Integrated Report 2019

FamilyMart

Contents

Editorial Policy

In September 2019, FamilyMart UNY Holdings Co., Ltd., implemented an absorption-type merger of wholly owned subsidiary FamilyMart Co., Ltd., and changed the Company's trade name to FamilyMart Co., Ltd. Accordingly, this report focuses on the corporate strategies of FamilyMart Co., Ltd. Since its founding in Japan in 1973, the FamilyMart convenience store chain has catered to society's evolving needs while adding services and expanding to bring convenience and richness to everyday life. This report explains FamilyMart's tangible and intangible management resources and provides a multifaceted account of how the Company is leveraging them to sustain growth and address social issues. The operating environment of convenience stores is undergoing various transitions. We have prepared this report to give a full picture of the bold measures that we are taking to respond to and anticipate such changes.

In the report, unless otherwise stated, "the Company" refers to FamilyMart UNY Holdings Co., Ltd., and FamilyMart Co., Ltd., following the change of the Company's trade name. "The Group" refers to the Company and its consolidated subsidiaries, affiliates, and jointly controlled companies.

TO COVER STORY

FamilyMart, Where You Are One of the Family

Since its establishment in 1981, FamilyMart Co., Ltd., has moved forward with the aim of bringing convenience and richness to the everyday life of local communities. The roles of convenience stores have changed greatly, making them an integral part of the infrastructure of society and everyday life. However, one thing that will never change is our commitment to remaining close to consumers, expressed in our corporate message: "FamilyMart, Where You Are One of the Family."

FamilyMart Milestones

The first FamilyMart convenience store opened its doors in Japan in 1973. By continuing to develop in step with society, FamilyMart has grown into a domestic chain of approximately 16,500 stores. However, we have not simply expanded our convenience store chain. With the aim of bringing convenience and richness to everyday life, we have steadily increased the sophistication of our operations throughout our history. As well as constantly improving products and services, we have evolved our corporate structure and enhanced the logistics supply chains and information infrastructures that support store operations.

1970s

The early days of convenience stores

September 1973
Opening of the first FamilyMart store (in Sayama, Saitama Prefecture) by a new business segment of Seiyu Stores, Ltd.

August 1978
Opening of the first FamilyMart franchised store

1980s

Expansion of the store network

April 1980
Commencement of an online ordering system

September 1981
Establishment of FamilyMart Co., Ltd.

January 1982
Launch of boxed lunches, fast food, and other original products

February 1987
Network of 1,000 stores in Japan

August 1988
Opening of the first FamilyMart store overseas (Taiwan)

January 1989
Formulation of the "FamilyMart, Where You Are One of the Family" corporate message

September 1989
Introduction of a point-of-sale system

1990s

Increase in store functions

February 1990
Beginning of agency payment services for utility fees, etc.

December 1994
Commencement of the operations of integrated distribution bases including production plants and distribution bases

November 1996
Network of 5,000 stores in Japan

February 1998
Establishment of the ITOCHU Group as the Company's largest shareholder

October 1999
Launch of ATM services

2000s

Establishment of information infrastructure

October 2000
Introduction of Famiport multimedia terminals

January 2001
Introduction of in-store SAT tablet devices for placing orders, enabling personnel to order based on sales and inventory data while checking product status in sales areas

July 2006
Establishment of stores in all of Japan's prefectures

October 2006
Launch of *FAMICHIKI*

December 2009
Conversion of am/pm Japan Co., Ltd., into a wholly owned subsidiary

2010s

Development into an integral part of the infrastructure of society and everyday life

December 2011
Completion of the conversion of am/pm to the FamilyMart brand

May 2012
Opening of the first integrated convenience store and drugstore in Tokyo's Chiyoda Ward

October 2012
Launch of sales under the *FamilyMart collection* private brand

October 2013
Network of 10,000 stores in Japan

April 2014
Initiation of *structural reform in ready-to-eat items*

October 2015
Conversion of Cocostore Corporation into a wholly owned subsidiary

September 2016
Management integration with UNY Group Holdings Co., Ltd.

October 2016
Completion of the conversion of Cocostore to the FamilyMart brand

June 2017
Completion of distribution base reorganization following brand integration

August 2017
Conclusion of a capital and business alliance with Pan Pacific International Holdings Corporation (PPIH)

November 2018
Completion of the conversion of Circle K and Sunkus to the FamilyMart brand

January 2019
Transfer of all shares of UNY CO., LTD., to PPIH

FamilyMart's Components

There is more to FamilyMart than meets the eye. Brick-and-mortar stores are only the most visible component of our operations.
Store operations are made possible by an array of functions and personnel.
Moreover, the shared values of those working in FamilyMart operations are indispensable.
The aforementioned are all essential components of FamilyMart.

Brick-and-Mortar Stores

Through several brand integrations, we have strategically expanded our store network. In Japan, FamilyMart now has a network of roughly 16,500 stores, which have become an integral part of the infrastructure of society and everyday life.

Innovations in Store Operations

A distinctive advantage of convenience stores is that, as brick-and-mortar stores, they provide customer services in person. Such points of contact are the basis of our business model's ability to identify customer needs and issues and innovate rapidly.

Please see page 20 for details.

Store Functions Reflecting Society's Needs

We develop and market products that match society's current needs. Also, by installing ATMs and adding a range of other functions to stores, we have made them even more convenient and essential.

Please see page 24 for details.

Products and Information Infrastructure

FamilyMart optimizes distribution to ensure that stores have the products customers need when they need them. Further, we have established information infrastructure that we use in the development of products and services that match customer needs.

Upgrading of Supply Chains

We are rationalizing supply chains from raw material procurement and product manufacturing through to distribution so that our stores are able to offer customers products with even more value. Furthermore, we are increasing the precision of stores' ordering and inventory management through technological innovation.

Please see page 26 for details.

Diverse Data from Brick-and-Mortar Stores

FamilyMart combines ordering and inventory data and data on customer purchases to predict demand and guide the development of products and services. Other initiatives include our use of digital technologies to make forays into new business fields.

Please see page 28 for details.

Personnel and Knowledge

The roles of the head office are to gather and share know-how garnered through store operations and to support the growth of the entire store chain by creating new businesses. To ensure that we fulfill these roles, we are building new systems that encourage head office personnel to take maximum advantage of their talents.

Accumulation of Business Know-How

We make sure that the business acumen of the operators of franchised stores as well as examples of good practice in store operations are shared throughout the store network. Another important management resource is the know-how regarding store network expansion that we have gained in the process of several brand integrations.

Please see page 30 for details.

Diverse Personnel

Past reorganizations of the Group have given it an employee mix comprising many different types of expertise and experience. Accordingly, we are establishing systems aimed at encouraging these diverse personnel to create synergies and innovate.

Please see page 32 for details.

In September 2019, FamilyMart revised its corporate message to clarify the values that will underpin the Company's growth going forward.

Corporate Message

FamilyMart, Where You Are One of the Family

Mission

Our Three Values

1. FamilyMart is a network of small local stores. Each store lives with and owes its existence to the people who live in the neighborhood. We will work earnestly to **become a store that is rooted closely** and evolves as an integral part of the local community.

2. We will do our best to **meet the needs of each customer** who visits our stores. Our stores will provide what the customers want, furthermore, discovery of exciting and high quality products. By doing so, the stores will be a place where people will stop by anytime.

3. We will foster close ties with business partners **like a family** running a small local store. We want customers to feel part of the neighborhood family. We will continue innovating towards comfortable lifestyle which will contribute not only to convenience but also to the wellness of everyone. We will commit to the pursuit of happiness of the "Family."

FamilyMart's Value Creation Model

In accordance with the "FamilyMart, Where You Are One of the Family" corporate message, we will increase our value as an integral part of the infrastructure of society and everyday life. FamilyMart will achieve this by addressing society's needs and issues and by enhancing the value of its brick-and-mortar stores, products and information infrastructure, and personnel and knowledge.

Further, from the viewpoint of a business rooted in local communities, we will identify priority issues and implement ambitious initiatives to address them.

Important Operating Environment Factors

Changes in society

- Changes in demographics
- Changes in social structure
- Changes in consumer behavior

Social issues

- Social issues that affect revenue growth
- Social issues that should be addressed as a regionally rooted entity

Changes in the competitive environment

- Intensification of competition across industry boundaries
- Technological innovation or business model reform

FamilyMart's Components

Brick-and-Mortar Stores

- Innovations in store operations
- Store functions reflecting society's needs

Products and Information Infrastructure

- Upgrading of supply chains
- Diverse data from brick-and-mortar stores

Personnel and Knowledge

- Accumulation of business know-how
- Diverse personnel

FamilyMart's Business Model

Maximize the value of stores

- Increase the quality and efficiency of store operations
- Optimize the store network
- Enhance store functions
- Create high-value-added products and services

Maximize the value of infrastructure

- Upgrade supply chains
- Increase product value through *structural reform in ready-to-eat items*
- Leverage information acquired through stores
- Create new businesses that use information infrastructure

Maximize the value of personnel and knowledge

- Gather and share know-how on store operations
- Strengthen relationships with franchised stores and local communities
- Secure and develop the next generation of personnel
- Create workplaces that enable diverse personnel to contribute

Responding to Society's Issues: Tackling Material Issues

1. Environmental awareness
2. Contributing to the development of vibrant local communities as social and living infrastructure
3. Strengthening of supply chain management that delivers safe and reliable products
4. Responding to increasingly sophisticated and diverse consumer needs
5. Enhancing diversity

Contribution to the global targets

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

Increase value as an integral part of the infrastructure of society and everyday life

Enhance corporate value

Bring convenience and richness to everyday life

Corporate Message

FamilyMart, Where You Are One of the Family

Foundations of Business Management

- Corporate governance
- Internal control system
- Accountability (dialogue with stakeholders)

Message from the Chairman

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

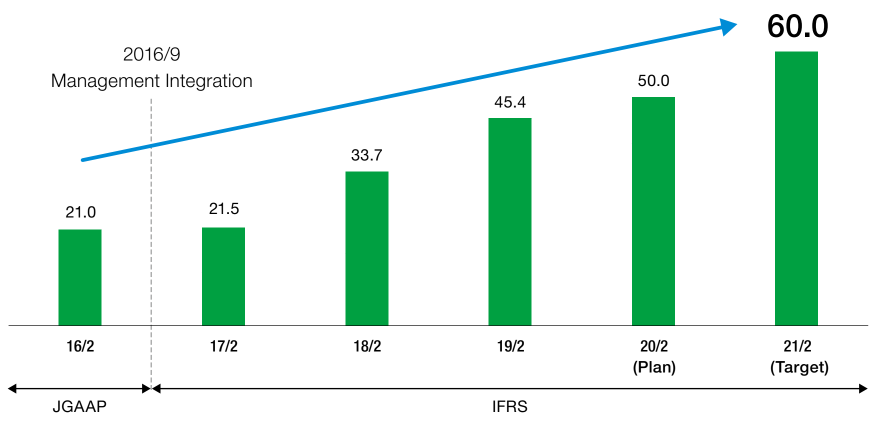
Although we rebuilt supply chains during brand integration, I believe that scope remains for increasing the efficiency of production bases for ready-to-eat items, distribution bases, and logistics networks. On the other hand, rather than blanket optimization of the convenience store chain, we are transitioning 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

(¥ billion)



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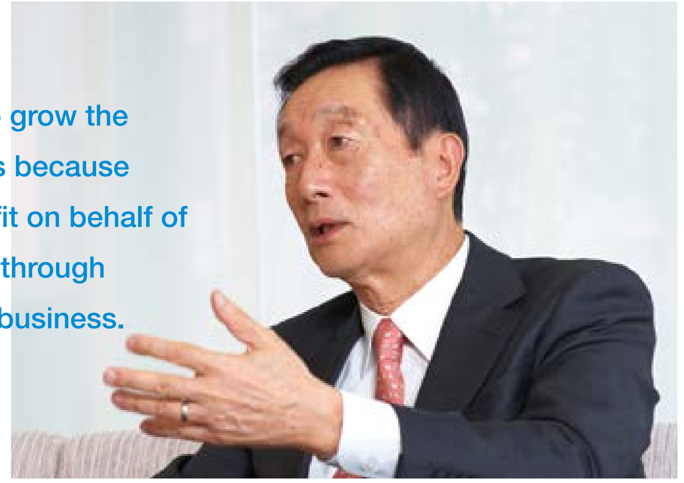


Sustaining Growth as Part of Society's Infrastructure

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

K. Takayanagi

Representative Director and Chairman

Message from the President

Joining hands with franchised stores, we will explore how best to evolve FamilyMart and take on ambitious initiatives.

Before Setting Out FamilyMart's Target Profile

I believe that the possibilities for convenience store businesses are limitless. They have brick-and-mortar stores near customers, build optimal supply chains, and provide customer services through local personnel. As further innovation integrates them into many different aspects of consumption, convenience stores will become even more indispensable than they are now. Indeed, they may evolve far beyond our current understanding of convenience stores. Mindful of this potential, I am constantly pondering how we should evolve FamilyMart going forward.

After becoming representative director and president of FamilyMart Co., Ltd., in September 2016, my principal mission was to complete the largest brand integration in the history of the convenience store industry. By the end of November 2018, we had converted all of our stores to the FamilyMart brand. With the integration completed, I would first of all like to outline other management tasks that we have identified as well as the measures to tackle them.

Reduction of Store Workload: Our First Priority

At the end of November 2018, we completed the brand conversion of Circle K and Sunkus stores, establishing a network of approximately 16,500 FamilyMart stores in Japan—the second largest convenience store chain in the country. We were able to complete the brand conversion of 5,003 stores in only 27 months thanks to the understanding and efforts of the owners and managers of franchised stores who committed themselves to joining FamilyMart, the cooperation of business partners, and the determination and hard work of our employees.

On the other hand, store workload has risen because we increased and further improved the capabilities of convenience stores while giving priority to and concentrating management resources on brand conversion. As a declining workforce in the frontline operations of the retail industry was becoming a social issue, we repeatedly added functions to convenience stores. Consequently, store workload was beginning to increase beyond a level that could be covered simply through convenience stores' operational efforts.

Work Reform through Dialogue with Franchised Stores

While visiting franchised stores nationwide, I concluded that, given the aforementioned issues, we should seek feedback from frontline operations by talking directly with store owners, managers, and store staff and give priority to alleviating store workload as we move forward. Of course, the best places to unearth all store operational issues as well as potential ideas for operational reform are the stores themselves, which are our main points of contact with customers. Therefore, we must reform convenience store work based on the viewpoints of the owners and managers of franchised stores. A relationship of trust between franchised stores and the head office is fundamental to a franchise business. Such a business becomes dysfunctional if the products and services that the head office provides and the business strategies that it sets out do not promise franchised stores stable growth. With this in mind, I felt we needed to reanalyze operations to ensure that we were not placing unreasonable or needless demands on franchised stores that only reflected head office priorities. I also felt we had to check if we were establishing conditions that would allow the businesses of franchised stores to grow.

A relationship of trust between franchised stores and the head office is fundamental to a franchise business.

Accordingly, we broke down and scrutinized day-to-day store operations and rigorously sought ways of increasing efficiency. As a result of simplifying manuals and conducting new capital investment, we reduced workload by a total of 5.5 hours per store per day between the ends of fiscal 2017 and fiscal 2018. While conducting continuous checking through regular questionnaires targeting the owners and managers of franchised stores, we will develop this initiative further.

For details on alleviating store workload, please see page 21.

In April 2019, we announced an action plan to support FamilyMart franchised stores. Based on this plan, existing stores will receive approximately 80% of investment in the current fiscal year. In response to the increasingly serious labor shortage, we will enhance the efficiency of store operations by implementing capital investment of approximately ¥25 billion. At the same time, we will further strengthen support for store staff dispatchment. Also, plans call for the introduction of a reservation-only system for seasonal products to reduce food wastage and improve the profit of franchised stores. Other initiatives will include trials of shorter store opening hours to verify optimal combinations of personnel deployment and store opening hours from the viewpoint of store operations. In addition, we will step up concrete measures aimed at addressing environmental issues. For example, we will reduce the volume of plastic shopping bags and other disposable plastic items that we use.

Relationship of Trust with Franchised Stores: A Growth Engine

For convenience stores, the phase of growing businesses by expanding store chains to "stake out territory" is over. The extent to which we can add to brick-and-mortar stores new functions that society needs while reducing store workload is likely to determine growth. Convenience store chains are forming many business tie-ups with companies in industries that have not been closely associated with the convenience store industry in the past. Depending on the functions that they add, respective convenience store chains may evolve into completely different entities from one another. Again, I am convinced that a relationship of trust with the owners and managers of franchised stores will be essential for the success of such evolution. No matter how attractive a prospective business might be to the head office, if there is no merit for franchised stores, commercializing and rolling out such a business across the nationwide store network would be difficult.

This is one of the reasons why I focus so much on talking with and building relationships of trust with the owners and managers of franchised stores. I believe that the mission of the head office is to further increase the opportunities for dialogue with franchised stores so that both parties can develop businesses based on shared values and goals. In addition, our mission is to create a chain of convenience stores that owners and managers can operate with pride by providing appealing products and services and offering new store functions that motivate store visits.

FamilyMart is already advancing a range of initiatives that leverage its brick-and-mortar stores and infrastructure, such as the establishment of laundromats and gyms adjacent to convenience stores. Another of these initiatives is our launch of the *FamiPay* smartphone app in July 2019, which includes a barcode payment service. As well as catering to the expected rapid penetration of cashless payments, the app is enabling us to increase store visit motivation through coupons and campaigns. Moreover, we will actively develop marketing that utilizes purchasing information.

For details on the *FamiPay* smartphone app, please see page 28.

Measures to Maximize Employees' Abilities

In addressing management issues and achieving evolution, the abilities of personnel are as important as relationships of trust with franchised stores. FamilyMart has assembled a diverse group of personnel as a result of previous corporate reorganizations. To fully capitalize on the abilities of these personnel, we are proceeding with two overall strategies.

The first strategy is to become regionally rooted. Given that customer needs and social issues will further diversify, we cannot win in fierce competition simply by marketing a uniform lineup of products and services. Supervisors play a central role in supporting the owners and managers of franchised stores. Therefore, we will actively promote supervisors who have roots in local communities and can think and act based on the needs of these communities. Further, in the current fiscal year we have delegated authority to several regions to enable them to develop unique regional products and services. While verifying the benefits, we will also continue the redeployment of supervisors that we began in fiscal 2018.

Our second strategy is to strengthen the abilities of head office personnel. If we are to transition from a business model that is focused on expanding the store network and launching new products and services to one that leverages brick-and-mortar stores to achieve evolution, developing systems that allow personnel with expertise to flourish is a pressing task. In conjunction with efforts to reduce store workload, the head office will concentrate on eliminating wastefulness, increasing productivity, and creating an environment in which personnel with a range of abilities can play important roles.

Also, it is important for FamilyMart's personnel to share the same values and philosophy. The word "Family" in our name represents an important commitment as well as a bond that connects all stakeholders, including customers, franchised stores, business partners, and employees. To reconfirm the meaning of "Family" and the "FamilyMart, Where You Are One of the Family" corporate message as well as the roles we should play, we have revised the structure and simplified the content of our principles. Reading the new version of the principles should give a sense of the type of entity FamilyMart wants to become in relation to society.

Four Strategies

In fiscal 2019, we have set out *four strategies*. These are *enhancing support for franchised stores*, which includes the aforementioned efforts to increase the efficiency of store operations; *strengthening the profitability of stores; moving forward with digitization*; and *promoting business collaboration with Pan Pacific International Holdings Corporation (PPIH)*. We will implement the strategies swiftly. The aim of the strategies is not only to strengthen our relationship of trust with the owners and managers of franchised stores but also to reform ourselves into a more appealing store chain.

The decline in the working-age population and the accompanying rise in personnel expenses are issues throughout society. However, for the convenience store industry, which provides customer services at brick-and-mortar stores, these are particularly urgent management issues. Accordingly, we are ***enhancing support for franchised stores*** through measures to increase labor productivity at franchised stores, such as continued investment to reduce store workload, support for store staff recruitment, and encouraging the taking of leave.

For details on *enhancing support for franchised stores*, please see page 21.

As for ***strengthening the profitability of stores***, we will continue to focus on ready-to-eat items in efforts to increase the quality and appeal of products. Another feature of fiscal 2019 initiatives will be a significant expansion of the frozen food lineup. Given changes in lifestyles and growing awareness of the need to reduce food wastage, we expect demand for frozen food to continue increasing. Also, rather than seeking to increase the number of store openings, we will concentrate management resources on improving the environments of existing stores through build-and-scrap (B&S) and remodeling measures.

For details on *strengthening the profitability of stores*, please see page 24.

Launched in July 2019, the *FamiPay* smartphone app, which includes a barcode payment service, will form the basis of initiatives aimed at ***moving forward with digitization***, as I mentioned earlier. Through an open strategy that realizes compatibility with many different types of cashless payment and loyalty points, we will increase customers' motivation to visit stores. At the same time, we will use the points of contact with customers that the app provides to take on ambitious initiatives to create new financial services, advertising, and marketing businesses as well as to introduce digitally enabled, next-generation store operations.

For details on *moving forward with digitization*, please see page 28.

Also, we will continue ***promoting business collaboration with PPIH***. In June 2018, we began operating three FamilyMart convenience stores in Tokyo on a trial basis with discount retailer Don Quijote, which is a PPIH subsidiary. The stores have proven very successful, posting 30% year-on-year growth in daily sales as of the end of February 2019. Hoping to broaden this partnership with PPIH, we are considering joint development of products and services, collaborative businesses in the financial services field, and joint development of businesses overseas. By combining each other's business know-how, we want to explore the potential for new retail formats.

Conclusion

In sustaining the growth of FamilyMart, the most important components are a relationship of trust with the owners and managers of franchised stores and the development of the store chain in a manner that inspires belief in the future growth of the business. I have stated this view repeatedly since becoming president. I believe that, as our frontline operations, our stores will determine whether the measures we have taken bear fruit and will also show us the measures we should take. Joining hands with franchised stores, we will explore how best to evolve FamilyMart and take on ambitious initiatives. In closing, I would like to ask all of our stakeholders to provide us with continued guidance and encouragement and to have high expectations of FamilyMart going forward.

August 2019

Representative Director and President

Operating Environment and Growth Strategies

Convenience stores have grown by increasing their existential value through measures that address changes and issues in society.
At present, FamilyMart is seeing its operating environment change on an unprecedented scale.
Welcoming this change as an opportunity to launch our next phase of growth,
we are forging ahead with a range of different initiatives in the areas of brick-and-mortar stores, products and information infrastructure, and personnel and knowledge.

Changes in society*

Percentage of the population aged 65 or above:	28.1%
Percentage of the population living in the three major metropolitan areas:	51.7%
Percentage of women aged between 15 and 64 in employment:	69.9%

In addition to such demographic trends as the population's aging and concentration in cities, lifestyles and consumer behavior are changing. In particular, women's entry into the workforce and workstyle reform are diversifying why and when people shop. Moreover, attitudes to consumption itself are changing, as demonstrated by the shift in consumption from goods to services.

