be adapted to a range of different individual abilities, and we have optimized the scope of responsibilities by reducing the number of stores supervisors manage from eight to seven. By increasing the efficiency of supervisors, we want to establish an optimal support system for franchised stores as rapidly as possible.

During sales promotions and other busy periods, head office employees help with store operations. To date, 2,200 employees have taken part in this system.

3 Support Systems for Franchised Stores

FamilyMart has established a range of systems that allow franchisees to manage their convenience stores with peace of mind. Since September 2016, we have been switching over to a new franchise contract. Under this new contract, the head office reduces the financial burden of store operations by subsidizing a certain percentage of utility costs and losses on unsold ready-to-eat items and giving each franchised store ¥1.2 million per year as assistance for store management.

In 2001, FamilyMart became the first convenience store operator to introduce a system that encourages the management of multiple stores under the FamilyMart brand. As of the end of February 2018, approximately 70% of all stores were operated through the multiple-store management system. Other initiatives include our establishment of the Senior Citizen Franchisee System, which encourages senior citizens to become franchisees by shortening contract periods from 10 to five years and offering flexible contract details.

Main Points of Change in New Franchise Contract

	Old contract	New contract
Product disposal costs	Franchisee responsibility	Head office offsets portion of product loss
Support for utility bills	Franchisee responsibility	Head office pays 90% of portion, less than ¥3.6 million annually
Store management support	N/A	¥1.2 million per year

STRATEGY

3

Strengthening Product Appeal

Developing and Increasing the Efficiency of Supply Chains

By advancing *structural reform in ready-to-eat items*, we are continuing to market ready-to-eat items that have even greater value and appeal. This structural reform has two aims: rationalizing supply chains through the development and optimization of production and distribution bases and enhancing the quality of ready-to-eat items.

In fiscal 2018, we are progressing with an integration of production and distribution bases that includes Circle K and Sunkus while transitioning to a phase of enhancing product appeal even further. In efforts to raise the quality of ready-to-eat items, we aim to renew mainstay products and develop distinctive, attractive products. To these ends, since fiscal 2015 at plants that produce ready-to-eat items we have been collaborating with producers of ready-to-eat items to invest in renovation measures that are compliant with HACCP* principles, as well as invest in food preparation equipment that enables the manufacture of differentiated products.

* Hazard Analysis Critical Control Point is a method of food hygiene management.

Heightening the Quality of Ready-to-Eat Items

As it continues renewing rice balls, noodles, sandwiches, and other mainstay products, FamilyMart will emphasize ingredients, preparation methods, and appearance. To realize tastiness that surpasses that of specialty store offerings, we will carefully select ingredients and introduce the latest food preparation equipment as needed. Further, through such measures as increasing our selection of health-focused products, we will provide an extensive product lineup that caters to diverse customer needs.

The use of self-service coffee machines has become firmly established among convenience store customers in Japan. By the end of fiscal 2019, nearly all of our stores will have new coffee machines equipped with the latest functions, thereby enabling us to offer higher-value products. For example, customers will be able to order a richer flavored coffee by adding beans or a smooth caffe latte finely blended with milk. In addition, the machines' drip brewing process ensures that all of the beverages have a rich, refreshing flavor. We expect that these machines will boost coffee beverage sales by at least 10%.


A new coffee machine

STRATEGY

4

Advancing Measures for Next-Generation Stores

Discovering New Potential for Stores

Amid increasing interest in health, we decided to enter the fitness business to cater to customers who want a convenient place to work out. We have begun establishing Fit & GO gyms, which are open 24 hours a day year round. Other initiatives to add to store functions that meet everyday needs will include the launch of laundromat services through Famima Laundry. Also, we are considering the introduction of an in-store key delivery service that caters to the growing demand for vacation rentals. Through such initiatives, we will continue discovering new possibilities for combining existing stores with highly compatible businesses to create store formats that have added functions and as such go beyond merchandising.


An integrated convenience store and laundromat

Introducing the Don Quijote Way to Convenience Stores

In June 2018, we began the joint trial development of convenience stores that incorporate Don Quijote's product lineup, sales floors, and management methods. We introduced special product shelves that are much higher than normal shelves, and the stores carry approximately 5,000 items, of which 2,800 are Don Quijote items, such as daily necessities, confectioneries, and processed foods. Through this joint trial, we will provide the kind of shopping fun that only brick-and-mortar stores can offer.

The FamilyMart Tachikawa Minamidori Store, which was remodeled and reopened in June 2018


A Don Quijote-style sales floor and product lineup

Creating Next-Generation Stores

In June 2017, FamilyMart announced a business alliance with ITOCHU Corporation and LINE Corporation. The alliance is premised on using LINE's various services to cooperatively develop new products, technologies, and services. We are considering incorporating the company's services in a wide range of store operations, such as the establishment of communication with customers that reflects their needs and purchase history, the improvement of payment equipment and other store equipment, the enhancement of customer convenience, and the mitigation of the workloads of store staff.

The merits of utilizing leading-edge technology in the CVS business are not limited to increases in the efficiency of store openings and operations. As well as using the technology of Google LLC to incorporate AI in store development, we are exploring ways of enhancing marketing efficiency through digital advertising. By capitalizing on the distinctive advantages that brick-and-mortar stores and points of contact with customers give it, FamilyMart will embrace state-of-the-art technology to create a new generation of stores.

General Merchandise Store Business

Message from the President

GMS

General Merchandise Store Business

Norio Sako
Representative Director and President
UNY CO., LTD.

Realizing Our Vision of a New Lifestyle Creation Retail Business

Looking Back at Fiscal 2017—A Pivotal Year

"Back to Basics" was the slogan in fiscal 2017, the year ended February 28, 2018. This slogan urges us to think carefully about how to make stores points of contact with customers, offer lineups of sought-after products, and create stores that customers want to visit. Revisiting these imperatives, all of our employees focused on individual store management, store appeal, and budget attainment. Thanks to these efforts, we outperformed targets.

In August, we entered into a capital and operational tie-up with Don Quijote Holdings Co., Ltd. At the outset, our employees were somewhat surprised and unsettled due to the differences in our business methods and cultures. Until then, they had viewed Don Quijote Holdings as an exemplary company in another business category. However, they have since begun participating actively as the tie-up takes concrete form. Given the progress of advanced technology and major changes in the financial sector in Japan and overseas, fiscal 2017 was a pivotal year not only for the Company but for society as a whole.

Offering Experiences That Are More Than Shopping

We are paying close attention to the following three changes in business conditions. First, Japan's demographics are changing. In many rural and urban areas, the effects of population decline on industry are becoming evident. As society ages and single-person households increase, consumption behavior is changing. Moreover, we cannot ignore the decline in mom-and-pop stores. Second, competition is beginning to transcend business categories in earnest, with drugstores and discount stores that offer competitively priced products earning customer endorsement. Third, the e-commerce market is expanding, making it difficult for GMS (general merchandising store) businesses to establish differentiation and superiority based on existing business models.

There is no shortcut to overcoming these business conditions and winning out. The only way is to exploit advantages that brick-and-mortar stores have over Internet shopping to provide experiences that go beyond shopping and thereby encourage store visits. We must transform into a store where customers find even more products that they want to eat, wear, or use. In other words, we have to create sales floors that cater to customers' lifestyles, offer innovative product mixes that suggest ideas for everyday life, and provide an enhanced service menu that extends beyond product sales. With these points in mind, we will revitalize existing stores by renewing product lineups and sales floor space allocation and leveraging in-house cards in marketing. At the same time, we will strengthen management foundations through mind-set reform at our head office, which supports store management. In the medium to long term, we must create mold-breaking store formats. In fiscal 2018, the year ending February 28, 2019, we will complete the closure of underperforming stores and the withdrawal from underperforming businesses that we decided before management integration. These steps will allow us to become more proactive and tackle full-scale store reform from fiscal 2019, the year ending February 29, 2020.

Using Tie-Up "Chemical Reactions" as Opportunities

The timing of the tie-up with Don Quijote Holdings has had stimulating effect on the Company. UNY originated from the merger of two companies—one originally a clothing store business and the other originally a footwear store business. Having experienced several management integrations, I feel that the "chemical reactions" resulting from human interaction produce significant opportunities. Moreover, I think that tie-ups between companies in different business categories promise greater benefits than tie-ups between companies in the same business category.

To ensure that we convert such opportunities into growth, we set out *New UNY* as a slogan in fiscal 2018. We cannot win out in tough competitive conditions by trying to replicate past successes. Instead, with our sights set on the coming fiscal year and beyond, we will begin reforming personnel evaluation through the introduction of performance-based systems. Also, we will rapidly establish *a new mind-set, new sales floors,* and *new stores* in accordance with management policies. Further, the tie-up will add significant momentum as we move forward to achieve these three new goals. Thus, in a concerted effort, UNY will take on the challenge of realizing its vision of *a new lifestyle creation retail business*.

General Merchandise Store Business

Realizing a New UNY through Decisive Reform

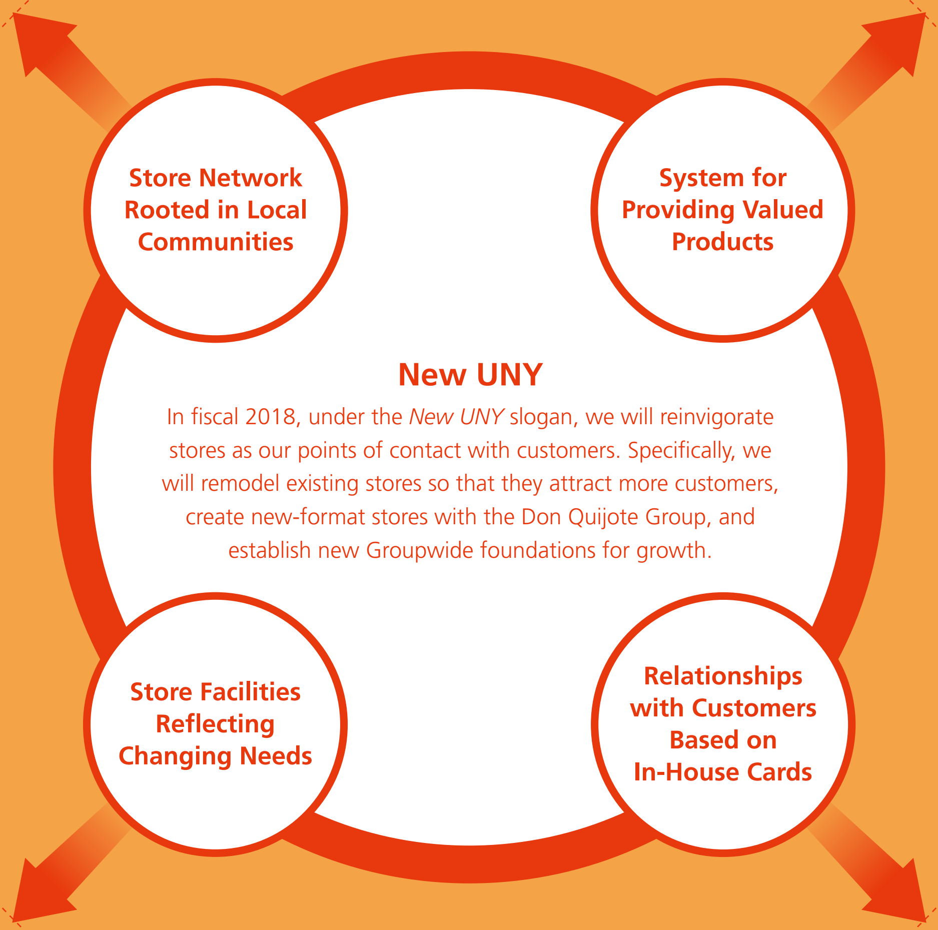
Overview of Business Conditions

The GMS business operates a variety of stores that specialize in particular retail zones and which carry essential everyday items, such as food, clothing, and household goods. As consumer behavior changes, the business is facing fierce competition from drugstores; discount stores; and, in recent years, from e-commerce businesses, which do not have brick-and-mortar stores. In such conditions, transitioning to a business model that creates unique value that companies in other business categories cannot match has become a pressing task.

Remodel existing stores and convert to discount store format

Strengthen product appeal with focus on food field

- Advance Prepared Dishes Project
- Make Kanemi a subsidiary



Invest in systems with a view to establishing next-generation stores

Prepare for full-scale establishment of businesses peripheral to financial and e-commerce services

- Make UCS a subsidiary

STRATEGY 1

Revitalizing Existing Stores

In fiscal 2018, we have set out management policies that call on the Company to *rebuild existing businesses*. Accordingly, we will remodel stores with a focus on directly managed sales floors and take an array of measures to enhance store quality. As well as offering a full range of products that cater to customers' lifestyles, we will create sales floors that not only reflect actual demand but also make shopping fun and encourage store visits. In particular, for APITA stores, which operate in medium-sized retail zones, we will proceed with drastic remodeling of all stores to establish sales floors with competitive space allocation. In fiscal 2018, we plan to invest approximately ¥13 billion in these stores, most of which is for store remodeling and investment in new cash registers and other systems.


APITA Yokohama TERRACE Tsunashima compact shopping center, which opened in March 2018

STRATEGY 2

Increasing Product Appeal

The Company will identify changes in customer demand and take product-focused measures to create attractive sales floors. In the food field, where our affordable quality products are particularly popular, we will focus on price competitiveness while carefully analyzing customer demand as well as trends among local stores. At the same time, we will expand and improve our lineup of products that evoke a sense of added value. In June 2017, we decided to make Kanemi Co., Ltd., a subsidiary by taking a 52.47% stake in the company, which manufactures and sells prepared dishes and boxed lunches. This has enabled the new subsidiary to work in unison with UNY to strengthen the competitiveness of prepared dish sales floors. Further, in fiscal 2018 we launched the Prepared Dishes Project to improve the quality and product lineup of prepared dishes. With our suppliers, we will advance the project while giving first priority to product quality enhancement and keeping in mind the kind of prepared dish sales floors we want.


In fiscal 2018, we will concentrate efforts on prepared dishes.

STRATEGY 3

Strengthening Management Foundations

As well as working to *rebuild existing businesses*, we are taking steps to *strengthen management foundations*. Since fiscal 2016, the year ended February 28, 2017, we have been decisively disposing of underperforming stores. In fiscal 2018, plans call for the closure of 11 stores. Also, we are steadily selling such inefficient assets as closed stores and idle assets. By reorganizing and reducing our assets through selection and concentration, we are laying the foundations of proactive measures for new growth. Going forward, we intend to invest actively in new IT systems that increase management efficiency and in the streamlining of logistics. While fostering a sense of responsibility and ownership among employees for the earnings of stores and of the chain as a whole, we will transform ourselves into an organization focused on earnings growth and concentrate management resources on existing stores.

General Merchandise Store Business

STRATEGY 4

Joining Forces with Don Quijote Holdings

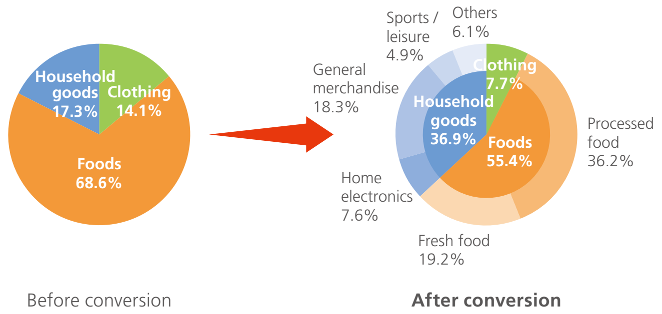
Concluded in August 2017 with the aim of creating a new retail category, our capital and operational tie-up with Don Quijote Holdings is progressing. By March 2018, we had opened six converted MEGA Don Quijote UNY stores, which combine UNY's strengths in the food field with the entertainment value that differentiates Don Quijote stores. The main difference between these stores and conventional UNY stores is that the household goods and clothing account for approximately half of total revenues. As these products promise higher profit margins than food, the new stores' business model enables us to use earnings from household goods and clothing to pursue added value and price competitiveness in the food field. By any measure, the six stores are performing robustly. Approximate cumulative results for March and April 2018 showed increases of 120% in sales, 90% in daily customer numbers, and 75% in gross profit compared with pre-conversion results. In fiscal 2018, we will analyze the six stores' results and issues, select stores to be converted to the new format from fiscal 2019, and determine our store format strategy.

At the new company tasked with leading the tie-up project, UD Retail Co., Ltd., roughly 100 UNY employees who responded to in-house job postings and about 60 employees temporarily seconded by Don Quijote Holdings have been preparing to open stores under the new business category. This joint team will also cooperate in the management of stores after they open. Through this tie-up, we want to absorb the unique store management know-how of Don Quijote Holdings and apply it to the management of other new-format stores and UNY stores.

Performance of Six Converted Stores

Six Converted stores (Oguchi, Tokai-Dori, Zama, Hoshikawa, Toyota Motomachi, and Kou)
Approximate cumulative results for March and April 2018

Composition of Sales at Six Converted Stores



CLOSE UP

Double-Branded MEGA Don Quijote UNY Stores Herald a New Beginning

For customers, the six double-branded MEGA Don Quijote UNY stores that opened in February and March 2018 do not resemble conventional UNY stores. The new stores include astonishingly low prices, mass displays and point-of-purchase advertising in sales floors, and reflect a customer-first philosophy. Based on this store format, UNY will take on the challenge of providing customers with new value.

A Leading Discount Store and Rival

In the highly competitive conditions of recent years, one of our benchmarks has been discount stores, which have continued to grow earnings by strongly emphasizing low prices. Among these stores, Don Quijote Holdings was a worthy adversary that we sought to surpass. In addition to distinctive stores and an ability to attract large numbers of customers, some Don Quijote stores include highly competitive supermarkets.

At first, there was considerable trepidation among our employees about the decision to enter into a capital and operational tie-up with Don Quijote Holdings. However, as details of the tie-up became clear, the prospect of tackling a new retail business engendered a more positive attitude.

Assimilation of the Don Quijote Way and Synergy Creation

Many young employees stepped forward when we were recruiting employees for UD Retail, which manages the stores after their conversion to the new business category. These employees are highly motivated and want to tackle a new business and experience the excitement of selling products in a new field—which is the starting point of retailing. In preparing for the openings of the first double-branded stores, our employees worked with employees from Don Quijote Holdings.

Don Quijote Holdings' corporate culture comprises delegation of authority to individual stores, a bottom-up approach to management, performance-based personnel systems, and intensity. In other words, the kind of corporate culture essential for a retailer is deeply rooted in the company. Our basic store management strategy is to cherry-pick both companies' best methods and leverage them to maximize benefits. However, UNY will also use the tie-up as an opportunity to assimilate the know-how of Don Quijote Holdings and apply it to existing UNY stores.

Creation of a New Business Model

From fiscal 2019, we will convert approximately 20 stores per year. The tie-up will broaden our customer base among younger generations and families, attract more customers by extending business hours, and encourage store visits by establishing unconventional store layouts. By combining these changes with the advantages of UNY, namely appealing products and its relationships with existing customers, UNY will create a unique business model that drives growth.

Leveraging Brick-and-Mortar Stores to Tackle Key Issues

Through its business activities, the FamilyMart UNY Group responds to society's issues and needs. In these efforts, we capitalize on our brick-and-mortar stores' distinctive links with customers and local communities. Our goal is to continue rapidly adapting to changes in business conditions while achieving sound, sustained growth. With this in mind, we will focus on finding roles for which brick-and-mortar stores are uniquely qualified, energizing the organization, and diversifying personnel.

- Coexistence with Local Communities
- Helping Invigorate Communities

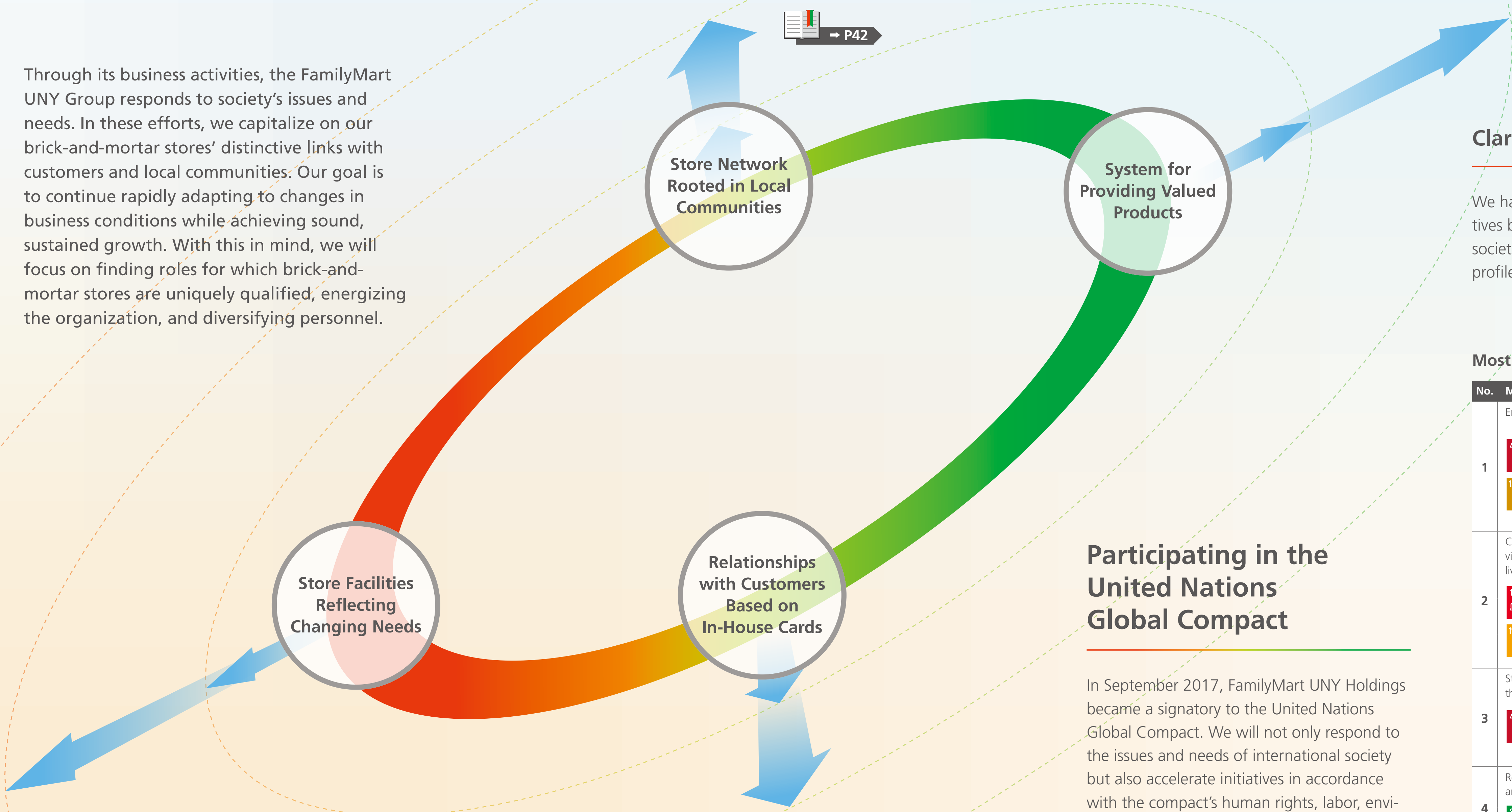
➡ P42

- Reducing the Environmental Burden of Products in Supply Chains

➡ P38

- Catering Rapidly to Diversifying Demand through Product Development

➡ P40



- Developing Personnel and Organizations for Accelerated Pursuit of New Growth

➡ P44

Participating in the United Nations Global Compact

In September 2017, FamilyMart UNY Holdings became a signatory to the United Nations Global Compact. We will not only respond to the issues and needs of international society but also accelerate initiatives in accordance with the compact's human rights, labor, environmental, and anticorruption principles and help realize a sustainable society.

