



Koji Takayanagi

Representative Director and Chairman

A revamped FamilyMart, together with its franchised stores, will forge ahead to make daily life richer and more convenient.

Beginning a New Chapter for FamilyMart

Established as a holding company in September 2016, FamilyMart UNY Holdings Co., Ltd., will implement an absorption-type merger of wholly owned subsidiary FamilyMart Co., Ltd., and change the Company's trade name to FamilyMart Co., Ltd., in September 2019.

Regarding the Company's senior management team, Takashi Sawada, previously the representative director and president of the operating company FamilyMart, has been appointed representative director and president, while I have become representative director and chairman.

Also, the Company became a subsidiary of ITOCHU Corporation in August 2018. Accordingly, we will continue establishing systems that maximize synergy benefits as a member of the ITOCHU Group. In addition, we will ensure an approach to governance that affords due respect to our independence as a listed company by increasing the number of independent officers. Thus, the merger and aforementioned changes will open a new chapter for FamilyMart.

Reorganizing the Group Decisively and Rapidly

First, let me review fiscal 2018, the year ended February 28, 2019. Having concluded a capital and business alliance with Pan Pacific International Holdings Corporation (PPIH), we transferred all of our shares of UNY CO., LTD., to PPIH in January 2019. We intend to deepen various facets of the tie-up with PPIH by continuing to share respective strengths and know-how.

Driving this decisive, rapid reorganization of the Group was a sense of crisis with respect to changes in Japan's demographic structure, such as

the aging of society, and with respect to the unprecedented pace of change in the retail industry's business environment. As well as a swift rise in the number of stores, competition is transcending boundaries to include such formats as drugstores and discount stores. Moreover, online retailers' full-fledged entry into the industry is intensifying this competition. I believe that we have cemented the foundations for leveraging and strengthening brick-and-mortar stores in readiness for the further emergence of such trends.

Focusing on Growing the Businesses of Franchised Stores

Meanwhile, in just 27 months—the period since the management integration of 2016—the convenience store (CVS) business has converted Circle K and Sunkus stores to the FamilyMart brand, thereby establishing a network in Japan of approximately 16,500 stores. As a result, we have strengthened our standing as a convenience store chain with a powerful brand. This solid position will enable us to prevail even amid the dramatic changes expected in business conditions. In fiscal 2019, the year ending

February 29, 2020, we will channel energy previously devoted to brand conversion into increasing business lines and strengthening the competitiveness of existing stores. The CVS business is a franchise business in which the owners of franchised stores operate stores independently. I think the key to sound earnings growth in the convenience store chain as a whole is to establish systems that help franchised stores to grow their businesses while maintaining the unique features of convenience

stores as places that are near customers and which carry a full range of necessary products and services. Further, all industries will probably have to improve labor productivity going forward. No exception to this trend, FamilyMart will advance measures aimed at reducing the workload accompanying store operations.

As people's lifestyles and shopping habits have changed, convenience stores have become an integral part of the infrastructure of society and everyday life, and the convenience store sector has

continued to grow by increasing the number of stores while introducing additional functions. Our retail business centered on convenience stores must discover new business formats and enhance the appeal of stores to heighten the motivation for store visits. In pursuing strategies, it is important to adapt to developments in society and ensure that business models have flexibility. Accordingly, we will focus on both the near and medium- to long-term as we move forward ceaselessly and continue tackling ambitious initiatives.

Ensuring All Measures Benefit Franchised Stores

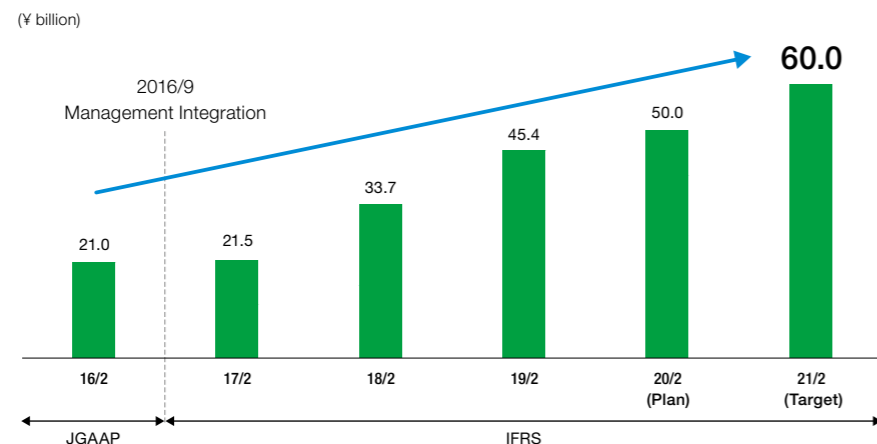
Although we rebuilt supply chains during brand integration, I believe that scope remains for increasing the efficiency of production bases for ready-to-eat items, distribution bases, and logistics networks. On the other hand, rather than blanket optimization of the convenience store chain, we are transitioning into a phase of regional optimization. In other words, we must develop the store network and supply chains in a manner that reflects each region and leaves enough flexibility to respond to individual circumstances. Therefore, we will explore a range of options for store operations, taking into consideration each store's particular environment and location.

Further, we will adopt an entirely fresh approach to enhancing the appeal of stores. Having approximately 16,500 bases in the form of brick-and-mortar stores opens up limitless business

opportunities. By adding new capabilities not only in merchandising but in other areas, we will increase the competitiveness of stores and give customers more reasons to visit them.

In all such initiatives, the goal will be to grow the businesses of franchised stores. This is because corporate headquarters' pursuit of profit on behalf of franchised stores coupled with growth through collaboration is intrinsic to a franchise business. In July 2019, we began offering the *FamiPay* smartphone app, which includes a barcode payment service. As well as being part of the digitization of our retail business, rolling out this service is a measure to leverage FamilyMart's purchasing information and points of contact with customers in marketing initiatives that are aimed at encouraging store visits and growing stores' earnings.

Earnings Growth Scenario



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Sustaining Growth as Part of Society's Infrastructure

Prepared by the current holding company in April 2018, the medium-term management plan covering period until fiscal 2020 sets a target of ¥60.0 billion for profit for the year attributable to owners of the parent. With the CVS business as its continuing operations, the new Company will maintain this target. In fiscal 2019, we will increase the profitability of existing stores by investing actively in franchised store support and store equipment. In its first fiscal year, the new Company is likely to see an increase in expenses. Nonetheless, we will reach the targets of the medium-term management plan because these expenses are expected to level out going forward. Moreover, we will take a variety of steps to reduce costs.

As for returning profits to shareholders, the Company will maintain its basic policy of distributing profits to shareholders on a stable and continuous basis commensurate with consolidated operating performance. Accordingly, in fiscal 2019 we plan to pay an annual dividend of ¥40 per share. Further, the Company executed a 4-for-1 share split of its common stock on March 1, 2019. Please note that the aforementioned annual dividend amount is based on the number of shares after the share split.

Recently, I have been reminded of the level of concern in society with regard to such aspects of the convenience store industry as labor shortages and opening hours. In addition to being a testament to the indispensability of convenience stores to society, such concern has made me acutely aware of the weighty responsibility that we have to listen sincerely to feedback from society as we manage the business. FamilyMart will forge ahead to realize sustained corporate growth by continuing innovation that makes it an even more integral part of the infrastructure of society and everyday life. As we begin a new chapter, I would like to ask all of our stakeholders for their continued support of FamilyMart.

August 2019

Representative Director and Chairman