* Based on the *Labor Force Survey* and information on population, demographics, and households of the Basic Resident Register of the Ministry of Internal Affairs and Communications

Social issues

As society changes structurally, demand is growing for products that are safe, reliable, and healthy. Many global issues are emerging that we should help tackle as a responsible retailer with a store network and supply chains. These include climate change, natural disasters, food wastage, and plastic trash. Other pressing tasks are the hiring and development of personnel who will lead the Group's growth as well as their appropriate evaluation and deployment.

Changes in the competitive environment

Size of the convenience store market*

	Fiscal 2012		Fiscal 2018
Sales	¥9.5 trillion	▶	¥12.0 trillion
Number of stores	49,147	▶	58,313

In addition to competition among convenience store chains, competition from other industries, including online businesses, has begun in earnest. Also, pressure to reduce operational costs is increasing due to changes in the environment, such as raw material price hikes and labor shortages. In response, the retail industry is taking advantage of AI and other leading-edge technologies to realize next-generation stores and creating new businesses with the aim of developing future earnings mainstays.

* Prepared by the Company based on the *Current Survey of Commerce* of the Ministry of Economy, Trade and Industry

Maximizing the Value of Stores

Brick-and-Mortar Stores

P20

- Strengthening support for franchised stores
- Increasing the efficiency of store operations
- Developing support systems for the management of franchised stores
- Exploring ideas for next-generation stores that incorporate the latest technologies
- Encouraging local communities ······ Material Issue 2 (P23)
- Developing appealing products and services
- Developing products that cater to health needs ······ Material Issue 4 (P25)
- Reducing the environmental burden of store operations ······ Material Issue 1 (P38)
- Increasing the profitability of stores by carefully selecting regions and store formats

Maximizing the Value of Infrastructure

Products and Information Infrastructure

P26

- Optimizing distribution bases
- Enhancing the productivity of production bases for ready-to-eat items
- Creating high-value-added products through *structural reform in ready-to-eat items*
- Strengthening relationships with business partners in supply chains
- Preparing business continuity plans covering entire supply chains ······ Material Issue 3 (P27)
- Reducing plastic trash and product wastage ······ Material Issue 1 (P38)
- Using information infrastructure in marketing
- Expanding the customer base through proprietary payment channels
- Creating new businesses through the leveraging of data on customer purchases

Maximizing the Value of Personnel and Knowledge

Personnel and Knowledge

P30

- Enhancing the capabilities of supervisors
- Delegating authority and redeploying personnel with the aim of being regionally rooted
- Building systems for sharing examples of good practice in store operations
- Promoting diversity ······ Material Issue 5 (P33)
- Hiring and developing personnel who will lead the Group's growth
- Advancing workstyle reform as well as health and productivity management

— FamilyMart's Growth Strategies —

Maximizing **the Value of Stores**

Brick-and-
Mortar Stores

Strengthening Support for Franchised Stores

Brand integration has given us a network of approximately 16,500 convenience stores in Japan.
To heighten the competitiveness of the whole store network,
we will focus investment on existing stores.

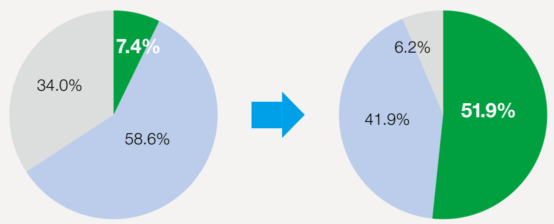
Increasing the Efficiency of Store Operations

Enhancing work efficiency at stores is a pressing task for us as the headquarters. For many years, we have been expanding and improving our lineup of products and services to reflect changes in society's needs and maximize convenience for customers. Since fiscal 2016, however, we have also been analyzing, reorganizing, and drastically reducing store workload.

In fiscal 2018, we reduced workload by 5.5 hours per store per day through improvements in store equipment. For example, we introduced larger fryers for *FAMICHIKI* fried chicken and other fried items. Through the continued introduction of such equipment, we will reduce workload by a further five hours per store per day in fiscal 2019.

Reducing the Workload of Stores

(Results of a survey of franchised stores)



Fiscal 2019 Measures to Increase the Efficiency of Store Work (Investment: ¥25 billion)

	New tablet device for placing orders	Cashless payment services	Increased introduction of self-checkout registers	Increased introduction of new pullout shelves	System improvements
	 32,000	FamiPay, d払い, LINE Pay, PayPay, R Pay, 支付宝 ALIPAY, 微信支付 WeChat Pay	 +4,000		
Reduction in hours per day	0.5 hours	1 hour	1 hour	2 hours	0.5 hours
Implementation status	Replacement began in May 2019	In-house payment service began in July 2019	By the end of fiscal 2019	Expand introduction to existing stores	Began in May 2019

Maximizing **the Value of Stores**

Brick-and-Mortar Stores

Providing Support Systems for the Management of Stores

We provide a range of support aimed at increasing the profitability of franchised stores. Under the current franchise contract, the head office provides support for losses from food waste to enable strengthening of the lineup of ready-to-eat items. Also, in accordance with the contract, we provide support for utilities as well as store management support, which reduces operating costs that franchised stores incur. Moreover, in 2001 FamilyMart became the first convenience store operator to introduce a system that encourages the management of multiple stores, which we call the multiple-store promotion system. The system is available to any motivated business owner, and as of the end of February 2019 more than 70% of all stores were operated based on a multiple-store management system.

Further, in the current fiscal year we have already revised the incentive for opening 24 hours a day based on the percentage increase in the minimum wage. Under this incentive scheme, we previously paid ¥1.2 million per year to stores that operate 24 hours a day. Also, we are establishing conditions that allow franchisees to manage their businesses with peace of mind. For example, we are promoting health management by waiving fees for health checkup support services, and we are encouraging store managers to take more vacations by enhancing the support system for them.

For details on the multiple-store promotion system, please see page 86.

Measures for Franchised Stores

Measure	Implementation commencement	Summary and aim
Increase in incentive for opening 24 hours a day	June 2019–	Revised annually based on the percentage increase in the minimum wage Compensates for increases in a range of costs associated with store operations
Promotion of health management	June 2019–	Health checkup support services for the store staff of franchised stores Paid for by the head office, thereby dispensing with fees
Enhancement of support system for store managers (encouragement to take more vacations)	June 2019–	Significantly eased the conditions for using the system. Provided gratis during disasters or times of bereavement, and one day per year provided gratis mainly to individually managed stores, etc.
Store staffing support	June 2019–	Strengthened system for dispatching personnel from partner staffing agencies Plan to extend the system used in Kanto and Kansai regions nationwide during fiscal 2020
Enhancement of dialogue with the head office		
Kansha no Tsudoi ("Gratitude Gathering") (held 16 times at 11 venues nationwide)	Held continuously	Intended to show gratitude to owners for operating franchised stores and enable the senior management team to explain the fiscal year's strategies
Increase in holding of store manager assemblies (organized by district managers)	Held as needed	Study groups comprising store managers and with themes set by district
Establishment of store business management enhancement seminars	June 2019–	Holding seminars for the owners and managers of franchised stores with themes selected to help with the business management of stores
Increase in the functions and scale of the Franchisee Relations Office	September 2019–	A dedicated head office organization that not only provides consultations on store management but also seeks solutions to all kinds of inquiries received from the owners and managers of franchised stores

Action Plan to Support Franchised Stores

Aiming to grow and develop with franchised stores, we prepared an action plan to support FamilyMart franchised stores in April 2019. Given the emergence of differences in social conditions among regions, such as changes in their respective demographics, in June 2019 we began implementing trials of shorter opening hours at stores in specific areas for periods of up to six months. We will conduct verification with a view to store operations that match society's current needs.

Summary of Trials of Shorter Opening Hours

Trial (1)	Trial (2)
Shorter opening hours once a week (Sunday)	Shorter opening hours every day
Region: Tokyo (Bunkyo), Nagasaki (Isahaya)	Region: Tokyo (Ikebukuro), Akita (Akita Minami)

The names of FamilyMart Co., Ltd. organizations (operating bases) are in parentheses.

Incorporating IoT to Realize Next-Generation Convenience Stores

Through a partnership with Panasonic Corporation, in April 2019 we opened a prototype convenience store, FamilyMart Saedo Store, in Yokohama, Kanagawa Prefecture. We are using the store to jointly conduct proving tests of IoT-related technologies, including object detection based on image processing technology, payment through authentication by facial recognition, and point-of-purchase displays and digital shelf labels that automatically change their displays of product prices and other information. Taking into consideration issues in society at large as well as in store operations, we will find solutions and roll them out across our store network. In this way, we will establish customer-focused, next-generation convenience stores.

Inside the FamilyMart Saedo Store

Material Issue 2

Contributing to the development of vibrant local communities as social and living infrastructure

In April 2019, we launched *Famima Kodomo Shokudo* ("FamilyMart Children's Cafeteria") as part of our efforts to promote exchanges within local communities and support children—who after all are the future. Our hope is to help invigorate local communities by using FamilyMart stores nationwide to offer opportunities for local children and residents to chat as they dine together around the same table. By opening *Famima Kodomo Shokudo* in respective regions, we will continue to advance initiatives that are close to local communities and which meet customers' needs.

Brick-and-Mortar Stores

Strengthening the Profitability of Stores

We will heighten the profitability of stores even further by focusing on ready-to-eat items in product value enhancement efforts and by improving store environments through a build-and-scrap (B&S) strategy.

Enhancing the Value of Products

We must develop and provide products that reflect the new needs emerging as the structure of society changes. Focusing on ready-to-eat items, we will cater to diversifying demand by continuing to concentrate on strategic products that exploit the advantages of our convenience store chain and encourage store visits and shopping.

With respect to ready-to-eat items, we will expand and improve our lineup of chilled boxed lunches and their sales areas. For these chilled products, we conduct quality control at a lower temperature than we do for boxed lunches that have constant temperatures. This enables us to use eye-catchingly colorful vegetables and reduce additives while preserving the lunches' tastiness. Moreover, chilled boxed lunches heighten profitability because they have longer sales periods than conventional boxed lunches with constant temperatures, which reduces lost sales opportunities and product disposal.

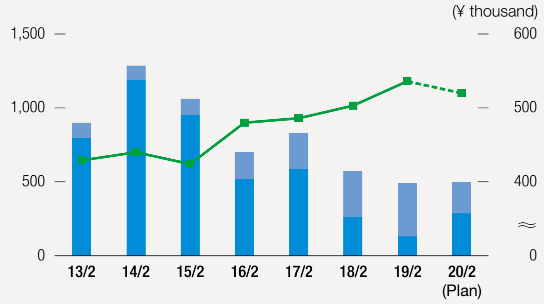
At the same time, FamilyMart will further improve product lineups that accentuate its particular strengths. For example, plans call for expanding the product lineup and sales areas of prepared dishes and frozen food offered under the "Mother's Kitchen" brand. Also, we will bring to market appealing new strategic products that generate popular interest and motivate customers to shop. As part of these efforts, we are introducing new-model self-service coffee machines and revamping hot snacks and other counter products that are positioned next to cash registers.

Strengthening the Foundations of Our Store Network

In fiscal 2018, we focused on ensuring the quality of new stores by introducing stricter criteria for store openings. At the same time, to reduce future risk, we brought forward the closure of stores that had seen a decline in profitability. We will continue to focus strongly on profitability when opening new stores and to advance a B&S strategy, which redeploys stores to prime locations that are likely to attract more customers. These strategies will strengthen the foundations of our store network, thereby enabling us to develop and maintain a store network that is able to withstand competitive and environmental changes.

In addition, FamilyMart will concentrate on developing stores in three major metropolitan areas: Tokyo, Osaka, and Aichi. Further, by leveraging its long-standing competence in the opening of stores under many different formats, the Company will cater to the needs of even more customers. We will open stores in hospitals and railway stations and establish "automatic vending machine" convenience stores.

Store Openings and New Store Daily Sales



In fiscal 2019, we increased ready-to-eat items. Also, in response to changing lifestyles and growing awareness of the need to reduce food wastage, FamilyMart enlarged its lineup of frozen food and focused efforts on prepared dishes for which gas-exchange packaging is used to extend their sell-by dates.

Material Issue 4

Responding to increasingly sophisticated and diverse consumer needs

In response to increasing health awareness in today's society, we are developing rice balls, sandwiches, and other products that include "super barley," rich in dietary fiber. In particular, rice balls—developed based on the concept of a product that helps customers to keep eating healthily every day—have garnered support not only from health-conscious women but also from a wider group of women, specifically those aged between 20 and 60, as well as from men in their 40s and 50s. As of the end of June 2019, we had sold 70 million of these rice balls.

Sockeye salmon and seaweed rice balls with "super barley"

Maximizing the Value of Infrastructure

Products and
Information Infrastructure

Upgrading Supply Chains

As part of reorganization of the Group, we have optimized distribution bases. Going forward, we will transition into a phase of rationalizing supply chains with the aim of enhancing earnings.

A FamilyMart production base for ready-to-eat items. Plans call for capital investment with a view to automation.

Following brand integration, we rationalized distribution bases to reflect our new store network, and we will continue to revise delivery routes.

Building an Optimal Distribution Network for the Store Network

Aiming to market ready-to-eat items that have even greater value and appeal, since fiscal 2014 FamilyMart has been advancing *structural reform in ready-to-eat items* by fundamentally reforming all processes from product planning and development through to manufacturing and sales. In accordance with the integration of Circle K and Sunkus stores under the FamilyMart brand, we have dramatically reformed and consolidated both store chains' distribution networks, work processes at distribution bases, and delivery routes. Consequently, we had reduced the number of distribution bases from the pre-integration level of 213 to 160 as of the end of February 2019.

From fiscal 2019 onward, we will realize optimal distribution in each region and by developing sales areas that cater to their retail zones—which is the proper role of convenience stores. In addition, we are reforming the timing and frequency of ordering and the management of delivery vehicles to reflect the circumstances of individual retail zones. In the future, we will rationalize all supply chains, including raw material procurement and production through to delivery and in-store ordering systems. We plan to complete reorganization of distribution infrastructure by the beginning of fiscal 2020.

Enhancing Product Appeal Tirelessly

We are also rationalizing production bases for ready-to-eat items. Specifically, FamilyMart is steadily switching from integrated plants that produce offerings in a variety of categories to plants aligned to the temperature zones of products, such as plants specializing in rice products and plants specializing in chilled products. By reducing the number of items produced by each plant, we aim to improve product quality and production efficiency. As of the end of February 2019, our optimization efforts had reduced the number of production plants to 92, compared with 120 at the beginning of brand integration. Moreover, the percentage of these production plants dedicated to manufacturing FamilyMart items has risen to approximately 80%.

The aforementioned reorganization of overall product supply is minimizing lead times in ordering, production, and delivery processes while optimizing store inventories and reducing food wastage. In addition, our series of reorganization measures is generating earnings, which we are reinvesting in production plants and distribution bases to boost product quality even further. Through this virtuous cycle, we are enhancing the appeal not only of ready-to-eat items but also of other products and services and thereby driving earnings growth across the entire store chain.

The introduction of new tablet devices is greatly increasing the efficiency of ordering and inventory control.

Material Issue 3

Strengthening of supply chain management that delivers safe and reliable products

To ensure that we can continue functioning as part of the infrastructure of society and daily life even if natural disasters disrupt our supply chains, we have prepared a Supply Chain Business Continuity Plan. Based on this plan, we are building support systems in which nearby bases help with raw material procurement or delivery to stores. At the same time, to ensure that the production of ready-to-eat items that have long shelf lives or which can be supplied with ease does not become concentrated on specific plants, we disperse the production of products during normal operating conditions. This dispersal increases the likelihood of our being able to provide basic supplies even during disasters.

Products and
Information Infrastructure

Leveraging Information Infrastructure to Expand Businesses

Through digitization that utilizes points of contact with customers, we will increase shopping convenience and raise the profitability of franchised stores.

Adopting Openness as a Basic Policy

FamilyMart's approach to digitization is founded on openness. We are digitizing payment in a manner that allows customers to use our services or a selection of other services in accordance with their preferences. We have introduced other companies' barcode payment services, such as PayPay and LINE Pay. Moreover, we have launched our own smartphone app with a barcode payment service, *FamiPay*, and linked it to a range of loyalty point programs.

Launching the *FamiPay* Service

July 2019 saw the introduction of our *FamiPay* smartphone app payment service. Specifically, we have renewed our official app and enhanced its menu of services by adding *FamiPay*, FamilyMart's barcode-based payment function. Furthermore, we plan to link the loyalty point card services T-POINT, d POINT, and Rakuten Super Point with *FamiPay* in November. Every day, roughly 15 million customers shop at FamilyMart stores. When these customers visit our stores, we will recommend *FamiPay* to them as a highly convenient service. Our goal is to reach 10 million downloads by fiscal 2020. Approximately 20% of payments at FamilyMart stores were cashless as of the end of February 2019. By increasing this percentage, we will reduce store workload while increasing shopping convenience.

Creating New Businesses through Digitization

FamilyMart's brick-and-mortar stores provide points of contact with customers. In pursuing a digitization strategy, we believe that leveraging data on consumer purchases acquired from day-to-day store operations and, more than anything, leveraging our connection with customers are important.

In the medium-to-long term, FamilyMart will establish a customer base through *FamiPay* and explore the potential for using resources from within the Group as well as external resources to create new businesses beyond the merchandising field. Specifically, we will consider the possibility of developing businesses in financial services and advertising and marketing because such businesses would enable us to offer customers highly convenient services and to take advantage of our management resources.

By simply holding an app barcode under a scanner, customers not only can pay but also use coupons or loyalty points.

App Functions

ファミペイ

1. Member card (ID)
2. Digital coupons
3. Fun content and notifications
4. Connection to various services

Payment Functions

FamiPay

1. Barcode payment (electronic money)*1
2. *FamiPay Bonus* return*2
3. Connection to various services

(Rendered screenshot)

*1 *FamiPay* is electronic money issued by Famima Digital One Co., Ltd.
*2 One *FamiPay Bonus* return (equivalent to ¥1) for every ¥200 of merchandise sales (including tax); 10 *FamiPay Bonus* returns for each use of *Famiport* services, agency payment services, etc. (Certain merchandise sales and services not eligible for *FamiPay Bonus* returns) *FamiPay Bonus* usable for charging *FamiPay*

Maximizing the Value of Personnel and Knowledge

Personnel and Knowledge

Accumulating Business Know-How

By establishing systems that encourage active dialogue between franchised stores and the head office, we use the know-how of personnel on the sales front line to heighten the competitiveness of the store chain as a whole.

Increasing the Capabilities of Supervisors

We provide franchised stores with information on convenience store business know-how and information on products and services through supervisors, who are head office employees. Based on the belief that allowing supervisors to make maximum use of their knowledge, experience, capabilities, and drive will enhance the value of individual stores and lift the competitiveness of the whole store chain, we are focusing efforts on increasing the capabilities of supervisors as our interface with franchised stores.

We are standardizing workflows and systematizing development and evaluation to objectively measure the degree to which supervisors are realizing the range of duties and the performance expected of them. Further, we will regularly revise these development and evaluation systems in light of the diversification of our workforce and workstyles, the evolution of stores, and feedback from frontline operations. Recently, we have been reducing the number of stores that each supervisor manages. At the end of fiscal 2018, each supervisor managed 6.3 stores on average, down from 7.9 at the end of fiscal 2016. As a result, supervisors are able to devote more time to visiting franchised stores and talking with store owners and their managers.

Also, mindful of the need to be regionally rooted, FamilyMart is delegating authority to regions. We believe that partnership between franchised store owners and managers and supervisors who have an attachment to and are knowledgeable about their stores' regions can realize store operations that reflect regional characteristics and benefit the local community, thereby heightening the presence and competitiveness of stores. Accordingly, we are redeploying supervisors or reallocating stores based on the regions supervisors are from or live in.

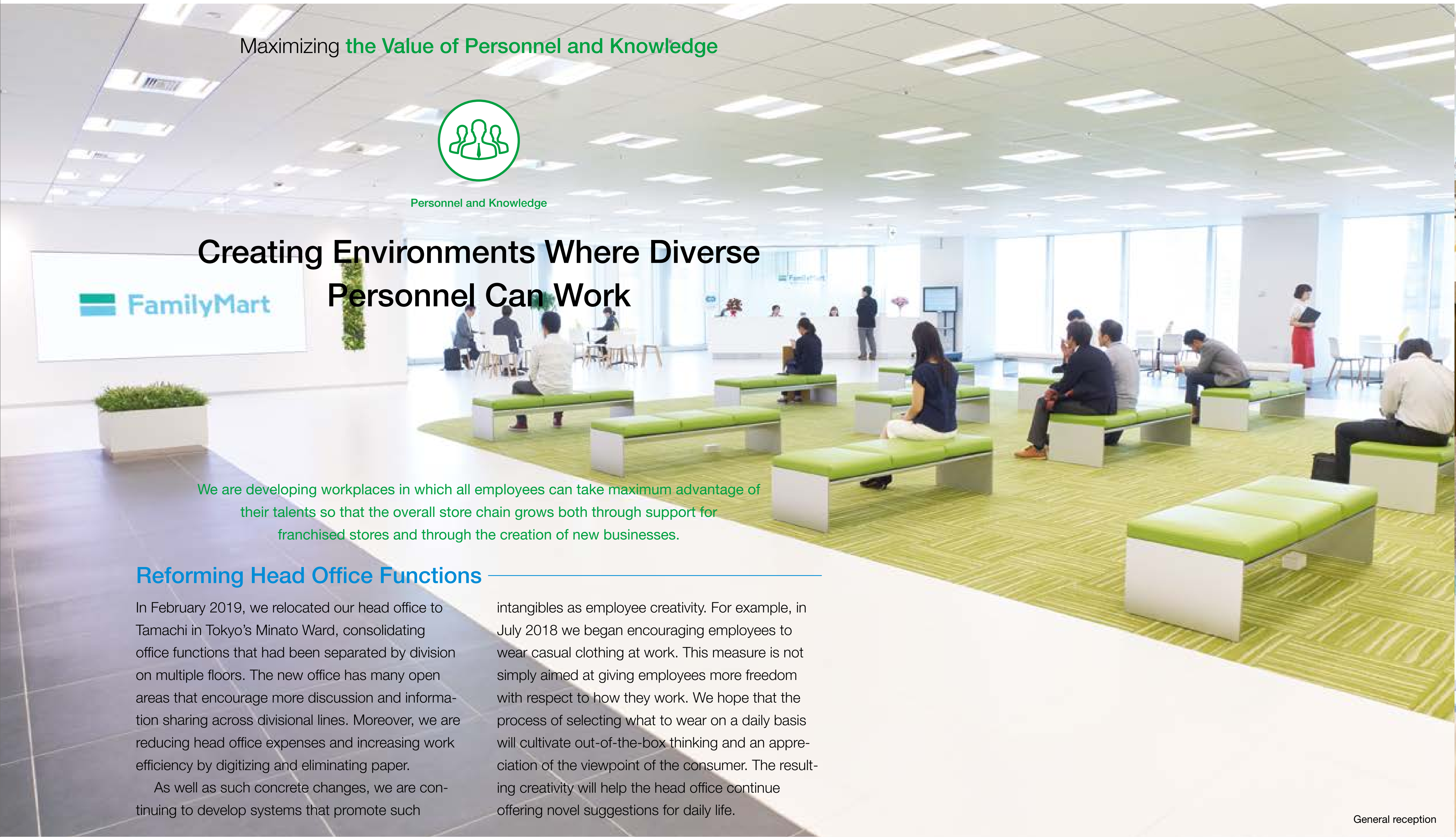
Developing Systems for Sharing Good Practices

We are building a system to actively gather and share information that will benefit the entire store chain. This information includes needs relating to products and services that have become apparent to franchised store managers through interaction with customers in day-to-day operations. The system also encourages managers to share good examples of creative measures that individual stores have devised to increase earnings.