WE SUPPORT

UN GLOBAL COMPACT

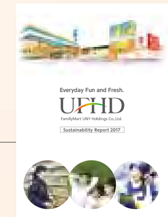
Clarifying Priority Issues for Sustainability

We have identified priority issues on which we should focus initiatives based on consideration of the expectations of stakeholders and society, management strategies for realizing our target corporate profile, our Group principles, and other guidelines.

Most Material Issues of FamilyMart UNY Group

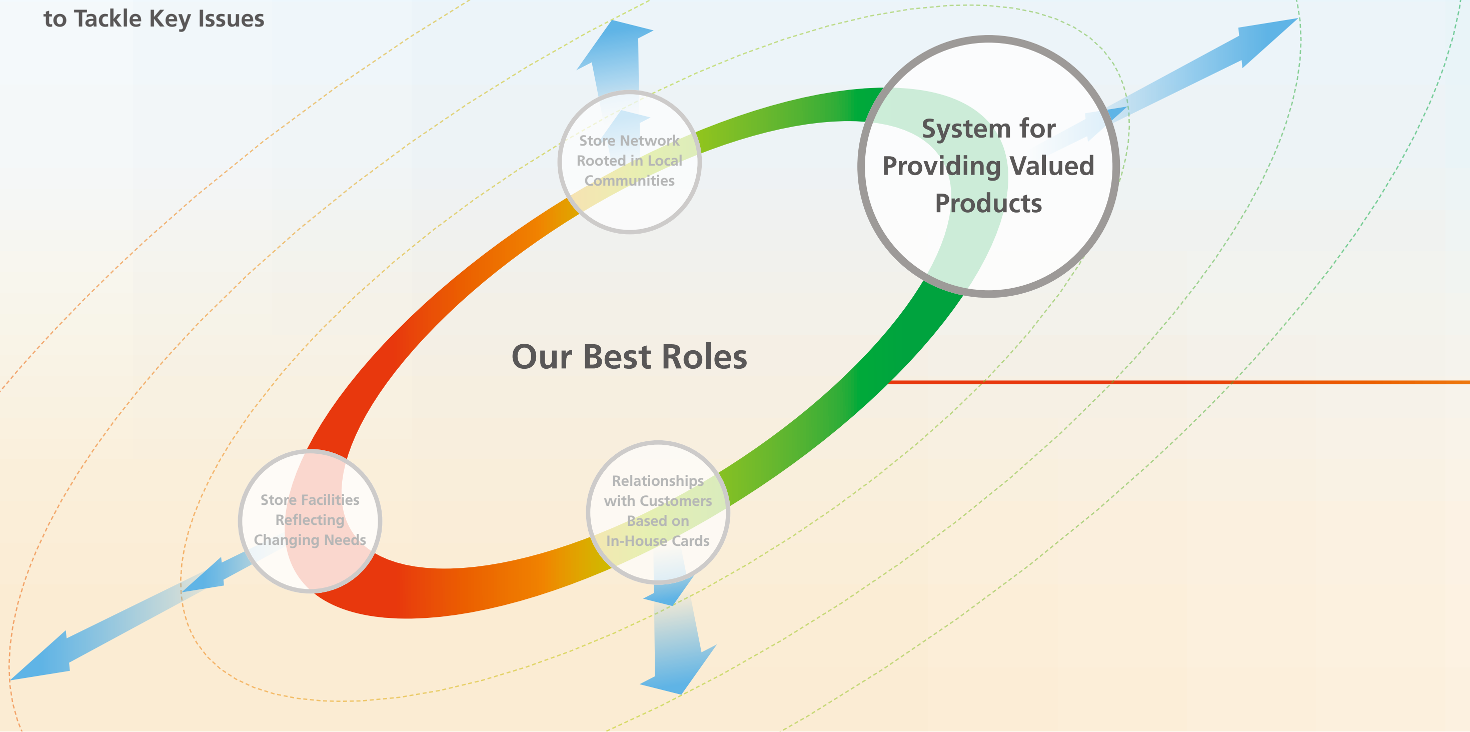
No.	Most material issues (goals in the SDGs)	Material issues of FamilyMart UNY Group
1	Environmental awareness 4 Quality Education; 6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land	Construction of a recycling-oriented society Contribution to a low carbon society Toward realization of a society that coexists in harmony with nature Promotion of ESD (Education for Sustainable Development)
2	Contributing to the development of vibrant local communities as social and living infrastructure 1 No Poverty; 2 Zero Hunger; 4 Quality Education; 9 Industry, Innovation and Infrastructure; 11 Sustainable Cities and Communities; 13 Climate Action; 17 Partnerships for the Goals	Development and revitalization of local communities Disaster countermeasures and support for disaster-affected areas Supporting the development of the next generation Working together with NGOs / NPOs and harmonious coexistence with local communities
3	Strengthening of supply chain management that delivers safe and reliable products 4 Quality Education; 12 Responsible Consumption and Production; 14 Life Below Water; 16 Peace, Justice and Strong Institutions	Provision of safe and reliable products / services Dissemination and awareness-raising about ethical consumption Promotion of fair and transparent business activities
4	Responding to increasingly sophisticated and diverse consumer needs 3 Good Health and Well-Being; 12 Responsible Consumption and Production	Provision of high added-value products Development of products / services that improve health and welfare
5	Enhancing diversity 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities; 16 Peace, Justice and Strong Institutions	Promotion of the acceptance and activity for diverse human resources Enhancement of work-life balance and building a workplace which offers job satisfaction

Please also refer to our *Sustainability Report 2017*, which summarizes our priority issues and sustainability activities.



➡ http://www.fu-hd.com/english/csr/report/pdf/UFHD_s-rep2017E_all.pdf

Leveraging Brick-and-Mortar Stores to Tackle Key Issues



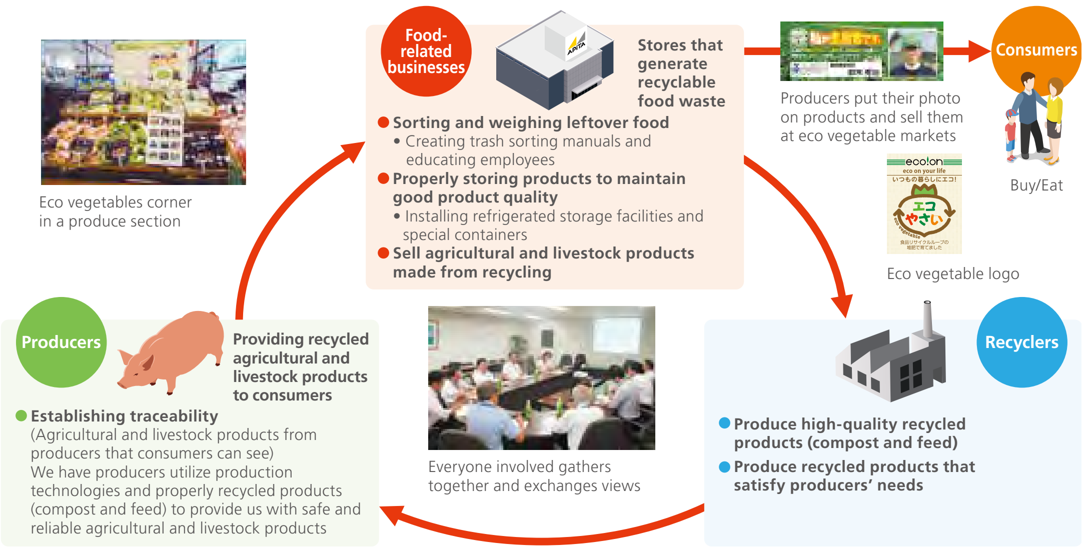
Reducing the Environmental Burden of Products in Supply Chains

Providing a large number of food products essential in everyday life, the FamilyMart UNY Group takes a wide range of measures to minimize environmental burden at each stage of its operations, including product development, manufacturing, delivery, and sales. Recognizing UNY as an environmentally progressive company that is helping to build a sustainable society, the Minister of the Environment has granted UNY ECO FIRST certification.

Creating a "Food Recycling Loop"

As a means to achieve a recycling-oriented society, UNY is operating a "food recycling loop" together with local communities. From producers to recyclers, we form partnerships with a range of businesses at every stage of the loop and work to recycle the food waste generated by our stores. The deployment of waste measurement systems at each store and exhaustive efforts to control and sort waste allowed UNY to achieve a food recycling rate of 63.6% in fiscal 2016, a 2 percentage point improvement over the previous fiscal year.

Moreover, building a food recycling loop contributes to local recycling efforts and local production for local consumption, which brings producers and consumers together in each region. Recyclers turn leftover food collected at each store into feed or compost, and we use a system for keeping track of the producers that use those products. These efforts help to establish local recycling-oriented agricultural industries that provide safe and reliable agricultural and livestock products.



FamilyMart Efforts to Reduce Food Waste

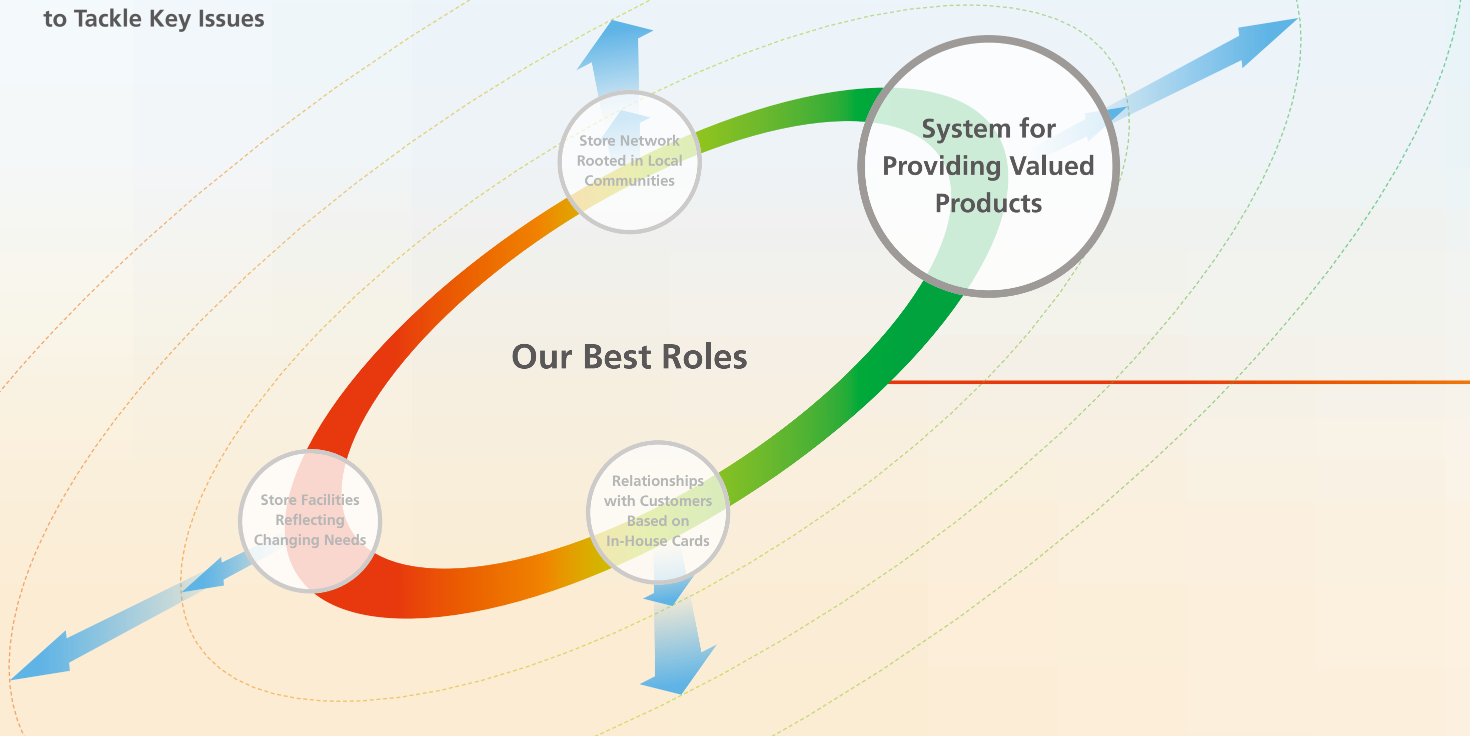
To cut down on waste at its stores, FamilyMart is working to improve the precision of its ordering system. This involves ensuring the proper number of products are ordered and managing product selection with regard to inventory levels, sales, weather, events, and other factors at each store. Such efforts help to reduce food waste, especially for boxed lunches, rice balls, sandwiches, and other products with short shelf lives.

With our "Mother's Kitchen" brand of original delicatessen items launched in the fall of 2016, we use "gas exchange packaging" that fills packages with carbon dioxide and nitrogen instead of oxygen, which causes food to spoil, to better suppress oxidation. Utilizing higher performance food packaging has allowed us to extend best-by date by three days without sacrificing the delicatessen item's freshness or flavor, thereby reducing food waste. With the introduction of these new technologies, along with re-examination of our packaging and methods of selling products, we will continue to reduce food waste through a variety of approaches.


Improving the ordering system's precision not only eliminates stock-outs, optimizes inventories, and reduces order lead times but also helps curb surplus food products.


"Mother's Kitchen" was cited in a compendium of examples of high-performance packaging that helps reduce food waste, prepared by the Ministry of Agriculture, Forestry and Fisheries.

Leveraging Brick-and-Mortar Stores to Tackle Key Issues



Catering Rapidly to Diversifying Demand through Product Development

Brick-and-mortar stores, which are the focus of our business activities, bring us into daily contact with customers. These points of contact help us to rapidly reflect customers' diversifying needs as well as local communities' issues in the development of products and services.

UFHD

Responsibility to Provide and Explain Safe and Reliable Products

Based on cooperation with business partners, FamilyMart UNY Group is working to strengthen the systems and structures that ensure safe and reliable products throughout the entire supply chain. In order to preemptively control various risks from procurement to consumption, we have created the information service "business partner helpline" for all our business partners through an external third party to facilitate early detection and correction of issues and problems concerning the supply chain. Furthermore, the Group conducts a "business partner survey" once a year and confirms that legal violations or fraudulent activities are not occurring. In fiscal 2017, one call was made to the "business partner helpline" (FamilyMart: 1; UNY: 0). Furthermore, FamilyMart sent a "business partner survey" to about 100 companies of which 76 responded, and UNY sent the survey to about 900 companies of which 340 responded. Business partner opinions, requests, and other information were reported to the Risk Management & Compliance Committee and revisions and improvements are being made.

FamilyMart

Development of Products / Services That Improve Health and Welfare

With the aging of the population and greater health awareness in today's society, FamilyMart is providing various products and services in response to the needs of consumers. We have launched "diet management products" under the supervision of registered dietitians at the Kobe City Medical Center General Hospital. These products can be easily purchased at convenience stores and are better for physical health and gentler on the body, as they take into consideration calories, salt content, foodstuff items, and nutritional balance.

"Mackerel Mirin Grilled box lunch" (*saba no mirin-yaki bento*) approved by registered dietitians

Moreover, we are selling tasty low-carb products, such as salads, desserts and instant noodles, co-developed with RIZAP GROUP, Inc., an operator of personal training gyms. In addition to supporting consumer health promotion, FamilyMart entered the fitness business in February 2018. To cater to growing interest in health, we are opening Fit & GO gyms, which are available 24 hours a day, 365 days a year and offer a range of health promotion options.

Fit &GO store image

Sales of Products That Protect Biodiversity

Protecting nature translates into protecting living things, and selling food and products based on this concept makes customers choose us. To expand the virtuous cycle from production to consumption, we offer products that protect biodiversity and work hard to increase consumer awareness about its importance.

FSC certification is granted by the FSC (Forest Stewardship Council), which runs an international forest certification system, to forests and wood recognized as sustainable, as well as to products made from such wood. Under UNY's private label brand, we develop and sell FSC-certified products such as toilet paper and elementary school workbooks. Customers purchasing products with the FSC certification logo indirectly help preserve forests and protect biodiversity. It is a way to contribute to society through shopping.

Apparel made from organic cotton

Forest Stewardship Council-certified workbooks

Leveraging Brick-and-Mortar Stores to Tackle Key Issues

Coexistence with Local Communities Helping Invigorate Communities

In Japan, the FamilyMart UNY Group has a network of more than 17,000 stores. Each of these stores is rooted in its local community, complements the services of local governments, and helps create local communities where all can live with peace of mind.

Serving as Social and Living Infrastructure during Disasters

Both FamilyMart and UNY have been appointed as "Designated Public Institutions" by the Prime Minister in accordance with Article 2, item (v) of the Basic Act on Disaster Control Measures. Designated public institutions play important roles in efforts such as drafting disaster management operation plans, preventing disasters, and carrying out response measures and recovery efforts.

When disaster strikes, FamilyMart leverages its extensive nationwide logistics network to offer its coordinated transport capabilities to those in need and provide emergency relief supplies. A portion of UNY's largest stores make themselves available as evacuation sites for local residents and perform functions that include providing "kamado benches" usable as soup kitchens and stools with built-in toilets in times of emergency. In addition, both FamilyMart and UNY have systems in place for the disaster recovery stage: steps have been taken to ensure normal business operations can be immediately resumed, and preparations are made throughout the Group to prepare for large disasters.

Store operations immediately after a disaster


Bench with built-in stove (UNY)

Disaster relief toilet (UNY)

Donations of Disaster Relief Money (2017 Northern Kyushu Torrential Rain Disaster Relief Money)

Record-breaking torrential rains caused catastrophic damage in Northern Kyushu on July 5 and 6, 2017.

To help as quickly as possible with recovery and reconstruction efforts, FamilyMart UNY Holdings launched a fund and collected donations at FamilyMart, Circle K and Sunkus, UNY stores, and other stores throughout Japan from July 8 through July 22.

The stores raised a total of ¥41,383,739 over a roughly two-week period. On August 18, ¥33,106,991 was donated to Fukuoka Prefecture and ¥8,276,748 was donated to Oita Prefecture.

Coordination with Local Governments (Conclusion of Comprehensive Agreements, Disaster Relief Agreements, and Watch Over Agreements)

To promote safe and reliable urban development, FamilyMart has concluded agreements ranging from "comprehensive agreements" to "agreements to provide material support in the event of a disaster," "agreements to provide support to people unable to return home," and "watch over agreements (for seniors, etc.)" with prefectures as well as municipalities and other organizations. Through these agreements, FamilyMart plays a role as social and living infrastructure in emergency situations.

Activities in Collaboration with Local NGOs / NPOs

UNY works with NPOs and volunteers from local companies to collect clothing that our customers decide they no longer need. The clothing collected is sent to Asia, Africa, and South America through the NPO Japan Relief Clothing Center and Nippon Express.

We also collect clothing that customers no longer need at our stores and recycle it into material for automobile interiors. Customers who bring in clothing receive "eco shopping cards" that they can use as coupons, and UNY donates 1% of each coupon's value toward disaster relief and greening efforts.

Community Gatherings

Eat-in spaces in FamilyMart stores are also used as places for community members to strengthen their connections with each other. People use these spaces for things beyond just eating and drinking the products they purchased. They use them as break areas during the workday at stores in business districts, as community spaces for family and friends to have pleasant conversations with each other at stores in residential areas and on the roadside, and people also use them for events put on by local NPOs, school clubs, and other organizations. There are approximately 7,000 stores that feature eat-in spaces.


Eat-in space used as a place for community gatherings

Leveraging Brick-and-Mortar Stores to Tackle Key Issues

Developing Personnel and Organizations for Accelerated Pursuit of New Growth

To realize *Accelerated Pursuit of New Growth*, the FamilyMart UNY Group is leveraging the store, production, and logistics networks acquired through management integration as well as links with customers and local communities. Also, to maximize the benefits of these stepped-up efforts, we are taking systemic measures to create workplaces amenable to the needs of all types of personnel.

Approach to Personnel and Main Initiatives

UNY wants each employee to learn, think, and act independently. Our policy is to develop personnel who not only advance their competence as professionals in the GMS business but also cultivate attributes that benefit society at large.

Based on this policy, we support employees' growth by conducting training that matches career plans and encouraging self-development. In addition, we recommend store managers and deputy managers to acquire qualifications that develop their awareness of the needs of seniors and the disabled so that they can visit stores without anxiety. Further, we provide skills training for part-time personnel and pay additional wages to those obtaining qualifications.

Also, we are empowering female employees. In April 2016, we established a three-year Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace with a view to establishing workplaces where both women and men are managers. By 2020, we aim for women to account for at least 10% of our managerial staff.


Training focused on the needs of seniors and the disabled

Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace (UNY)

Plan period	April 1, 2016–March 31, 2019
Goal	• Women in at least 10% of managerial positions (section managers and above)
Initiatives	• Reemployment of those who have cited childcare or nursing care obligations as a reason for resignation • Extension of childcare and nursing-care leave periods • Revision of system for non-regular employees

FamilyMart

Approach to Personnel and Main Initiatives

FamilyMart's personnel strategy for supporting growth comprises four initiatives: personnel recruitment, personnel development, appropriate assignment and periodic rotation, and compensation. Regarding personnel development, we have created a wide variety of educational programs that enable employees to proactively advance their careers. In fiscal 2011, we established the FamilyMart Business College as a dedicated education department. As well as providing employees of all ranks with training that fosters business skills, develops global personnel, and promotes diversity, the college offers selective and open training programs.

In fiscal 2017, we established two organizations directly under the control of the president. The first of these, the Human Resource Development Office, is unifying personnel development systems throughout the company so that employees are better able to improve their skills and advance their careers. A particularly important task is the development of supervisors who link franchised stores with the head office. Accordingly, we are organizing work processes and preparing concrete development plans so that supervisors can learn the skills they need systematically and efficiently. Also, the second of our newly established organizations, the Diversity Promotion Office, is creating workplaces that encourage diverse personnel to take maximum advantage of their abilities. This office's initiatives are focused on empowering female employees.