Through the *FAMILY* public relations magazine for franchised stores, we inform the whole store chain about initiatives that franchised stores are taking to increase daily sales or improve operations. On occasion, the magazine also includes the results of head office surveys on day-to-day work as well as the details and progress of improvement measures taken in light of these results.

Also, we hold meetings in which the president and other members of the senior management team explain management strategies in each fiscal year directly to all owners and managers of franchised stores. We also use these meetings as an opportunity to present awards to store owners and managers who have realized outstanding quality or performance in store operations. Proactive communication between the head office and franchised stores provides the senior management team with a timely understanding of the ideas for improvements as well as the issues that exist on the sales front line. We then use such insights to enhance the competitiveness of the entire store chain.

Supervisors visit stores under their management and perform a role that enhances the quality of the entire store chain. They provide store managers with the latest information from the head office. At the same time, supervisors gather information on issues at stores and exemplary store operations, which they share with the head office.



Personnel and Knowledge

Creating Environments Where Diverse Personnel Can Work

We are developing workplaces in which all employees can take maximum advantage of their talents so that the overall store chain grows both through support for franchised stores and through the creation of new businesses.

Reforming Head Office Functions

In February 2019, we relocated our head office to Tamachi in Tokyo's Minato Ward, consolidating office functions that had been separated by division on multiple floors. The new office has many open areas that encourage more discussion and information sharing across divisional lines. Moreover, we are reducing head office expenses and increasing work efficiency by digitizing and eliminating paper.

As well as such concrete changes, we are continuing to develop systems that promote such intangibles as employee creativity. For example, in July 2018 we began encouraging employees to wear casual clothing at work. This measure is not simply aimed at giving employees more freedom with respect to how they work. We hope that the process of selecting what to wear on a daily basis will cultivate out-of-the-box thinking and an appreciation of the viewpoint of the consumer. The resulting creativity will help the head office continue offering novel suggestions for daily life.

General reception

In-house store

Executive conference room

Open area

Promoting Health through a New Health Management Office

We are advancing health and productivity management measures because managing the health of individuals underpins their ability to fully realize their talents. Our goal is for employees to take charge of their own health so that they can work healthily and with vitality. To this end, the Health Management Office, established in March 2019, holds health seminars and events themed on diet and exercise and takes other measures to change employees' attitudes. The office's other initiatives to support employees' self-management include the introduction of a cancer screening support system and a program for improving body mass index (BMI).

Spreading Workstyle Reform

We are conducting a range of initiatives to increase each employee's awareness of workstyle reform, including a Companywide No Overtime Day, a Finish Work by 8 p.m. Rule, and a Paid Leave Promotion Month. Further, with "a total of 2,000 actual working hours in fiscal 2020" as a target, the president and other members of the senior management team are taking the lead in efforts to improve the work environment and have established a Workstyle Reform Declaration, which sets specific targets for each fiscal year.

Please see page 63 for further information.

Material Issue 5

Enhancing diversity

The Company is promoting diversity based on three principles: commitment from senior management, appropriate training of leaders, and bottom-up initiatives. We are creating new value by enabling personnel from a wide variety of backgrounds to fully utilize their experience and abilities through the activities of the Diversity Promotion Committee at the executive level, managerial study groups in respective divisions, and area committees.

Also, empowering women is one of the Company's top priority tasks. By fiscal 2020, we aim to have women account for 20% of employees and 10% of managers. We are designing environments and systems that enable employees to continue working regardless of their stage of life or the changes in their work format. In this way, we hope to incorporate women's perspectives and a broad variety of other perspectives into the process of developing new products and services. Both the number of supervisors using a reduced working hour format and the number of male employees taking childcare leave are rising. Gradually, we are developing a corporate culture in which both women and men can build their careers while raising children.

CFO Message

Kunihiro Nakade

Director, Senior Managing Executive Officer,
CFO

I want to enhance corporate value not only financially but in terms of our existential value in society.

Fulfilling the Changing Role of a CFO

Since I joined FamilyMart's management team by becoming general manager of the Management Division in May 2016, the Company's business conditions have changed dramatically. The convenience store (CVS) business has reached a juncture where it must begin adopting strategies that take into consideration not only competition from companies in the same industry but also competition from online retailers and other business formats. In response to these changes in business conditions, the Company has decided to reorganize the Group and has made a number of other significant decisions.

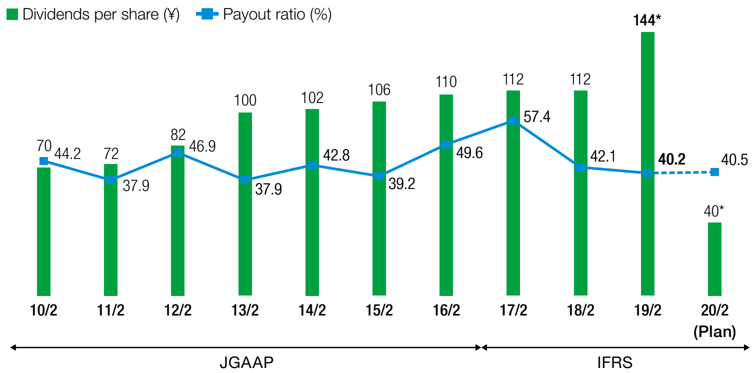
Under these circumstances, I have a tangible sense that the center of gravity of the Company's financial and capital strategies has shifted from growth investment aimed at increasing earnings toward the appropriate allocation of management resources within the Group as a whole. I also feel that the role the CFO should play has changed considerably. Further, the Group's strategies and financial and capital strategies have become even more indivisible. In response to the greater complexity of our organization due to M&As and group reorganization, we have introduced International Financial Reporting Standards (IFRS) and adopted a consolidated tax payment system. In the current business conditions, reforms such as these, which align business models and growth strategies, have become a new facet of the CFO's duties.

It goes without saying that one of my duties as CFO is to further understanding of the Company's business through dialogue with markets that are centered on investors. In recent years, however, informing the Company, particularly the senior management team, about details of dialogues with external stakeholders has become another important role of the CFO. This reflects how closely integrated financial and capital strategies and corporate strategies have become, and I feel that the chairman, the president, and other members of the senior management team understand this close relationship.

Maintaining Earnings Growth and Financial Soundness

Summarizing the past several years from the viewpoint of a CFO, I believe our performance merits some praise. Although the disposal of assets after management integration with UNY Group Holdings Co., Ltd., and the brand conversion of convenience stores have given rise to large-scale investment, steady accumulation of earnings has enabled us to reach targets in each fiscal year and return profits to our shareholders continuously. This performance is attributable to the senior management team's ability

Dividends per Share and Payout Ratio



* On March 1, 2019, the Company implemented a four-for-one stock split to shares of common stock. Dividends per share for fiscal 2018 was calculated based on the number of issued shares before the stock split, and dividends per share for fiscal 2019 was calculated based on the number of issued shares after the stock split.

to understand changes in business conditions, identify the attendant strategic tasks, and make timely, bold decisions. Demonstrations of the team's agility include the search for mold-breaking retail formats that resulted in an operational and capital tie-up with Pan Pacific International Holdings Corporation, and the proactive reorganization of Group companies engaged in the CVS business.

Turning to our financial standing, in fiscal 2019, the year ending February 29, 2020, we have a temporary abundance of capital, partly due to the sale of UNY CO., LTD., and its subsidiaries. We will apply IFRS 16 to financial statements in fiscal 2019. As a result, stores and many other leased assets will be put on the balance sheet. While a little more time is needed to discuss the type of balance sheet we should have, I believe that in deciding on how best to use the abundant cash on hand for growth we should act flexibly and in light of growth strategies.

Investing to Lay the Foundations of Our Next Growth Phase

In November 2018, we completed convenience store brand conversion, which had been our first priority task since the management integration of September 2016. With the prospect of completing the conversion in sight, we stepped up investment in existing stores in fiscal 2018. As for fiscal 2019, we will focus the majority of capital investment on supporting existing stores and strengthening the profitability of stores. We will adopt this approach because, as the front line of sales, franchised stores' day-to-day operations drive the Company's earnings growth. The Company's growth, as well as the business investment to realize it, should focus on allowing franchised stores to realize their existential value and on helping franchised store owners to develop as entrepreneurs.

Specifically, investment will concentrate on reducing the workload accompanying store operations. Stores continue to have difficulties in securing enough personnel to keep up with the increase in work at stores that has resulted from giving priority to store network expansion and the enhancement of store capabilities. Moreover, given that adding capabilities to brick-and-mortar stores is likely to be critical if the CVS business is to realize its next growth phase, lightening the load of store work is an equally pressing task for the Company.

For conventional investments in new stores, arriving at rational investment decisions is comparatively straightforward because we can use new stores' daily sales and other indicators to measure return on investment quantitatively. By contrast, objectively measuring the efficiency of investments in existing stores can be challenging because such investments are aimed at reducing stores' operational costs. In addition, rather than overall optimization, we have to consider partial optimization, which is based on the regions where stores open. Consequently, setting out across-the-board criteria for investment decisions is difficult. When deciding on investments, as in the past, our basic policy is to keep investments within the scope of operating cash flows. Now, however, we also carefully analyze profitability in light of strict investment criteria based on internal rate of return.

Aiming for Sustained Enhancement of Corporate Value

From September 2019, I will concurrently serve as the Company's CFO and chief administrative officer. Although this appears to be a different occupational field, I believe that the viewpoint that I need to adopt is the same. This is because society does not rate companies solely based on financial value. Society's evaluation of the corporate value of a company also encompasses consideration of its existential value.

In my view, I will assume part of the responsibility for the corporate value of the Company, including intangible value, brand value, and other types of value that cannot be measured in financial figures.

The tasks that the CVS business faces at present and the Company's existential value in society may be opposite sides of the same coin. In other words, as a result of the diverse capabilities that our brick-and-mortar stores have acquired as well as the logistics and information infrastructure that the store network incorporates, we have earned recognition as part of the infrastructure of society and daily life. At the same time, however, we are being asked to maintain this infrastructure in a sustainable manner. For example, the decline in the working-age population is not simply a problem that affects maintenance of the store network. A hike in personnel expenses on the supply chain side could lead to neglect of appropriate ordering and inventory control in a bid to bolster profitability, which could produce increases in food wastage, plastic trash, and other sources of environmental burden. For this reason, we must be fully aware that we cannot measure our existential value in society through financial results alone. We have identified social issues that we should address through the CVS business and issues that we should address with reference to model businesses as "priority issues for sustainability." We are tackling these issues while keeping in mind the Sustainable Development Goals (SDGs).

As convenience stores conduct operations in small retail zones, I want to emphasize initiatives that are focused on becoming even more rooted in local communities. One example of such initiatives is *Famima Kodomo Shokudo*. Leveraging the potential that convenience stores have to become integral parts of local communities, we will offer local residents a place to meet and enhance the appeal of stores. In this way, we will make franchised stores indispensable to their local communities while creating more earnings opportunities.

Exploring the Development of New Core Businesses

I set myself the task of transforming from the general manager of the Management Division, where I was responsible for retail businesses, into a corporate group CFO who explores new retail formats. The prospect of this part of my role expanding is exciting. When I was appointed CFO, I never imagined that I would be exploring financial and capital strategies while discussing with the senior management team not only how to grow our merchandising-centered business entity but what kind of presence society hoped the Group would become. I feel that the possibilities for FamilyMart's business are limitless because it has brick-and-mortar stores nationwide and is able to add an array of capabilities to stores. From the standpoint of a CFO, I want to take on the challenge of completely new businesses that FamilyMart is uniquely qualified to realize and which provide value to both local customers and franchised stores. In the not-too-distant future, I would like to see these new businesses become FamilyMart's core businesses, and I believe that being FamilyMart's CFO places me in an optimal position to establish such a vision.

Environmental Awareness

Society's focus on reducing environmental burden is increasing steadily. Given that we provide essential products for day-to-day life through a network of approximately 16,500 stores in Japan, we are taking a variety of measures to minimize environmental burden at each stage of our operations—from raw material procurement through to production and distribution.

Reducing Plastic Trash

The pollution of oceans and the impact on ecosystems caused by discarded plastic is attracting attention as an issue that must be addressed on a global basis. FamilyMart, whose main use of plastic is in packaging materials, is lowering the amount of plastic trash that it generates while switching over to materials that place less burden on the environment.

Utilization of Biomass Plastic Containers

For its mainstay salad products, FamilyMart uses containers made of biomass plastic, which is derived from plants. Biomass plastic helps curb our overall CO_2 emissions because the volume of CO_2 absorbed through the photosynthesis of the plants that are the raw material is approximately the same as the volume of CO_2 emitted when biomass plastic is disposed of through incineration. In fiscal 2018, we achieved the equivalent of a 2,402-ton reduction in CO_2 emissions thanks to the use of biomass plastic.

Fresh Vegetable Salad in a biomass plastic container

Reduction of Packaging

Since fiscal 2014, we have been steadily changing over boxed lunches to "side-shrink" packaging, meaning the use of packaging film only where the container and lid meet. As a result of this change, our annual use of plastic raw materials is down 541 tons, equivalent to 1,934 tons of CO_2 emissions per year.

Further, we have dispensed with the plastic lids of the prepared dishes offered under our "Mother's Kitchen" brand. Instead, we use a special "top sealing" process that forms the lids for the containers. Comparing the new containers for prepared dishes with the old containers of the same size, we are reducing our annual use of plastic raw materials by 33.6 tons, equivalent to 153.7 tons of CO_2 emissions per year (estimate at the time of introduction).

Initiatives to Reduce Plastic Shopping Bags

The General Japan Franchise Association, to which FamilyMart belongs, has set as a target having 30% of customers decline plastic shopping bags by fiscal 2020. To this end, we have raised awareness by putting up posters and instructing store staff to ask customers if they require plastic shopping bags at cash registers. Consequently, 28.9% of FamilyMart's customers declined plastic shopping bags in fiscal 2018. Also, we are taking measures to reduce the volume of raw materials used for plastic shopping bags. These measures include ensuring that store staff use the correct size of plastic shopping bag and introducing thinner bags to lower the amount of petroleum needed in the manufacture of our plastic shopping bags.

Reducing Food Wastage

Food products account for roughly 60% of FamilyMart's store sales. Manufacturing based on estimates of product unit sales and disposing of items that are past their sell-by dates not only results in a significant environmental burden but also places a burden on stores. Therefore, we are taking various measures to reduce this type of food wastage.

Ready-to-Eat Items with Longer Shelf Lives

We are extending shelf lives (sell-by dates) in the mainstay ready-to-eat item category by revising ingredients and preparation methods.

Lengthening Shelf Lives through the Revision of Ingredients, Production Processes, and Preparation Methods

Category	Example Initiatives
Bread	Reduced spoilage by revising moisture level management and dough composition
Desserts	Revised pie dough ingredients
Chilled sushi	Reduced rice spoilage by changing rice-steaming method
Sandwiches	Changed preparation method

For some of our "Mother's Kitchen" brand prepared dishes, we use gas-exchange packaging technology. This technology reduces food spoilage by suppressing oxidization through the replacement of oxygen in containers with carbon dioxide and nitrogen. As a result, we have been able to extend sell-by dates without sacrificing any of the freshness and deliciousness of our prepared dishes. Going forward, we plan to expand the use of such packaging technology into other product categories.

A gas-exchange packaged "Mother's Kitchen" product

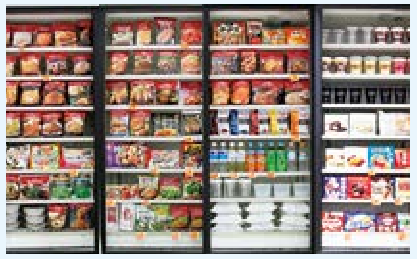
Initiatives to Eliminate Food Wastage

To reduce food wastage, we are establishing reservation-only products and encouraging customers to use reservation-only systems for traditional Japanese New Year dishes, Christmas cakes, and other seasonal products.

Further, we are establishing and popularizing reservation-only systems by extending reservation periods, offering discounts for early reservations, and posting notices in stores. Also, plans call for the launch of a new online reservation system in October 2019. As well as curbing excessive ordering through the aforementioned initiatives, we will rightsize production volume with a view to eliminating food wastage.

Expansion of Frozen Food Sales Areas

To cater to the growing demand for food products that keep for long periods, we are expanding our lineup of frozen food and increasing the number of store shelves for these products. Viewing frozen food as a priority category second only to ready-to-eat items, we plan to expand frozen food sales areas at 4,000 stores by the end of September 2019.



An expanded frozen food sales area

Corporate Governance

The Board of Directors' Year in Review

DIALOGUE

Tadashi Izawa

Outside Director

In May 2018, Tadashi Izawa became an outside director of the Company. Mr. Izawa has served 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. Thus, he contributes to the business management of the Company based on his abundant experience and insight with respect to international affairs.

Koji Takayanagi

Representative Director and Chairman

Chairman of the Board of Directors

FamilyMart has appointed independent outside directors with diverse experience who provide a wide range of opinions during discussions at meetings of the Board of Directors. Representative Director and Chairman Koji Takayanagi asked Outside Director Tadashi Izawa, who has been a director for one year, to review the Company's corporate governance.

Listening to Society

Takayanagi One year has passed since you became an outside director. I think we set you quite an onerous task, given that in the retail industry the convenience store business model is unique and complex and that many major decisions had to be made in the fiscal year under review. What impressions has the past year left you with?

Izawa I had never been an outside director, so I took on this important role with a little trepidation. However, the Company has an atmosphere that encourages outside directors to speak freely. Consequently, I feel that I am able to make use of my experience. I saw convenience stores as a phenomena that had gone beyond retailing to become a uniquely Japanese business model that is known around the world. Now, I have a renewed appreciation that, as society has been changing rapidly, convenience stores have added an array of capabilities to meet society's needs and in the process have become a part of the infrastructure of society and everyday life that is indispensable to a great many people. Also, our discussions over the past year have taught me that convenience stores' efficient systems are underpinned by the efforts of a large number of different people, including franchised store owners, those working in complex supply chains, store staff, and head office employees. In other words, the Company's business activities are made possible through the contributions of many stakeholders, and I believe that meeting the expectations of stakeholders establishes mutual trust and heightens a company's level of social trust.

Takayanagi As the CVS business is a franchise business, we have to keep the prosperity of franchised store owners' businesses uppermost in our minds. Accordingly, we make sure not to forget this fact when addressing a range of management issues. However, as you said, convenience stores have become essential to society as part of "the infrastructure of daily life." Decision-making is difficult because in finding optimal solutions we have to take into consideration feedback from a wide range of stakeholders.

Calls for diversity regarding boards of directors are, I think, essentially asking for companies to take heed of feedback from society. Discussions that only include internal officers inevitably become inward-looking, and criteria become nearsighted. I really feel that we need to include people with various attributes and viewpoints and hold discussions among a balanced group that adequately reflects society's expectations.


TADASHI IZAWA

With a view to sustaining the Company's growth, I would like to continue taking part in discussions and offering frank opinions.

Realizing Effective Governance

Izawa With respect to governance, the focus is often on whether or not a board of directors is having effective discussions. However, as you said, a balanced selection of members and systems that ensure the effectiveness of discussions are also important.

On some occasions, a board of directors only has relatively short time available to resolve numerous agenda items, making it difficult to thoroughly discuss all matters at board of directors' meetings. However, I think the Company has adequate systems for ensuring information sharing and the effectiveness of discussions. For example, concerning agenda items outside officers receive in advance background information as well as information on assessment processes. Also, aside from meetings of the Board of Directors, you regularly make time to discuss individual management issues with outside officers.

Takayanagi Nonetheless, I am concerned about giving the Board of Directors an overly heavy workload. In particular, convenience stores have become a focus of attention recently, with society's interest extending to such aspects of store operations as personnel shortages and opening hours. This has caused the workload of outside officers to increase significantly.

While providing outside officers with a lot of information in advance should be a given, I also think that the Board of Directors should concentrate on discussing important matters and that there should be proactive delegation of authority for matters that can be decided in other meetings. Having said that, drawing the line is problematic. We constantly have to consider which agenda items should be discussed by the Board of Directors. Further, from the viewpoint of separating execution and supervision, we always have to think about how to separate roles in a manner that will produce a balanced governance system.

Izawa Personally, the more information I receive the better. We have been having particularly in-depth discussions recently, which has really increased my knowledge of the convenience store industry and the Company's business. This knowledge is steadily improving my ability to sift through information. For this reason, I would like you to share a lot of management issues with me.

The Company's governance is premised on holding exhaustive discussions, including day-to-day conversations, so that business management reflects the views of all directors. In this sense, its current governance is adequate.

Realizing Sustained Growth

Takayanagi Generally, a holding company takes an overall view of its group and discusses medium-to-long-term growth strategies, while operating companies decide on near-term strategies. Looking back over the past year, I feel there has been an increase in the number of agenda items that pose a dilemma. Often it is difficult to decide which board of directors is the appropriate forum for discussing an agenda item. One reason for deciding to implement the September 2019 transition from a holding to an operating company was that integrating business management will allow us to increase efficiency even further. After analyzing business conditions from a long-term perspective, we will be able to decide swiftly on immediate social issues.

Business conditions are changing at a dizzying pace for companies in general. The optimal form of governance changes constantly. Therefore, we must continuously identify issues and respond flexibly to society's needs. To this end, it is important to increase the diversity of the Board of Directors, and I think an increase in outside directors as a percentage of the total number of directors would be desirable. From the perspective of sharing diverse values, how would you like to see the Company develop going forward?

Izawa For example, how about looking for opportunities to establish a setting where directors can also have discussions focused on such themes as management strategy three or five years from now or on issues that tend not to be visible from the head office. These issues could include specific aspects of frontline operations or of the overseas business environment. If possible, it may also be a good idea to have employees who are not members of the Board of Directors, such as future candidates for positions on the senior management team, give presentations on such themes and issues.

Takayanagi Regarding potential participants on the senior management team of the next generation, I would also like to promote such discussions as a way of strengthening our execution capabilities. As you know, business conditions in this industry change rapidly, so we have to establish a clear image of the type of leader that we will need in three or five years' time. We are exploring the establishment of a succession plan for senior executives. However, we can only have meaningful discussions about nomination and appointment systems once we have taken into consideration the characteristics of businesses and business conditions and then clearly set out the attributes that we want senior executives to have.

Izawa I agree, we should not create systems first. There are many factors that we need to anticipate, such as changes in Japan's demographics, changes in lifestyles, digitization, and the development of business overseas. It is important to have a lot of options and to develop personnel who can cope with all types of changes in conditions.

Convenience stores will continue to be an attractive business with the potential to further realize its existential value in society by adding a variety of capabilities to brick-and-mortar stores. With a view to sustaining the Company's growth, I would like to continue taking part in discussions and offering frank opinions.

The optimal form of governance changes constantly. Therefore, we must continuously identify issues and respond flexibly.


KOJI TAKAYANAGI

Overview of the Company's 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.

Initiatives to Enhance Corporate Governance

Measures	Objective/Overview	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Appointment of outside directors	To reflect extensive experience and sophisticated knowledge in management					
Number of directors (Of whom, outside directors)	In May 2000, we reduced the number of directors to optimize the scale of the Board of Directors and simultaneously introduced an executive officer system.	10 (1)	11 (2)*	11 (2)	13 (2)	12 (3)
Introduction of an executive officer system						
Promotion of female directors	To reflect diverse values in management					
Response to the Corporate Governance Code	To reinforce the Board of Directors' supervisory function					
Evaluation of Board of Directors' effectiveness	To reinforce the Board of Directors' supervisory function					
System of performance-based compensation for directors	To promote motivation to contribute to sustainable growth					
Governance Committee	To introduce and deliberate the operating status of the Groupwide internal control system					
Board of Independent Directors	To invigorate discussion at the Board of Directors					
Discontinuation of advisor system	To respond to internal and external changes					

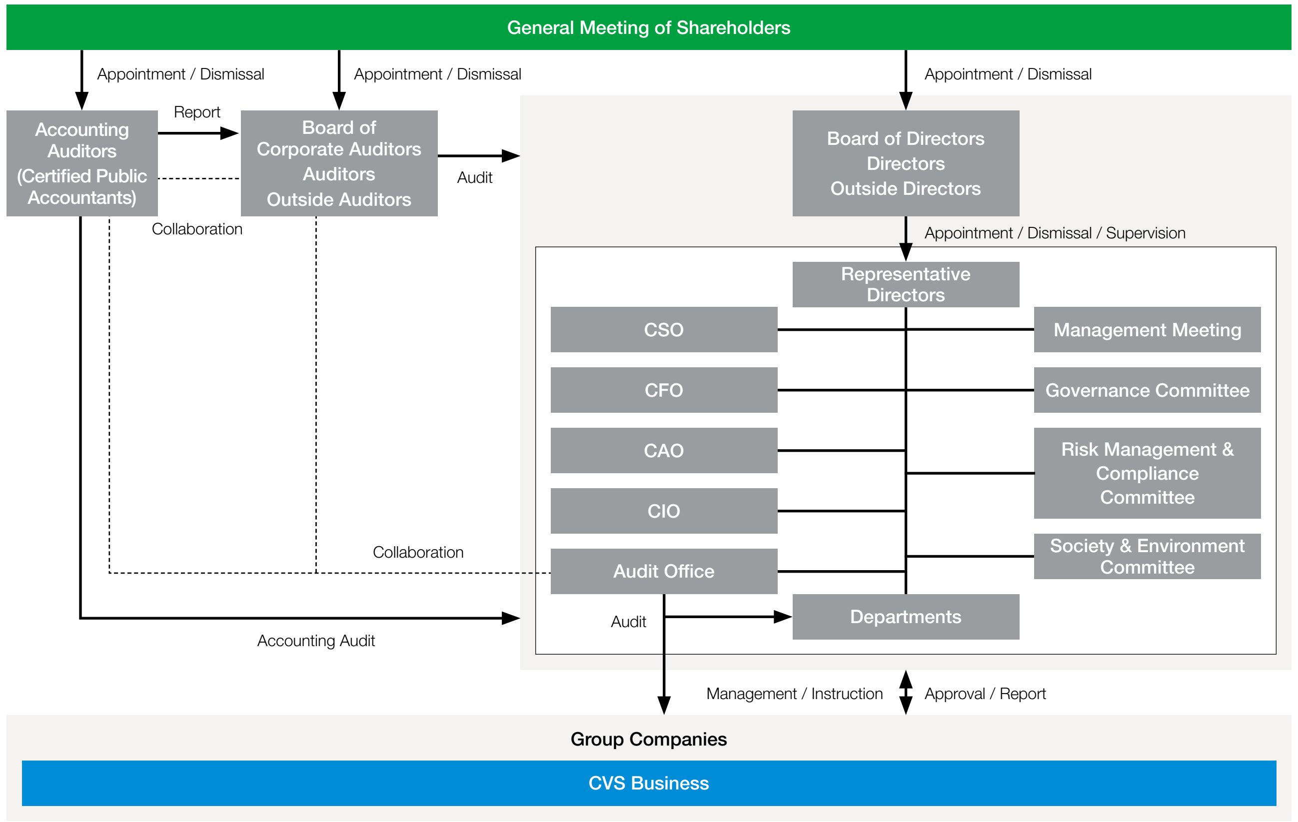
* Management system following the management integration with UNY Group Holdings Co., Ltd. in September 2016

Overview of the Company's Corporate Governance System

Type of system	Company with a Board of Corporate Auditors
Number of directors (Of whom, outside directors)	12 (3)
Number of corporate auditors (Of whom, outside corporate auditors)	6 (4)
Number of independent officers	6
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 President decision-making	Management Meeting

Corporate Governance System

(As of August 1, 2019)



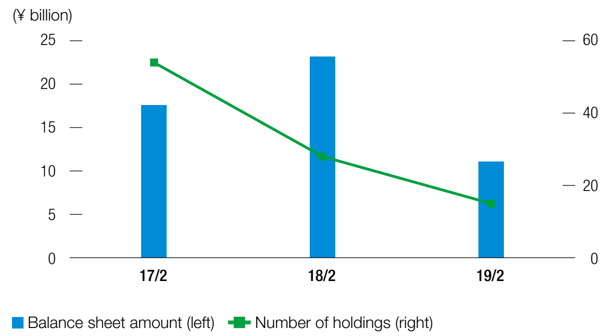
Policy Regarding Cross-Shareholdings and Standards for Exercising Voting Rights

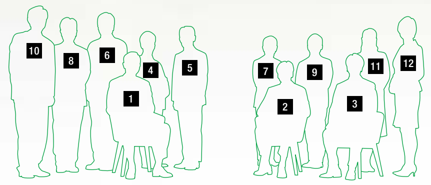
The Company's basic policy is to refrain from cross-shareholdings. Exceptions may be made in cases in which these holdings are deemed to be meaningful for maintaining or strengthening business relationships or for forming strategic business alliances.

The Board of Directors verifies the meaningfulness of cross-shareholdings on an annual basis and discusses and decides whether specific holdings will be maintained or sold based on the results of this verification. Those holdings that have been judged to have lost their meaningfulness will be sold as appropriate while considering the potential impact on the market.

When exercising voting rights attached to cross-shareholdings that are to be maintained, the Company will examine each proposal and decide votes based on comprehensive consideration of factors such as whether or not the proposal will contribute to increased shareholder value.

Status of Cross-Shareholdings





Board of Directors and Executive Officers

(As of August 1, 2019)

1 Representative Director and Chairman

Koji Takayanagi

2 Representative Director and President

Takashi Sawada

3 Director, Executive Officer and Vice President

Toshio Kato
Officer in charge of CVS

4 Director, Senior Managing Executive Officer

Kunihiro Nakade
Chief Financial Officer

5 Director, Senior Managing Executive Officer

Isao Kubo
Chief Strategy Officer and General Manager of Corporate Planning Division

6 Director, Managing Executive Officer

Naoyoshi Tsukamoto
Chief Information Officer, General Manager of Information Systems Division, and General Manager of CVS Information Systems Department

7 Director, Managing Executive Officer

Atsushi Inoue
Assistant to Officer in Charge of CVS

8 Director, Executive Officer

Jun Takahashi
Chief Administrative Officer, General Manager of CSR & Management Division

9 Director, Executive Officer

Mikio Nishiwaki
General Manager of Finance & Accounting Division and General Manager of CVS Finance & Accounting Department

10 Outside Director

Tadashi Izawa

11 Outside Director

Mika Takaoka

12 Outside Director

Chikako Sekine

Executive Officers

Eiji Morita

Yoshiharu Kanoda

Sumihiro Kamino

Note: Positions are at FamilyMart UNY Holdings Co., Ltd. as of August 1, 2019.

Directors' Brief Personal History* and Important Positions Concurrently Held in Other Companies

(As of August 1, 2019)

Name	Brief personal history	Reason for appointment
Representative Director and Chairman **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 2019/5 Representative Director and Chairman of the Company (current)	Koji Takayanagi has held positions as officers such as Chief Operating Officer of various divisions over many years at ITOCHU Corporation. Since he assumed his position as Representative Director and President of the Company in May 2017, he has directed the management of the Company with his strong leadership and has contributed to improving the profitability and corporate value of the Group. Since May 2019, as Representative Director and Chairman of the Company, Mr. Takayanagi has continued to chair the Board of Directors' meetings and has fulfilled his duties as a Director.
Representative Director and President **Takashi Sawada** **Important Position Concurrently Held in Other Company** Representative Director and President of FamilyMart Co., Ltd.	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 2019/5 Representative Director and President of the Company (current)	Takashi Sawada has held positions as a manager of retail and management consulting companies. After the Management Integration with UNY Group Holdings Co., Ltd.,* he has served as Representative Director and President of FamilyMart Co., Ltd. Since May 2017, he has served as Director, Executive Vice President and Executive Officer of the Company, and since March 2018, as Representative Director and Executive Vice President of the Company. Also, as Officer in charge of CVS of the Company, he has contributed to improving the profitability of the convenience store business. Since May 2019, as Representative Director and President of the Company, he has directed the management of the Company with his strong leadership, and has fulfilled his duties as a Director.
Director, Executive Officer and Vice President **Toshio Kato** Officer in charge of CVS **Important Position Concurrently Held in Other Company** Director of FamilyMart Co., Ltd.	1983/3 Joined FamilyMart Co., Ltd. 2007/5 Director, Managing Executive Officer, General Manager of Operation Division 2016/9 Director, Senior Managing Executive Officer and General Manager of Corporate Planning Division of the Company 2018/3 Director, Executive Vice President and Executive Officer, General Manager of Store Operation Division of FamilyMart Co., Ltd. (current) 2019/5 Director, Executive Officer and Vice President, in charge of CVS of the Company (current)	Toshio Kato has held numerous positions at the Company over many years before the Management Integration, such as General Manager of Corporate Planning Division and Store Operation Division of the Company. Also, after the Management Integration,* he has held positions such as General Manager of Corporate Planning Division and Officer in charge of CVS of the Company, as well as General Manager of Corporate Planning Division and Store Operation Division of FamilyMart Co., Ltd. He has formulated and executed management strategies of the Group. He has contributed to improving the profitability of the Company's convenience store business and has fulfilled his duties as a Director.
Director, Senior Managing Executive Officer **Kunihiro Nakade** Chief Financial Officer **Important Position Concurrently Held in Other Company** Director of FamilyMart Co., Ltd.	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 of the Company 2018/3 Director, Senior Managing Executive Officer, and Chief Financial Officer of the Company (current) 2019/3 Director, Senior Managing Executive Officer, General Manager of CSR & Management Division, Chairman of Risk Management & Compliance Committee, and Chairman of Corporate Social Responsibility Committee of FamilyMart Co., Ltd. (current)	Kunihiro Nakade has engaged in accounting and finance-related operations and has held positions such as general manager of the accounting department at ITOCHU Corporation over many years. After the Management Integration,* as Chief Financial Officer, Chairman of Risk Management & Compliance Committee, and Chairman of Governance Committee of the Company, he has formulated the Group's financial strategies, strived to enhance its financial base, worked to strengthen and promote risk management and compliance, and has fulfilled his duties as a Director.
Director, Senior Managing Executive Officer **Isao Kubo** Chief Strategy Officer and General Manager of Corporate Planning Division **Important Position Concurrently Held in Other Company** Director of FamilyMart Co., Ltd.	1982/4 Joined ITOCHU Corporation 2016/4 Managing Executive Officer and General Manager of Internal Audit Division of ITOCHU Corporation 2017/4 Director, Managing Executive Officer, General Manager of Management Division of FamilyMart Co., Ltd. 2017/9 Managing Executive Officer and General Manager of Corporate Planning Division of the Company 2019/4 Director, Senior Managing Executive Officer and General Manager of Corporate Planning Division of FamilyMart Co., Ltd. (current) 2019/5 Director, Senior Managing Executive Officer, Chief Strategy Officer and General Manager of Corporate Planning Division of the Company (current)	Isao Kubo has been serving as Director of FamilyMart Co., Ltd., holding positions such as General Manager of Management Division and General Manager of Corporate Planning Division, after serving as the general manager of many divisions in ITOCHU Corporation including its overseas offices. Since September 2017, he has served as General Manager of Corporate Planning Division of the Company, and has formulated and executed the management strategies of the Group. He has fulfilled his duties as a Director.
Director, Managing Executive Officer **Naoyoshi Tsukamoto** Chief Information Officer, General Manager of Information Systems Division, and General Manager of CVS Information Systems Department **Important Positions Concurrently Held in Other Companies** Director of FamilyMart Co., Ltd. Representative Director and President of Famima Digital One Co., Ltd.	1989/9 Joined Circle K Japan Co., Ltd. 2011/3 Executive Officer and General Manager of Information Systems & Services Division of Circle K Sunkus 2013/2 Director and General Manager of Merchandising Division of Circle K Sunkus 2016/9 Director, Managing Executive Officer, General Manager of Information Systems Division of FamilyMart Co., Ltd. (current) 2018/5 Director, Managing Executive Officer, Chief Information Officer, General Manager of IT Promotion Division of the Company 2019/3 Director, Managing Executive Officer, Chief Information Officer, General Manager of Information Systems Division and General Manager of CVS Information Systems Department of the Company (current)	Naoyoshi Tsukamoto served as Managing Director at Circle K Sunkus Co., Ltd. After the Management Integration,* he has held positions such as General Manager of Information Systems Division of FamilyMart Co., Ltd., and Chief Information Officer and General Manager of IT Promotion Division of the Company. He has strived to improve the information systems of the Group and promote digitization and has fulfilled his duties as a Director.
Director, Managing Executive Officer **Atsushi Inoue** Assistant to Officer in charge of CVS **Important Position Concurrently Held in Other Company** Director of FamilyMart Co., Ltd.	1986/4 Joined the Company 2016/9 Senior Executive Officer, Supervising General Manager of Tokyo II District of FamilyMart Co., Ltd. 2018/3 Managing Executive Officer and General Manager of Store Development Division of FamilyMart Co., Ltd. (current) 2019/5 Director, Managing Executive Officer, Assistant to Officer in charge of CVS of the Company (current)	Atsushi Inoue has engaged in store development operations over many years and has held positions such as Supervising General Manager of a District and General Manager of Store Development Supervision Department of the Company. After the Management Integration,* he has held positions such as Supervising General Manager of a District and General Manager of Store Development Division of FamilyMart Co., Ltd., and has strived to build a high-quality store network in the convenience store business. He contributes to the management of the Company with his abundant experience as well as deep knowledge.
Director, Executive Officer **Jun Takahashi** Chief Administrative Officer, General Manager of CSR & Management Division **Important Position Concurrently Held in Other Company** Director of FamilyMart Co., Ltd.	1989/6 Joined Circle K Japan Co., Ltd. 2010/5 Director and General Manager of Sales Department of Circle K Sunkus 2013/2 Director, Group Strategic Headquarters Director of UNY Group Holdings Co., Ltd. 2016/9 Director, Senior Managing Officer, General Manager of General Affairs and Human Resources Division of the Company 2018/3 Director, Executive Officer, Chief Administrative Officer and General Manager of CSR & Management Division of the Company (current) 2019/3 Director, Executive Officer and General Manager of New Business Development Division of FamilyMart Co., Ltd. (current)	Before the Management Integration, Jun Takahashi engaged in formulating and executing the strategies of group businesses including the general retail business and the convenience store business at UNY Group Holdings Co., Ltd. After the Management Integration,* he has served as General Manager of General Affairs and Human Resources Division, General Manager of CSR & Management Division, and Chief Administrative Officer of the Company. He has strived to enhance and promote the Group's general affairs and human resources management, and has fulfilled his duties as a Director.
Director, Executive Officer **Mikio Nishiwaki** General Manager of Finance & Accounting Division and General Manager of CVS Finance & Accounting Department **Important Position Concurrently Held in Other Company** Director of FamilyMart Co., Ltd.	1982/4 Joined ITOCHU Corporation 2012/4 Chief Financial Officer of Textile Company of ITOCHU Corporation 2016/9 Executive Officer, General Manager attached to Finance Division of the Company 2018/3 Director, Executive Officer and General Manager of Finance & Accounting Division of FamilyMart Co., Ltd. (current) 2019/5 Director, Executive Officer, General Manager of Finance & Accounting Division and General Manager of CVS Finance & Accounting Department of the Company (current)	Mikio Nishiwaki has engaged in accounting and finance-related operations over many years and has held positions such as Chief Financial Officer of a company at ITOCHU Corporation. After the Management Integration,* as head of the Company's finance segment, he has formulated the Group's financial strategies and strived to enhance its financial base. He contributes to the management of the Company with his abundant business experience as well as deep knowledge.

Name	Brief personal history	Important positions concurrently held in other companies
Outside Director **Tadashi Izawa**	1976/4 Joined the Ministry of International Trade and Industry (MITI) 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)	President of the Japan-China Economic Association
Outside Director **Mika Takaoka**	2009/4 Professor, College of Business, Rikkyo University (current) 2011/5 Outside Corporate Auditor of the Company 2019/5 Outside Director of the Company (current)	Professor, 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. Outside Director of SG HOLDINGS CO., LTD.
Outside Director **Chikako Sekine**	1972/4 Joined Shiseido Yamagata Sales Co., Ltd. 2009/10 General Manager of Beauty Consultation Planning Group, International Marketing Department of Shiseido Company, Limited 2014/4 Executive Corporate Officer of Shiseido Company, Limited 2016/1 Advisor of Shiseido Company, Limited 2018/4 Representative Director of B-mind Co., Ltd. (current) 2019/5 Outside Director of the Company (current)	Representative Director of B-mind Co., Ltd. Outside Director of E-SUPPORTLINK, Ltd. Outside Director of VALQUA, LTD.

Note: Positions and career histories are at FamilyMart UNY Holdings Co., Ltd. as of August 1, 2019.

* The absorption-type merger was implemented, effective September 1, 2016, with the Company as the surviving company and UNY Group Holdings Co., Ltd. as the absorbed company, which was followed by the implementation of an absorption-type demerger on the same day with the Company being the demerged company, and Circle K Sunkus Co., Ltd., which had been a wholly owned subsidiary of UNY Group Holdings Co., Ltd., being the succeeding company. As of September 1, 2016, Circle K Sunkus Co., Ltd., changed its company name to FamilyMart Co., Ltd. The absorption-type merger and the absorption-type demerger above are collectively called the "Management Integration."

Corporate Auditors' Brief Personal History* and Important Positions Concurrently Held in Other Companies

(As of August 1, 2019)

1 Standing Outside Corporate Auditor

Yasuhiro Baba

1979/4 Joined ITOCHU Corporation
2008/5 Chief Financial Officer of ITOCHU International, Inc.
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 Position Concurrently Held in Other Company
Corporate Auditor of FamilyMart Co., Ltd.

2 Standing Corporate Auditor

Shintaro Tateoka

1989/7 Joined the Company
2010/1 General Manager of Audit Office of the Company
2012/5 Corporate Auditor of the Company
2016/9 Corporate Auditor of FamilyMart Co., Ltd. (current)
2019/5 Standing Corporate Auditor of the Company (current)

Important Position Concurrently Held in Other Company
Corporate Auditor of FamilyMart Co., Ltd.

3 Standing Corporate Auditor

Katsuji Sato

1986/11 Joined Sunkus Co., Ltd.
2011/5 Director and Head of Area Franchise & Affiliated Company Administration Division of Circle K Sunkus
2014/5 Corporate Auditor of Circle K Sunkus (current)
2019/5 Standing Corporate Auditor of the Company (current)

Important Position Concurrently Held in Other Company
Corporate Auditor of FamilyMart Co., Ltd.

4 Outside Corporate Auditor

Takayuki Aonuma

1982/4 Prosecutor of the Tokyo High Public Prosecutors Office
2014/7 Chief Public Prosecutor of the Tokyo High Public Prosecutors Office
2015/12 Deputy Prosecutor-General of the Supreme 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 Outside Corporate Auditor of the Company (current)

Important Positions Concurrently Held in Other Companies
Of-Counsel at City-Yuwa Partners
Outside Director of Japan Post Holdings Co., Ltd.

5 Outside Corporate Auditor

Ichiro Uchijima

1976/4 Joined Kyodo Oil Company, Limited
2007/4 Outside Corporate Auditor of am/pm Japan Co., Ltd.
2014/6 Director, Executive Vice President and Executive Officer of JX Nippon Oil & Energy Corporation
2019/5 Outside Corporate Auditor of the Company (current)

6 Outside Corporate Auditor

Yoshiko Shirata

1999/3 Ph.D. Business Administration, University of Tsukuba
2001/4 Professor of Accounting, Nihon University College of Economics
2007/4 Professor of Accounting, Graduate School of Business Sciences, MBA Program in International Business, and Ph.D. Course of Business Sciences, University of Tsukuba
2008/10 Council Member of Science Council of Japan, Chairperson on Management Research Committee
2019/5 Outside Corporate Auditor of the Company (current)

Important Positions Concurrently Held in Other Companies
Visiting Professor, Tsukuba Gakuin University, Japan
Council Chairman, the Road Tax Rating Council of Tokyo Regional Taxation Bureau
Council Member, Legislative Council of the Ministry of Justice
Outside Director, Win-Partners Co., Ltd.
Outside Director, Ryoden Trading Co., Ltd.
Outside Director, Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development

Note: Positions and career histories are at FamilyMart UNY Holdings Co., Ltd. as of August 1, 2019.

* The absorption-type merger was implemented, effective September 1, 2016, with the Company as the surviving company and UNY Group Holdings Co., Ltd. as the absorbed company, which was followed by the implementation of an absorption-type demerger on the same day with the Company being the demerged company, and Circle K Sunkus Co., Ltd., which had been a wholly owned subsidiary of UNY Group Holdings Co., Ltd., being the succeeding company. As of September 1, 2016, Circle K Sunkus Co., Ltd., changed its company name to FamilyMart Co., Ltd. The absorption-type merger and the absorption-type demerger above are collectively called the "Management Integration."