A workshop conducted by female employees

Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace (FamilyMart)

Plan period	April 1, 2016–February 28, 2021
Goal	• Percentage of female employees: 20% • Percentage of female managers: 10%
Initiatives	• Establishment of in-house conditions that make it easier for women to work and continue working • Active hiring of female employees • Training and awareness cultivation aimed at the promotion of women to managerial positions

Board of Directors and Executive Officers

(As of June 1, 2018)

1 Representative Director and President
Koji Takayanagi

2 Representative Director and Executive Vice President
Isamu Nakayama
Chief Strategy Officer

3 Representative Director and Executive Vice President
Norio Sako
In Charge of GMS

4 Representative Director and Executive Vice President
Takashi Sawada
In Charge of CVS

5 Director, Senior Managing Executive Officer
Toshio Kato
Assistant to Officer in Charge of CVS

6 Director, Senior Managing Executive Officer
Jiro Koshida
General Manager of Finance & Accounting Division

7 Director, Senior Managing Executive Officer
Kunihiro Nakade
Chief Financial Officer

8 Director, Senior Managing Executive Officer
Isao Kubo
General Manager of Corporate Planning Division

9 Director, Managing Executive Officer
Naoyoshi Tsukamoto
Chief Information Officer, General Manager of IT Promotion Division, General Manager of CVS Information Systems Department, and General Manager of New Project Office

10 Director, Managing Executive Officer
Hiroaki Tamamaki
In Charge of Projects

11 Director, Executive Officer
Jun Takahashi
Chief Administrative Officer and General Manager of CSR & Management Division

12 Outside Director
Takashi Saeki

13 Outside Director
Tadashi Izawa

Executive Officers

Eiji Morita
Kazutaka Hiramatsu
Mikio Nishiwaki
Seiichiro Takeshita
Yoshiharu Kanoda
Tadashi Takeda
Takashi Kitano

Brief Personal History of Directors

(As of June 1, 2018)

Representative Director and President

Koji Takayanagi

1975/4 Joined ITOCHU Corporation
2015/4 Representative Director, Executive Vice President and President of Food Company of ITOCHU Corporation
2017/3 President and Executive Officer of the Company
2017/5 Representative Director and President of the Company (current)

Representative Director and Executive Vice President

Isamu Nakayama

1981/4 Joined ITOCHU Corporation
2012/4 Managing Executive Officer, Executive Vice President of Food Company, and Chief Operating Officer of Provisions Division of ITOCHU Corporation
2013/5 Representative Director and President of FamilyMart Co., Ltd.
2016/9 Representative Director and Executive Vice President of the Company
2018/3 Representative Director and Executive Vice President of the Company, Chief Strategy Officer of the Company (current)

Important Positions Concurrently Held in Other Companies
Director and Chairman of FamilyMart Co., Ltd.
Director of UNY CO., LTD.
Chairperson of General Japan Franchise Association

Representative Director and Executive Vice President

Norio Sako

1980/3 Joined UNY CO., LTD.
2013/2 Representative Director and President of UNY CO., LTD. (current)
2015/3 Representative Director and President of UNY Group Holdings Co., Ltd.
2016/9 Representative Director and Executive Vice President of the Company
2018/3 Representative Director and Executive Vice President, In Charge of GMS of the Company (current)

Important Position Concurrently Held in Other Company
Representative Director and President of UNY CO., LTD.

Representative Director and Executive Vice President

Takashi Sawada

1981/4 Joined ITOCHU Corporation
2005/10 Founded and assumed role as Representative Director, President and Chief Executive Officer of Revamp Corporation
2016/9 Representative Director and President of FamilyMart Co., Ltd. (current)
2018/3 Representative Director and Executive Vice President, In Charge of CVS of the Company (current)

Important Position Concurrently Held in Other Company
Representative Director and President of FamilyMart Co., Ltd.

Director, Senior Managing Executive Officer

Toshio Kato

1983/3 Joined FamilyMart Co., Ltd.
2016/9 Director, Senior Managing Executive Officer and General Manager of Corporate Planning Division of the Company
2018/3 Director, Senior Managing Executive Officer, and Assistant to Officer in Charge of CVS of the Company (current)

Important Position Concurrently Held in Other Company
Director, Executive Vice President, General Manager of Store Operation Division, and Supervisor of Customer Service Office and Franchisee Relations Office of FamilyMart Co., Ltd.

Director, Senior Managing Executive Officer

Jiro Koshida

1979/3 Joined UNY CO., LTD.
2016/9 Director, Senior Managing Executive Officer, and General Manager of Corporate Management Division of the Company
2018/3 Director, Senior Managing Executive Officer, and General Manager of Finance & Accounting Division of the Company (current)

Important Positions Concurrently Held in Other Companies
Director, Senior Managing Executive Officer, and General Manager of Finance & Accounting Division of UNY CO., LTD.
Director of UCS CO., LTD.

Director, Senior Managing Executive Officer

Kunihiro Nakade

1980/4 Joined ITOCHU Corporation
2015/4 Managing Executive Officer and General Manager of General Accounting Control Division of ITOCHU Corporation
2016/5 Director, Managing Executive Officer, General Manager of Management Division, Chairman of Risk Management & Compliance Committee, Chairman of Business Process Improvement Committee, and Chairman of Corporate Social Responsibility Committee of the Company
2018/3 Director, Senior Managing Executive Officer, and Chief Financial Officer of the Company (current)

Director, Senior Managing Executive Officer

Isao Kubo

1982/4 Joined ITOCHU Corporation
2016/4 Managing Executive Officer and General Manager of Internal Audit Division of ITOCHU Corporation
2018/5 Director, Senior Managing Executive Officer, and General Manager of Corporate Planning Division of the Company (current)

Important Position Concurrently Held in Other Company
Director, Senior Managing Executive Officer, General Manager of Corporate Planning Division and International Business Division of FamilyMart Co., Ltd.

Director, Managing Executive Officer

Naoyoshi Tsukamoto

1989/4 Joined Circle K Japan Co., Ltd.
2013/2 Director and General Manager of Merchandising Division of Circle K Sunkus
2018/5 Director, Managing Executive Officer, Chief Information Officer, General Manager of IT Promotion Division, General Manager of CVS Information Systems Department, and General Manager of New Project Office of the Company (current)

Important Positions Concurrently Held in Other Companies
Director, Managing Executive Officer, General Manager of Information Systems Division of FamilyMart Co., Ltd.
Representative Director and President of UFI FUTECH Co., Ltd.

Director, Managing Executive Officer

Hiroaki Tamamaki

1980/4 Joined ITOCHU Corporation
2010/4 Executive Officer and Chief Operating Officer of Textile Material & Fabric Division of ITOCHU Corporation
2011/5 Director, Managing Executive Officer, and Officer in Charge of Corporate Planning Division of FamilyMart Co., Ltd.
2018/5 Director, Managing Executive Officer, and Officer in Charge of Projects of the Company (current)

Important Position Concurrently Held in Other Company
Director of UFI FUTECH Co., Ltd.

Director, Executive Officer

Jun Takahashi

1989/6 Joined Circle K Japan Co., Ltd.
2016/2 Director, Executive Officer, Group Strategic Headquarters Director and Planning & Policy Department Director of UNY Group Holdings Co., Ltd.
2018/3 Director, Executive Officer, Chief Administrative Officer, and General Manager of CSR & Management Division of the Company (current)

Important Position Concurrently Held in Other Company
Director, Senior Executive Officer, General Manager of Corporate Planning Division of UNY CO., LTD.

Outside Director

Takashi Saeki

1974/4 Joined TOHO GAS Co., Ltd.
2012/6 Representative Director and Chairman of TOHO GAS Co., Ltd.
2014/5 Outside Director of UNY Group Holdings Co., Ltd.
2016/9 Outside Director of the Company (current)

Important Positions Concurrently Held in Other Companies
Adviser and Member of the Board of TOHO GAS Co., Ltd.
Outside Director of Central Japan Railway Company
Outside Corporate Auditor of The Ogaki Kyoritsu Bank Ltd.

Outside Director

Tadashi Izawa

1976/4 Joined the Ministry of International Trade and Industry
2014/4 Executive Vice President of Chiyoda Corporation
2017/7 President of the Japan-China Economic Association (current)
2018/5 Outside Director of the Company (current)

Important Position Concurrently Held in Other Company
President of the Japan-China Economic Association

Brief Personal History of Corporate Auditors

(As of June 1, 2018)

1 Standing Outside Corporate Auditor

Yasuhiro Baba

1979/4 Joined ITOCHU Corporation
2014/4 Executive Councilor, General Manager of the Global Risk Management Division, ITOCHU Corporation
2016/5 Standing Outside Corporate Auditor of the Company (current)

Important Positions Concurrently Held in Other Companies
Corporate Auditor of FamilyMart Co., Ltd.
Corporate Auditor of UNY CO., LTD.

3 Outside Corporate Auditor

Mika Takaoka

2009/4 Professor of the College of Business, Rikkyo University (current)
2011/5 Corporate Auditor of the Company (current)

Important Positions Concurrently Held in Other Companies
Professor of the College of Business, Rikkyo University
Outside Director of TSI HOLDINGS CO., LTD.
Outside Director of MOS FOOD SERVICES, INC.
Outside Director of Kyodo Printing Co., Ltd.

5 Outside Corporate Auditor

Takayuki Aonuma

1982/4 Prosecutor of the Tokyo High Public Prosecutors Office
2016/9 Chief Prosecutor of the Nagoya High Public Prosecutors Office
2018/2 Registered as attorney at law (current)
2018/2 Of-Counsel at City-Yuwa Partners (current)
2018/5 Corporate Auditor of the Company (current)

Important Position Concurrently Held in Other Company
Of-Counsel at City-Yuwa Partners

2 Standing Corporate Auditor

Akira Ito

1979/3 Joined U-Store Co., Ltd.
2007/5 Director of U-Store Co., Ltd.
2008/8 Executive Officer, Manager of Eastern U-Store Management Division, Management Supervisory Division of UNY CO., LTD.
2010/2 Executive Officer, Manager of Central Chukyo PIAGO Management Division, Management Supervisory Division of UNY CO., LTD.
2012/5 Standing Corporate Auditor of UNY CO., LTD.
2016/9 Standing Corporate Auditor of the Company (current)

4 Outside Corporate Auditor

Naotaka Nanya

1993/4 Registered as attorney at law (current)
1999/9 Opened Nanya Law Firm (current)
2011/5 Corporate Auditor of UNY Group Holdings Co., Ltd.
2016/9 Corporate Auditor of the Company (current)

Important Position Concurrently Held in Other Company
Outside Corporate Auditor of CKD Corporation

Corporate Governance

Basic Policies

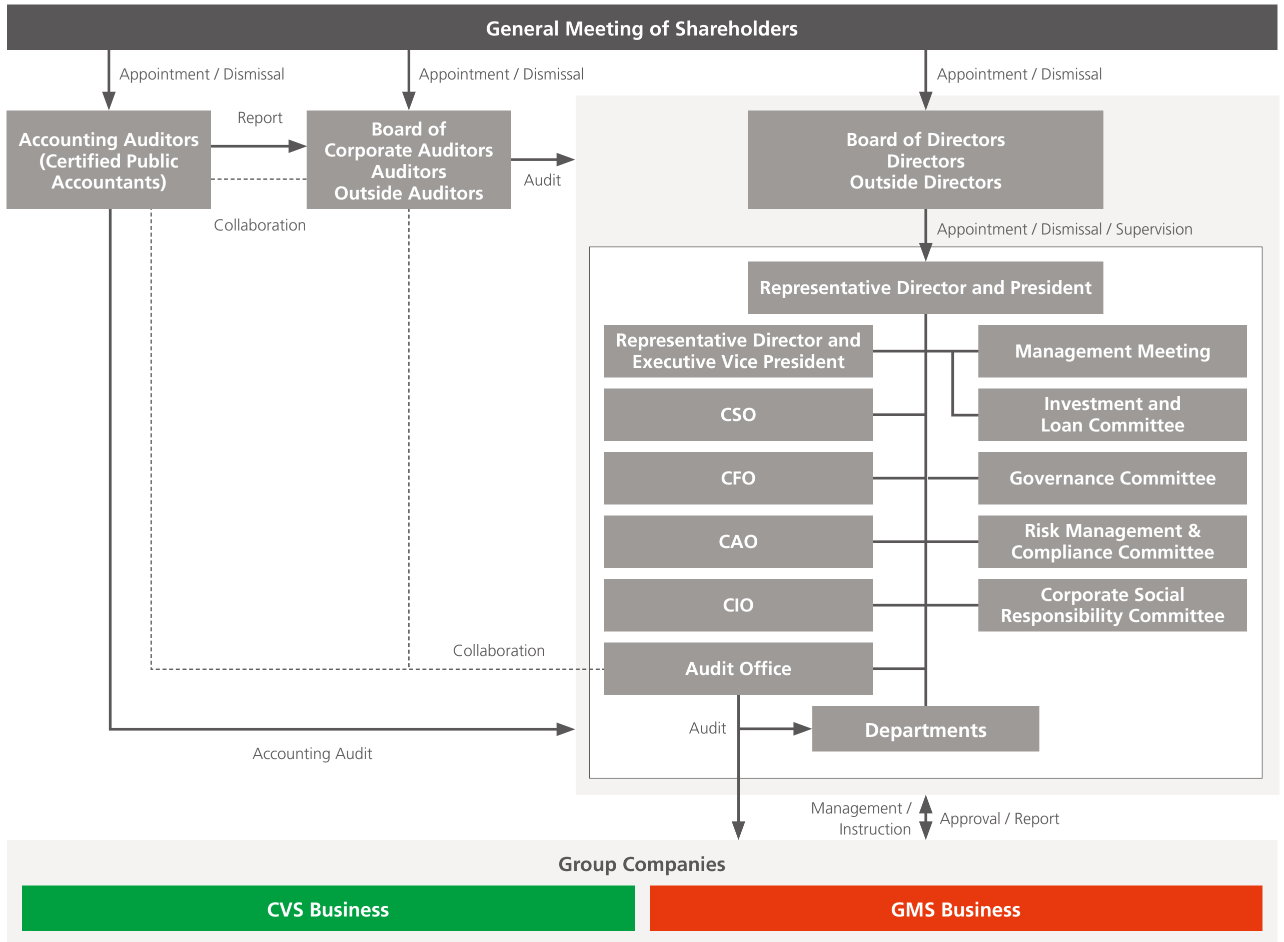
Based on our belief that strong corporate governance builds enterprise value, we are working to construct a transparent and effective management system. To this end, we are working to establish a system to ensure legal compliance and the accurate performance of administrative work. In addition, to ensure proper corporate governance, it is essential to fulfill our duty of accountability through regular disclosure of corporate information.

Overview of the Company's Corporate Governance System

Type of system	Company with a Board of Corporate Auditors
Number of directors (Of whom, number of outside directors)	13 (2)
Number of corporate auditors (Of whom, number of outside corporate auditors)	5 (4)
Term of office for directors	1 year (the same for outside directors)
Term of office for corporate auditors	4 years (the same for outside corporate auditors)
Adoption of an executive officer system	Yes
Organization to support CEO decision-making	Management Meeting

Corporate Governance System

(As of June 1, 2018)



Principal Meetings

Principal Meetings and Decision Highlights

Board of Directors	
Summary	Decides on important matters affecting the Company's implementation of operations and supervises the performance of duties
Number of meetings in fiscal 2017	20
Decision Highlights	• Revision of executive compensation • Capital and business alliance with Don Quijote Holdings Co., Ltd. • Additional acquisition of Kanemi Co., Ltd., shares • Conversion of UCS CO., LTD., into a wholly owned subsidiary of UNY CO., LTD. • Additional acquisition of Pocket Card Co., Ltd., shares
Management Meeting	
Summary	Based on policies the Board of Directors has approved, deliberates the implementation of policies and plans in overall business management
Number of meetings in fiscal 2017	23

Principal Committees

Investment and Loan Committee	
Purpose	Conducts preliminary reviews of investments and loans
Chairperson	Representative director and executive vice president
Committee members	7
Meetings in fiscal 2017	11
Governance Committee (established in fiscal 2018)	
Purpose	Reviews the establishment and operation of internal control systems throughout the Group
Chairperson	Director and senior managing executive officer
Committee members	4
Meetings in fiscal 2017	—
Risk Management & Compliance Committee	
Purpose	Exercises Groupwide control of risk management and compliance activities
Chairperson	Director and senior managing executive officer
Committee members	12
Meetings in fiscal 2017	3
Corporate Social Responsibility Committee	
Purpose	Exercises Groupwide control of corporate social responsibility and sustainability activities
Chairperson	Director and executive officer
Committee members	6
Meetings in fiscal 2017	2

Corporate Governance

Criteria Concerning the Independence of Outside Officers

With the goal of defining the criteria for certifying outside directors and outside corporate auditors as independent officers of the Company, the Company has established "Criteria Concerning the Independence of Outside Officers" with the approval of the Board of Directors. When considering candidates for outside director and outside corporate auditor, their independence based on said criteria is a prerequisite for the position.

Reasons for Appointing Outside Directors and Outside Corporate Auditors

Outside Directors

Name	Reason for appointment	Attendance rate at fiscal 2017 Board of Directors' meetings
Takashi Saeki Independent Director	Takashi Saeki has served as an outside director of the Company as well as a consultant to directors, outside director, and outside corporate auditor at other companies. We have thus determined that Mr. Saeki can be expected to provide valuable opinions and advice based on his abundant experience and significant insight as a corporate manager. Mr. Saeki serves as a director and advisor of TOHO GAS Co., Ltd. The Group conducts standard gas use transactions as well as gas fee money transfer transactions with this company, but the amounts of these transactions are immaterial.	16/20 (80%)
Tadashi Izawa Independent Director	Tadashi Izawa has abundant experience acquired through his years of experience as a deputy director-general of the Ministry of Economy, Trade and Industry, a board member of the Japan International Cooperation Agency, an executive vice president of Japan External Trade Organization, and an ambassador. We have determined that Mr. Izawa can be expected to provide valuable opinions and advice based on these experiences and his deep knowledge.	—

Outside Corporate Auditors

Name	Reason for appointment	Attendance rate at fiscal 2017 Board of Directors' meetings	Attendance rate at fiscal 2017 Board of Corporate Auditors' meetings
Yasuhiro Baba	Yasuhiro Baba has been engaged in accounting and finance tasks at another company for many years. We have thus determined that Mr. Baba can be expected to perform rigorous audits of the Company's management based on his wealth of experience and insight into the accounting and finance fields.	20/20 (100%)	12/12 (100%)
Mika Takaoka Independent Auditor	Mika Takaoka possesses a wealth of specialized insight and knowledge regarding economics and management accumulated through her experience as a university professor. We have thus determined that Ms. Takaoka can be expected to perform rigorous audits of the Company's management.	16/20 (80%)	11/12 (91%)
Naotaka Nanya Independent Auditor	Naotaka Nanya has a wealth of experience and insight as a legal specialist. We have thus determined that Mr. Nanya can be expected to perform rigorous audits of the Company's management.	20/20 (100%)	12/12 (100%)
Takayuki Aonuma Independent Auditor	Takayuki Aonuma has a wealth of experience and insight as a legal specialist. We have thus determined that Mr. Aonuma can be expected to perform rigorous audits of the Company's management.	—	—

Note: Tadashi Izawa and Takayuki Aonuma were elected to the Board of Directors and the Board of Corporate Auditors, respectively, at the 37th Ordinary General Meeting of Shareholders on May 24, 2018.

Message from Outside Director

Contributing to Corporate Management as Risks Diversify

Please let me introduce myself. I am Tadashi Izawa, and the Ordinary General Meeting of Shareholders convened in May 2018 appointed me as an outside director. In a career spanning more than 30 years, I have worked as a government administrator in diverse fields, including public relations, energy, and trade. Also, living overseas and working for international aid organizations exposed me to many different values and national traits. I look forward to drawing on these experiences to provide the FamilyMart UNY Group with fresh perspectives.

Due to the rapid technological progress of recent years and other factors, companies are facing competition from inside and outside their industries. As lifestyles change, society ages, and internationalization advances, retailers must respond to change with more agility than before to continue providing consumers with high added value.

Adopting a flexible, unconventional stance to addressing issues not only requires the appropriate establishment of governance but also calls for rapid identification of and acute sensitivity to diverse risks. My mission is to be an outside director that helps the Group control and minimize risks as it boldly seizes opportunities for growth and business advancement.

Outside Director

Tadashi Izawa

Evaluation of Board of Directors' Effectiveness

With the aim of further enhancing corporate governance, the Company evaluates the effectiveness of the Board of Directors. The effectiveness evaluation conducted in 2018 found that the Board of Directors was generally functioning properly, with "appropriate" or "more or less appropriate" accounting for the majority of answers to the evaluation's questions.

Summary of Evaluation of Board of Directors' Effectiveness

Subjects	All directors and corporate auditors at the end of February each year
Method	Questionnaire survey of all subjects (answers anonymous)
Questions	1. Composition of the Board of Directors 2. Management of the Board of Directors 3. Agenda items of the Board of Directors 4. Support systems of the Board of Directors
Evaluation method	All directors and corporate auditors answer a questionnaire about the effectiveness of the Board of Directors. Based on the aggregated results of these answers, analysis and evaluation are conducted at meetings of the Board of Directors.

Further, the previous fiscal year's evaluation pointed out issues related to the Board of Directors with respect to the schedule for convening meetings and the content of documents provided. Based on comparison with the previous fiscal year's evaluation, the most recent evaluation confirmed that the Company has made improvements with respect to enhancing and revising management of the Board of Directors in regard to these issues. Meanwhile, most recent evaluation pointed out issues related to the composition of the Board of Directors, such as the number of directors and the percentage of outside directors, and issues related to the enhancement of the content of the agenda items of the Board of Directors, including plans for successors to representative directors and the nomination and dismissal of members of senior management. In light of the evaluation, the Board of Directors will consider improvements and revisions and continue efforts to enhance its effectiveness.

Message from Outside Director

Pursuing an Optimal System through Trial and Error

I used to be an outside director at UNY Group Holdings Co., Ltd. In my view, the holding company's Board of Directors, whose members changed following management integration, discusses important management issues in a timely manner. Also, I believe that the exchanges of opinion and questions of attendees, including those of outside members, are generally appropriate.

An evaluation of the Board of Directors' effectiveness, conducted in 2017, identified issues, mainly concerning the management of the Board with regard to such areas as time allotted for discussions and procedures for providing information that is the basis of discussions. The past year has seen many improvements. Given the rapidity with which business conditions are changing, however, I feel that time and capacity limit the Board of Directors' ability to discuss all important issues of the holding company and operating companies. I think, therefore, the Company needs to divide functions among the Board of Directors and various types of meetings—such as the Management Meeting and relevant operating companies' boards of directors—and then create a framework that organically links them.

Outside Director

Takashi Saeki

More than a year and a half has passed since management integration, and the Company's governance remains at the trial-and-error stage. In light of periodic effectiveness evaluations, I would like the Board to continue improvements and reforms.

Corporate Governance

Executive Compensation

The Company provides compensation to directors and corporate auditors within predetermined monetary limits approved by the general meeting of shareholders.

Directors receive fixed compensation, which is a monthly salary, and bonuses. Fixed compensation is a monetary amount based on internal regulations and position. Bonuses are performance-based compensation and are linked to consolidated net profit attributable to owners of parent. Further, the Company provides a portion of fixed compensation and bonuses to directors through the Company's management stock ownership plan as stock price-linked compensation. During directors' terms of office, the Company requires directors to keep shares they have acquired.

Part-time directors only receive fixed compensation in the form of a monthly salary.

Corporate auditors only receive fixed compensation in the form of a monthly salary.

Compensation for Executives

	Total paid (¥ million)	Total paid in various forms (¥ million)				No. of payments
		Basic salary	Stock options	Bonuses	Retirement benefit recipients	
Directors (excluding outside directors)	154	101	—	53	—	10
Corporate auditors (excluding outside corporate auditors)	26	26	—	—	—	1
Outside directors	20	20	—	—	—	2
Outside corporate auditors	34	34	—	—	—	4

Note: The above figures include one director who retired as of the close of the 36th Ordinary General Meeting of Shareholders held on May 25, 2017, and one director who retired on February 20, 2018

Compensation of Accounting Auditors

The compensation paid to accounting auditors for conducting audits is determined based on the Company's scale and characteristics and on the number of days required to perform the audits. The final decision is made after reaching agreement with the accounting auditors. Information on the certified public accountants that performed the audits and on compensation they received can be found below.

Names of the certified public accountants that executed duties:

Koichi Okubo and Haruko Nagayama, Deloitte Touche Tohmatsu LLC

Compensation for Corporate Auditors

	Fiscal 2016		Fiscal 2017	
	Compensation based on audit and attestation (¥ million)	Compensation for non-audit services (¥ million)	Compensation based on audit and attestation (¥ million)	Compensation for non-audit services (¥ million)
FamilyMart UNY Holdings	64	3	79	—
Consolidated subsidiaries	217	4	449	—
Total	281	7	528	—

Internal Control System / IR Activities

Internal Control System

The Company has the Risk Management & Compliance Committee as an advisory body to the president, and the committee reviews the establishment (streamlining and operation) of internal controls based on the Basic Policy. The standing corporate auditors also attend the committee to deliver their opinions.