Appointment of Outside Officers

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 2018 Board of Directors' meetings
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.	15/16 (93%)
Mika Takaoka Independent Director	Mika Takaoka possesses a wealth of specialized insight and knowledge regarding economics and management accumulated through her experience as a university professor and Outside Corporate Auditor of the Company and outside director of other companies. We have determined that Ms. Takaoka can be expected to provide valuable opinions and advice based on these experiences and her deep knowledge.	—
Chikako Sekine Independent Director	Chikako Sekine has held positions such as head of international marketing and many other divisions as executive officer of a major cosmetics company. Later, she served as a representative director and an outside director of other companies, accumulating abundant experience as well as deep knowledge. We have determined that Ms. Sekine can be expected to provide valuable opinions and advice based on these experiences and her deep knowledge.	—

Outside Corporate Auditors

Name	Reason for appointment	Attendance rate at fiscal 2018 Board of Directors' meetings	Attendance rate at fiscal 2018 Board of Corporate Auditors' meetings
Yasuhiro Baba	Yasuhiro Baba has been engaged in accounting and finance duties at our parent 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 in the accounting and finance fields.	21/21 (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.	16/16 (100%)	10/10 (100%)
Ichiro Uchijima Independent Auditor	Ichiro Uchijima has held positions such as general manager of Corporate Planning and many other divisions as director of a major oil company and has abundant experience and sophisticated insight. We have thus determined that Mr. Uchijima can be expected to perform rigorous audits of the Company's management.	—	—
Yoshiko Shirata Independent Auditor	Yoshiko Shirata has expertise in finance, accounting and management as a university professor, and has served as outside director at other companies, accumulating abundant experience and sophisticated insight. We have thus determined that Ms. Shirata can be expected to perform rigorous audits of the Company's management.	—	—

Note: Attendance for Tadashi Izawa and Takayuki Aonuma is of meetings held following their assumption of office on May 24, 2018. Mika Takaoka, Chikako Sekine, Ichiro Uchijima, and Yoshiko Shirata assumed office on May 28, 2019.

Greetings from Newly Appointed Outside Directors

Mika Takaoka

Outside Director

Ms. Takaoka became a professor at Rikkyo University's College of Business in 2009. Specializing in management, she conducts research on the societal and economic role played by distribution. She has contributed as an outside director at many corporations. In 2011, she was appointed as an outside corporate auditor of the Company, a position that she held for eight years. Since May 2019, she has been one of the Company's outside directors.

In June 2018, Japan's Corporate Governance Code was partially amended. I feel that companies are increasingly expected to enhance corporate value sustainably and build decision-making systems that help realize this goal. At the same time, I believe that the responsibilities of independent outside directors are growing. With this in mind, I intend to tackle my duties with resolve.

For more than 20 years, convenience stores have led the retail industry. In the near future, as society continues to age and AI technology progresses, convenience stores are likely to remain an attractive business format given their significant potential as the places nearest to people. The key to further growth will lie in having the ability to evolve constantly in step with society's expectations as well as with changing lifestyles and needs coupled with the intellectual flexibility that such evolution requires.

In a franchise business, a relationship of trust between the head office, which leads operational management, and franchised stores is essential. This is because in catering to customers' ever-changing needs the head office and franchised stores must work hand-in-hand to improve and innovate continuously while fulfilling their respective roles as independent entities. In addition, as the leader of management, an important role of the head office is to grow the profits of both franchised stores and the head office by fulfilling functions that only the head office can perform. These functions include systems development through large-scale investment and the development and marketing of new products and services based on aggregated information and knowledge. I am committed to drawing on experience and insights garnered during research activities and the time spent serving as the Company's outside corporate auditor to help FamilyMart advance into a new phase.

Chikako Sekine

Outside Director

Ms. Sekine commenced her career in the sales operations of a major cosmetics manufacturer. After serving as a division general manager in such fields as international marketing and becoming an executive corporate officer at said company, she founded her own company. Drawing on experience gained during the course of her career, she delivers lectures on a broad range of issues.

I recently had the good fortune to become a member of the new FamilyMart's senior management team. I began my career working in sales at a cosmetics manufacturer and subsequently acquired experience in a variety of fields, including marketing, international business, and organizational management. To this day, however, a policy of maximizing customer satisfaction and aiming for the No. 1 level of customer endorsement, which I developed while providing consultative services to customers at the beginning of my career, remains my starting point. Given that customer service and retail form the core of FamilyMart's business, I am very much looking forward to helping the Company at a time when it has an opportunity to enhance brand value and thereby achieve new growth.

Society's demands with respect to corporate governance are becoming more exacting. My impression is that society particularly wants outside directors to assume weightier roles and responsibilities. Maintaining my independence and using the viewpoint of shareholders as the criterion for decisions, I want to offer frank opinions and advice with a view to helping FamilyMart achieve sustained growth and to enhancing its corporate value over the medium-to-long term.

For some time, there have been calls for personnel diversity. However, I believe that an issue for many companies is how to utilize personnel as human resources that contribute to growth strategies. To respond flexibly to changing business conditions and sustain growth, companies must make and implement decisions rapidly through groups of personnel with diverse views and perspectives. With a view to securing personnel who facilitate such processes and fostering these personnel as human resources, I recommend FamilyMart to focus on the development of systems, including assessment and compensation systems.

Board of Directors' Effectiveness

Evaluation of Board of Directors' Effectiveness

The Company evaluates the effectiveness of the Board of Directors in the aim of enhancing the Board's functions and effectiveness.

Evaluations are conducted by taking a survey of all directors and corporate auditors. Survey responses are summarized, and the Board of Directors is analyzed and evaluated based on those results.

Summary of Evaluation of Board of Directors' Effectiveness

Subjects	All directors and corporate auditors at March 1 each year	
Method	Questionnaire 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	The Board is evaluated at four ranks, for each category shown at left.
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.	

Evaluation Results, Issues, and Response Status

Subject fiscal year	Evaluation results	Issues	Responses for future fiscal years
Fiscal 2016	The Board of Directors is generally functioning appropriately.	Make improvements with regard to early distribution, content, and quantity of materials submitted to the Board of Directors.	We made a thorough effort to distribute materials early (three business days before Board of Directors meetings). Documents to be submitted were reviewed, including such aspects as number of pages and font sizes. Improvements were also made in the content, ensuring that information necessary for management decisions was presented in an easy-to-understand manner.
Fiscal 2017	The Board of Directors is generally functioning appropriately.	Expand the provision to independent outside executives of information related to the Company's business, and provide a venue for independent executives to exchange information and share impressions with each other.	We provide independent outside executives with opportunities to visit locations where ready-to-eat meals are produced and take part in product seminars on an ongoing basis. We have also established the Board of Independent Directors, comprising only independent outside directors and independent outside corporate auditors, to encourage communication among independent outside executives and as a venue for eliciting advice about issues with the Company's business.
Fiscal 2018	The Board of Directors is generally functioning appropriately.	Board of Directors agenda items (executive compensation, appointment and dismissal of members of the management team, etc.)	Compared with the previous evaluation, improvements were apparent with respect to the appropriate management of conflicts of interest with related parties and meetings with independent outside members.

Leveraging the Outside Directors' Knowledge

The Company invites outside directors to tour ready-to-eat food production bases and notifies them of product seminars, which are held each spring and autumn. Via the Board of Directors secretariat, we also provide outside directors with explanations of agenda items prior to meetings, as necessary based on the importance of those items.

In these ways, we strive to help outside directors gain a better understanding of the Company's businesses. Through such efforts, we hope to foster open-minded debate at Board of Directors meetings and enhance the Board of Directors' effectiveness.

To invigorate debate and Board of Directors meetings, the Board of Independent Directors, which comprises only independent outside directors and outside corporate auditors, has met regularly since fiscal 2018. Through this board, we foster communication among independent outside executives and promote a better understanding of the Company's businesses. In fiscal 2018, the board debated the Company's business risks and measures for reducing them.

Principal Meetings in Fiscal 2018

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 2018	21
Decision highlights	• The expression of opinions regarding a tender offer for the Company's shares through a wholly owned subsidiary of ITOCHU Corporation • Policies for evaluating Board of Directors' effectiveness and responding to revisions to the Corporate Governance Code • Verifying the significance of cross-shareholdings • Sale of shares of UNY (HK) CO., LIMITED • Sale of shares of UNY CO., LTD.

Management Meeting	
Summary	Based on policies that the Board of Directors has approved, deliberates the implementation of policies and plans in overall business management
Number of meetings in fiscal 2018	18

Principal Committees

Governance Committee	
Purpose	Reviews the establishment and operation of internal control systems throughout the Group
Chairperson	Director and senior managing executive officer
Committee members	4
Number of meetings in fiscal 2018	2

Risk Management & Compliance Committee	
Purpose	Exercises Groupwide control of risk management and compliance activities
Chairperson	Director and senior managing executive officer
Committee members	12
Number of meetings in fiscal 2018	4

Society & Environment Committee	
Purpose	Exercises Groupwide control of corporate social responsibility and sustainability activities
Chairperson	Director and senior managing executive officer
Committee members	6
Number of meetings in fiscal 2018	1

Executive Compensation

The Company provides two types of compensation to directors (excluding outside directors): fixed compensation and performance-based bonuses. The ratio between these two types of compensation is adjusted appropriately based on individual directors' roles and responsibilities. Performance-based bonuses are determined on the basis of consolidated net profit attributable to owners of parent. Furthermore, directors contribute a portion of their fixed compensation and performance-based bonuses to the Company's management stock ownership plan (stock price-linked compensation). During their terms of office, the Company requires directors to keep the shares they have acquired.

Levels of compensation for directors and corporate auditors were revised to take account of such changes as the September 2019 merger between FamilyMart UNY Holdings Co., Ltd. and FamilyMart Co., Ltd., as well as economic conditions. The following resolution was passed at the Ordinary General Meeting of Shareholders on May 28, 2019.

- Directors: Within ¥1.2 billion per year (of which, within ¥100 million for outside directors)
- Corporate auditors: Within ¥150 million per year

Compensation for Executives

	Total paid (¥ million)	Total paid in various forms (¥ million)				No. of paid recipients
		Basic salary	Stock options	Bonus payments	Retirement benefits	
Directors (excluding outside directors)	241	115	—	126	—	11
Corporate auditors (excluding outside corporate auditors)	27	27	—	—	—	1
Outside directors	22	22	—	—	—	3
Outside corporate auditors	38	38	—	—	—	5

Note: The above figures include one director who retired as of the close of the 37th Ordinary General Meeting of Shareholders held on May 24, 2018, and three directors who retired on February 28, 2019.

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 the compensation they received can be found below.

Names of the certified public accountants that executed said duties:
Koichi Okubo, Haruko Nagayama, and Kazuhiro Soda,
Deloitte Touche Tohmatsu LLC

Compensation for Corporate Auditors

	Fiscal 2017		Fiscal 2018	
	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	79	—	115	78
Consolidated subsidiaries	449	—	248	—
Total	528	—	363	78

Internal Control System

FamilyMart's Internal Control System

The Company has established the Governance Committee as an advisory body to the president and representative director. The committee comprises a majority of independent outside directors and is responsible for confirming the status (implementation and operation) of internal controls based on the Basic Policy.

The Company has also established the Risk Management & Compliance Committee, which meets regularly. The standing corporate auditors attend meetings of the committee to deliver their opinions.

Compliance and Risk Management

The Risk Management & Compliance Committee monitors the status of compliance and strives to enhance the compliance system by receiving reports from compliance-related committees 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 committees related to risk management at each Group company and creating risk maps that combine risks for the Group as a whole. The respective Group companies regularly analyze and evaluate various risks and independently conduct risk management regarding the risks concerned.

Use of Employee Hotline and Supplier Helpline in Fiscal 2018

Suspected fraud, law-breaking, or rule violation	6
Inquiry about labor contract or working hours	4
Inquiry about workplace conditions, behavior, language / suspected harassment	45
Total	55

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 at 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 systems. With these measures, the Company promotes the internal control systems including those at Group companies.

Accountability

Proactive Dialogue with Stakeholders

FamilyMart values dialogue with its stakeholders and engages in various activities to enhance corporate value.

We strive to enhance direct communication between franchised stores and top management. In this way, we encourage the resolution of management issues related to store operations and foster grassroots store management.

Dialogue with Institutional Investors

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.

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, sustainability sessions, CVS business sessions, etc.
Overseas IR activities	Visits to important investors in the U.S., Europe, and Asia for briefing sessions
Individual meetings	Approximatery 300 times
Domestic and international conferences hosted by securities companies	Approximatery 10 times
Major communication tools	Integrated report, sustainability report, website

Meetings for analysts and institutional investors

Sustainability session

CVS business session

Dialogue with Shareholders

As the topmost decision-making body in corporate management, the General Meeting of Shareholders approves the financial results and business results for each fiscal year and expresses its votes for or against agenda items that are tabled, participating in corporate management.

Activities	Contents
38th Ordinary General Meeting of Shareholders	Shareholders in attendance: 152 Questions: 13
Briefings for individual investors	To provide venues throughout Japan to foster an understanding of our management strategy and business activities
Major communication tools	Reports for individual shareholders, CSR handbook, website

Dialogue with Franchised Stores

Top management communicates directly with franchised stores. We value the input we receive from franchised stores in this manner, which helps to improve routine store operations.

Activities	Contents
Kansha no Tsudoi (“Gratitude Gathering”)	Top management announces policy directions, and parties are held to express appreciation for stores’ routine operations. These events were held 16 times in 11 locations around Japan in fiscal 2018.
Store visits by the president	Since assuming office in September 2016, the president has visited more than 700 stores (as of May 31, 2019).
Luncheon meetings	Opinions are exchanged over lunch with members of franchised stores.
Surveys of franchised stores	These surveys are conducted quarterly to improve store operations.

Kansha no Tsudoi (“Gratitude Gathering”)

Store visits by the president

Luncheon meetings

Consolidated Financial Highlights

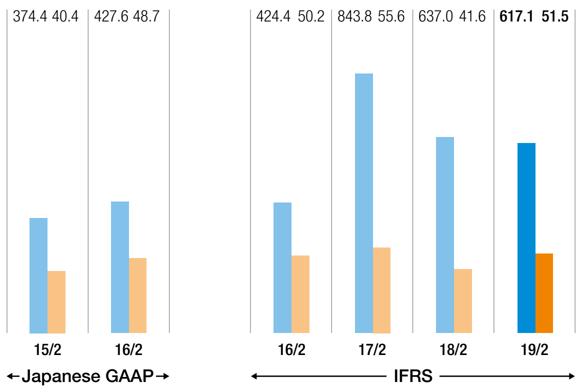
	2009/2	2010/2	2011/2	2012/2	2013/2	2014/2	2015/2	Japanese GAAP 2016/2	IFRS 2016/2	2017/2	2018/2*3*4	Millions of yen 2019/2	Thousands of U.S. dollars*5 2019/2
RESULTS OF OPERATIONS:													
Total operating revenues / Operating revenues	¥ 287,342	¥ 278,175	¥ 319,889	¥ 329,218	¥ 334,087	¥ 345,603	¥ 374,430	¥ 427,676	¥ 424,435	¥ 843,815	¥ 637,013	**¥ 617,174**	**$ 5,560,123**
Operating profit / Core operating profit	36,532	33,530	38,223	42,586	43,107	43,310	40,417	48,734	50,281	55,670	41,671	**51,553**	**464,440**
Net income / Profit attributable to owners of parent	16,451	15,102	18,023	16,584	25,020	22,611	25,672	21,067	17,763	21,585	33,656	**45,370**	**408,735**
Capital expenditure	29,167	40,289	40,302	46,323	60,480	93,256	111,717	68,534	—	90,831	125,314	**90,250**	**813,064**
Depreciation	9,668	10,338	12,582	16,190	19,005	24,459	30,918	32,835	—	46,967	53,747	**58,116**	**523,572**
Net cash provided by (used in) operating activities	75,027	(6,574)	50,337	72,900	64,638	60,843	71,837	97,985	93,776	83,351	152,729	**159,742**	**1,439,119**
Net cash provided by (used in) investing activities	(28,216)	(36,152)	(25,798)	(20,746)	(46,236)	(64,377)	(53,674)	(61,566)	(62,756)	(30,657)	(49,502)	**109,257**	**984,301**
Net cash (used in) provided by financing activities	(7,030)	(8,341)	(13,976)	(14,188)	(16,088)	(21,054)	(21,375)	(17,394)	(16,824)	(4,916)	(37,875)	**(156,234)**	**(1,407,510)**
FINANCIAL POSITION:													
Total assets	398,125	424,209	436,034	472,822	526,758	588,136	666,244	730,295	728,976	1,667,074	1,731,787	**1,372,117**	**1,236,419**
Total equity	197,529	206,490	216,979	225,939	247,755	265,458	284,829	295,229	271,876	517,842	543,235	**568,762**	**5,123,980**
PER SHARE OF COMMON STOCK (in yen and U.S. dollars):													
Total equity*1	2,001.50	2,096.43	2,207.53	2,299.14	2,515.61	2,686.37	2,872.40	2,987.34	2,864.20	4,089.07	1,073.29	**1,123.78**	**10.12**
Basic net income (EPS)*1	172.59	158.47	189.74	174.70	263.57	238.19	270.45	221.94	187.13	195.07	66.45	**89.64**	**0.81**
Cash dividends applicable to the year	68.00	70.00	72.00	82.00	100.00	102.00	106.00	110.00	110.00	112.00	112.00	**144.00**	**1.30**
RATIOS:													
Equity ratio (%)	47.9	47.1	48.1	46.2	45.3	43.4	40.9	38.8	37.3	31.1	31.4	**41.5**	
ROE (return on equity) (%)	8.8	7.7	8.8	7.8	11.0	9.2	9.7	7.6	6.6	5.5	6.3	**8.2**	
ROA (return on total assets) (%)	4.4	3.7	4.2	3.6	5.0	4.1	4.1	3.0	2.5	1.5	2.2	**3.7**	
PER (price earnings ratio) (times)	19.2	18.0	16.3	18.1	14.8	19.0	20.0	24.4	29.0	35.2	30.4	**35.4**	
Payout ratio (%)	39.4	44.2	37.9	46.9	37.9	42.8	39.2	49.6	58.8	57.4	42.1	**40.2**	
CVS BUSINESS (NON-CONSOLIDATED):													
Growth rate of average daily sales at existing stores (non-consolidated) (%)	7.1	(2.4)	(0.2)	4.4	(1.6)	(0.4)	(2.2)	1.3	—	0.8	(0.3)	**0.4**	
Number of store openings (non-consolidated)	542	545	741	851	900	1,284	1,061	703	—	831	576	**492**	
Number of total FamilyMart chain stores	14,651	15,789	17,598	20,079	22,181	23,622	16,970	17,502	—	24,500	24,081	**23,814**	
Japan (including area franchised stores)	7,404	7,688	8,248	8,834	9,481	10,547	11,328	11,656	—	18,125	17,232	**16,430**	
Overseas	7,247	8,101	9,350	11,245	12,700	13,075	5,642	5,846	—	6,375	6,849	**7,384**	
Food recycling rate (%)*2	24.0	26.2	45.7	47.8	51.2	49.0	45.0	50.5	—	47.0	54.1	**56.3**	
OTHER DATA:													
Number of full-time employees	6,950	7,204	7,569	8,327	6,081	6,373	7,281	7,622	—	16,601	17,777	**15,139**	
Number of employees (non-consolidated)	3,060	3,065	3,358	3,356	3,364	3,694	3,896	4,304	—	6,199	5,944	**6,045**	
Ratio of female managers (FamilyMart, non-consolidated) (%)	1.1	0.8	0.7	0.7	1.0	0.7	0.8	1.8	—	1.2	2.4	**3.4**	
Ratio of female employees (FamilyMart, non-consolidated) (%)	11.1	12.1	12.3	12.3	12.9	12.1	12.4	13.6	—	12.1	12.7	**15.9**	
Number of shareholders	12,293	13,274	12,391	11,913	12,270	11,498	10,276	9,742	—	30,298	26,978	**22,483**	

*1. On March 1, 2019, the Company implemented a four-for-one stock split to shares of common stock. The per share indicators were calculated based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.
*2. Figures for fiscal 2017 and fiscal 2018 include the figures of Circle K and Sunkus.
*3. The Company used provisional accounting treatments for fiscal 2018 with regard to a business combination with Kanemi Co., Ltd., which took place in fiscal 2018. As amounts were determined in fiscal 2019, financial amounts have been restated for fiscal 2018.
*4. In October 2018, the Company decided to sell all its shares of UNY CO., LTD. Accordingly, the Company has classified operations of UNY CO., LTD. and its subsidiaries as discontinued operations. Operating revenues and core operating profit for fiscal 2018 have been restated for continuing operations, deducting amounts corresponding to discontinued operations.
*5 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 ¥111 to $1, the approximate rate of exchange at February 28, 2019.

Consolidated Performance

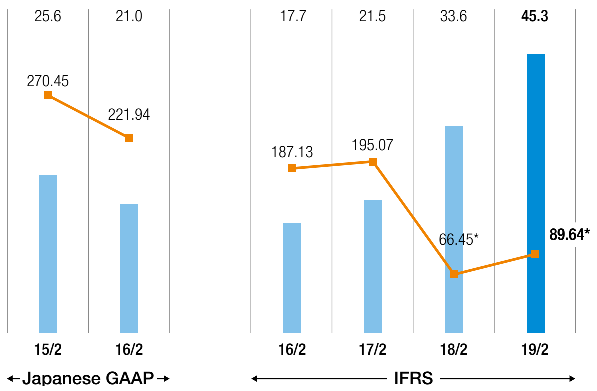
Operating Revenues and Operating Profit / Core Operating Profit

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



Net Profit Attributable to Owners of Parent and EPS

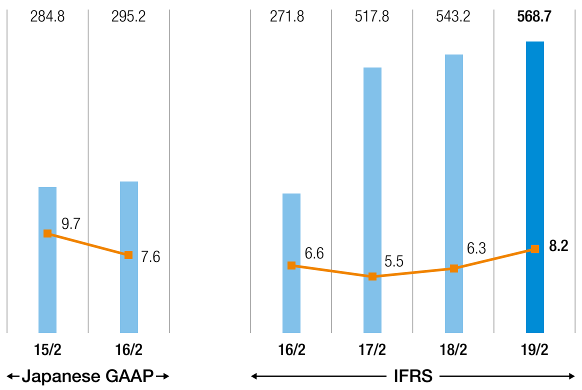
■ Net profit attributable to owners of parent (¥ billion) ■ EPS (¥)



* Stated figures have been retroactively adjusted for a four-for-one stock split.