Compliance and Risk Management

The Risk Management & Compliance Committee monitors the status of compliance by receiving reports from the Compliance Committee at each Group company. The respective Group companies continuously execute various measures including education and training activities for officers and employees and the establishment of an internal reporting system and a point of contact for consulting.

In addition, the Company has established systems to rectify and prevent compliance violations. It has established an internal reporting system for the Group, which includes an employee hotline and a supplier helpline.

The Risk Management & Compliance Committee monitors the status of risk management by receiving reports from the Risk Management Committee at each Group company. The respective Group companies regularly analyze and evaluate various risks and independently conduct risk management regarding the risks concerned.

The Company has established the Investment and Loan Committee, which reviews important investment and loan topics at the Company and the respective Group companies.

Use of Employee Hotline and Supplier Helpline in Fiscal 2017

Suspected fraud, law breaking, or rule violation	19
Inquiry about labor contract or working hours	7
Inquiry about workplace conditions, behavior, language	67
Suspected harassment	43
Other	21
Total	157

Group Companies Management System

The Company dispatches directors and/or corporate auditors and provides the respective Group companies with business administration and management guidance in accordance with the Management Rules regarding Associated Companies. The Company also has entered into management guidance agreements with major operating companies to promote Groupwide improvement of propriety in operations.

In addition, we determine matters that require the Company's prior approval and matters that need to be reported to the Company under the Management Rules regarding Associated Companies, and conduct deliberations on significant matters pertaining to the subsidiaries in the Company's Board of Directors meetings and in the Management Meeting, etc.

Furthermore, with respect to risk management, we have taken actions such as the establishment of the Risk Management & Compliance Committee and compliance education at each Group company. Based on the status of such actions, the Company conducts education and training regarding compliance and risk management, etc., at Group companies and provides training materials to the group companies, and further provides advice and guidance on the improvement of relevant rules and the streamlining of the systems. With these measures, the Company promotes the internal control systems including those at Group companies.

IR Activities

The Company is committed to ensuring that its investor relations activities respect its policy of simple and forthright disclosure characterized by accuracy, promptness, and impartiality. Under the strong leadership of the president, the Company holds biannual financial results review meetings, conducts overseas investor relations activities, meets individually with investors and analysts, and proactively provides information through its corporate website and various publications. Going forward, we will work to further enhance our investor relations activities.

Major Investor Relations Activities in Fiscal 2017

Activities	Contents
Meetings for analysts and institutional investors	Twice (interim and year-end results): Explanation of business results and management strategies; first- and third-quarter teleconferences
Briefing sessions	Product strategy briefings, distribution center study tour, briefing on MEGA Don Quijote UNY store
Overseas IR activities	Visits to important investors in the U.S., Europe, and Asia for briefing sessions
Individual meetings	About 300 times
Domestic and international conferences hosted by securities companies	About 10 times
Briefings for individual investors	4 times
Major communication tools	• Annual report • Semi-annual reports for individual shareholders (published after the second quarter and fiscal year-end)

Fact Sheets

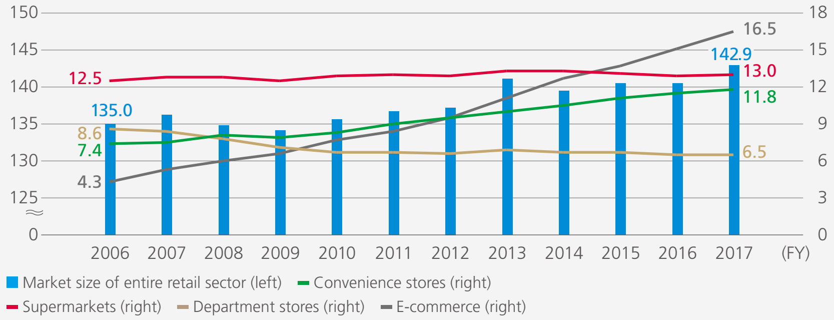
Retail Sector Data

Sales of Retail Sector

(¥ billion)

	12/3	13/3	14/3	15/3	16/3	17/3	18/3
Entire retail sector	136,709	137,184	141,136	139,466	140,565	140,275	**142,999**
Department stores	6,723	6,649	6,893	6,702	6,792	6,560	**6,534**
Supermarkets	12,977	12,905	13,250	13,293	13,147	12,965	**13,086**
Convenience stores	8,975	9,542	10,017	10,544	11,127	11,518	**11,801**
E-commerce	8,459	9,513	11,166	12,797	13,774	15,135	**16,505**

Market Size of Retail Sector by Format



General Merchandise Store Sector Data

Sales at Major Superstores

(¥ billion)

	12/2	13/2	14/2	15/2	16/2	17/2	18/2
Aeon Retail	2,017	1,978	1,961	1,935	1,990	2,006	**2,021**
Ito-Yokado	1,334	1,302	1,280	1,253	1,255	1,219	**1,213**
UNY	750	730	732	705	716	699	**670**
IZUMI	470	489	509	530	580	618	**652**
Others	8,405	8,404	8,766	8,867	8,604	8,421	**8,528**
Total	12,977	12,905	13,250	13,293	13,147	12,965	**13,086**

Growth Rate of Average Daily Sales at Existing Stores

(%)

	12/2	13/2	14/2	15/2	16/2	17/2	18/2
Aeon Retail	0.3	(1.4)	0.0	(2.8)	(0.3)	(2.3)	**(1.4)**
Ito-Yokado	(2.6)	(4.3)	(4.6)	(4.5)	0.2	(4.2)	**(1.4)**
UNY	(1.6)	(2.8)	0.3	(2.9)	1.0	(1.0)	**0.0**
IZUMI	0.8	(0.8)	2.4	1.4	2.0	1.9	**(0.4)**

Sources: *Current Survey of Commerce*, *E-Commerce Market Survey*, Ministry of Economy, Trade and Industry; and data released by each company

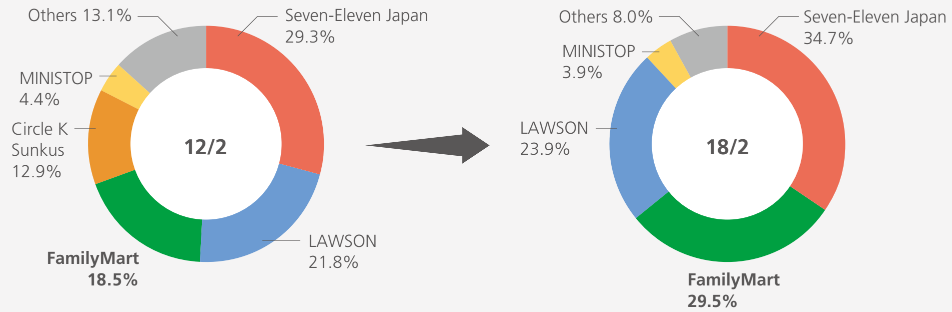
Convenience Store Sector Data

Major Convenience Store Chains (Number of domestic stores, including area franchised stores)

	12/2	13/2	14/2	15/2	16/2	17/2	18/2	YoY difference
Seven-Eleven Japan	14,005	15,072	16,319	17,491	18,572	19,422	**20,260**	**838**
FamilyMart	**8,834**	**9,481**	**10,547**	**11,328**	**11,656**	**12,995**	**15,726**	**2,731**
Cocostore	772	731	693	656	405			
Circle K Sunkus	6,169	6,242	6,359	6,353	6,350	5,130	**1,506**	**(3,624)**
LAWSON	10,457	11,130	11,606	12,276	12,395	13,111	**13,992**	**881**
MINISTOP	2,105	2,192	2,218	2,151	2,221	2,263	**2,264**	**1**
Daily Yamazaki	1,644	1,617	1,571	1,574	1,548	1,559	**1,553**	**(6)**
Seicomart	1,132	1,154	1,160	1,161	1,184	1,180	**1,197**	**17**
Community Store	303	313	448	594	520	518	**548**	**30**
JR-EAST	454	502	506	506	505	500	**494**	**(6)**
POPLAR	700	713	655	525	518	472	**461**	**(11)**
Three F	710	679	641	558	539	349	**291**	**(58)**
SAVE ON	577	582	600	605	578	501	**163**	**(338)**
Total	47,862	50,408	53,323	55,778	56,991	58,000	**58,455**	**455**

Notes: 1. FamilyMart merged with Cocostore in December 2015 and with Circle K Sunkus in September 2016.
2. Figures for certain chains are as of December 31 of the previous year.

Share of Store Numbers



Total Store Sales (Non-consolidated)

(¥ billion)

	12/2	13/2	14/2	15/2	16/2	17/2	18/2
FamilyMart	**1,534**	**1,584**	**1,721**	**1,860**	**2,005**	**3,009**	**3,016**
Circle K Sunkus	896	878	895	928	936		
Seven-Eleven Japan	3,280	3,508	3,781	4,008	4,291	4,515	**4,678**
LAWSON	1,621	1,693	1,758	1,932	1,960	2,027	**2,110**

Growth Rate of Average Daily Sales at Existing Stores (Non-consolidated)

(%)

	12/2	13/2	14/2	15/2	16/2	17/2	18/2
FamilyMart	**4.4**	**(1.6)**	**(0.4)**	**(2.2)**	**1.3**	**0.8**	**(0.3)**
Circle K Sunkus	3.1	(4.8)	(3.1)	(3.6)	(0.9)	(2.1)	**(5.4)**
Seven-Eleven Japan	6.7	1.3	2.3	2.4	2.9	1.8	**0.7**
LAWSON	5.4	0.0	(0.2)	(1.0)	1.4	(0.2)	**(0.1)**

Sources: *Convenience Store Sokuho*, Ryutsu Sangyo Shinbunsha for number of stores; and data released by each company

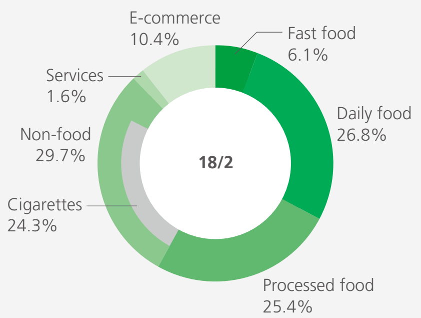
Data and Financial Section

Convenience Store Business: FamilyMart Co., Ltd.

Business Performance (Non-consolidated)

	17/2				18/2				19/2 (est.)	
	FamilyMart		Circle K / Sunkus		FamilyMart		Circle K / Sunkus		FamilyMart	
		YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Average daily sales at all stores (¥ thousand)	522	6	425	(6)	**520**	**(2)**	**385**	**(40)**	525	5
Number of customers	911	(3)	682	(17)	**884**	**(27)**	**617**	**(65)**	895	11
Spending per customer (¥)	573	8	624	8	**588**	**15**	**624**	**±0**	587	(1)
Average daily sales at existing stores (¥ thousand)	523	6	424	(7)	**523**	**±0**	**389**	**(35)**	532	9
Number of customers	914	(2)	680	(19)	**896**	**(18)**	**622**	**(58)**	907	11
Spending per customer (¥)	571	6	624	8	**584**	**13**	**625**	**1**	586	2
Growth rate of average daily sales at existing stores (%)	0.8	—	(2.1)	—	**(0.3)**	**—**	**(5.4)**	**—**	1.2	—
(FYI) Growth rate of average daily sales at existing stores including converted stores from Circle K Sunkus (%)	—	—	—	—	**2.1**	**—**	**—**	**—**	—	—
Average daily sales at new stores (¥ thousand)	486	6	—	—	**501**	**15**	**—**	**—**	515	14

Sales by Product Category



Category	Products
Fast food	Fried chickens, steamed meat buns, *oden*, and counter coffee, etc. made and sold over the counter
Daily food	Lunch boxes, noodles, sandwiches, desserts, etc.
Processed food	Beverages, liquor, instant noodles, confectionery, etc.
Non-food items	Magazines, daily goods, cigarettes, etc.
Services	Copy service, express service, etc.
E-commerce	Ticket and pre-paid card sales by Famiport (multimedia terminals)

Breakdown of Sales and Gross Profit Ratio by Product Category (Non-consolidated)

(¥ million)

FamilyMart	17/2					18/2					19/2 (est.)	
	Sales			Gross profit ratio (%)		Sales			Gross profit ratio (%)		Gross profit ratio (%)	
		YoY (%)	Share (%)		YoY difference		YoY (%)	Share (%)		YoY difference		YoY difference
Fast food	120,773	7.6	5.7	45.43	0.04	**156,102**	**29.3**	**6.1**	**45.37**	**(0.06)**		
Daily food	585,632	5.0	27.9	35.77	(0.21)	**681,946**	**16.4**	**26.8**	**35.97**	**0.20**		
Processed food	531,746	5.3	25.3	37.50	(0.75)	**647,525**	**21.8**	**25.4**	**37.98**	**0.48**		
Liquor	87,237	3.0	4.2	24.58	(0.07)	**108,794**	**24.7**	**4.3**	**25.27**	**0.69**		
Food sub-total	1,238,152	5.4	58.9	37.46	(0.40)	**1,485,575**	**20.0**	**58.3**	**37.82**	**0.36**		
Non-food	622,144	4.3	29.6	15.75	0.04	**755,794**	**21.5**	**29.7**	**15.60**	**(0.15)**		
Cigarettes	500,434	4.8	23.8	10.81	0.01	**618,731**	**23.6**	**24.3**	**10.81**	**±0.00**		
Services	33,479	1.3	1.6	9.26	(0.22)	**40,172**	**20.0**	**1.6**	**9.32**	**0.06**		
E-commerce	207,122	9.3	9.9	5.54	0.22	**265,301**	**28.1**	**10.4**	**5.76**	**0.22**		
Total	2,100,899	5.4	100.0	27.44	(0.24)	**2,546,843**	**21.2**	**100.0**	**27.50**	**0.06**	27.65	0.15
(FYI) GP ratio excluding services and EC				30.7	(0.2)				**30.9**	**0.2**	31.1	0.2

Profile of Stores

Number of Stores

	15/2		16/2		17/2		18/2		19/2 (est.)	
	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference
Company-owned stores	416	30	347	(69)	356	9	**299**	**(57)**	274	(25)
Type 1	6,360	289	6,424	64	6,588	164	**7,004**	**416**		
Type 2	3,738	415	4,063	325	5,145	1,082	**7,504**	**2,359**		
Franchised stores	10,098	704	10,487	389	11,733	1,246	**14,508**	**2,775**	15,633	1,125
FamilyMart stores (non-consolidated)	10,514	734	10,834	320	12,089	1,255	**14,807**	**2,718**	15,907	1,100
Company-owned stores					373	373	**143**	**(230)**	—	(143)
Franchised stores					4,539	4,539	**1,363**	**(3,176)**	—	(1,363)
Circle K Sunkus stores (non-consolidated)					4,912	4,912	**1,506**	**(3,406)**	—	(1,506)
Number of stores operated by FamilyMart Co., Ltd. (non-consolidated)	10,514	734	10,834	320	17,001	6,167	**16,313**	**(688)**	15,907	(406)
Okinawa FamilyMart Co., Ltd.	251	19	269	18	318	49	**324**	**6**		
Minami Kyushu FamilyMart Co., Ltd.	337	4	353	16	405	52	**406**	**1**		
Hokkaido FamilyMart Co., Ltd.*1	75	7	47	(28)	—	(47)	**—**	**—**		
JR KYUSHU RETAIL, INC.	151	17	153	2	183	30	**189**	**6**		
Sunkus Nishi-Shikoku*2					63	63	**—**	**(63)**		
Circle K Shikoku*2					155	155	**—**	**(155)**		
Number of stores operated by area franchise companies in Japan	814	47	822	8	1,124	302	**919**	**(205)**	947	28
Number of stores in Japan	11,328	781	11,656	328	18,125	6,469	**17,232**	**(893)**	16,854	(378)
Taiwan	2,952	55	2,985	33	3,071	86	**3,168**	**97**	3,308	140
Thailand	1,193	123	1,109	(84)	1,138	29	**1,134**	**(4)**	1,114	(20)
China	1,306	211	1,530	224	1,875	345	**2,197**	**322**	2,197	±0
United States	8	(1)	—	(8)	—	—	**—**	**—**	—	—
Vietnam	71	43	87	16	122	35	**160**	**38**	160	±0
Indonesia	21	9	27	6	70	43	**88**	**18**	86	(2)
The Philippines	91	52	108	17	95	(13)	**65**	**(30)**	66	1
Malaysia	—	—	—	—	4	4	**37**	**33**	73	36
Number of overseas stores operated by area franchise companies	5,642	(7,433)	5,846	204	6,375	529	**6,849**	**474**	7,004	155
Number of stores operated by area franchise companies	6,456	(7,386)	6,668	212	7,499	831	**7,768**	**269**	7,951	183
Total number of stores	16,970	(6,652)	17,502	532	24,500	6,998	**24,081**	**(419)**	23,858	(223)

*1 Hokkaido FamilyMart was integrated with FamilyMart Co., Ltd., on March 1, 2016.
*2 Sunkus Nishi-Shikoku and Circle K Shikoku were integrated with FamilyMart Co., Ltd., on March 1, 2017.

24,081 stores
in eight countries and regions
(as of end-February 2018)

China
Opened first store in 2004
2,197 stores

Japan
Opened first store in 1973
17,232 stores

Vietnam
Opened first store in 2009
160 stores

Taiwan
Opened first store in 1988
3,168 stores

Thailand
Opened first store in 1993
1,134 stores

The Philippines
Opened first store in 2013
65 stores

Malaysia
Opened first store in 2016
37 stores

Indonesia
Opened first store in 2012
88 stores

Fact Sheets

Number of Stores by Region

FamilyMart
Circle K / Sunkus

Total: **17,232** stores in Japan
(Includes area franchised stores)

As of February 28, 2018

Region	Total	FamilyMart	Circle K / Sunkus
Hokkaido	237	233	4
Ishikawa	267	212	55
Aomori	226	145	81
Iwate	189	176	13
Yamaguchi	91	91	—
Shimane	65	65	—
Tottori	72	72	—
Kyoto	332	306	26
Fukui	158	149	9
Akita	160	130	30
Miyagi	370	352	18
Hiroshima	276	275	1
Okayama	243	200	43
Hyogo	560	509	51
Shiga	161	139	22
Toyama	168	143	25
Niigata	184	179	5
Yamagata	153	141	12
Fukushima	180	180	—
Nagasaki	158	158	—
Fukuoka	546	538	8
Osaka	1,401	1,324	77
Gifu	378	280	98
Nagano	267	241	26
Gunma	126	124	2
Tochigi	227	226	1
Ibaraki	336	331	5
Saga	75	75	—
Oita	119	119	—
Ehime	245	195	50
Kagawa	128	126	2
Nara	145	143	2
Aichi	1,686	1,352	334
Yamanashi	82	82	—
Saitama	796	782	14
Tokyo	2,525	2,334	191
Kumamoto	204	204	—
Miyazaki	125	125	—
Kochi	105	86	19
Tokushima	86	77	9
Wakayama	120	116	4
Mie	420	351	69
Shizuoka	560	456	104
Kanagawa	1,042	959	83
Chiba	633	620	13
Okinawa	324	324	—
Kagoshima	281	281	—

Number of Store Openings and Closures (Non-consolidated)

	15/2	16/2	17/2	18/2			19/2 (est.)		
	FamilyMart			Total	FamilyMart	Circle K Sunkus	Total	FamilyMart	Circle K Sunkus
Number of stores	10,514	10,834	17,001	**16,313**	**14,807**	**1,506**	15,907	15,907	—
Opening	1,061	703	831	**576**	**576**	**—**	600	600	—
Relocation*	110	182	244	**315**	**315**	**—**	340	340	—
Converting CKS stores to FM brand	—	—	829	**2,720**	**2,720**	**—**	1,045	1,045	—
Closure	327	383	1,589	**4,202**	**578**	**3,624**	2,051	545	1,506
Closure	—	—	468	**1,119**	**455**	**664**	741	345	396
Relocation	—	—	271	**350**	**123**	**227**	312	200	112
Closure due to brand conversion	—	—	850	**2,733**	**—**	**2,733**	998	—	998
Net increase/decrease	734	320	71	**(906)**	**2,718**	**(3,624)**	(406)	1,100	(1,506)

* Figures for relocation of FamilyMart stores include store relocation that occurred following the conversion from Circle K and Sunkus stores to the FamilyMart brand.

Franchise Contracts

Types of FamilyMart Franchise Contracts

(Contract details differ according to area franchisers)
○ Provided by the franchisee

Contract type		1FC-A	1FC-B	1FC-C	2FC-N
Contract period		10 years from store opening			
Funds	Required at contract date	¥3,000,000 at contract date (excluding consumption tax) Affiliation fee: ¥500,000 (excluding consumption tax) Store preparation commission: ¥1,000,000 (excluding consumption tax) Initial stocking fee: ¥1,500,000 (including cash for making change and a portion of merchandise procurement costs)			
	Land / building	○	○	Provided by FamilyMart	Provided by FamilyMart
	Interior facility construction expense	○	○ FamilyMart funds part of expense	○	Provided by FamilyMart
	Sales fixtures Information devices	○ (In principle, FamilyMart funds necessary expenses.)			
	Staff hiring Application for approval	About ¥500,000 (Franchisees are required to fund their own living expenses for 2 to 3 months.)			
Franchise commission		Percentage of monthly gross margin* Up to ¥2.5 million: 49% From ¥2.5 million: 39% Over ¥3.5 million: 36%	Percentage of monthly gross margin* Up to ¥2.5 million: 52% From ¥2.5 million: 42% Over ¥3.5 million: 39%	Percentage of monthly gross margin* Up to ¥3.0 million: 59% From ¥3.0 million: 52% Over ¥4.5 million: 49%	Percentage of monthly gross margin* Up to ¥3.0 million: 59% From ¥3.0 million: 63% Over ¥5.5 million: 69%
Rent		Note 1		Provided by FamilyMart	Provided by FamilyMart
Minimum operating revenue guaranteed (for stores open 24 hrs/day)		¥20 million per year			
Incentive for opening 24 hrs/day		¥1.2 million per year			
Support for losses from food waste		<Training period (1st - 12th month from opening)> Of monthly losses from food waste: 1) 80% between 1st and 4th month from opening 2) 50% between 5th and 12th month from opening		<After training period> Of monthly losses from food waste: 1) 10% for amounts between ¥100,000 and ¥300,000 2) 50% for amounts between ¥300,000 and ¥500,000 3) 15% for amounts exceeding ¥500,000	
Support for utilities		90% for amounts below ¥3.6 million per year			
Store management support		¥1.2 million per year			

* Net sales less cost of sales

Notes: 1. In the case of rental store space, the franchisee shall pay the rent, a leasehold deposit, and guarantee money.
2. A loan system is available for part of the franchisee's initial payments in the case of 2FC-N contracts.

FamilyMart's Franchise System

FamilyMart Co., Ltd., as the franchiser, collaborates closely with all of its franchisees to foster mutual trust and a collaborative relationship so that both parties may achieve business growth. Our franchisees are responsible for store management, including the ordering of their own inventories, the arranging of their product displays, and the hiring and training of their staff. For our part, we supply not only our brand name and logo but also full store management support services, including store operational know-how and the shared use of data management and logistics systems. In return for this support, the Company receives royalty income consisting of a certain percentage of each franchisee's gross margin. The rate differs according to the type of franchise contract.