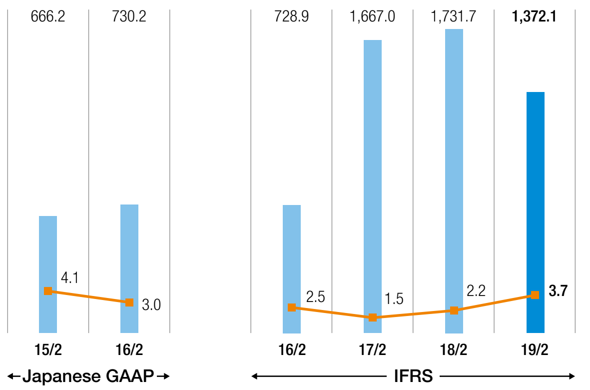
Total Equity and ROE

■ Total equity (¥ billion) ■ ROE (%)



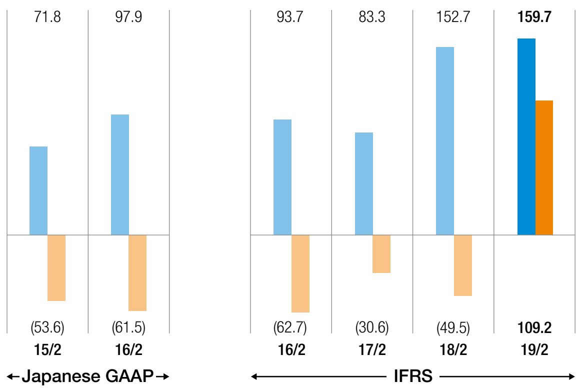
Total Assets and ROA

■ Total assets (¥ billion) ■ ROA (%)



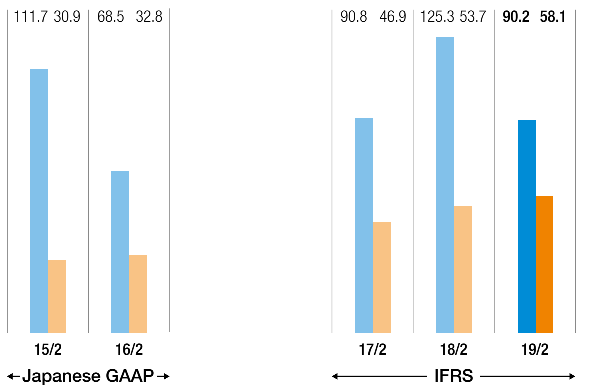
Cash Flows

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



Capital Expenditure and Depreciation

■ Capital expenditure (¥ billion) ■ Depreciation (¥ billion)

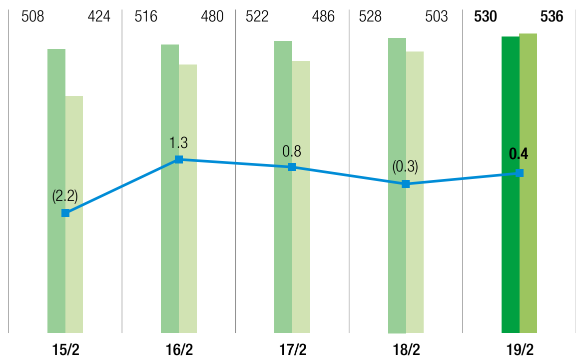


Operating Data (Non-consolidated)

Business Performance

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

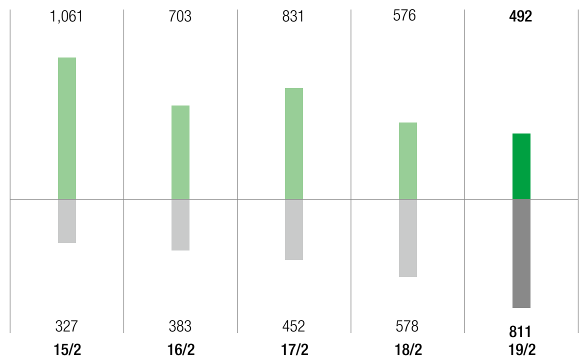
■ Average daily sales: total stores (¥ thousand)
■ Average daily sales: new stores (¥ thousand)
■ Growth rate of average daily sales at existing stores (%)



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

Store Openings / Store Closures*

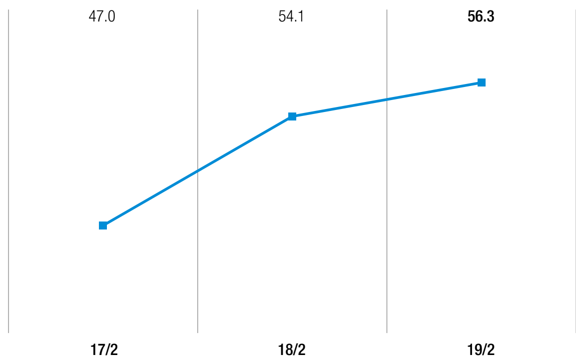
■ Store openings ■ Store closures



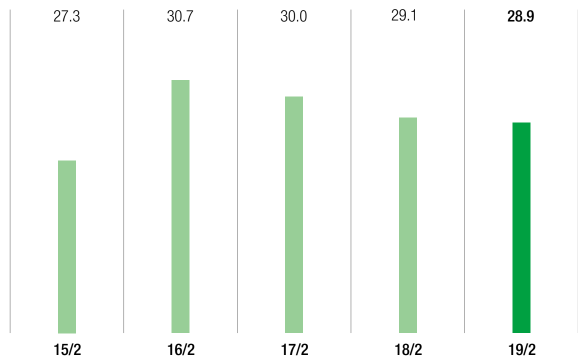
* Figures for relocation of stores are included; Circle K Sunkus stores are not included.

Environmental Data

Food Recycling Rate



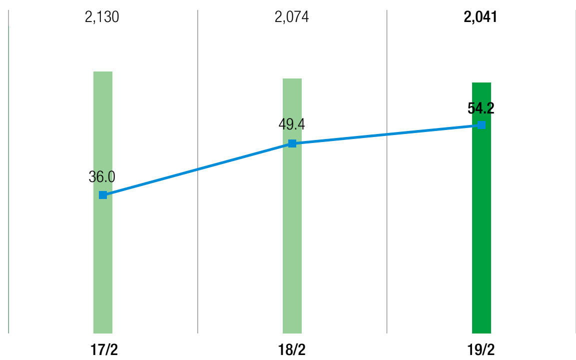
Rate of Customers Declining Plastic Shopping Bag



Personnel Data

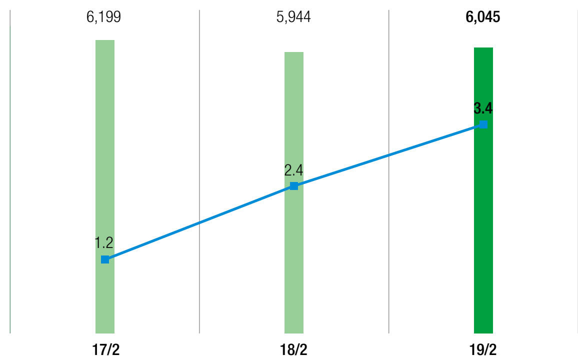
Total Work Time / Rate of Taking Paid Leave

■ Total work time (hours) ■ Rate of taking paid leave (%)



Number of Employees / Ratio of Female Managers

■ Number of employees ■ Ratio of female managers (%)



Current Situation of the FamilyMart UNY Holdings Group (Reporting Entity)

The Group consists of a total of 47 companies: the Company (FamilyMart UNY Holdings Co., Ltd.), 27 subsidiaries, and 19 affiliates and jointly controlled companies. These companies develop operations in the convenience store business, the general merchandise store business, and peripheral businesses.

Major Group Companies

(As of February 28, 2019)

Operations	Company Name
Convenience store business (43 companies)	
Convenience store business	◎ FamilyMart Co., Ltd.
	○ Okinawa FamilyMart Co., Ltd. (Okinawa Prefecture)
	○ Minami Kyushu FamilyMart Co., Ltd. (Kagoshima and Miyazaki prefectures)
	◎ Taiwan FamilyMart Co., Ltd. (Taiwan)
	○ Central FamilyMart Co., Ltd. (Thailand)
	○ Shanghai FamilyMart Co., Ltd. (China)
	○ Guangzhou FamilyMart Co., Ltd. (China)
	○ Suzhou FamilyMart Co., Ltd. (China)
Other businesses	◎ famima Retail Service Co., Ltd. (Accounting and other store-related services)
	◎ UFI FUTECH Co., Ltd.* (FinTech-related services)
	◎ SENIOR LIFE CREATE Co., Ltd. (Boxed lunch home delivery business)
	◎ EVENTIFY INC. (Entertainment business)
	○ POCKET CARD CO., LTD. (Credit card service business)
	○ LIVE VIEWING JAPAN Inc. (Entertainment business)
General merchandise store business (2 companies)	
Other businesses	◎ Kanemi Co., Ltd. (Manufacturing, processing, and wholesale of prepared dishes)

Note: ◎ indicates subsidiaries, ○ indicates associates and joint ventures
* Company name changed to Famima Digital One Co., Ltd. on July 1, 2019

General Merchandise Store Business

All the shares held in UNY (HK) CO., LIMITED were sold during the first quarter of the fiscal year ended February 28, 2019, leading to that company’s exclusion from the scope of consolidation.

All the shares held in UNY CO., LTD. were sold during the fourth quarter of the fiscal year ended February 28, 2019, leading to that company and its subsidiaries being excluded from the scope of consolidation.

Changes in the Parent Company of Other Subsidiaries and Associates

In the second quarter of the fiscal year ended February 28, 2019, ITOCHU Corporation, which was previously included in other subsidiaries and associates, became the parent company of the Company as the result of a tender offer for the Company’s shares.

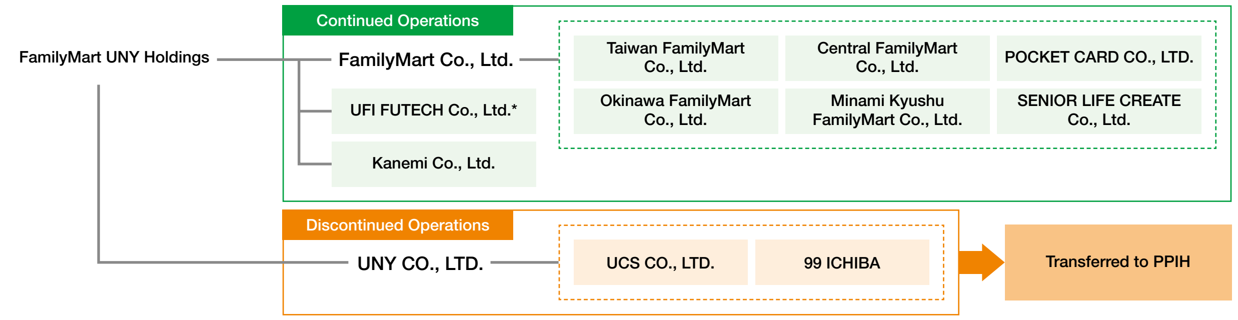
The Company belongs to the ITOCHU Group, which consists of ITOCHU Corporation and its subsidiaries and associates, and receives cooperation including advice and support on commodity supply systems from ITOCHU.

The Company corresponds to a specific listed company in the provisions of Article 49-2 of the Cabinet Office Order on Restrictions on Securities Transactions. Accordingly, the Company judges that falls within the criteria regarding material facts on insider trading regulations as minor.

In the general merchandise store business, Kanemi Co., Ltd. was excluded from the scope of consolidation as the result of a partial transfer of shares on April 12, 2019.

Continued Operations and Discontinued Operations

In October 2018, the Company decided to sell all its shares of UNY CO., LTD. Accordingly, the Company has classified operations of UNY CO., LTD. and its subsidiaries as discontinued operations. The Company has restated amounts related to the discontinued operations in the consolidated statement of profit or loss, the consolidated statement of cash flows, and certain related consolidated financial notes for the fiscal year ended February 28, 2018.



* Company name changed to Famima Digital One Co., Ltd. on July 1, 2019

Market Environment in Fiscal 2018

In fiscal 2018, the year ended February 28, 2019, Japan’s economy continued to recover gradually as the job market and personal income improved. The market environment remained problematic, characterized by increasingly stringent competition across business categories, an ongoing consumer focus on frugality, and labor shortages at stores and in distribution.

In fiscal 2018, total sales in Japan’s retail industry were ¥145.2 trillion, up 1.6% year on year. Sales by department stores were ¥6.3 trillion, down 2.1% year on year; sales by supermarkets came to ¥13.1 trillion, up 0.5% year on year; and sales by convenience stores were ¥12.0 trillion, up 2.1% year on year. Meanwhile, e-commerce sales were up around 9.0%, increasing from ¥16.5 trillion in fiscal 2017 to ¥18.0 trillion in fiscal 2018.

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

Business Performance in Fiscal 2018

During the year, the Group endeavored to innovate its retail business models. We also aim to be a social and lifestyle infrastructure provider indispensable to consumers’ lives.

In fiscal 2018, operating revenues decreased ¥19,840 million, or 3.1%, year on year, to ¥617,174 million. Core operating profit increased ¥9,882 million, or 23.7%, to ¥51,553 million, owing to such measures as closing unprofitable stores.

Profit before income taxes fell ¥1,650 million, or 28.1%, year on year, to ¥4,225 million, stemming from the posting of impairment losses on store assets and goodwill.

After deducting income taxes and calculating profit from discontinued operations, net profit amounted to ¥57,316 million, up ¥20,763 million, or 56.8%, from the previous fiscal year. After deducting net profit attributable to non-controlling interests, net profit attributable to owners of parent increased ¥11,713 million, or 34.8%, year on year, to ¥45,370 million.

Operating Results (Consolidated)

(¥ million)

	18/2	19/2	YoY
Operating revenues	637,013*	**617,174**	(3.1%)
Core operating profit	41,671*	**51,553**	23.7%
Net profit attributable to owners of parent	33,656	**45,370**	34.8%

* Operating revenues and core operating profit for fiscal 2017 have been restated for continuing operations, deducting amounts corresponding to discontinued operations.

Segment Initiatives and Performance

Fiscal 2018 Priority Measures

1. Improvement of quality at existing stores

	Convenience Store Business	General Merchandise Store Business
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 cash 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

Performance by segment is as follows.

Convenience Store Business

FamilyMart Co., Ltd. is implementing a range of measures to create a stronger, more competitive convenience store chain while placing utmost priority on completing brand integration. To improve quality at existing stores, the company has been enhancing product competitiveness, improving store operation efficiency, and reinforcing store foundations (completing brand integration, advancing build-and-scrap (B&S) initiatives, renovating existing stores, and implementing localized sales promotion).

Regarding brand integration, all domestic Circle K and Sunkus stores discontinued their operations on November 30, 2018, and the brand integration of those stores to FamilyMart stores was completed. Since September 2016, the company has been working as one to promote this brand conversion, and these efforts resulted in a cumulative total of 5,003 stores being converted. Daily sales and customer numbers at converted stores are rising year on year. Following the completion of the integration, we aim to continue to generate further benefits from the integration such as the creating of merchandise including ready-to-eat meals and streamlining logistics operations by utilizing the domestic network of around 16,500 stores.

To enhance product competitiveness, the Group renewed self-service coffee machines, delicatessen items, and other product categories throughout the year, aiming to improve the intrinsic value of ready-to-eat meals and create a merchandise lineup tailored to changes in the market. With FAMIMA CAFÉ, we began introducing a new type of self-service coffee machine in October 2018, further diversifying the menu and enhancing the taste of coffee and milk. This initiative has been well received by many customers. In addition, in September 2017 we marked the first anniversary of the launch of our "Mother's Kitchen" brand of original delicatessen series by expanding the lineup of prepared dishes containing fish, which are present on the dinner table particularly often. Supported by the combined efforts of TV commercials, expanded sales area, and enhanced marketing activities including sales promotions, sales are substantially higher year on year.

To enhance the efficiency of store operations, the Group is promoting radical reforms to address labor shortages by easing the burden on store staff and improving the efficiency of their work. In fiscal 2018, we launched an initiative to eliminate the need for inspections of the number of products, seeking to reduce the time spent by staff on work when deliveries are made. In addition, we increased the number of stores with self-checkout cash registers and started to roll out cash-counting machines to reduce the time staff spend on cash management. We also introduced labor-saving storage drawer racks and other store fixtures. Our fiscal 2018 survey of franchised stores indicated substantial growth in the number of stores where the burden on staff had been reduced.

To reinforce store foundations, the Group is creating a network of high-quality stores by advancing its B&S policy, focusing on repositioning stores by administrative unit (town layout). In addition, in February 2019 the Group opened a 24-hour Fit & Go gym and a Famima Laundry laundromat operated by FamilyMart at the same site of the FamilyMart Nakarokugo Daiichi Keihin store in Ota-ku, Tokyo, aiming for new customer synergies with convenience stores.

From a service perspective, we have since November 2018 been introducing in stages the smartphone-based barcode payment services "d Payment®," "LINE Pay," "PayPay," and "Rakuten Pay (app-based payment)" as we work to diversify payment options. In addition, in January 2019, we extended the introduction of "Alipay" and "WeChat Pay" to further enhance convenience for overseas visitors to Japan.

To promote CSR activities, we held an event called *Famima Kodomo Shokudo* ("FamilyMart Children's Cafeteria") in five stores in the Kanto region to encourage interaction between regions and support the children who hold the future in their hands. In addition to using in-store spaces to provide children and their parents who live near an outlet with opportunities for meals and communication, the project lets children operate cash registers and visit to back room areas, thereby increasing their understanding of FamilyMart.

With respect to promoting diversity, we have worked to encourage staff with various values to apply their individual strengths to create new value. In June 2018, we opened two stores in the Hokuriku region under proposals from the Company's female staff involved in store construction, with many ideas from women's perspectives. In addition, in February 2019, we launched a new sweet potato-based Danish pastry product, "Narutokintoki no Uzuuzu Salt Danish," proposed by a project team comprising women from the Company and from stores in the Shikoku region under the concept of "local production for local consumption" of bakery items. Furthermore, we are committed to addressing the employment of people with disabilities on an ongoing basis, and are helping them maximize their potential at diverse sites including stores, farms, and the new head office, to which we relocated in February 2019. Through these efforts, we are developing a fulfilling workplace for everybody.

As of February 28, 2019, the number of stores operated in Japan was 16,430 (including 917 stores operated by three domestic area franchisers). The total number of stores operated overseas—in Taiwan, Thailand, China, Vietnam, Indonesia, the Philippines, and Malaysia—was 7,384. As a result, the number of FamilyMart chain stores worldwide was 23,814.

As a result, average daily sales at all stores was ¥530 thousand, and the gross profit ratio (excluding services) was 30.9%. Gross operating revenues of the convenience store business segment fell 5.9% year on year, to ¥527,719 million; segment profit (core operating profit) grew 24.7%, to ¥53,550 million; and the segment loss (loss attributable to owners of parent) was ¥4,280 million (loss attributable to owners of parent was ¥1,285 million in fiscal 2017).

Operating Results: CVS Business

(¥ million)

	18/2	19/2	YoY
Gross operating revenues	560,880	**527,719**	(5.9%)
Segment profit (loss)	(1,285)	**(4,280)**	–

FamilyMart	18/2	19/2	Increase / Decrease
Growth rate of average daily sales at existing stores (%)	(0.3)	**0.4**	–
Average daily sales at existing stores (¥ thousand)	534	**538**	4
Number of customers at existing stores	912	**896**	(16)
Average daily sales at existing stores (¥ thousand)	585	**600**	15

General Merchandise Store Business

In fiscal 2018, all shares of UNY CO., LTD. owned by the Company were transferred to Pan Pacific International Holdings Corporation, and the businesses of UNY CO., LTD. and its subsidiaries in the general merchandise store business segment were classified as discontinued operations.

Gross operating revenues of the general merchandise store business segment declined 10.9% year on year, to ¥640,140 million; segment profit (core operating profit) rose 25.1%, to ¥29,444 million; and segment profit (profit attributable to owners of parent) fell 36.2%, to ¥11,291 million. This profit has been restated in the consolidated statement of profit or loss as "profit from discontinued operations."

Operating Results: GMS Business

(¥ million)

	18/2	19/2	YoY
Gross operating revenues	718,768	**640,140**	(10.9%)
Segment profit	17,708	**11,291**	(36.2%)

Financial Position

Total assets stood at ¥1,372,117 million on February 28, 2019, down ¥359,669 million compared with the previous fiscal year-end.

Current assets were down ¥13,307 million from a year earlier, as a decrease in trade and other receivables offset an increase in cash and cash equivalents.

Non-current assets fell ¥346,363 million from the previous fiscal year-end, owing to the sale of UNY CO., LTD. and its subsidiaries.

Total liabilities amounted to ¥782,380 million, down ¥360,748 million.

The sale of sale of UNY CO., LTD. and its subsidiaries caused current liabilities to decrease ¥131,667 million and non-current liabilities to decline ¥229,081 million.

Total equity increased ¥1,079 million from the previous fiscal year-end, to ¥589,737 million on February 28, 2019. Principal factors included an increase in retained earnings, while non-controlling interests fell due to the sale of UNY CO., LTD. and its subsidiaries in the general merchandise store business.

As a result, the equity ratio was 41.5%, up from 31.4% in the previous fiscal year; return on equity was 8.2%, up from 6.3%; and total equity attributable to owners of parent per share was ¥1,123.78. The Company conducted a four-for-one share split of its common stock with the effective date of March 1, 2019. Basic earnings per share are calculated on the assumption that the share split occurred at the beginning of fiscal 2017.

Information on Sources of Capital and Flows of Cash

Cash Flows

Cash flows during the year were as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥159,742 million, up ¥7,013 million from fiscal 2017. Sources of cash included a decrease in trade and other receivables, while a decrease in deposits received used more cash than in the previous fiscal year.

Cash Flows from Investing Activities

Net cash provided by investing activities was ¥109,257 million, compared with ¥49,502 million used in these activities in fiscal 2017. The difference was mainly due to an increase in cash flows from investing activities as a result of collection of loans receivable related to UNY CO., LTD. and its subsidiaries, which were classified as discontinued operations.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥156,234 million, an increase of ¥118,358 million compared with fiscal 2017. Repayments of bonds and borrowings was the main use of cash.

As a result, cash and cash equivalents at the end of the fiscal year amounted to ¥353,498 million, up ¥100,324 million from a year earlier.

Demand for Cash

The Group has two major demands for cash: for working capital and equipment funds. As working capital, demand stems mainly from SG&A and other operating expenses. Demand for cash for equipment funds is for investment in stores in the convenience store business—new stores and renovations, fixtures, and systems at existing stores.

Fiscal Policies

Currently, the Group funds working capital through its own operations. For equipment funds, in addition to internal funding we raise cash in line with funding plans based on our plans for the use of equipment funds. If internal funding is insufficient, we procure funding through leases, loans, or bonds.

In principle, overseas subsidiaries secure funds locally to meet demand for working capital and equipment funds. However, the Company may provide guarantees, if required.

Capital Expenditures

In fiscal 2018, the Company and its subsidiaries made capital expenditures totaling ¥81,386 million primarily for store investments, including those for new store openings and the renovation of existing stores in the convenience store business.

Capital Expenditures

(¥ million)

	18/2	19/2	YoY
Convenience store business	116,281	**78,474**	(32.5%)
General merchandise store business	9,007	**9,745**	8.2%
Subtotal	125,289	**88,219**	(29.6%)
Discontinued operations	(7,359)	**(8,864)**	20.5%
Eliminations / Corporate	26	**2,031**	–
Total	117,956	**81,386**	(31.0%)

In the convenience store business, ¥49,791 million of capital expenditures was for new store openings and repairs and renovation of stores, ¥18,639 million was for leasehold deposits associated with store leases, and ¥10,043 million was for investments related to information systems. In the general merchandise store business, ¥7,974 million in capital expenditures was for new openings and repairs and renovations of stores, ¥48 million was for leasehold deposits associated with store leases, and ¥1,723 million was for investments related to information systems.