Major Store Operation Systems

Multiple-Store Promotion System (1FC Contracts)	Multiple-Store Promotion System (2FC Contracts)	Step-Up Program for Franchisees on 2FC-N Contracts
This incentive-based support system encourages franchisees operating one store to take on multiple stores.	Under this system, which is geared toward expanding franchise store operations, FamilyMart's head office provides all store infrastructure, thereby allowing franchisees to hold down the outlay of funds. Irrespective of the initial type of operating contract, franchisees can take on the management of multiple stores.	This program enables franchisees on 2FC-N contracts to step up to 1FC-B or 1FC-C contracts after completing five years of management of a new store and fulfilling their contracts.

Note: Not applicable to certain stores

Major Support Systems for Franchisees

Family Membership Promotion System	Newly Independent Franchisee Support System Intern Employee Independence System	Senior Citizen Franchisee System	2FC-N Contract Funds Partial Loan System	FamilyMart Store Staff Independent Franchisee Support System

Note: Not applicable to certain stores

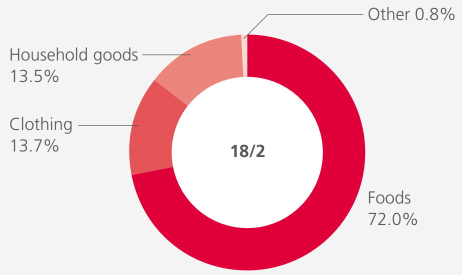
Fact Sheets

General Merchandise Store Business: UNY CO., LTD.

Overview of Stores

	Number of stores	Sales floor space at term-end (Directly managed floor space)	Average sales / year	Sales by product category
APITA	90	Approximately 23,000m² (Approximately 11,000m²)	Approximately ¥5.0 billion	Foods 65%, Non-food items 35%
PIAGO	101	Approximately 6,000m² (Approximately 4,000m²)	Approximately ¥2.0 billion	Foods 85%, Non-food items 15%

Sales by Product Category



(¥ million)

	15/2			16/2			17/2			18/2		
		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)
Clothing	99,975	(8.0)	14.2	98,274	(1.7)	13.7	94,535	(3.8)	13.5	**91,569**	**(3.1)**	**13.7**
Women's clothing	27,103	(8.6)	3.8	26,736	(1.4)	3.7	25,757	(3.7)	3.7	**24,418**	**(5.2)**	**3.6**
Children's clothing	12,948	(9.6)	1.8	12,619	(2.5)	1.8	12,486	(1.1)	1.8	**11,260**	**(9.8)**	**1.7**
Men's clothing	18,898	(5.2)	2.7	18,933	0.2	2.6	19,459	2.8	2.8	**17,517**	**(10.0)**	**2.6**
Shoes, bags and accessories	15,758	(9.3)	2.2	15,662	(0.6)	2.2	12,456	(20.5)	1.8	**14,162**	**13.7**	**2.1**
Underwear	25,266	(7.7)	3.6	24,322	(3.7)	3.4	24,375	0.2	3.5	**24,211**	**(0.7)**	**3.6**
Household goods	109,246	(5.6)	15.5	105,901	(3.1)	14.8	97,881	(7.6)	14.0	**90,783**	**(7.3)**	**13.5**
Household goods	16,689	(20.6)	2.4	15,907	(4.7)	2.2	11,812	(25.7)	1.7	**8,905**	**(24.6)**	**1.3**
General merchandise	92,556	(2.3)	13.1	89,994	(2.8)	12.6	86,069	(4.4)	12.3	**81,877**	**(4.9)**	**12.2**
Foods	484,962	(2.3)	68.7	501,236	3.4	69.9	499,502	(0.3)	71.4	**482,763**	**(3.4)**	**72.0**
Fresh food	286,898	(1.7)	40.7	298,368	4.0	41.6	296,121	(0.8)	42.3	**286,687**	**(3.2)**	**42.7**
Processed food	198,064	(3.2)	28.1	202,868	2.4	28.3	203,381	0.3	29.1	**196,076**	**(3.6)**	**29.2**
Commodity supplies	679	107.2	0.1	833	22.6	0.1	869	4.3	0.1	**763**	**(12.1)**	**0.1**
Other	10,905	(3.8)	1.5	10,748	(1.4)	1.5	7,033	(34.6)	1.0	**4,769**	**(32.2)**	**0.7**
Total	705,770	(3.6)	100.0	716,994	1.6	100.0	699,822	(2.4)	100.0	**670,649**	**(4.2)**	**100.0**

Net Sales and Growth Ratio of Existing Store Sales by Store Type

(¥ million)

	15/2			16/2			17/2			18/2		
		YoY (%)	Existing store sales*1 (%)		YoY (%)	Existing store sales*1 (%)		YoY (%)	Existing store sales*1 (%)		YoY (%)	Existing store sales*1 (%)
APITA	462,024	(3.1)	(3.4)	470,247	1.8	0.9	465,950	(0.9)	(0.9)	**459,530**	**(1.4)**	**0.7**
PIAGO	231,601	(4.4)	(2.2)	234,922	1.4	1.1	228,617	(2.7)	(1.2)	**213,132**	**(6.8)**	**(1.6)**
U-Home*2	10,195	(5.9)	(2.9)	9,796	(3.9)	0.1	3,905	(60.1)	—	**—**	**—**	**—**
Total	703,821	(3.6)	(2.9)	714,965	1.6	1.0	698,473	(2.3)	(1.0)	**672,663**	**(3.7)**	**0.0**

*1. The growth ratio of existing store sales is after day-of-the-week adjustment.
*2. UNY CO., LTD. withdrew from the home center business and closed all 11 U-Home stores from June to August in 2016.

Sales Growth

(%)

	17/2	18/2	19/2 (est.)
YoY change in existing store sales (after day-of-the-week adjustment)	(1.0)	**0.0**	(0.2)
Clothing	(1.5)	**1.2**	
Household goods	(0.4)	**1.4**	
Foods	(0.3)	**(0.2)**	
YoY change in existing store sales	(0.8)	**(0.3)**	
Number of customers	(1.3)	**(1.1)**	
Average spending per customer	1.0	**1.1**	
YoY change in all store sales	(2.3)	**(3.7)**	
Clothing	(3.8)	**(3.1)**	
Household goods	(7.6)	**(6.1)**	
Foods	(0.3)	**(3.0)**	

Gross Profit Ratio by Product Category

(%)

	15/2		16/2		17/2		18/2		19/2 (est.)	
		Increase / Decrease		Increase / Decrease		Increase / Decrease		Increase / Decrease		Increase / Decrease
Clothing	36.7	(0.8)	36.3	(0.4)	35.6	(0.7)	**36.3**	**0.7**		
Household goods	27.8	0.1	27.4	(0.4)	26.0	(1.4)	**27.1**	**1.1**		
Foods	20.5	—	20.5	—	20.4	(0.1)	**20.3**	**(0.1)**		
Total	23.9	(0.2)	23.7	(0.2)	23.2	(0.5)	**23.4**	**0.2**	23.8	0.4

Profile of Stores

Number of Stores by Store Type

	15/2		16/2		17/2		18/2	
		Increase / Decrease		Increase / Decrease		Increase / Decrease		Increase / Decrease
APITA	98	1	97	(1)	97	—	**90**	**(7)**
PIAGO	117	(4)	120	3	113	(7)	**101**	**(12)**
U-Home*	11	—	11	—	—	(11)	**—**	**—**
Total	226	(3)	228	2	210	(18)	**191**	**(19)**
MEGA Don Quijote UNY stores	—	—	—	—	—	—	**1**	**1**

* UNY CO., LTD. withdrew from the home center business and closed all 11 U-Home stores from June to August in 2016.

Number of Store Openings and Closures

	15/2		16/2		17/2		18/2		19/2 (est.)	
		Increase / Decrease		Increase / Decrease		Increase / Decrease		Increase / Decrease		Increase / Decrease
Number of stores	226	(3)	228	2	210	(18)	**191**	**(19)**	181	(10)
Opening	6	—	8	—	2	—	**1**	**—**	1	—
Closure	9	—	6	—	20	—	**20**	**—**	11	—
MEGA Don Quijote UNY stores	—	—	—	—	—	—	**1**	**1**	6	5

Consolidated Business Results

Financial Summary

(¥ million)

		Japanese GAAP			IFRS		
		14/2	15/2	16/2	16/2	17/2	18/2
Fiscal year							
Operating revenues	FamilyMart	345,603	374,430	427,676	424,435	843,815	**1,275,300**
	UNY GHD	1,032,126	1,018,959	1,038,733			
Operating profit / Core operating income	FamilyMart	43,310	40,417	48,734	50,281	55,670	**66,250**
	UNY GHD	25,328	20,237	22,367			
Net profit attributable to owners of parent	FamilyMart	22,611	25,672	21,067	17,763	21,585	**33,656**
	UNY GHD	7,440	(2,408)	(2,873)			
Capital expenditures	FamilyMart	93,256	111,717	68,534		90,831	**125,314**
	UNY GHD	77,959	65,720	66,670			
Depreciation and amortization	FamilyMart	24,459	30,918	32,835		46,967	**63,936**
	UNY GHD	35,412	37,232	37,633			
Net cash provided by operating activities	FamilyMart	60,843	71,837	97,985	93,776	83,351	**152,729**
	UNY GHD	35,385	57,842	84,212			
Net cash used in investing activities	FamilyMart	(64,377)	(53,674)	(61,566)	(62,756)	(30,657)	**(49,502)**
	UNY GHD	(60,523)	(53,335)	(46,852)			
Net cash (used in) provided by financing activities	FamilyMart	(21,054)	(21,375)	(17,394)	(16,824)	(4,916)	**(37,875)**
	UNY GHD	71,714	(6,833)	(12,986)			
Fiscal year-end							
Total assets	FamilyMart	588,136	666,244	730,295	728,976	1,667,074	**1,732,506**
	UNY GHD	950,166	952,584	973,233			
Total equity	FamilyMart	265,458	284,829	295,229	271,876	517,842	**543,235**
	UNY GHD	305,776	301,249	285,018			

Note: The figures above do not include the performance of UNY GHD in the 1st half of fiscal 2016.

		Japanese GAAP			IFRS		
		14/2	15/2	16/2	16/2	17/2	18/2
Per share of common stock							
Total equity per share (¥)	FamilyMart	2,686.37	2,872.40	2,987.34	2,864.20	4,089.07	**4,293.16**
	UNY GHD	1,291.17	1,271.84	1,206.51			
Basic net income per share (¥)	FamilyMart	238.19	270.45	221.94	187.13	195.07	**265.82**
	UNY GHD	32.13	(10.47)	(12.49)			
Cash dividends applicable to the year (¥)	FamilyMart	102.00	106.00	110.00	110.00	112.00	**112.00**
	UNY GHD	24.00	20.00	20.00			
Ratios							
Equity ratio (%)	FamilyMart	43.4	40.9	38.8	37.3	31.1	**31.4**
	UNY GHD	31.3	30.7	28.5			
ROE (return on equity) (%)	FamilyMart	9.2	9.7	7.6	6.6	5.5	**6.3**
	UNY GHD	2.5	—	—			
ROA (return on total assets) (%)	FamilyMart	4.1	4.1	3.0	2.5	1.5	**2.2**
	UNY GHD	0.8	—	—			
PER (price earnings ratio) (times)	FamilyMart	19.0	20.0	24.4	29.0	35.2	**30.4**
	UNY GHD	18.8	—	—			
Payout ratio (%)	FamilyMart	42.8	39.2	49.6	58.8	57.4	**42.1**
	UNY GHD	74.7	—	—			

Note: The figures above do not include the performance of UNY GHD in the 1st half of fiscal 2016.

Fact Sheets

(FYI) Year-on-Year Comparisons Including the Performance of UNY Group Holdings in Fiscal 2016 1st Half (IFRS)

* Differs from numerical values under corporate accounting procedures.

(¥ million)

	17/2	18/2				19/2			
	Full year	1H		Full year		1H (est.)		Full year (est.)	
			(FYI) YoY		(FYI) YoY		YoY		YoY
Operating revenues	1,267,329	**633,636**	**(0.2%)**	**1,275,300**	**0.6%**	645,100	1.8%	1,270,200	(0.4%)
Convenience store business		**293,632**		**560,880**		271,600	(7.5%)	520,500	(7.2%)
General merchandise store business		**341,239**		**718,768**		376,000	10.2%	754,400	5.0%
Eliminations / Corporate		**(1,235)**		**(4,349)**		(2,500)	—	(4,700)	—
Operating gross profit	702,997	**357,495**	**1.4%**	**702,164**	**(0.1%)**	354,100	(0.9%)	696,400	(0.8%)
Selling, general and administrative expenses	626,995	**315,536**	**3.8%**	**635,914**	**1.4%**	311,600	(1.2%)	619,100	(2.6%)
Convenience store business		**214,806**		**427,104**		208,400	(3.0%)	408,700	(4.3%)
General merchandise store business		**101,330**		**211,506**		104,400	3.0%	213,400	0.9%
Eliminations / Corporate		**(600)**		**(2,696)**		(1,200)	—	(3,000)	—
Core operating income	76,001	**41,959**	**(13.6%)**	**66,250**	**(12.8%)**	42,500	1.3%	77,300	16.7%
Convenience store business		**29,199**		**42,934**		29,000	(0.7%)	51,000	18.8%
General merchandise store business		**12,988**		**23,531**		14,300	10.1%	27,100	15.2%
Eliminations / Corporate		**(228)**		**(215)**		(800)	—	(800)	—
Equity in earnings of associates and joint ventures	852	**(536)**	**—**	**908**	**6.6%**	1,400	—	1,800	98.2%
Other income	5,143	**1,802**	**(26.3%)**	**9,681**	**88.2%**	1,300	(27.9%)	4,000	(58.7%)
Other expenses	31,244	**9,751**	**(31.8%)**	**48,865**	**56.4%**	6,800	(30.3%)	14,600	(70.1%)
Operating profit	50,753	**33,474**	**(11.7%)**	**27,974**	**(44.9%)**	38,400	14.7%	68,500	144.9%
Convenience store business		**20,760**		**4,197**		24,800	19.5%	42,400	—
General merchandise store business		**12,881**		**23,823**		14,500	12.6%	27,000	13.3%
Eliminations / Corporate		**(166)**		**(46)**		(900)	—	(900)	—
Finance income	4,041	**1,729**	**(24.7%)**	**3,273**	**(19.0%)**	1,100	(36.4%)	2,200	(32.8%)
Finance costs	3,478	**1,206**	**(34.9%)**	**2,608**	**(25.0%)**	1,700	41.0%	3,600	38.0%
Net profit attributable to owners of parent	28,667	**22,367**	**17.4%**	**33,656**	**17.4%**	22,500	0.6%	40,000	18.8%
Convenience store business		**12,435**		**(1,285)**		17,200	38.3%	30,000	—
General merchandise store business		**9,545**		**17,708**		5,200	(45.5%)	9,600	(45.8%)
Eliminations / Corporate		**386**		**17,234**		100	(74.1%)	400	(97.7%)

(FYI) Comparison between IFRS and Japanese GAAP

IFRS

18/2		Adjustment
Operating revenues	1,275.3	95.8
Convenience store business	560.8	12.0
General merchandise store business	718.7	83.9
Eliminations	(4.3)	0.0
Cost of sales	573.1	95.5
Operating gross profit	702.1	0.3
Selling, general and administrative expenses	635.9	8.7
Convenience store business	427.1	7.2
General merchandise store business	211.5	1.5
Eliminations	(2.6)	(0.1)
Core operating income*	66.2	(8.4)
Convenience store business	42.9	(7.5)
General merchandise store business	23.5	(0.9)
Eliminations	(0.2)	0.0
(IFRS operating expense subject)	38.2	(7.7)
Operating profit	27.9	(0.8)
Convenience store business	4.1	0.1
General merchandise store business	23.8	(1.0)
Eliminations	0.0	0.0
Finance income / Finance costs	0.6	0.8
Net profit attributable to owners of parent	33.6	(1.1)
Convenience store business	(1.2)	(0.3)
General merchandise store business	17.7	(1.2)
Eliminations	17.2	(0.3)

Japanese GAAP

(FYI) Reference Figures Taking Into Consideration the Major Adjustments to IFRS Results

(¥ billion)

18/2	
Operating revenues	1,371.1
Convenience store business	572.8
General merchandise store business	802.6
Eliminations	(4.3)
Cost of sales	668.6
Operating gross profit	702.4
Selling, general and administrative expenses	644.6
Convenience store business	434.3
General merchandise store business	213.0
Eliminations	(2.7)
Operating profit	57.8
Convenience store business	35.4
General merchandise store business	22.6
Eliminations	(0.2)
Non-operating income/loss, Extraordinary income/loss, Equity in earnings of associates and joint ventures	(29.1)
Net profit attributable to owners of parent	32.5
Convenience store business	(1.5)
General merchandise store business	16.5
Eliminations	17.5

Main Adjustment Details [Amount]

(¥ billion)

Operating revenues (Cost of sales)	① Reversal of offset adjustments to net sales and cost of sales of products without inventory risks • (Convenience Store Business) Ticket, card, and service products (from directly operated stores) • (General Merchandise Store Business) Side dishes, etc., sold through consignment buying system
Selling, general and administrative expenses	① (Convenience Store Business) Amortization of goodwill associated with merger [7.6] ② (Both segments) Amortization of goodwill not associated with merger [1.1] ③ Others (retirement benefits, etc.) [0.2]
Core operating income*	① Gross profit less selling, general and administrative expenses (Reflects changes in selling, general and administrative expenses)
(IFRS operating expense subject)	① Equity in earnings of associates and joint ventures and other income and expenses subtracted as expenses

* Core operating income is a profit indicator for operating profit under Japanese GAAP that is calculated by subtracting the cost of sales and selling, general and administrative expenses from operating revenues.

Fact Sheets

Financial Results of Major Subsidiaries

FamilyMart Co., Ltd. (Non-consolidated) (IFRS)

* Numerical values under corporate accounting procedures

(¥ million)

	18/2				19/2			
	1H		Full year		1H		Full year	
		YoY*1		YoY*1		YoY		YoY
Total store sales	**1,551,390**	**45.5%**	**3,016,064**	**19.2%**	1,538,681	(0.8%)	3,000,000	(0.5%)
Operating revenues	**247,705**	**45.9%**	**468,179**	**18.9%**	222,986	(10.0%)	424,331	(9.4%)
Income from franchised stores	**169,969**	**39.5%**	**327,453**	**18.1%**				
Other operating revenues	**21,646**	**45.7%**	**40,474**	**13.7%**				
Net sales	**56,089**	**70.0%**	**100,252**	**23.8%**				
Operating gross profit	**207,427**	**41.3%**	**396,108**	**17.7%**	201,024	(3.1%)	387,628	(2.1%)
Selling, general and administrative expenses	**183,231**	**48.6%**	**361,912**	**19.8%**	176,197	(3.8%)	344,057	(4.9%)
Leasehold and office rents	**82,781**	**47.3%**	**164,930**	**19.8%**				
Personnel expenses	**33,811**	**53.1%**	**65,256**	**22.0%**				
Advertising expenses	**11,633**	**6.9%**	**20,583**	**(13.3%)**				
Depreciation	**22,451**	**51.3%**	**45,257**	**31.0%**				
Other	**32,553**	**68.5%**	**65,885**	**25.4%**				
Core operating income	**24,197**	**3.0%**	**34,196**	**(0.7%)**	24,827	2.6%	43,570	27.4%
Other income	**885**	**(40.1%)**	**1,669**	**(45.9%)**	612	(30.8%)	980	(41.3%)
Other expenses	**9,519**	**(11.5%)**	**41,982**	**51.0%**	6,012	(36.8%)	12,428	(70.4%)
Loss on disposal of fixed assets	**1,016**	**(56.4%)**	**4,633**	**(2.7%)**				
Impairment loss	**4,368**	**(28.1%)**	**28,468**	**87.4%**				
Other	**4,135**	**75.2%**	**8,881**	**13.1%**				
Operating profit	**15,563**	**9.6%**	**(6,117)**	**—**	19,426	24.8%	32,122	—
Finance income	**8,903**	**160.6%**	**10,228**	**105.2%**	4,237	(52.4%)	5,419	(47.0%)
Finance costs	**970**	**9.3%**	**1,867**	**(5.5%)**	959	(1.1%)	1,915	2.6%
Profit before income taxes	**23,496**	**40.4%**	**2,244**	**(82.4%)**	22,705	(3.4%)	35,626	—
Net profit	**17,146**	**65.7%**	**509**	**(92.0%)**	17,396	1.5%	27,367	—

*1. Year-on-year comparisons for FY2017 under IFRS use figures that do not include the FY2016 1st half performance of Circle K Sunkus Co., Ltd., before management integration.

(FYI) JGAAP

(¥ million)

	18/2	
	Full year	
		YoY*2
Total store sales	**3,016,064**	**0.2%**
Gross operating revenues	**480,361**	**0.6%**
Income from franchised stores	**327,452**	**0.2%**
Other operating revenues	**39,798**	**(2.4%)**
Net sales	**113,110**	**2.7%**
Operating gross profit	**396,107**	**0.1%**
Selling, general and administrative expenses	**359,032**	**1.7%**
Leasehold and office rents	**164,932**	**1.9%**
Personnel expenses	**64,550**	**2.4%**
Advertising expenses	**20,582**	**(19.5%)**
Depreciation	**42,156**	**7.1%**
Other	**66,810**	**5.9%**
Operating profit	**37,075**	**(13.3%)**
Non-operating income	**11,259**	**40.8%**
Non-operating expenses	**2,534**	**(7.1%)**
Ordinary income	**45,801**	**(4.6%)**
Extraordinary income	**3,941**	**410.0%**
Extraordinary loss	**25,801**	**(65.6%)**
Profit before income taxes	**23,940**	**—**
Net income	**18,908**	**—**

*2. Year-on-year comparisons for FY2017 under Japanese GAAP use figures that include the FY2016 1st half performance of Circle K Sunkus Co., Ltd., before management integration.

UNY CO., LTD. (Non-consolidated) (IFRS)

* Numerical values under corporate accounting procedures

(¥ million)

	18/2				19/2			
	1H		Full year		1H (Est.)		Full year (Est.)	
		YoY*1		YoY*1		YoY		YoY
Gross operating revenues	**302,066**		**605,827**	**91.5%**	291,120	(3.6%)	581,360	(4.0%)
Net sales	**273,735**		**551,217**	**92.0%**				
Other revenues	**28,330**		**54,611**	**87.0%**				
Gross profit	**70,466**		**143,504**	**92.2%**	70,345	(0.2%)	141,196	(1.6%)
Operating gross profit	**98,797**		**198,114**	**90.8%**	96,583	(2.2%)	193,420	(2.4%)
Selling, general and administrative expenses	**87,778**		**178,563**	**90.3%**	84,904	(3.3%)	172,388	(3.5%)
Leasehold and office rents	**10,787**		**21,439**	**87.1%**				
Personnel expenses	**42,619**		**83,698**	**94.9%**				
Advertising expenses	**6,794**		**13,341**	**89.7%**				
Depreciation	**4,813**		**9,400**	**95.8%**				
Water, electricity and heating expenses	**5,230**		**10,040**	**104.5%**				
Other	**17,534**		**40,645**	**79.1%**				
Core operating income	**11,019**		**19,551**	**95.3%**	11,679	6.0%	21,032	7.6%
Other income	**774**		**4,665**	**457.2%**	588	(24.0%)	2,470	(47.1%)
Other expenses	**942**		**6,217**	**241.6%**	369	(60.8%)	2,600	(58.2%)
Loss on disposal of fixed assets	**376**		**818**	**130.0%**				
Impairment loss	**73**		**3,446**	**525.1%**				
Other	**493**		**1,953**	**113.9%**				
Operating profit	**10,851**		**17,999**	**98.9%**	11,898	9.6%	20,902	16.1%
Finance income	**880**		**1,645**	**(18.4%)**	173	(80.3%)	271	(83.5%)
Finance costs	**829**		**1,890**	**124.2%**	1,341	61.8%	2,580	36.5%
Income before income taxes	**10,903**		**17,753**	**73.7%**	10,730	(1.6%)	18,593	4.7%
Net profit	**8,600**		**14,394**	**—**	7,500	(12.8%)	12,200	(15.2%)

*1. Year-on-year comparisons for FY2017 under IFRS use figures that do not include the FY2016 1st half performance before management integration.

(FYI) JGAAP

(¥ million)

	18/2	
	Full year	
		YoY*2
Gross operating revenues	**712,816**	**(3.9%)**
Net sales	**670,649**	**(4.2%)**
Other revenues	**42,166**	**(0.1%)**
Gross profit ratio	**156,898**	**(3.5%)**
Operating gross profit	**199,065**	**(2.8%)**
Selling, general and administrative expenses	**181,088**	**(5.2%)**
Leasehold and office rents	**21,482**	**(6.5%)**
Personnel expenses	**84,881**	**(3.8%)**
Advertising expenses	**10,195**	**(5.3%)**
Depreciation	**10,464**	**(15.3%)**
Water, electricity and heating expenses	**10,032**	**(3.6%)**
Other	**44,031**	**(4.8%)**
Operating profit	**17,977**	**29.6%**
Non-operating income	**2,905**	**(19.4%)**
Non-operating expenses	**3,918**	**10.6%**
Ordinary income	**16,963**	**21.8%**
Extraordinary income	**4,424**	**329.3%**
Extraordinary loss	**9,113**	**(86.3%)**
Income before income taxes	**12,275**	**—**
Net profit	**9,265**	**—**

*2. Year-on-year comparisons for FY2017 under Japanese GAAP use figures that include FY2016 1st half performance before management integration.

Fact Sheets

Information on Major Companies

Number of Subsidiaries, Affiliates, and Joint Ventures

	18/2		
		CVS business	GMS business
Number of subsidiaries	38	25	13
Number of affiliates and joint ventures	27	21	6
Total	65	46	19

Financial Summary of Main Subsidiaries (Convenience Store Business)

(¥ million)

	FamilyMart Co., Ltd. (Non-consolidated)				Taiwan FamilyMart Co., Ltd.				SENIOR LIFE CREATE Co., Ltd.			
	Shares		100.00%		Shares		50.00%		Shares		95.43%	
	18/2		19/2 (est.)		18/2		19/2 (est.)		18/2		19/2 (est.)	
		YoY*		YoY		YoY		YoY		YoY		YoY
Gross operating revenues	468,179	18.9%	424,331	(9.4%)	60,229	9.0%			9,323	9.7%	10,120	8.5%
Core operating income	34,196	(0.7%)	43,570	27.4%	6,286	7.3%			469	5.9%	235	(49.9%)
Net income	509	(92.0%)	27,367	—	5,820	23.3%			294	18.5%	148	(49.7%)

Note: The figures for earnings contributions [shares] by affiliates and subsidiaries are as of February 28, 2018.
* Year-on-year comparisons for FY2017 use figures that do not include the FY2016 1st half performance of Circle K Sunkus Co., Ltd., before management integration.

Financial Summary of Main Subsidiaries (General Merchandise Store Business)

(¥ million)

	UNY CO., LTD. (Non-consolidated)				UCS CO., LTD.				UD Retail CO., LTD.			
	Shares*		60.00%		Shares		48.81%		Shares		60.00%	
	18/2		19/2 (est.)		18/2		19/2 (est.)		18/2		19/2 (est.)	
		YoY		YoY		YoY		YoY		YoY		YoY
Gross operating revenues	605,827		581,360	(4.0%)	19,947		19,979	0.2%	162		26,435	—
Core operating income	19,551		21,032	7.6%	3,919		4,063	3.7%	(158)		507	—
Net income	14,394		12,200	(15.2%)	2,574		2,700	4.9%	(162)		400	—

Note: The figures for earnings contributions [shares] by affiliates and subsidiaries are as of February 28, 2018.
* Effective November 21, 2017, 40.0% of the total issued shares of stock in UNY CO., LTD., were transferred to Don Quijote Holdings Co., Ltd.

Financial Summary of Main Affiliates and Joint Ventures

(¥ million)

	Okinawa FamilyMart Co., Ltd.				Minami Kyushu FamilyMart Co., Ltd.			
	Shares		48.98%		Shares		49.00%	
	18/2		19/2 (est.)		18/2		19/2 (est.)	
		YoY		YoY		YoY		YoY
Net income	959	0.5%	989	3.1%	219	265.7%	239	9.1%

(¥ million)

	Central FamilyMart Co., Ltd.				Pocket Card Co., Ltd.			
	Shares		49.00%		Shares		0.00%	
	18/2		19/2 (est.)		18/2		19/2 (est.)	
		YoY		YoY		YoY		YoY
Net income	(893)	—	(1,414)	—	3,597	60.9%	5,436	51.1%

Note: The figures for earnings contributions [shares] by affiliates and subsidiaries are as of February 28, 2018.

Capital Expenditures

(¥ million)

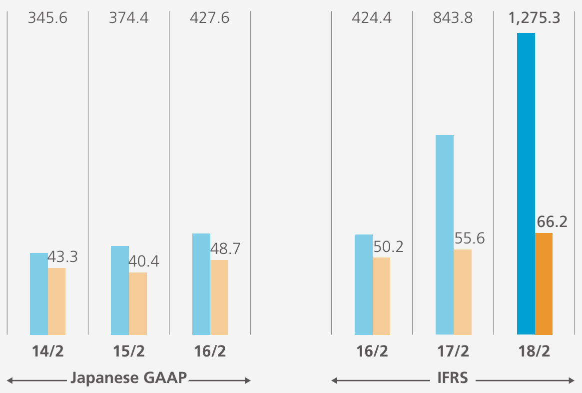
	17/2	18/2	19/2 (est.)	
				YoY
FamilyMart Co., Ltd. (Non-consolidated)				
Lease deposits	17,174	15,984	13,682	(14.4%)
New stores	16,361	29,868	19,712	(34.0%)
Existing stores	4,595	9,917	22,036	122.2%
For stores	20,956	39,785	41,748	4.9%
Head office investment	777	674	1,695	151.5%
System investment	4,839	5,004	4,691	(6.3%)
For head office	5,616	5,678	6,386	12.5%
Lease	29,375	42,681	40,653	(4.8%)
Total capital expenditure	73,123	104,130	102,471	(1.6%)
UNY CO., LTD. (Non-consolidated)				
Future development	626	60	—	—
New stores	2,150	2,505	1,268	(49.4%)
Existing stores	1,785	3,498	9,220	163.6%
Total capital expenditure	4,560	6,064	10,488	73.0%
Consolidated total				
Capital expenditure	90,831	125,314	140,000	11.7%
Depreciation	46,967	63,936	70,000	9.5%

Note: The figures above do not include the FY2016 1st half performance of UNY Group HD before management integration.

Consolidated Performance

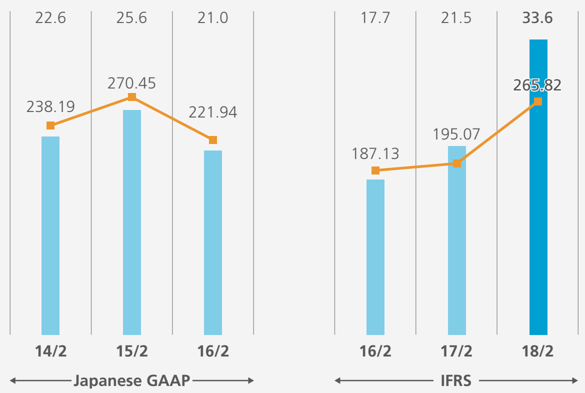
Operating Revenues and Operating Profit / Core Operating Income

■ Operating revenues (¥ billion)
■ Operating profit / Core operating income (¥ billion)



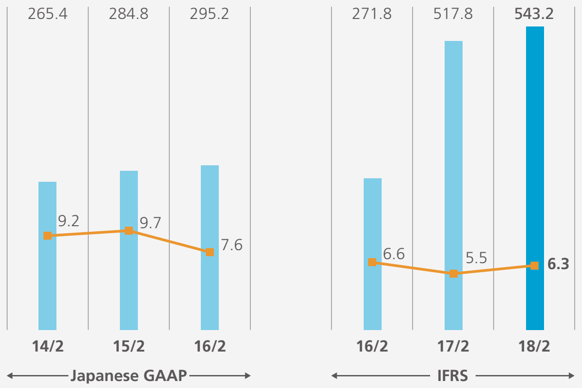
Net Profit Attributable to Owners of Parent and EPS

■ Net profit attributable to owners of parent (¥ billion) ■ EPS (¥)



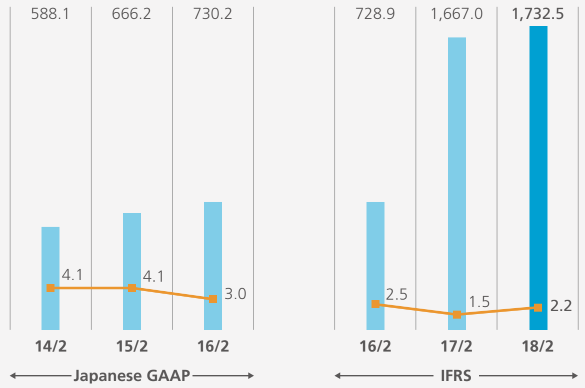
Total Equity and ROE

■ Total equity (¥ billion) ■ ROE (%)



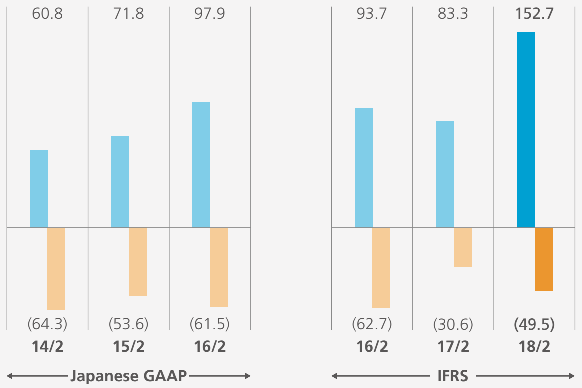
Total Assets and ROA

■ Total assets (¥ billion) ■ ROA (%)



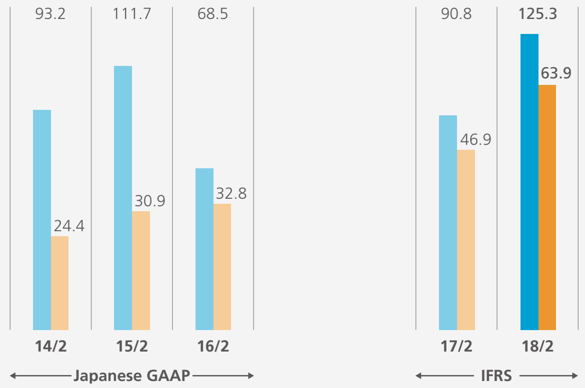
Cash Flows

■ Cash flows from operating activities (¥ billion)
■ Cash flows from investing activities (¥ billion)



Capital Expenditures and Depreciation

■ Capital expenditures (¥ billion) ■ Depreciation (¥ billion)

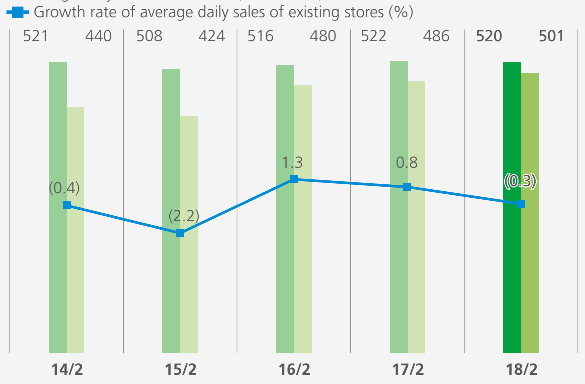


Operating Data (Non-consolidated)

CVS Business

Average Daily Sales / Growth Rate of Average Daily Sales of Existing Stores

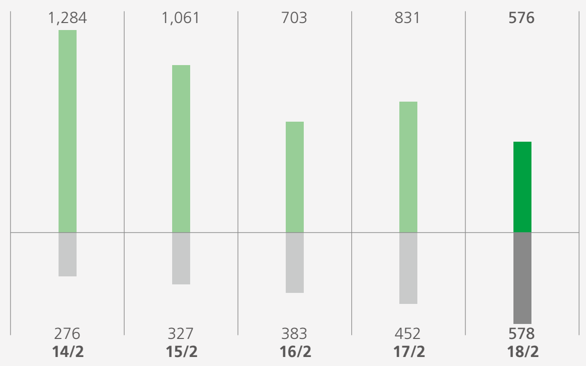
■ Average daily sales: total stores (¥ thousand)
■ Average daily sales: new stores (¥ thousand)
■ Growth rate of average daily sales of existing stores (%)



Note: Circle K and Sunkus stores after brand conversion are included in figures for total stores, not included in figures for existing stores and newly opened stores.

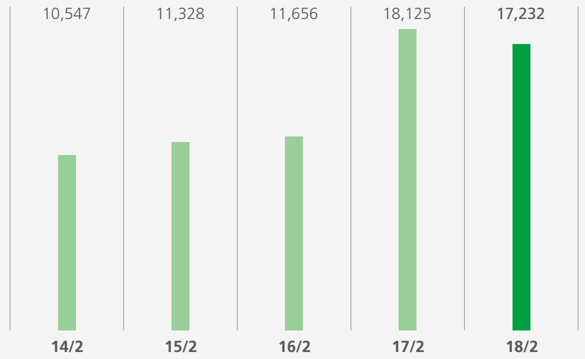
Store Openings / Store Closures

■ Store openings ■ Store closures



Note: Circle K Sunkus stores are not included.

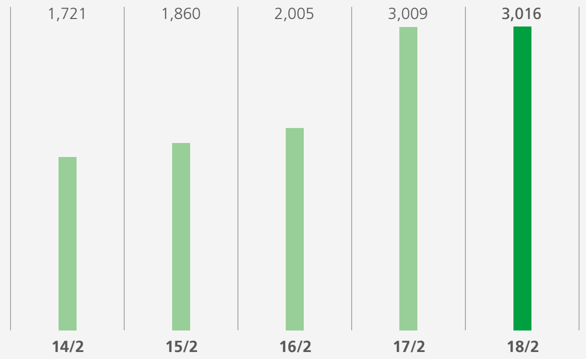
Number of Total Chain Stores (Japan, includes stores under area franchisers)



Note: Figures for 2017/2 and after include Circle K and Sunkus stores.

Total Store Sales

(¥ billion)

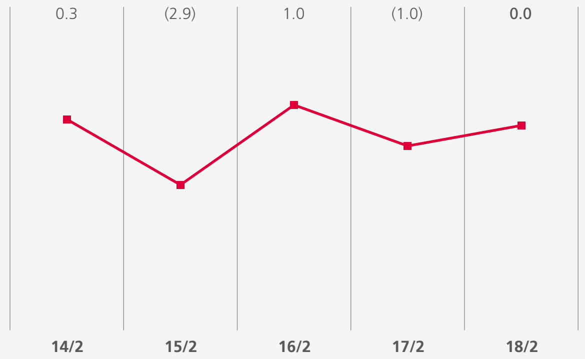


Note: Figures for 2017/2 and after include Circle K and Sunkus stores.

GMS Business

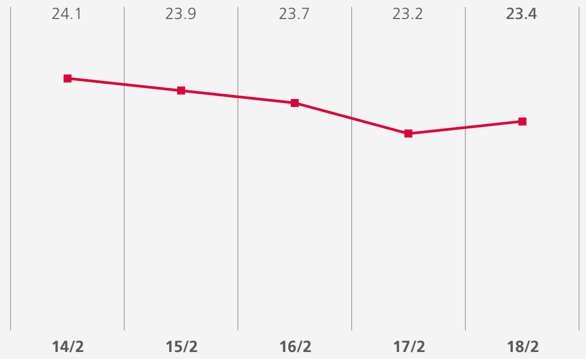
Sales Growth at Existing Stores (after day-of-the-week adjustment)

(%)



Gross Profit Ratio

(%)



Management's Discussion and Analysis

Current Situation of the Corporate Group

The Group consists of a total of 66 companies: the Company (FamilyMart UNY Holdings Co., Ltd.), 38 subsidiaries, and 27 affiliates and jointly controlled companies. These companies develop operations in the convenience store (CVS) business, the general merchandise store (GMS) business, and peripheral businesses.

The businesses of each Group company and their position within the Company's businesses are as follows.

Major Group Companies

Company name	Operations	Voting rights (%)	Relations to the Company
Subsidiaries			
FamilyMart Co., Ltd.*1*2	Convenience store business	100.00	Management guidance based on Group strategies, outsourcing transactions, officers holding concurrent positions at the Company
UNY CO., LTD.*1*2	General merchandise store business	60.00	Management guidance based on Group strategies, contracting transactions, officers holding concurrent positions at the Company
Taiwan FamilyMart Co., Ltd.*1	Convenience store business	50.00 (50.00)	
famima Retail Service Co., Ltd.	Accounting and other storerelated services	100.00 (100.00)	
UFI FUTECH Co., Ltd.	E-commerce-related services	72.33	
UCS CO., LTD.	Credit card service business	81.35 (81.35)	Officers holding concurrent positions at the Company
Sun Sougou Maintenance Co., Ltd.	Contracting of security, janitorial, and maintenance operations	100.00 (100.00)	
Kanemi Co., Ltd.*1*3	Manufacturing, processing, and wholesale of prepared dishes	52.47	
30 other companies			
Affiliates and Joint Ventures			
Okinawa FamilyMart Co., Ltd.	Convenience store business	48.98 (48.98)	Officers holding concurrent positions at the Company
Minami Kyushu FamilyMart Co., Ltd.	Convenience store business	49.00 (49.00)	Officers holding concurrent positions at the Company
Central FamilyMart Co., Ltd.	Convenience store business	49.00 (49.00)	
Shanghai FamilyMart Co., Ltd.	Convenience store business	*5	
Guangzhou FamilyMart Co., Ltd.	Convenience store business	*5	
Suzhou FamilyMart Co., Ltd.	Convenience store business	*5	
POCKET CARD CO., LTD.	Credit card service business	23.08 (23.08)	
20 other companies			
Other			
ITOCHU Corporation*3	General trading company	40.06 (0.20)	Advice and support regarding product supply systems for convenience store business and general merchandise store business and other support

*1. The company indicated is a specified subsidiary.
*2. At FamilyMart Co., Ltd., and UNY CO., LTD., gross operating revenues (excluding intersegment revenue) account for more than 10% of the consolidated operating revenues.
*3. The company indicated submits annual securities reports.
*4. Figures in parentheses are indirect voting share percentages.
*5. Joint venture China CVS (Cayman Islands) Holding Corp. holds 100% of voting rights.
Subsidiary FamilyMart China Holding Co., Ltd., holds 40.35% of voting rights of China CVS (Cayman Islands) Holding Corp.

In the GMS business, Kanemi Co., Ltd., which was an affiliate, has become a subsidiary as the Company acquired additional shares of Kanemi.

Further, the Company has transferred 40.0% of the issued shares of UNY CO., LTD., which was a wholly owned subsidiary, to Don Quijote Holdings Co., Ltd.

Market Environment in Fiscal 2017

In fiscal 2017, the year ended February 28, 2018, Japan's economy continued to recover gradually as the job market and personal income improved. The retail industry generally saw improvement in consumer confidence.

In fiscal 2017, total sales in Japan's retail industry were ¥142.9 trillion, up 1.9% year on year. Sales by department stores were ¥6.5 trillion, down 0.4% year on year; sales by supermarkets came to ¥13.0 trillion, up 0.9% year on year; and sales by convenience stores were ¥11.8 trillion, up 2.4% year on year. Meanwhile, e-commerce sales were up around 9.0%, increasing from ¥15.1 trillion in fiscal 2016 to ¥16.5 trillion in fiscal 2017.

* Sources: *Retail Statistical Yearbook* and *E-Commerce Market Survey*, Ministry of Economy, Trade and Industry

Business Performance in Fiscal 2017

Note: In the previous fiscal year, the Company applied provisional accounting treatment for its absorption-type merger with UNY Group Holdings Co., Ltd., in September 2016. However, as the Company finalized the accounting treatment in the second quarter of fiscal 2017, it has retroactively adjusted financial figures for the previous fiscal year. Year-on-year comparisons in this management's discussion and analysis are comparisons with the retroactively adjusted figures.

In accordance with its *Everyday Fun and Fresh* principles, the Group is taking maximum advantage of its unique management resources to transform retail business models. At the same time, the Group aims to remain a *social and lifestyle infrastructure provider* that is essential to consumers' daily lives.

In fiscal 2017, operating revenues increased ¥431,485 million, or 51.1%, year on year, to ¥1,275,300 million. Core operating income increased ¥10,580 million, or 19.0%, to ¥66,250 million.

Profit before income taxes decreased ¥5,056 million, or 15.0%, year on year, to ¥28,639 million.

Net profit increased ¥12,250 million, or 50.4%, year on year, to ¥36,552 million due to the adoption of a consolidated tax payment system.

After deducting net profit attributable to non-controlling interests, net profit attributable to owners of parent increased ¥12,071 million, or 55.9%, year on year, to ¥33,656 million.

Operating Results (Consolidated, IFRS)

(¥ million)

	17/2	18/2	YoY
Operating revenues	843,815	**1,275,300**	51.1%
Core operating income	55,670	**66,250**	19.0%
Net profit attributable to owners of parent	21,585	**33,656**	55.9%

Segment Initiatives and Performance

Performance by segment is as follows.

Convenience Store Business

Through companywide collaboration, FamilyMart Co., Ltd., aims to become an even more competitive chain. To this end, the company is converting the Circle K and Sunkus brands to the FamilyMart brand while advancing three major reforms: *structural reform in ready-to-eat items, marketing reform,* and *operation reform.*

As of February 28, 2018, the company had converted the brands of 3,549 stores. At converted stores, daily sales and customer numbers have been rising compared with pre-conversion level. FamilyMart will realize further integration benefits by leveraging a store network of more than 17,000 stores in Japan and the integration of products and distribution bases, which the company completed in 2017.

Regarding promotion, the company implemented *marketing reform* with a view to making maximum use of the sales promotion benefits of TV commercials and other measures to boost sales. Throughout the year, *Famichiki-Senpai*, an original character personifying FamilyMart's flagship product, *FAMICHIKI* fried chicken, enthusiastically promoted products in target categories. In January 2018, we held the *Chargrilled Chicken Great Thanks Festival* to commemorate this product's surpassing of 100 million unit sales. Also, the company held a *Winter Festa* based on a tie-up with the popular animated TV series *Kemono Friends*. Both sales promotions were well received.

As for store operation, aiming to accelerate *operation reform* even further, FamilyMart established a cross-divisional organization and moved forward in earnest with such measures as increasing the efficiency of store staff work. The company lessened the work required for store operations by introducing next-generation point-of-sale (POS) cash registers to all stores and introducing new supplies that enable shorter cleaning periods.

In store development, the company built a high-quality store network by implementing brand conversion and opening stores in accordance with a build-and-scrap (B&S) strategy. February 2018 saw the opening of the Tohoku region's first integrated store based on a collaboration between FamilyMart and the National Federation of Agricultural Cooperative Associations (ZEN-NOH)—FamilyMart Plus ZEN-NOH Fureai Hiroba Motosawa Store, in Yamagata, Yamagata Prefecture. As well as carrying the original product lineups that are ZEN-NOH strengths, such as meats, fresh fruit and vegetables, daily necessities, and private label products, the store has an eat-in space that serves as a hub for the local community.