Capital expenditure associated with UNY CO., LTD. and its subsidiaries, included in the general merchandise store business, was classified as discontinued operations. Corresponding amounts are negative ¥716 million in capital expenditures for new openings and repairs and renovations of stores, negative ¥34 million for leasehold deposits associated with store leases, and negative ¥1,723 million for investments related to information systems.

Aside from store closures, no material sales or retirements of equipment were conducted during fiscal 2018.

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 ¥144.00 per share for fiscal 2018, consisting of an interim dividend of ¥63.50 per share and a year-end dividend of ¥80.50 per share.

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

Medium- to Long-Term Strategies and Outlook for Fiscal 2019

We expect the operating environment surrounding the retail industry to remain unclear, owing to such factors as intensifying competition beyond conventional boundaries of business categories, weaker consumption stemming from a persistent emphasis on frugality, and the impact of increasingly severe labor shortages. In addition, customer needs have diversified, prompting the need to create new products and services based on novel concepts. Moreover, the public is stepping up its demands for companies in our industry to meet their corporate social responsibilities by providing safe foods and responding appropriately to environmental issues.

To be successful in this increasingly stringent competitive environment, the Group is determined to proactively pursue opportunities for further growth by providing unique value that leverages the Group's combined management resources.

The Group has itself four challenges: enhancing support for franchisees, an area of highest priority; strengthening stores' earnings power; implementing digital solutions; and promoting collaboration with Pan Pacific International Holdings Corporation. We will swiftly implement initiatives associated with these challenges.

To enhance support for franchisees, the Group is intensively promoting investments to make store operations more efficient. For instance, we are installing self-checkout machines and a new type of purchase-order terminal, addressing labor shortages and rising labor and other costs by systematically expanding the use of personnel from partner staffing companies onto a nationwide scale. In addition, the Group is experimenting with different hours of operation, upgrading employee benefits and other programs geared to franchisees, and fostering better dialogue between franchised stores and the chain headquarters. Moreover, to reduce franchised stores' losses on unsold items the Group is working to lengthen shelf life of ready-to-eat meals and reinforce advance-order sales of boxed lunches and seasonal products.

To strengthen stores' earnings power, the Group is working to enhance product competitiveness by revamping its core ready-to-eat meals, such as rice balls, boxed lunches, and fast-food items, further improving the essential value of products, and installing new fixtures. For example, we are expanding the sales area for frozen foods and installing a new type of self-service coffee machine in all stores. Furthermore, the Group will tap new customer segments by reviewing product pricing levels and extending their reach ahead of the consumption tax hike slated for October 2019. The Group is also creating a network of high-quality stores by redoubling efforts to open stores in Japan's three major metropolitan areas while advancing the B&S strategy in store development focusing on repositioning stores by administrative unit. Going forward, the Group aims to provide convenience stores perfectly suited to local customers by stepping up locality-based initiatives—developing region-specific products, customizing stores, and running regional sales promotions.

In digital solutions, in July 2019 the Group began offering FamiPay, a proprietary digital currency smartphone app with a barcode-based payment function. We will expand on our open-use strategy with respect to business involving barcode-based payment and loyalty points and promote digital strategy for new forms of data-based business.

To promote collaboration with Pan Pacific International Holdings Corporation, we are jointly developing products and services, coordinating efforts in the financial services sector, and engaging in joint expansion overseas in our respective fields of business.

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 2019, the Company forecasts a year-on-year decline of 14.9% in operating revenues, to ¥525.0 billion, and year-on-year increases of 26.1% in core operating profit, to ¥65.0 billion, and 10.2% in net profit attributable to owners of parent, to ¥50.0 billion.

Earnings Forecast (Consolidated)

(¥ million)

	19/2	20/2 (est.)	YoY
Operating revenues	617,174	525,000	(14.9%)
Core operating profit	51,553	65,000	26.1%
Net profit attributable to owners of parent	45,370	50,000	10.2%

Operational and Other Risks

The following section outlines some of the main risks relating to the status of the Group's operations, the status of accounting, and other matters 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. 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.

(2) Natural Disasters

The Group's business performance and financial position could be adversely affected by unexpected events, such as fires, acts of terror, wars, and natural disasters, including 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) Safety of Foods, etc.

As an operator of convenience 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. In addition to foods, the Group also offers such consumer products as clothes and daily necessities. If any serious accident involving these products, including a recall, were to occur, the Group's execution of business, operating results, financial conditions, and other areas of business could be affected.

The Group is committed to supplying safe food and other products through such measures as setting quality control standards and 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 in such areas as the Companies Act, the Financial Instruments and Exchange Act, the Labor Standards Act (including other laws and regulations pertaining to labor management), food-related legislation, the Antimonopoly Act and the Subcontract Act, as well as the application of environmental and other laws and regulations, and administrative permissions. The Group recognizes legal compliance as an extremely important corporate responsibility. As such, the Group is reinforcing its compliance structure and making a thorough effort to ensure compliance. However, a breach could occur despite such measures, and the Group may be unable to avoid compliance-related risks or the risk that its social credibility may be damaged, including through the personal misconduct of an officer or employee.

The Group's business performance and financial position could be adversely affected by unforeseen changes in these 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 its 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.

To address this issue, the Group has set up IT system safety mechanisms.

(8) Human Resources

As an operator of stores in Japan and overseas, human resources are essential to the Group's business activities, including communication with customers and various other stakeholders. If increasingly stringent competition for personnel creates difficulties in recruiting appropriate human resources, the Group's execution of businesses, operating results, financial conditions, and other activities may be affected.

(9) Management of Receivables

The Group provides deposits and guarantees to lessors in the course of its business. If the deterioration of a lessor's financial condition or other factors make collection of these deposits and guarantees problematic, the Group's execution of business, operating results, financial conditions, and other activities may be affected.

(10) Impairment

The Group holds a large amount of non-current assets such as property, plant and equipment and goodwill related to stores. If an impairment loss is recorded due to the inability to recover the carrying amount of a store owing to a decline in store profitability, the Group's execution of business, operating results, financial conditions, and other activities may be affected.

Consolidated Statement of Financial Position (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries
As of February 28, 2018 and February 28, 2019

	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars* 2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 253,174	¥ 353,498	$ 3,184,664
Trade and other receivables	259,654	147,750	1,331,080
Other financial assets	19,463	12,857	115,833
Inventories	55,558	17,956	161,767
Other current assets	24,838	25,822	232,634
Subtotal	612,686	557,884	5,025,978
Assets held for sale	4,485	45,981	414,244
Total current assets	617,171	603,865	5,440,221
NON-CURRENT ASSETS:			
Property, plant and equipment	393,596	254,540	2,293,157
Investment property	137,004	12,105	109,052
Goodwill	156,557	142,732	1,285,874
Intangible assets	66,252	56,833	512,005
Investments accounted for using the equity method	23,956	23,224	209,228
Leasehold deposits receivable	122,917	89,813	809,125
Other financial assets	153,279	115,580	1,041,264
Assets for retirement benefits	1,758	—	—
Deferred tax assets	45,697	60,879	548,456
Other non-current assets	13,599	12,547	113,038
Total non-current assets	1,114,615	768,253	6,921,197
TOTAL ASSETS	¥1,731,787	¥1,372,117	$12,361,419

* 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 ¥111 to $1, the approximate rate of exchange at February 28, 2019.

	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars* 2019
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade and other payables	¥ 288,744	¥ 210,903	$ 1,900,030
Deposits received	152,155	132,500	1,193,692
Bonds and borrowings	48,864	39,723	357,863
Lease obligations	27,160	26,270	236,666
Income taxes payable	7,885	4,659	41,976
Other current liabilities	57,802	27,998	252,231
Subtotal	582,611	442,053	3,982,458
Liabilities directly associated with assets held for sale	—	8,891	80,101
Total current liabilities	582,611	450,944	4,062,559
NON-CURRENT LIABILITIES:			
Bonds and borrowings	332,282	173,152	1,559,925
Lease obligations	93,843	82,831	746,221
Other financial liabilities	53,732	14,489	130,533
Liabilities for retirement benefits	16,970	15,281	137,663
Provisions	51,979	36,812	331,637
Other non-current liabilities	11,711	8,873	79,934
Total non-current liabilities	560,517	331,436	2,985,913
TOTAL LIABILITIES	1,143,128	782,380	7,048,472
EQUITY:			
Common stock	16,659	16,659	150,079
Capital surplus	236,785	236,747	2,132,857
Treasury shares	(1,104)	(1,185)	(10,678)
Other components of equity	15,925	6,773	61,017
Retained earnings	274,970	309,768	2,790,705
Total equity attributable to owners of parent	543,235	568,762	5,123,980
Non-controlling interests	45,424	20,975	188,967
TOTAL EQUITY	588,659	589,737	5,312,947
TOTAL LIABILITIES AND EQUITY	¥1,731,787	¥1,372,117	$12,361,419

Consolidated Statement of Profit or Loss (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended February 28, 2018 and February 28, 2019

	Millions of yen		Thousands of U.S. dollars*
	2018	2019	2019
Continuing operations:			
Operating revenues	¥ 637,013	¥ 617,174	$ 5,560,123
Cost of sales	(154,292)	(141,764)	(1,277,150)
Gross profit	482,721	475,410	4,282,973
Selling, general, and administrative expenses	(441,050)	(423,857)	(3,818,532)
Equity in earnings (losses) of associates and joint ventures	906	(2,070)	(18,651)
Other income	5,070	6,077	54,747
Other expenses	(42,700)	(51,665)	(465,447)
Finance income	3,053	2,409	21,704
Finance costs	(2,126)	(2,079)	(18,734)
Profit before income taxes	5,874	4,225	38,060
Income taxes	12,520	20,574	185,349
Profit from continuing operations	18,394	24,798	223,409
Discontinued operations:			
Profit from discontinued operations	18,158	32,517	292,948
Profit for the year	¥ 36,552	¥ 57,316	$ 516,357
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of parent	¥ 33,656	¥ 45,370	$ 408,735
Non-controlling interests	2,896	11,946	107,622
Profit for the year	¥ 36,552	¥ 57,316	$ 516,357
EARNINGS PER SHARE (Yen, U.S. dollars):			
Basic earnings per share			
Continuing operations	¥ 31.31	¥ 43.42	$ 0.39
Discontinued operations	35.14	46.22	0.42
Total	¥ 66.45	¥ 89.64	$ 0.81

Consolidated Statement of Comprehensive Income (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended February 28, 2018 and February 28, 2019

	Millions of yen		Thousands of U.S. dollars*
	2018	2019	2019
PROFIT FOR THE YEAR	¥36,552	¥57,316	$516,357
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss	8,546	(5,094)	(45,894)
Financial assets measured at fair value through other comprehensive income	(1,354)	1,198	10,789
Remeasurements of defined benefit plans	(14)	(17)	(154)
Share of other comprehensive income of investments accounted for using the equity method	7,178	(3,914)	(35,259)
Total of items that will not be reclassified subsequently to profit or loss			
Items that may be reclassified subsequently to profit or loss	(149)	(210)	(1,892)
Cash flow hedges	(542)	(576)	(5,192)
Exchange difference on translating foreign operations	142	(80)	(721)
Share of other comprehensive income (loss) of investments accounted for using the equity method	(550)	(866)	(7,804)
Total of items that may be reclassified subsequently to profit or loss	6,628	(4,780)	(43,064)
Total other comprehensive income (loss), net of tax	¥43,180	¥52,536	$473,293
COMPREHENSIVE INCOME			
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of parent	¥40,404	¥41,327	$372,311
Non-controlling interests	2,776	11,209	100,982
Comprehensive income	¥43,180	¥52,536	$473,293

Consolidated Statement of Changes in Equity (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended February 28, 2018 and February 28, 2019

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, 2017	¥16,659	¥237,008	¥ (441)	¥(361)	¥ 336	¥ 8,228	¥ —	¥ 8,203	¥256,414	¥517,842	¥ 15,555	¥533,398
Profit for the year	—	—	—	—	—	—	—	—	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)	10,965	10,742
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)	27,092	12,080
BALANCE, FEBRUARY 28, 2018	16,659	236,785	(1,104)	(565)	228	16,262	—	15,925	274,970	543,235	45,424	588,659
Profit for the year	—	—	—	—	—	—	—	—	45,370	45,370	11,946	57,316
Other comprehensive income	—	—	—	(316)	(216)	(4,738)	1,227	(4,043)	—	(4,043)	(737)	(4,780)
Total comprehensive income	—	—	—	(316)	(216)	(4,738)	1,227	(4,043)	45,370	41,327	11,209	52,536
Purchase of treasury shares	—	—	(83)	—	—	—	—	—	—	(83)	—	(83)
Disposal of treasury shares	—	1	1	—	—	—	—	—	—	2	—	2
Cash dividends	—	—	—	—	—	—	—	—	(15,121)	(15,121)	(15,834)	(30,954)
Changes in ownership interests in subsidiaries that do not result in a loss of control	—	(39)	—	—	—	—	—	—	—	(39)	(6,646)	(6,684)
Changes in ownership interests in subsidiaries that result in a loss of control	—	—	—	—	—	—	—	—	—	—	(13,203)	(13,203)
Others	—	0	—	—	—	—	—	—	(552)	(552)	25	(527)
Transfer from other components of equity to retained earnings	—	—	—	—	—	(3,875)	(1,227)	(5,102)	5,102	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	—	(7)	—	—	(7)	—	(7)	—	(7)
Total transactions with owners	—	(37)	(82)	—	(7)	(3,875)	(1,227)	(5,109)	(10,571)	(15,799)	(35,658)	(51,457)
BALANCE, FEBRUARY 28, 2019	¥16,659	¥236,747	¥(1,185)	¥(881)	¥ 5	¥ 7,649	¥ —	¥ 6,773	¥309,768	¥568,762	¥ 20,975	¥589,737

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, 2018	$150,079	$2,133,194	$ (9,942)	$(5,092)	$ 2,056	$146,506	$ —	$143,470	$2,477,204	$4,894,006	$ 409,224	$5,303,230
Profit for the year	—	—	—	—	—	—	—	—	408,735	408,735	107,622	516,357
Other comprehensive income	—	—	—	(2,845)	(1,949)	(42,682)	11,052	(36,424)	—	(36,424)	(6,640)	(43,064)
Total comprehensive income	—	—	—	(2,845)	(1,949)	(42,682)	11,052	(36,424)	408,735	372,311	100,982	473,293
Purchase of treasury shares	—	—	(748)	—	—	—	—	—	—	(748)	—	(748)
Disposal of treasury shares	—	6	12	—	—	—	—	—	—	17	—	17
Cash dividends	—	—	—	—	—	—	—	—	(136,223)	(136,223)	(142,645)	(278,867)
Changes in ownership interests in subsidiaries that do not result in a loss of control	—	(347)	—	—	—	—	—	—	—	(347)	(59,871)	(60,218)
Changes in ownership interests in subsidiaries that result in a loss of control	—	—	—	—	—	—	—	—	—	—	(118,950)	(118,950)
Others	—	4	—	—	—	—	—	—	(4,976)	(4,972)	226	(4,746)
Transfer from other components of equity to retained earnings	—	—	—	—	—	(34,912)	(11,052)	(45,964)	45,964	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	—	(65)	—	—	(65)	—	(65)	—	(65)
Total transactions with owners	—	(337)	(736)	—	(65)	(34,912)	(11,052)	(46,029)	(95,235)	(142,337)	(321,240)	(463,576)
BALANCE, FEBRUARY 28, 2019	$150,079	$2,132,857	$(10,678)	$(7,937)	$ 43	$ 68,912	$ —	$ 61,017	$2,790,705	$5,123,980	$ 188,967	$5,312,947

Consolidated Statement of Cash Flows (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended February 28, 2018 and February 28, 2019

	Millions of yen		Thousands of U.S. dollars*
	2018	2019	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income taxes from continuing operations	¥ 5,874	¥ 4,225	$ 38,060
Depreciation and amortization	54,588	59,397	535,108
Impairment losses	29,838	34,741	312,978
Equity in (losses) earnings of associates and joint ventures	(906)	2,070	18,651
Decrease (increase) in trade and other receivables	(973)	3,600	32,435
Decrease (increase) in inventories	(1,682)	1,689	15,217
Increase (decrease) in trade and other payables	14,220	1,660	14,959
Increase (decrease) in deposits received	(7,120)	(11,453)	(103,177)
Increase (decrease) in assets and liabilities for retirement benefits	2,399	157	1,418
Other	14,738	20,427	184,031
Subtotal	110,974	116,514	1,049,678
Interest and dividends received	3,268	2,007	18,083
Interest paid	(2,749)	(3,461)	(31,179)
Income taxes paid	(5,353)	(2,402)	(21,635)
Income tax refund	4,485	2,723	24,534
Cash flows from operating activities from discontinued operations	42,103	44,360	399,638
Net cash provided by operating activities	152,729	159,742	1,439,119
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment and investment property	(40,463)	(30,284)	(272,833)
Proceeds from sales of property, plant and equipment and investment property	5,234	1,399	12,607
Purchases of intangible assets	(8,434)	(4,618)	(41,599)
Payments of leasehold deposits receivable and construction assistance fund receivables	(20,234)	(19,124)	(172,287)
Collection of leasehold deposits receivable and construction assistance fund receivables	9,472	7,620	68,644
Purchases of investments	(8,489)	(4,250)	(38,285)
Proceeds from sales and redemption of investments	5,530	8,745	78,781
Proceeds from acquisition of businesses	700	—	—
Proceeds from disposal of businesses	—	3,617	32,587
Other	(290)	(1,529)	(13,775)
Cash flows from investing activities from discontinued operations	7,471	147,681	1,330,461
Net cash (used in) provided by investing activities	(49,502)	109,257	984,301
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from bonds and borrowings	145,832	132,891	1,197,214
Repayments of bonds and borrowings	(137,139)	(221,719)	(1,997,469)
Repayments of lease obligations	(28,650)	(34,754)	(313,102)
Purchases of treasury shares	(41)	(83)	(751)
Payments for acquisitions of interests in subsidiaries from non-controlling interests	(55)	(202)	(1,819)
Dividends paid	(14,188)	(15,121)	(136,223)
Dividends paid to non-controlling interests	(3,593)	(2,634)	(23,726)
Decrease in commercial paper	(96,000)	—	—
Other	333	16	144
Cash flows from financing activities from discontinued operations	95,626	(14,627)	(131,778)
Net cash used in financing activities	(37,875)	(156,234)	(1,407,510)
EFFECTS OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(466)	(778)	(7,005)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	64,885	111,988	1,008,905
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	188,289	253,174	2,280,847
CASH AND CASH EQUIVALENTS INCLUDED IN ASSETS HELD FOR SALE	—	(11,665)	(105,087)
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 253,174	¥ 353,498	$ 3,184,664

Major Group Companies

(As of February 28, 2019)

Company name	Operations	Voting rights*4 (%)	Relations to the Company
Subsidiaries			
FamilyMart Co., Ltd.*1	Convenience store business	100.00	Management guidance based on Group strategies, outsourcing transactions, officers holding concurrent positions at the Company
Taiwan FamilyMart Co., Ltd.*1	Convenience store business	50.00 (50.00)	Officers holding concurrent positions at the Company
famima Retail Service Co., Ltd.	Accounting and other store-related services	100.00 (100.00)	
UFI FUTECH Co., Ltd.*2	FinTech-related services	72.33	Officers holding concurrent positions at the Company
SENIOR LIFE CREATE Co., Ltd.	Boxed lunch home delivery business	95.43 (95.43)	Officers holding concurrent positions at the Company
EVENTIFY INC.	Entertainment business	100.00 (100.00)	
Kanemi Co., Ltd.*1*3	Manufacturing, processing, and wholesale of prepared dishes	53.14	Officers holding concurrent positions at the Company
20 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	34.00 (34.00)	
LIVE VIEWING JAPAN Inc.	Entertainment business	33.34 (33.34)	
11 other companies			
Other			
ITOCHU Corporation*3	General trading company	50.48 (8.82)	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 UFI FUTECH Co., Ltd., changed its trade name to Famima Digital One Co., Ltd., on July 1, 2019.
*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.

Fact Sheets

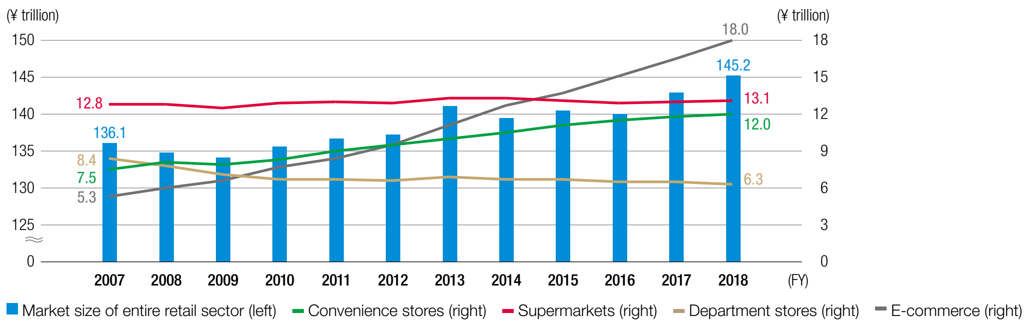
Retail Sector Data

Sales of Retail Sector

(¥ billion)

	13/3	14/3	15/3	16/3	17/3	18/3	19/3
Entire retail sector	137,184	141,136	139,466	140,565	140,275	143,005	**145,226**
Department stores	6,649	6,893	6,702	6,792	6,560	6,535	**6,396**
Supermarkets	12,905	13,250	13,293	13,147	12,965	13,089	**13,151**
Convenience stores	9,542	10,017	10,544	11,127	11,518	11,801	**12,050**
E-commerce	9,513	11,166	12,797	13,774	15,135	16,505	**17,984**

Market Size of Retail Sector by Format



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

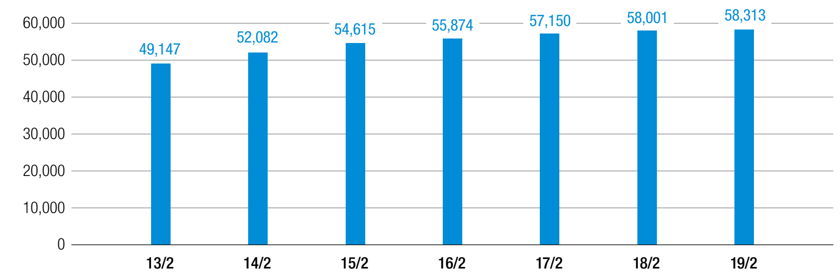
Convenience Store Sector Data

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

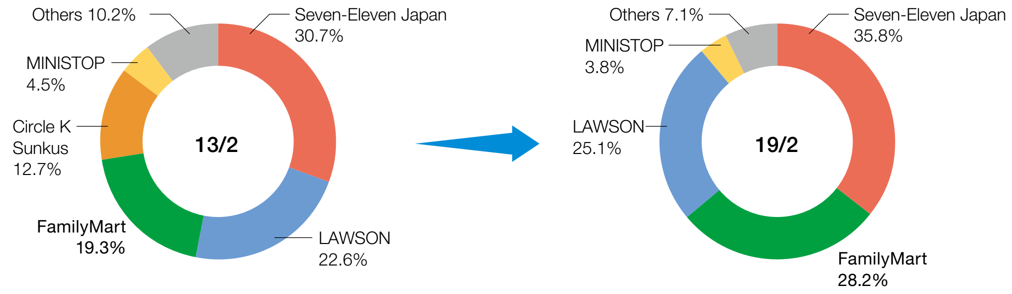
	13/2	14/2	15/2	16/2	17/2	18/2	19/2	YoY difference
Seven-Eleven Japan	15,072	16,319	17,491	18,572	19,422	20,260	**20,876**	**616**
FamilyMart	**9,481**	**10,547**	**11,328**	**11,656**	**12,995**	**15,726**	**16,430**	**704**
Cocostore	731	693	656	405				
Circle K Sunkus	6,242	6,359	6,353	6,350	5,130	1,506		
LAWSON	11,130	11,606	12,276	12,395	13,111	13,992	**14,659**	**667**
MINISTOP	2,192	2,218	2,151	2,221	2,263	2,264	**2,197**	**(67)**
Daily Yamazaki	1,617	1,571	1,574	1,548	1,559	1,553	**1,473**	**(80)**
Seicomart	1,154	1,160	1,161	1,184	1,180	1,197	**1,202**	**5**
Community Store	313	448	594	520	518	548	**509**	**(39)**
JR-EAST	502	506	506	505	500	494	**492**	**(2)**
POPLAR	713	655	525	518	472	461	**475**	**14**
Total	49,147	52,082	54,615	55,874	57,150	58,001	**58,313**	**312**

Note: FamilyMart merged with Cocostore in December 2015 and with Circle K Sunkus in September 2016.