In other domestic business operations, in January 2018 the company began a service at approximately 13,000 *E-Net* ATMs, mainly installed at FamilyMart stores nationwide, that waives usage fees for JAPAN POST BANK cash cards at certain times. Also, the company entered the fitness business with the aim of catering to increasing health consciousness and expanding the businesses of franchised stores. In February 2018, under the Fit & GO brand the company opened its inaugural 24-hour gym, *Fit & GO* Ota Nagahara, in Ota Ward, Tokyo.

With respect to diversity promotion, the company launched the *FamilyMart Women Project*, an organization tasked with empowering women. Each operating base conducts proving tests for workstyle ideas that reflect women's priorities. The company presented awards for good ideas and shared them companywide. In addition, the company is continuing initiatives to employ people with disabilities. At the same time, FamilyMart is establishing conditions that allow everyone to do satisfying work. In various areas, including at stores, farms, and the head office, the company is increasing workplaces where employees with disabilities can contribute.

The total number of stores operated in Japan was 17,232 (including 919 stores operated by three domestic area franchisers) as of February 28, 2018. The total number of stores operated overseas in Taiwan, Thailand, China, Vietnam, Indonesia, the Philippines, and Malaysia was 6,849, and the total number of FamilyMart stores worldwide, including both domestic and overseas stores, was 24,081 as of the same date.

As a result, gross operating revenues in the CVS business increased by 15.8% year on year, to ¥560,880 million. Segment loss was ¥1,285 million compared with the previous fiscal year's segment profit of ¥11,278 million.

Operating Results: CVS Business (IFRS)

(¥ million)

	17/2	18/2	YoY
Gross operating revenues	484,461	**560,880**	15.8%
Segment profit (loss)	11,278	**(1,285)**	—

FamilyMart	17/2	18/2	Increase / Decrease
Growth rate of average daily sales at existing stores (%)	0.8	**(0.3)**	—
Average daily sales at existing stores (¥ thousand)	523	**523**	±0
Number of customers at existing stores	914	**896**	(18)
Average daily sales at existing stores (¥ thousand)	571	**584**	13

General Merchandise Store Business

Under the *Back to Basics* slogan, UNY CO., LTD., set out management strategies centered on *individual store management* and *store appeal*. The five basics of retailing are *merchandise*, *52-week merchandising*, *product assortment*, *sales floor environment*, and *employee hospitality*. In a cohesive manner, the company refocused on improving these five basics and providing them to customers.

In relation to product development, the *Daisy Lab*, where female employees develop products that reflect women's perspectives, launched an original bedding series, *Daisy Home Resort*, the newly developed apparel series *easy care*, and other offerings. Further, three *Low-Salt Kelp Tsukudani* soy-sauce-preserved products in the *Style ONE Healthy* private label series received the gold prize at the 3rd JSH Low-Sodium Food Awards hosted by the Low-Sodium Committee of The Japanese Society of Hypertension, in May 2017. In November 2017, in recognition of its promotion of health through low-sodium products, the company received the Minister of Health, Labour and Welfare Award for Excellence at the 6th Long Healthy Life Expectancy Awards. Also, in response to the growing demand for ready-to-eat items as the number of elderly and double-income households increases, the company launched the *structural reform project in ready-to-eat items* and developed food products based on the concept of *prepared dishes that impress every day*.

Regarding promotion, the company focused on retaining customers by stepping up promotions that targeted *UCS Card* members. The company introduced a *UCS Premium Ticket* campaign, which provided *UCS Card* members with a 5% discount ticket usable on a day of their choosing between the 1st and 15th of every month. In addition, the company held a *Points Thanks Festival* campaign, which awarded *UCS Card* and *uniko card* members with at least 10 times the normal shopping points for purchases of clothing and household goods and twice the number for purchases of food products.

As for store development, in September 2017 the company opened a new-format supermarket, La: Foods Core Nayabashi, in the TERRASSE NAYABASHI multipurpose building in Naka Ward, Nagoya, to coincide with the openings of 21 other specialty stores in the facility. The supermarket is based on the concept of *a partner that shares the convenience, enjoyment, and variety of downtown life.*

Store revitalization initiatives included the renewals and reopenings of the APITA Shin-Moriyama Store in February 2017 and the APITA Kakamihara Store in April 2017. Reopened as new-format shopping centers that offer lifestyle solutions, the stores combine the company's directly managed sales floors for clothing and household goods with Kusamura Books, which comprises TSUTAYA, Starbucks Coffee, and other stores. Further, in March 2017 the company opened the Telass Walk Ichinomiya Store, the first of the FamilyMart Service Spot stores, which are tasked with enhancing the convenience of general supermarkets. As of February 28, 2018, the company operated 16 of these stores, and it plans to expand and improve their lineup of services.

With respect to environmental and social contribution initiatives, in January 2018 the company received the Minister of Agriculture, Forestry and Fisheries Award at the 5th Food Industry Mottainai (waste prevention) Grand Prix, which is organized by the Japan Organics Recycling Association. Also, in February 2018 the company's *Re DESIGN PROJECT*, which benefits the environment and local communities through manufacturing by local producers, students, and people with disabilities, received the Outstanding Performance Award at the 2018 Aichi Environmental Award, sponsored by Aichi prefectural government.

Sales at existing stores were unchanged year on year, with increases of 1.2% in clothing and 1.4% in household goods and a decline of 0.2% in food products. Winter clothing sold favorably as did household goods, home video game consoles and related products, winter bedding and other winter goods, and specially selected discount items. In the food product category, winter ingredients for hot pot dishes cooked at table sold steadily in the fourth quarter.

In fiscal 2017, UNY opened one store and closed 20, giving it 191 stores as of February 28, 2018.

As a result, in the GMS business gross operating revenues increased 99.2% year on year, to ¥718,768 million, and segment profit increased 80.3%, to ¥17,708 million.

In addition, in accordance with a basic agreement on a capital and business alliance, which FamilyMart UNY Holdings and Don Quijote Holdings concluded in August 2017, the companies converted one of UNY's stores and reopened it in February 2018 as the MEGA Don Quijote UNY Oguchi Store, which combines the strengths and know-how of UNY and Don Quijote Holdings. Many customers, both from the local community and beyond, are visiting the new store. By March 2018, the companies had fully converted and reopened a further five APITA and PIAGO stores. Going forward, UNY aims to enhance its corporate value over the medium to long term through a variety of collaborations that take advantage of both companies' management resources and unique strengths and know-how.

Operating Results: GMS Business (IFRS)

(¥ million)

	17/2	18/2	YoY
Gross operating revenues	360,739	**718,768**	99.2%
Segment profit	9,824	**17,708**	80.3%

(¥ million)

UNY	17/2	18/2	YoY
Sales by product category			
Clothing	94,535	**91,569**	(3.1%)
Household goods	97,881	**90,783**	(7.3%)
Food	499,502	**482,763**	(3.4%)
Commodity supplies	869	**763**	(12.1%)
Other	7,033	**4,769**	(32.2%)
Total	699,822	**670,649**	(4.2%)

(%)

UNY	17/2	18/2
YoY change in existing store sales (after day-of-the-week adjustment)	(1.0)	**0.0**
Clothing	(1.5)	**1.2**
Household goods	(0.4)	**1.4**
Foods	(0.3)	**(0.2)**

Financial Position

Total assets stood at ¥1,732,506 million on February 28, 2018, an increase of ¥65,432 million compared with the previous fiscal year-end.

Current assets were up ¥58,525 million from a year earlier, as an increase in cash and cash equivalents offset a decrease in other financial assets.

Non-current assets increased ¥6,906 million from the previous fiscal year-end, as increases in property, plant and equipment and other financial assets compensated for decreases in investment property and leasehold deposits receivable.

Total liabilities amounted to ¥1,143,128 million on February 28, 2018, up ¥9,452 million from a year earlier.

Current liabilities were down ¥56,752 million compared with the previous fiscal year-end due to a decrease in bonds and borrowings, which more than offset an increase in trade and other payables.

Non-current liabilities rose ¥66,205 million from a year earlier due to increases in bonds and borrowings and lease obligations.

Total equity increased ¥55,980 million from the previous fiscal year-end, coming to ¥589,377 million on February 28, 2018. This outcome was largely due to increases in retained earnings and non-controlling interests.

As a result, the equity ratio was 31.4%, up from 31.1% in the previous fiscal year; return on equity was 6.3%, up from 5.5%; and total equity attributable to owners of parent per share was ¥4,293.16.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥152,729 million, up ¥69,378 million year on year. This outcome was a result of an increase in trade and other payables accompanying a rise in store numbers in the CVS business.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥49,502 million, up ¥18,845 million year on year. This increase was attributable to continued investments in stores due to the conversion of Circle K and Sunkus brand stores to FamilyMart brand stores in the CVS business and existing store renovations in the GMS business, which offset an increase in proceeds from sales of property, plant and equipment and investment property and the effect of the previous fiscal year's acquisition of businesses.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥37,875 million, up ¥32,960 million year on year. This increase reflected a decrease in commercial paper.

As a result, cash and cash equivalents at the end of the fiscal year amounted to ¥253,174 million, up ¥64,885 million from a year earlier.

Capital Expenditures

In fiscal 2017, the Company and its subsidiaries conducted capital expenditures totaling ¥125,314 million primarily for store investments, including those for new store openings and the renovation of existing stores in the CVS business.

Capital Expenditures

(¥ million)

	17/2	18/2	YoY
Convenience store business	85,655	**116,281**	35.8%
General merchandise store business	5,176	**9,007**	74.0%
Eliminations / Corporate	0	**26**	—
Total	90,831	**125,314**	38.0%

In the CVS business, ¥72,015 million of capital expenditures was for new store openings and repairs and renovation of stores, ¥20,206 million was for leasehold deposits associated with store leases, and ¥24,061 million was for investments related to information systems. In the GMS business, ¥7,902 million of capital expenditures was for new openings and repairs and renovations of stores, ¥66 million was for leasehold deposits associated with store leases, and ¥1,040 million was for investments related to information systems.

Aside from store closures, no material sales or retirements of equipment were conducted during fiscal 2017.

Dividend Policies

The Company views returning profits to shareholders as an important management task. We maintain a basic policy of distributing profits to shareholders on a stable and continuous basis commensurate with consolidated operating performance. Guided by this basic policy, we target a consolidated payout ratio of 40%.

The Company's articles of incorporation stipulate that dividend payments can be decided via resolutions by the Board of Directors based on Article 459 (1) of the Companies Act, and it is the Company's basic policy to issue dividend payments twice a year in the form of interim and year-end dividends.

Based on the above policies, the Company has chosen to issue annual dividend payments of ¥112 per share for fiscal 2017, consisting of an interim dividend of ¥56 per share and a year-end dividend of ¥56 per share.

The Company is a company to which consolidated dividend regulations apply.

Medium-to-Long-Term Strategies and Outlook for Fiscal 2018

The business conditions of the retail industry remain challenging in Japan due to changes in the social environment including an aging population and intensified competition among different business formats. In addition, diversifying customer needs are necessitating the creation of products and services based on new ideas. Moreover, corporate social responsibility is increasing with regard to the provision of safe and reliable foods and responses to environmental issues.

To win out in these challenging competitive conditions, the Group will seek growth opportunities by concentrating its management resources to provide unique value.

Convenience Store Business

The domestic CVS business will complete its conversion of stores to the FamilyMart brand by November 2018 with a view to leveraging economies of scale and creating synergies in various areas. Specifically, FamilyMart will strengthen product development and procurement capabilities, consolidate and rationalize production bases and other infrastructure, reorganize delivery routes, and integrate information systems.

As for merchandise, aiming to further enhance product lineups, the Company will continue large-scale capital investment in such facilities as plants that manufacture ready-to-eat items. In store operation, the Company will increase support for franchised stores by lessening the work required for store operation through the streamlining of operating systems and the utilization of IT. As for store development, to build an even higher-quality store network, the Company will implement flexible store-opening strategies that reflect market characteristics. For other business operations, the Company will take steps to heighten customer convenience. For example, FamilyMart aims to roll out financial services that utilize new store-related technologies. Also, the Company will make forays into the fitness business and the laundromat business to expand the businesses of franchised stores.

Management's Discussion and Analysis

General Merchandise Store Business

The GMS business faces the task of responding to major structural changes in society, including the aging of society and a decline in the working-age population. UNY will reinvigorate the business by strengthening profitability while rigorously reforming the structure of operations. To strengthen management foundations, the company will thoroughly analyze asset efficiency and undertake selection and concentration. Meanwhile, UNY will use the conversion of UCS CO., LTD., to a wholly owned subsidiary to intensify collaboration in sales promotions and expand the customer base of the GMS business. Regarding the reconstruction of existing businesses, the company will increase the appeal of product in the clothing, household goods, and food products categories. In tandem with these efforts, UNY will remodel existing stores with a focus on prepared dishes, clothing, and other mainstay categories. With respect to preparations for the formation of a new retail business, starting in 2018 the company and Don Quijote Holdings will convert existing stores and reopen them as double-branded MEGA Don Quijote UNY stores, which combine the strengths and know-how of both companies. This initiative will capture new customer groups and grow revenues and earnings.

As a result, the Company has set a target of at least ¥60.0 billion for net profit attributable to owners of parent in fiscal 2020.

Consolidated Performance Forecast

For fiscal 2018, the Company forecasts a year-on-year decline of 0.4% in operating revenues, to ¥1,270,200 million, and year-on-year increases of 16.7% in operating profit, to ¥77,300 million, and 18.8% in net profit attributable to owners of parent, to ¥40,000 million.

Earnings Forecast (Consolidated)

(¥ million)

	18/2	19/2 (est.)	YoY
Operating revenues	1,275,300	**1,270,200**	(0.4%)
Core operating income	66,250	**77,300**	16.7%
Net profit attributable to owners of parent	33,656	**40,000**	18.8%

Operational and Other Risks

The following section outlines some of the main risks relating to the Group's operations that could potentially have a significant impact on investors' decisions.

Statements contained within this section that refer to matters in the future have been determined to the best of our knowledge as of the end of the reporting term.

The Company has a Companywide risk management system in place and assesses and classifies the risks that the Company faces according to potential frequency and degree of effect. The Company implements continuous activities commensurate with each risk to minimize its effect. Moreover, the Company advances these activities at its Group companies.

(1) Economic Trends

The Group is mainly engaged in the operation of convenience stores and general merchandise stores. The Group's business performance and financial position could be adversely affected by various factors, including changes in the business climate, consumption trends, and other economic conditions and changes in competition with convenience stores and other retail formats, in its markets in Japan and overseas (Taiwan, Thailand, China, Vietnam, Indonesia, the Philippines, Malaysia, and Hong Kong).

(2) Natural Disasters

The Group's business performance and financial position could be adversely affected by unexpected events, such as fires, acts of terror, and wars, and natural disasters, such as earthquakes, epidemics, and extreme weather events, in Japan and overseas, leading to the destruction of stores, supply stoppages, and other circumstances disrupting the regular operation of FamilyMart stores.

(3) Franchise System

In its convenience store business, the Group engages franchisees to operate its stores under its proprietary "FamilyMart System." The Group's business performance and financial position could be adversely affected by any acts that disrupt the operation of the system or by illegal or scandalous behavior involving franchisees and business partners that causes the suspension of business transactions or undermines public confidence in the chain.

The Group's business performance and financial position could also be adversely affected by the mass termination of franchise contracts with franchisees following a breakdown in relations of trust between the Group and its franchisees.

(4) Food Safety

As an operator of convenience stores and general merchandise stores, the Group is mainly engaged in the marketing of food products to consumers. The Group's business performance and financial position could be adversely affected by any major food safety incident (food poisoning, contamination, illegal mislabeling, etc.) arising despite its best preventive efforts.

The Group is committed to supplying safe food products through such measures as jointly creating with business partners an integrated quality management system that encompasses everything from production to marketing.

(5) Legal and Regulatory Changes

As an operator of stores in Japan and overseas, the Group is subject to legal and regulatory requirements and has acquired official licensing in such areas as food safety, fair trade, and environmental protection. The Group's business performance and financial position could be adversely affected by unforeseen changes in legal and regulatory systems or licensing requirements for the operation of stores or by differences of opinion with regulators leading to increased costs and operational restrictions.

At the present time, the Group is not involved in any litigation that has the potential to significantly impact the Group's performance. The Group's business performance and financial position could, however, be adversely affected by litigation that has a major impact on its performance or social standing or by a decision that negatively affects the Group or its business.

(6) Handling of Personal Information

In its business processes, the Group collects and stores personal information relating to its customers. The Group's business performance and financial position could be adversely affected by any incidents of leakage of personal information that occur despite its best preventive efforts.

To ensure that no unauthorized access or leakage of personal information occurs, the Group conducts compulsory and appropriate supervision of employees that handle personal information while using organizational, human, physical, and technological safety management measures of proven reliability.

(7) IT Systems

The Group has set up IT systems linking Group companies, business partners of the Group, and its franchised stores. The Group's business performance and financial position could be adversely affected by failure, misuse, or other unauthorized use of IT systems that lead to disruption of services and operations.

The Group has set up IT system safety mechanisms.

Consolidated Financial Statements

Consolidated Statement of Financial Position (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries
As of February 28, 2017 and February 28, 2018

	Millions of yen 2017 (February 28, 2017)	Millions of yen 2018 (February 28, 2018)	Thousands of U.S. dollars* 2018 (February 28, 2018)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 188,289	**¥ 253,174**	**$ 2,366,112**
Trade and other receivables	258,729	**259,654**	**2,426,673**
Other financial assets	27,254	**19,463**	**181,897**
Inventories	53,401	**55,558**	**519,234**
Other current assets	27,383	**24,838**	**232,131**
Subtotal	555,056	**612,686**	**5,726,037**
Assets held for sale	3,591	**4,485**	**41,916**
Total current assets	558,646	**617,171**	**5,767,953**
NON-CURRENT ASSETS:			
Property, plant and equipment	367,232	**393,596**	**3,678,467**
Investment property	156,501	**137,004**	**1,280,411**
Goodwill	161,496	**155,763**	**1,455,729**
Intangible assets	71,606	**66,252**	**619,178**
Investments accounted for using the equity method	23,285	**23,956**	**223,888**
Leasehold deposits receivable	140,226	**122,917**	**1,148,757**
Other financial assets	138,146	**153,279**	**1,432,514**
Assets for retirement benefits	927	**1,758**	**16,430**
Deferred tax assets	34,851	**47,209**	**441,206**
Other non-current assets	14,158	**13,599**	**127,093**
Total non-current assets	1,108,428	**1,115,334**	**10,423,682**
TOTAL ASSETS	¥1,667,074	**¥1,732,506**	**$16,191,645**

* The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107 to $1, the approximate rate of exchange at February 28, 2018.

	Millions of yen 2017 (February 28, 2017)	Millions of yen 2018 (February 28, 2018)	Thousands of U.S. dollars* 2018 (February 28, 2018)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade and other payables	¥ 279,299	**¥ 288,744**	**$ 2,698,542**
Deposits received	159,957	**152,155**	**1,422,009**
Bonds and borrowings	117,147	**48,864**	**456,673**
Lease obligations	20,240	**27,160**	**253,832**
Income taxes payable	4,579	**7,885**	**73,692**
Other current liabilities	58,141	**57,802**	**540,206**
Total current liabilities	639,363	**582,611**	**5,444,963**
NON-CURRENT LIABILITIES:			
Bonds and borrowings	276,682	**332,282**	**3,105,439**
Lease obligations	83,812	**93,843**	**877,037**
Other financial liabilities	55,873	**53,732**	**502,168**
Liabilities for retirement benefits	15,245	**16,970**	**158,598**
Provisions	51,309	**51,979**	**485,785**
Other non-current liabilities	11,391	**11,711**	**109,449**
Total non-current liabilities	494,313	**560,517**	**5,238,477**
TOTAL LIABILITIES	1,133,676	**1,143,128**	**10,683,439**
EQUITY:			
Common stock	16,659	**16,659**	**155,692**
Capital surplus	237,008	**236,785**	**2,212,944**
Treasury shares	(441)	**(1,104)**	**(10,318)**
Other components of equity	8,203	**15,925**	**148,832**
Retained earnings	256,414	**274,970**	**2,569,813**
Total equity attributable to owners of parent	517,842	**543,235**	**5,076,963**
Non-controlling interests	15,555	**46,143**	**431,243**
TOTAL EQUITY	533,398	**589,377**	**5,508,196**
TOTAL LIABILITIES AND EQUITY	¥1,667,074	**¥1,732,506**	**$16,191,645**

Consolidated Financial Statements

Consolidated Statement of Profit or Loss (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended February 28, 2017 and February 28, 2018

	Millions of yen		Thousands of U.S. dollars*
	2017 (From March 1, 2016 to February 28, 2017)	**2018 (From March 1, 2017 to February 28, 2018)**	**2018 (From March 1, 2017 to February 28, 2018)**
Operating revenues	¥ 843,815	**¥1,275,300**	**$11,918,692**
Cost of sales	(314,584)	**(573,136)**	**(5,356,411)**
Gross profit	529,231	**702,164**	**6,562,280**
Selling, general, and administrative expenses	(473,562)	**(635,914)**	**(5,943,121)**
Equity in earnings of associates and joint ventures	731	**908**	**8,486**
Other income	3,880	**9,681**	**90,477**
Other expenses	(27,304)	**(48,865)**	**(456,682)**
Operating profit	32,976	**27,974**	**261,439**
Finance income	3,301	**3,273**	**30,589**
Finance costs	(2,582)	**(2,608)**	**(24,374)**
Profit before income taxes	33,695	**28,639**	**267,654**
Income taxes	(9,393)	**7,913**	**73,953**
Net profit	¥ 24,302	**¥ 36,552**	**$ 341,607**
NET PROFIT ATTRIBUTABLE TO:			
Owners of parent	¥ 21,585	**¥ 33,656**	**$ 314,542**
Non-controlling interests	2,717	**2,896**	**27,065**
Net profit	¥ 24,302	**¥ 36,552**	**$ 341,607**
EARNINGS PER SHARE (Yen and U.S. Dollars):			
Basic earnings per share	¥ 195.07	**¥ 265.82**	**$ 2.48**

Consolidated Statement of Comprehensive Income (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended February 28, 2017 and February 28, 2018

	Millions of yen		Thousands of U.S. dollars*
	2017 (From March 1, 2016 to February 28, 2017)	**2018 (From March 1, 2017 to February 28, 2018)**	**2018 (From March 1, 2017 to February 28, 2018)**
NET PROFIT	¥24,302	**¥36,552**	**$341,607**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss			
Financial assets measured at fair value through other comprehensive income	1,918	**8,546**	**79,869**
Remeasurements of defined benefit plans	398	**(1,354)**	**(12,654)**
Share of other comprehensive income of investments accounted for using the equity method	40	**(14)**	**(131)**
Total of items that will not be reclassified subsequently to profit or loss	2,356	**7,178**	**67,084**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges	401	**(149)**	**(1,393)**
Exchange difference on translating foreign operations	1,420	**(542)**	**(5,065)**
Share of other comprehensive income of investments accounted for using the equity method	(133)	**142**	**1,327**
Total of items that may be reclassified subsequently to profit or loss	1,689	**(550)**	**(5,140)**
Total other comprehensive income, net of tax	4,045	**6,628**	**61,944**
COMPREHENSIVE INCOME	¥28,347	**¥43,180**	**$403,551**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of parent	¥24,983	**¥40,404**	**$377,607**
Non-controlling interests	3,364	**2,776**	**25,944**
Comprehensive income	¥28,347	**¥43,180**	**$403,551**

Consolidated Statement of Changes in Equity (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended February 28, 2017 and February 28, 2018

Millions of yen

	Equity attributable to owners of parent											
				Other components of equity								
	Common stock	Capital surplus	Treasury shares	Exchange difference on translating foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total equity
BALANCE, MARCH 1, 2016	¥16,659	¥ 13,705	¥(8,784)	¥(959)		¥ 6,366		¥ 5,408	¥244,889	¥271,876	¥11,646	¥283,522
Net profit									21,585	21,585	2,717	24,302
Other comprehensive income				597	401	1,993	407	3,398		3,398	647	4,045
Total comprehensive income				597	401	1,993	407	3,398	21,585	24,983	3,364	28,347
Purchase of treasury shares			(211)							(211)		(211)
Disposal of treasury shares		0	1							1		1
Cash dividends									(10,536)	(10,536)	(1,649)	(12,185)
Changes due to business combinations		226,761	8,553							235,313	5,678	240,991
Changes in ownership interests in subsidiaries that do not result in a loss of control		(3,458)								(3,458)	(2,181)	(5,639)
Changes in ownership interests in subsidiaries that result in a loss of control											(1,303)	(1,303)
Others									(61)	(61)		(61)
Transfer from other components of equity to retained earnings						(131)	(407)	(538)	538			
Transfer from other components of equity to non-financial assets					(65)			(65)		(65)		(65)
Total transactions with owners		223,303	8,343		(65)	(131)	(407)	(603)	(10,060)	220,983	545	221,528
BALANCE, FEBRUARY 28, 2017	16,659	237,008	(441)	(361)	336	8,228		8,203	256,414	517,842	15,555	533,398
Net profit									**33,656**	**33,656**	**2,896**	**36,552**
Other comprehensive income				**(204)**	**(133)**	**8,435**	**(1,350)**	**6,748**		**6,748**	**(120)**	**6,628**
Total comprehensive income				**(204)**	**(133)**	**8,435**	**(1,350)**	**6,748**	**33,656**	**40,404**	**2,776**	**43,180**
Purchase of treasury shares			**(41)**							**(41)**		**(41)**
Disposal of treasury shares		**0**	**4**							**4**		**4**
Cash dividends									**(14,188)**	**(14,188)**	**(3,640)**	**(17,828)**
Changes due to business combinations			**(223)**							**(223)**	**11,684**	**11,461**
Changes in ownership interests in subsidiaries that do not result in a loss of control		**(224)**			**4**	**(1)**		**4**		**(220)**	**19,366**	**19,146**
Others		**0**	**(401)**						**37**	**(365)**	**401**	**37**
Transfer from other components of equity to retained earnings						**(401)**	**1,350**	**950**	**(950)**			
Transfer from other components of equity to non-financial assets					**21**			**21**		**21**		**21**
Total transactions with owners		**(224)**	**(662)**		**25**	**(401)**	**1,350**	**974**	**(15,101)**	**(15,012)**	**27,811**	**12,799**
BALANCE, FEBRUARY 28, 2018	**¥16,659**	**¥236,785**	**¥(1,104)**	**¥(565)**	**¥ 228**	**¥16,262**		**¥15,925**	**¥274,970**	**¥543,235**	**¥46,143**	**¥589,377**

Thousands of U.S. dollars*

	Equity attributable to owners of parent											
				Other components of equity								
	Common stock	Capital surplus	Treasury shares	Exchange difference on translating foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total equity
BALANCE, FEBRUARY 28, 2017	$155,692	$2,215,028	$ (4,121)	$(3,374)	$ 3,140	$ 76,897		$ 76,664	$2,396,393	$4,839,645	$145,374	$4,985,028
Net profit									**314,542**	**314,542**	**27,065**	**341,607**
Other comprehensive income				**(1,907)**	**(1,243)**	**78,832**	**(12,617)**	**63,065**		**63,065**	**(1,121)**	**61,944**
Total comprehensive income				**(1,907)**	**(1,243)**	**78,832**	**(12,617)**	**63,065**	**314,542**	**377,607**	**25,944**	**403,551**
Purchase of treasury shares			**(383)**							**(383)**		**(383)**
Disposal of treasury shares		**0**	**37**							**37**		**37**
Cash dividends									**(132,598)**	**(132,598)**	**(34,019)**	**(166,617)**
Changes due to business combinations			**(2,084)**							**(2,084)**	**109,196**	**107,112**
Changes in ownership interests in subsidiaries that do not result in a loss of control		**(2,093)**			**37**	**(9)**		**37**		**(2,056)**	**180,991**	**178,935**
Others			**(3,748)**						**346**	**(3,411)**	**3,748**	**346**
Transfer from other components of equity to retained earnings						**(3,748)**	**12,617**	**8,879**	**(8,879)**			
Transfer from other components of equity to non-financial assets					**196**			**196**		**196**		**196**
Total transactions with owners		**(2,093)**	**(6,187)**		**234**	**(3,748)**	**12,617**	**9,103**	**(141,131)**	**(140,299)**	**259,916**	**119,617**
BALANCE, FEBRUARY 28, 2018	**$155,692**	**$2,212,944**	**$(10,318)**	**$(5,280)**	**$ 2,131**	**$151,981**		**$148,832**	**$2,569,813**	**$5,076,963**	**$431,243**	**$5,508,196**

Consolidated Financial Statements

Consolidated Statement of Cash Flows (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended February 28, 2017 and February 28, 2018

	Millions of yen		Thousands of U.S. dollars*
	2017 (From March 1, 2016 to February 28, 2017)	**2018 (From March 1, 2017 to February 28, 2018)**	**2018 (From March 1, 2017 to February 28, 2018)**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income taxes	¥ 33,695	**¥ 28,639**	**$ 267,654**
Depreciation and amortization	47,494	**65,180**	**609,159**
Impairment losses	14,568	**33,389**	**312,047**
Equity in earnings of associates and joint ventures	(731)	**(908)**	**(8,486)**
Decrease (increase) in trade and other receivables	(5,672)	**(858)**	**(8,019)**
Decrease (increase) in inventories	1,068	**(1,810)**	**(16,916)**
Increase (decrease) in trade and other payables	(21,925)	**14,884**	**139,103**
Increase (decrease) in deposits received	(3,481)	**(7,743)**	**(72,364)**
Increase (decrease) in assets and liabilities for retirement benefits	(563)	**1,543**	**14,421**
Other	30,093	**20,896**	**195,290**
Subtotal	94,547	**153,212**	**1,431,888**
Interest and dividends received	2,520	**3,458**	**32,318**
Interest paid	(2,464)	**(2,984)**	**(27,888)**
Income taxes paid	(11,251)	**(7,123)**	**(66,570)**
Income tax refund	—	**6,166**	**57,626**
Net cash generated by operating activities	83,351	**152,729**	**1,427,374**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment and investment property	(49,370)	**(45,871)**	**(428,701)**
Proceeds from sales of property, plant and equipment and investment property	2,060	**16,601**	**155,150**
Purchases of intangible assets	(7,052)	**(9,413)**	**(87,972)**
Payments of leasehold deposits receivable and construction assistance fund receivables	(27,391)	**(20,832)**	**(194,692)**
Collection of leasehold deposits receivable and construction assistance fund receivables	10,981	**10,489**	**98,028**
Purchases of investments	(1,522)	**(8,489)**	**(79,336)**
Proceeds from sales and redemption of investments	3,164	**5,531**	**51,692**
Proceeds from acquisition of businesses	36,339	**700**	**6,542**
Proceeds from disposal of businesses	905	**307**	**2,869**
Payments for disposal of businesses	(2,481)	**—**	**—**
Other	3,709	**1,474**	**13,776**
Net cash used in investing activities	(30,657)	**(49,502)**	**(462,636)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from bonds and borrowings	129,235	**228,662**	**2,137,028**
Repayments of bonds and borrowings	(65,326)	**(143,039)**	**(1,336,813)**
Repayments of lease obligations	(40,299)	**(28,666)**	**(267,907)**
Purchases of treasury shares	(211)	**(41)**	**(383)**
Proceeds from sales of interests in subsidiaries to non-controlling shareholders	—	**18,800**	**175,701**
Purchases of interests in subsidiaries from non-controlling shareholders	(6,585)	**(55)**	**(514)**
Cash dividends paid	(10,536)	**(14,188)**	**(132,598)**
Cash dividends paid to non-controlling shareholders	(1,846)	**(3,681)**	**(34,402)**
Increase (decrease) in commercial paper	(10,000)	**(96,000)**	**(897,196)**
Other	652	**333**	**3,112**
Net cash used in financing activities	(4,916)	**(37,875)**	**(353,972)**
EFFECTS OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	1,474	**(466)**	**(4,355)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,253	**64,885**	**606,402**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	139,036	**188,289**	**1,759,710**
CASH AND CASH EQUIVALENTS, END OF YEAR	¥188,289	**¥253,174**	**$2,366,112**

History

1971	Feb.	The Nishikawaya Chain Co., Ltd., HOTEIYA Co., Ltd., UNY K.K., and Shin-meihin Co., Ltd., merge to form UNY CO., LTD.
1976	Dec.	UNY CO., LTD., lists its stock on the Nagoya Stock Exchange.
1978	Mar.	Seiyu Stores, Ltd. (currently Seiyu GK), commences convenience store operations on a franchise system basis.
1981	Sept.	The Company's predecessor, Jonas Co., Ltd. (inactive at this time), acquires certain businesses and assets by way of transfer from Seiyu Stores, Ltd., and commences business after changing its name to FamilyMart Co., Ltd.
1984	Jan.	UNY CO., LTD., establishes CIRCLE K JAPAN Co., Ltd.
1987	Oct.	The Company establishes Okinawa FamilyMart Co., Ltd., in Okinawa Prefecture.
	Dec.	The Company lists its stock on the Second Section of the Tokyo Stock Exchange.
1988	Aug.	The Company establishes Taiwan FamilyMart Co., Ltd., in Taiwan.
1989	Aug.	The Company lists its stock on the First Section of the Tokyo Stock Exchange.
1992	Sept.	The Company establishes Siam FamilyMart Co., Ltd. (currently Central FamilyMart Co., Ltd.), in Thailand.
1993	Apr.	The Company establishes Minami Kyushu FamilyMart Co., Ltd., in Kagoshima Prefecture.
1997	Sept.	The Company acquires the stock of Libro Port Co., Ltd. (currently famima Retail Service Co., Ltd.).
1998	Nov.	UNY CO., LTD., includes SUNKUS & ASSOCIATES INC. in its scope of consolidation as a subsidiary following the acquisition of shares.
2000	May	The Company establishes famima.com Co., Ltd. (currently UFI FUTECH Co., Ltd.).
2002	Feb.	Taiwan FamilyMart Co., Ltd., lists its stock on the GreTai Securities Market, an over-the-counter stock market in Taiwan.
2004	May	The Company establishes Shanghai FamilyMart Co., Ltd., in Shanghai, China.
	Sept.	C&S Co., Ltd., CIRCLE K JAPAN Co., Ltd., and SUNKUS & ASSOCIATES INC., merge to form Circle K Sunkus Co., Ltd.
2006	Sept.	The Company establishes Guangzhou FamilyMart Co., Ltd., in Guangzhou, China.
2007	July	The Company establishes Suzhou FamilyMart Co., Ltd., in Suzhou, China.
2009	Dec.	The Company includes am/pm Japan Co., Ltd., in its scope of consolidation as a wholly owned subsidiary following the acquisition of shares.
2010	Mar.	The Company integrates with am/pm Japan Co., Ltd., by way of absorption merger.
2011	Apr.	The Company integrates with am/pm Kansai Co., Ltd., by way of absorption merger.
	Nov.	The Company establishes Hangzhou FamilyMart Co., Ltd., in Hangzhou, China.
	Dec.	The Company establishes Chengdu FamilyMart Co., Ltd., in Chengdu, China.
2012	Feb.	UNY CO., LTD., establishes UNY Group Holdings Co., Ltd., as a preparatory step toward its shift to a holding company framework.
	Apr.	The Company acquires stock of SENIOR LIFE CREATE Co., Ltd.
	Apr.	UNY CO., LTD., carries out a public tender for Circle K Sunkus Co., Ltd., with the goal of including the company in its scope of consolidation as a wholly owned subsidiary.
	Nov.	The Company establishes Philippine FamilyMart CVS, Inc., in the Republic of the Philippines.
	Nov.	The Company establishes Shenzhen FamilyMart Co., Ltd., in Shenzhen, China.
2013	Feb.	UNY Group Holdings Co., Ltd., shifts to a holding company framework.
2014	Jan.	The Company establishes Wuxi FamilyMart Co., Ltd., in Wuxi, China.
	May	The Company establishes Beijing FamilyMart Co., Ltd., in Beijing, China.
	July	The Company establishes DONGGUAN FamilyMart Co., LTD., in Dongguan, China.
2015	Oct.	The Company includes Cocostore Corporation in its scope of consolidation as a wholly owned subsidiary following the acquisition of shares.
	Dec.	The Company integrates with Cocostore Corporation by way of absorption merger.
2016	Sept.	The Company changes its name to FamilyMart UNY Holdings Co., Ltd., following its integration with UNY Group Holdings Co., Ltd., by way of absorption merger. Circle K Sunkus Co., Ltd., changes its name to FamilyMart Co., Ltd., after assuming responsibility for the convenience store business.
	Sept.	The Company lists its stock on the First Section of the Nagoya Stock Exchange.
2017	Nov.	The Company transfers 40.0% of the issued shares of UNY CO., LTD., to Don Quijote Holdings Co., Ltd. UD Retail Co., Ltd., is established as a wholly owned subsidiary of UNY through a capital and business alliance with Don Quijote Holdings Co., Ltd.

Corporate Data / Investor Information

Corporate Data

(As of February 28, 2018)

Corporate name	FamilyMart UNY Holdings Co., Ltd.
Head office	1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-6017, Japan Telephone: (81) 3-3989-7301 From February 2019: 1-21, Shibaura 3-chome, Minato-ku, Tokyo
Incorporated	September 1, 1981
Common stock	¥16,659 million
Fiscal year	March 1 to the last day of February
Objective of business	A holding company for operators of general merchandise stores and convenience stores, etc.
Group's net sales in Japan	¥3,900,544 million (Fiscal year ended February 2018)
Number of employees	17,777 (consolidated)
Authorized shares	250,000,000
Issued shares	126,712,313 (Treasury stock: 177,428 shares)
Number of shareholders	26,978
Stock exchange listings	Tokyo Stock Exchange (First Section), Nagoya Stock Exchange (First Section)
Securities code	8028
Trading unit of shares	100 shares
Transfer agent	Sumitomo Mitsui Trust Bank, Limited
Independent auditors	Deloitte Touche Tohmatsu LLC
Ordinary general meeting of shareholders	May each year

Principal Shareholders

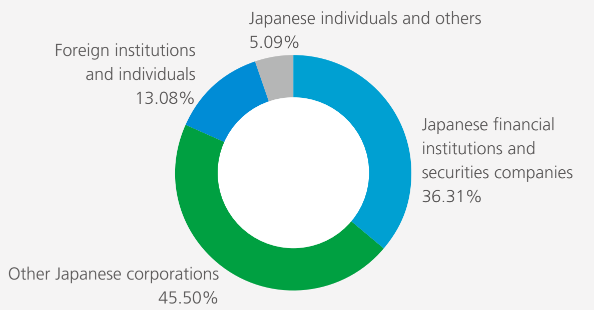
(As of February 28, 2018)

Name of Shareholders	Number of Shares (thousands)	Shareholdings (%)
ITOCHU Corporation	49,930	39.40
The Master Trust Bank of Japan, Ltd. (Trust account)	18,133	14.31
Japan Trustee Services Bank, Ltd. (Trust account)	9,124	7.20
NTT DOCOMO, INC.	2,930	2.31
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,551	2.01
Nippon Life Insurance Company	2,510	1.98
STATE STREET BANK WEST CLIENT-TREATY 505234	1,895	1.49
BNP Paribas Securities (Japan) Limited	1,673	1.32
FamilyMart Business Partner Shareholding Association	1,388	1.09
Japan Trustee Services Bank, Ltd. (Trust account 5)	1,202	0.94
Total	91,342	72.08

Notes: 1. In addition to the above, the Company holds 177,428 shares of treasury stock.
2. Figures under shareholdings represent shares as a percentage of the total number of issued shares.

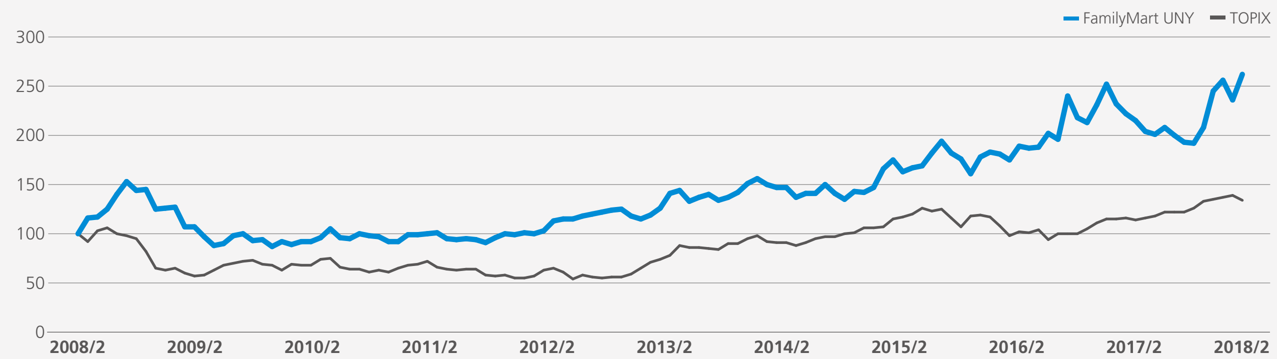
Distribution of Shares

(As of February 28, 2018)



* Excluding shares of less than one trading unit

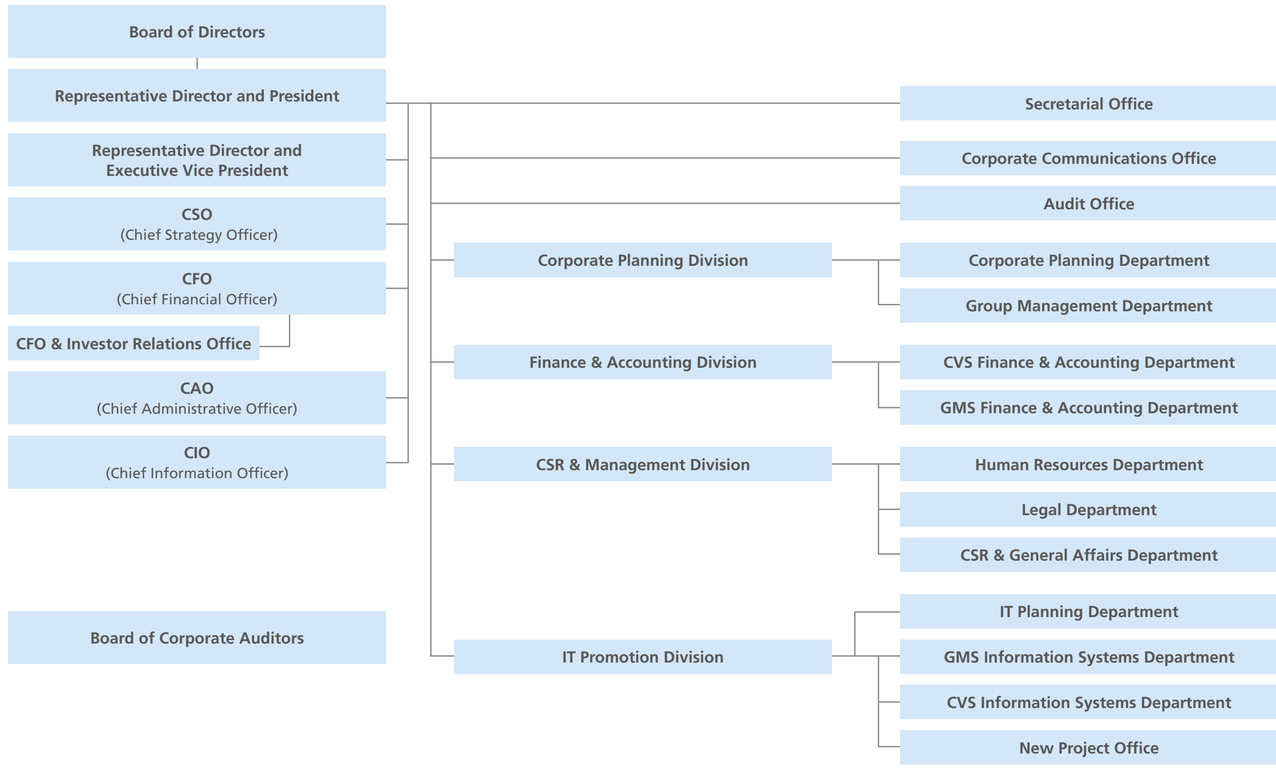
Stock Price (2008/2=100)



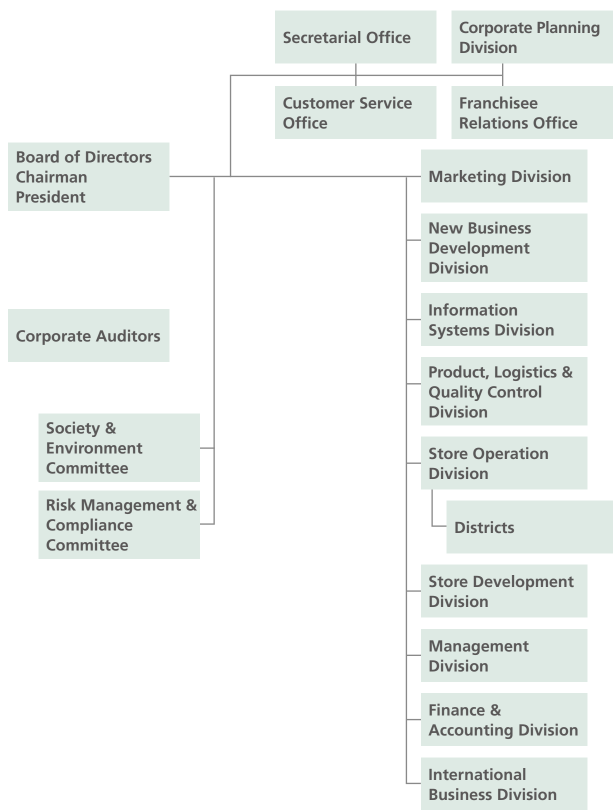
Organization

(As of June 1, 2018)

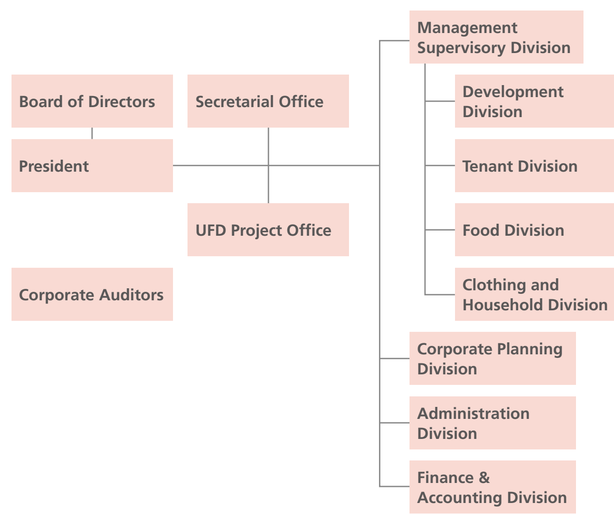
FamilyMart UNY Holdings Co., Ltd.



FamilyMart Co., Ltd.



UNY CO., LTD.



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