Number of Convenience Stores



Share of Store Numbers



Total Store Sales (Non-consolidated)

(¥ billion)

	13/2	14/2	15/2	16/2	17/2	18/2	19/2
FamilyMart	**1,584**	**1,721**	**1,860**	**2,005**	**3,009**	**3,016**	**2,982**
Circle K Sunkus	878	895	928	936			
Seven-Eleven Japan	3,508	3,781	4,008	4,291	4,515	4,678	**4,898**
LAWSON	1,693	1,758	1,932	1,960	2,027	2,110	**2,236**

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

(%)

	13/2	14/2	15/2	16/2	17/2	18/2	19/2
FamilyMart	**(1.6)**	**(0.4)**	**(2.2)**	**1.3**	**0.8**	**(0.3)**	**0.4**
Circle K Sunkus	(4.8)	(3.1)	(3.6)	(0.9)	(2.1)	(5.4)	
Seven-Eleven Japan	1.3	2.3	2.4	2.9	1.8	0.6	**1.3**
LAWSON	0.0	(0.2)	(1.0)	1.4	(0.2)	0.0	**(0.5)**

Sources: *Convenience Store Sokuho*, Ryutsu Sangyo Shinbunsha for number of stores; and data released by each company
Note: From fiscal 2018, figures do not include the impact of services (pre-paid cards, tickets).

Convenience Store Business

Statement of Profit or Loss (Non-consolidated)

(¥ million)

	18/2	19/2			20/2		
	Full year	Full year			Full year (Est.)		
			YoY (%)	YoY difference		YoY (%)	YoY difference
Total store sales	3,016,064	**2,982,852**	**(1.1)**	**(33,211)**	3,000,000	0.6	17,147
Gross operating revenue	468,179	**434,159**	**(7.3)**	**(34,020)**	414,000	(4.6)	(20,159)
Income from franchised stores	327,453	**335,744**	**2.5**	**8,292**			
Other operating revenues	40,474	**36,283**	**(10.4)**	**(4,191)**			
Net sales	100,252	**62,132**	**(38.0)**	**(38,121)**			
Operating gross profit	396,108	**390,979**	**(1.3)**	**(5,129)**	388,000	(0.8)	(2,979)
Selling, general and administrative expenses	361,912	**346,723**	**(4.2)**	**(15,189)**	330,000	(4.8)	(16,723)
Leasehold and office rent	164,930	**159,375**	**(3.4)**	**(5,555)**			
Personnel expenses	65,256	**59,601**	**(8.7)**	**(5,656)**			
Advertising expenses	20,583	**19,734**	**(4.1)**	**(848)**			
Depreciation	45,257	**50,300**	**11.1**	**5,043**			
Other	65,885	**57,713**	**(12.4)**	**(8,172)**			
Core operating profit*	34,196	**44,255**	**29.4**	**10,059**	58,000	31.1	13,745
Other income	1,669	**1,297**	**(22.3)**	**(373)**	1,000	(22.9)	(297)
Other expenses	41,982	**48,903**	**16.5**	**6,921**	8,500	(82.6)	(40,403)
Loss on disposal of fixed assets	4,633	**7,529**	**62.5**	**2,897**			
Impairment loss	28,468	**28,714**	**0.9**	**246**			
Other	8,881	**12,660**	**42.5**	**3,779**			
Finance income	10,228	**5,734**	**(43.9)**	**(4,494)**	6,000	4.6	266
Finance costs	1,867	**1,941**	**3.9**	**74**	1,500	(22.7)	(441)
Profit before tax	2,244	**442**	**(80.3)**	**(1,803)**	55,000	—	54,558
Profit	509	**(3,180)**	**—**	**(3,689)**	40,000	—	43,180

* Core operating profit 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 gross operating revenue.

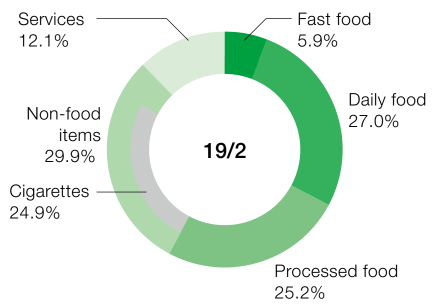
Business Performance

Average Daily Sales (Non-consolidated)

	18/2	19/2	20/2 (Est.)
Average daily sales at all stores (¥ thousand)	528	**530**	532
Number of customers	892	**879**	881
Spending per customer (¥)	592	**603**	604
Average daily sales at existing stores (¥ thousand)	534	**538**	539
Number of customers	912	**896**	897
Spending per customer (¥)	585	**600**	601
(FYI) Growth rate of average daily sales at existing stores including converted stores from Circle K Sunkus (%)	2.1	**1.7**	
Growth rate of average daily sales at existing stores (%)*	(0.3)	**0.4**	0.6
Average daily sales at new stores (¥ thousand)	503	**536**	520

* Growth rate of average daily sales at existing stores does not include the impact of services (pre-paid cards, tickets).

Sales by Product Category



Category	Products
Fast food	Fried chicken, steamed meat buns, *oden*, and counter coffee, etc.
Daily food	Lunch boxes, noodles, sandwiches, desserts, etc.
Processed food	Beverages, liquor, instant noodles, confectionery, etc.
Non-food items	Magazines, daily goods, cigarette, etc.
Services	Pre-paid cards, tickets, copy service, express service, etc.

(¥ million)

	18/2					19/2					20/2 (Est.)	
	Sales			Gross profit ratio (%)		Sales			Gross profit ratio (%)		Gross profit ratio (%)	
		YoY (%)	Share		YoY difference		YoY (%)	Share		YoY difference		YoY difference
Fast food	156,102	29.3	6.1	45.37	(0.06)	**170,940**	**9.5**	**5.9**	**45.18**	**(0.19)**		
Daily food	681,946	16.4	26.8	35.97	0.20	**787,923**	**15.5**	**27.0**	**36.07**	**0.10**		
Processed food	647,525	21.8	25.4	37.98	0.48	**736,113**	**13.7**	**25.2**	**38.25**	**0.27**		
Liquor	108,794	24.7	4.3	25.27	0.69	**124,877**	**14.8**	**4.3**	**25.64**	**0.37**		
Food sub-total	1,485,575	20.0	58.3	37.82	0.36	**1,694,976**	**14.1**	**58.0**	**37.94**	**0.12**		
Non-food	755,794	21.5	29.7	15.60	(0.15)	**873,989**	**15.6**	**29.9**	**15.56**	**(0.04)**		
Cigarettes	618,731	23.6	24.3	10.81	±0.00	**726,298**	**17.4**	**24.9**	**10.97**	**0.16**		
Services	305,474	27.0	12.0	6.20	0.16	**352,090**	**15.3**	**12.1**	**6.68**	**0.48**		
Total	2,546,843	21.2	100.0	27.50	0.06	**2,921,056**	**14.7**	**100.0**	**27.47**	**(0.03)**	27.52	0.05
(FYI) GP ratio excluding services and EC				30.9	0.2				**30.9**	**±0.0**	31.0	0.1

Profile of Stores

Number of Stores

	18/2		19/2		20/2 (Est.)	
	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference
Company-owned stores	299	(57)	**239**	**(60)**	215	(24)
Type 1	7,004	416	**7,018**	**14**		
Type 2	7,504	2,359	**8,256**	**752**		
Franchised stores	14,508	2,775	**15,274**	**766**	15,398	124
FamilyMart stores (non-consolidated)	14,807	2,718	**15,513**	**706**	15,613	100
Circle K Sunkus stores (non-consolidated)	1,506	(3,406)	**—**	**(1,506)**	—	—
Number of stores operated by FamilyMart Co., Ltd. (non-consolidated)	16,313	(688)	**15,513**	**(800)**	15,613	100
Okinawa FamilyMart Co., Ltd.	324	6	**325**	**1**		
Minami Kyushu FamilyMart Co., Ltd.	406	1	**400**	**(6)**		
JR KYUSHU RETAIL, INC.	189	6	**192**	**3**		
Sunkus Nishi-Shikoku*	—	(63)	**—**	**—**		
Circle K Shikoku*	—	(155)	**—**	**—**		
Number of stores operated by area franchise companies in Japan	919	(205)	**917**	**(2)**	943	26
Number of stores in Japan	17,232	(893)	**16,430**	**(802)**	16,556	126
Taiwan	3,168	97	**3,357**	**189**	3,551	194
Thailand	1,134	(4)	**1,035**	**(99)**	978	(57)
China	2,197	322	**2,569**	**372**	2,802	233
Vietnam	160	38	**149**	**(11)**	141	(8)
Indonesia	88	18	**122**	**34**	172	50
The Philippines	65	(30)	**69**	**4**	94	25
Malaysia	37	33	**83**	**46**	164	81
Number of overseas stores operated by area franchise companies	6,849	474	**7,384**	**535**	7,902	518
Number of stores operated by area franchise companies	7,768	269	**8,301**	**533**	8,845	544
Total number of stores	24,081	(419)	**23,814**	**(267)**	24,458	644

* Sunkus Nishi-Shikoku and Circle K Shikoku integrated with FamilyMart Co., Ltd. on March 1, 2017.

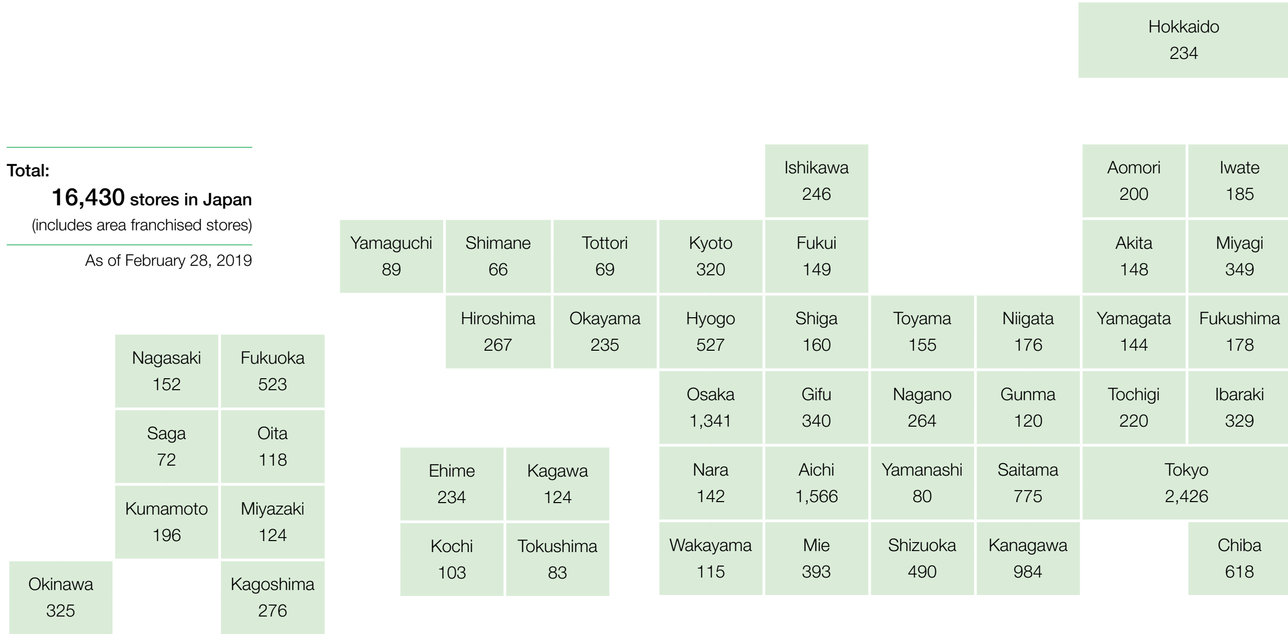
Number of Store Openings and Closures (Non-consolidated)

	18/2	19/2			20/2 (Est.)
	Full year	Full year	FamilyMart	Circle K Sunkus	Full year
Number of stores operated by FamilyMart Co., Ltd. (non-consolidated)	16,313	**15,513**	**15,513**	**—**	15,613
New opening	261	**130**	**130**	**—**	285
Opening due to relocation*	315	**362**	**362**	**—**	215
Converting CKS stores to FM brand	2,720	**1,025**	**1,025**	**—**	
Closure	4,202	**2,317**	**811**	**1,506**	400
Closure	1,119	**1,000**	**607**	**393**	185
Closure due to relocation	350	**337**	**204**	**133**	215
Closure due to brand conversion	2,733	**980**	**—**	**980**	
Net increase / decrease	(906)	**(800)**	**706**	**(1,506)**	100

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

Number of Stores by Prefecture

Total:
16,430 stores in Japan
(includes area franchised stores)
As of February 28, 2019



Number of Stores by Region

23,814 stores
in eight countries and regions
As of February 28, 2019

China
Opened first store in 2004
2,569 stores

Vietnam
Opened first store in 2009
149 stores

Thailand
Opened first store in 1993
1,035 stores

Malaysia
Opened first store in 2016
83 stores

Japan
Opened first store in 1973
16,430 stores

Taiwan
Opened first store in 1988
3,357 stores

The Philippines
Opened first store in 2013
69 stores

Indonesia
Opened first store in 2012
122 stores

Franchise Contracts

Types of 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.
3. FamilyMart revises the incentive for opening 24 hours a day every year, based on the percentage increase in the minimum wage.

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 franchised 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	2FC-N Contract Fund Partial Loan System	FamilyMart Store Staff Independent Franchisee Support System

Note: Not applicable to certain stores

Information on Major Companies

Number of Subsidiaries, Affiliates, and Joint Ventures

	19/2	YoY difference
Number of subsidiaries	27	(11)
Number of affiliates and joint ventures	19	(8)
Total	46	(19)

Financial Summary of Main Subsidiaries

(¥ million)

	Taiwan FamilyMart Co., Ltd.				SENIOR LIFE CREATE Co., Ltd.			
	Shares	50.00%			Shares		95.43%	
	19/2		20/2 (Est.)		19/2		20/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Gross operating revenues	64,479	7.1			10,110	8.4	12,255	21.2
Core operating profit	7,884	25.4			389	(17.0)	6	(98.5)
Net income	6,251	7.4			247	(15.9)	3	(98.8)

Note: The figures for earnings contributions [shares] by subsidiaries are as of February 28, 2019.

Financial Summary of Main Affiliates and Joint Ventures

(¥ million)

	Okinawa FamilyMart Co., Ltd.				Minami Kyushu FamilyMart Co., Ltd.			
	Shares		48.98%		Shares		49.00%	
	19/2		20/2 (Est.)		19/2		20/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Net profit	1,192	24.3	719	(39.7)	(516)	—	203	—

(¥ million)

	Central FamilyMart Co., Ltd.				Pocket Card Co., Ltd.			
	Shares		49.00%		Shares		34.00%	
	19/2		20/2 (Est.)		19/2		20/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Net profit	(1,218)	—	1	—	5,465	51.9	6,252	14.4

Note: The figures for earnings contributions [shares] by affiliates and subsidiaries are as of February 28, 2019.

Capital Expenditures

(¥ million)

	18/2	19/2	20/2 (Est.)	
				YoY (%)
FamilyMart Co., Ltd. (Non-consolidated)				
Lease deposits	15,984	14,035	16,470	17.3
For new stores	29,868	13,609	12,457	(8.5)
For existing stores	9,917	11,961	66,492	455.9
For stores	39,785	25,571	78,949	208.7
Head office investment	674	835	5,812	596.0
System investment	5,004	4,525	11,883	162.6
For head office	5,678	5,360	17,695	230.1
Lease	42,681	20,707	886	(95.7)
Total capital expenditure	104,130	65,673	114,000	73.6
Consolidated total				
Capital expenditure	125,314	90,250	140,000	55.1
Depreciation	53,747	58,116	59,100	1.7

Corporate Data / Investor Information

Corporate Data

(As of February 28, 2019)

Corporate name	FamilyMart Co., Ltd. (From September 1, 2019)
Head office	1-21, Shibaura 3-chome, Minato-ku, Tokyo Telephone: (81) 3-6436-7301
Incorporated	September 1, 1981
Common stock	¥16,659 million
Fiscal year	March 1 to the last day of February
Objective of business	Convenience store operations under franchise system
Total store sales	¥2,982,852 million
Number of employees	15,139 (consolidated)
Authorized shares	250,000,000
Issued shares	126,712,313 (Treasury stock: 183,999 shares)
Number of shareholders	10,444
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

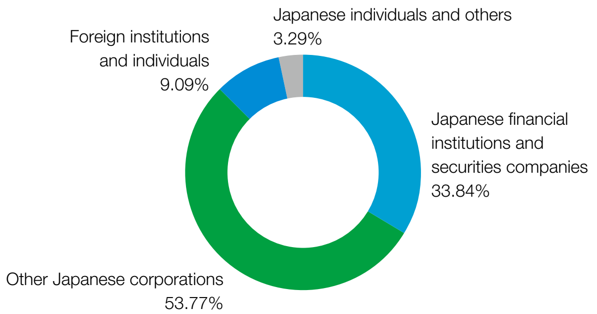
(As of February 28, 2019)

Name of Shareholders	Number of Shares*2 (thousands)	Shareholdings (%)
ITOCHU Corporation	52,507	41.50
The Master Trust Bank of Japan, Ltd. (Trust account)	18,676	14.76
ITOCHU RETAIL INVESTMENT, LLC*1	10,880	8.60
Japan Trustee Services Bank, Ltd. (Trust account)	7,086	5.60
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,074	2.43
NTT DOCOMO, INC.	1,813	1.43
Nippon Life Insurance Company	1,553	1.23
BNP Paribas Securities (Japan) Limited	1,433	1.13
Goldman Sachs Japan Co., Ltd. BNYM	1,326	1.05
STATE STREET BANK WEST CLIENT - TREATY 505234	1,243	0.98
Total	99,590	78.71

*1 ITOCHU RETAIL INVESTMENT, LLC is a wholly owned subsidiary of ITOCHU Corporation.
*2 On March 1, 2019, the Company implemented a four-for-one stock split to shares of common stock. However, the number of shares above is the number of issued shares before the stock split.
Note: Figures under shareholdings represent shares as a percentage of the total number of issued shares. In addition to the above, the Company holds 183,999 shares of treasury stock.

Distribution of Shares

(As of February 28, 2019)

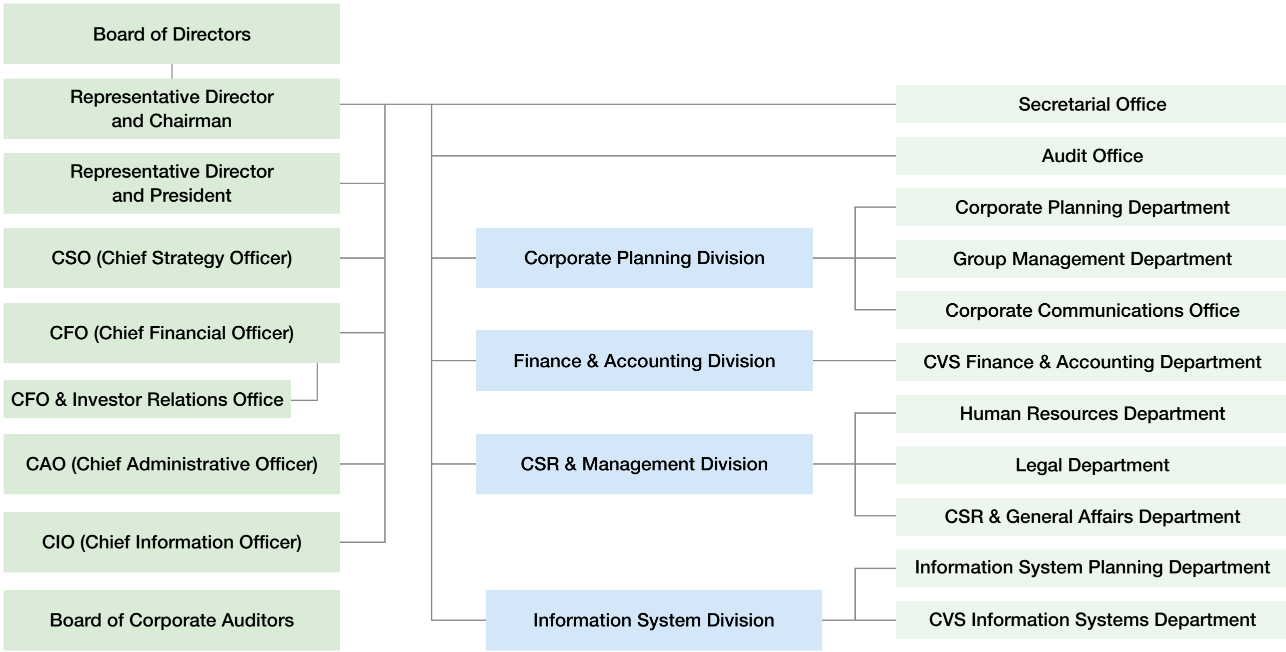


Note: Excluding shares of less than one trading unit

Organization

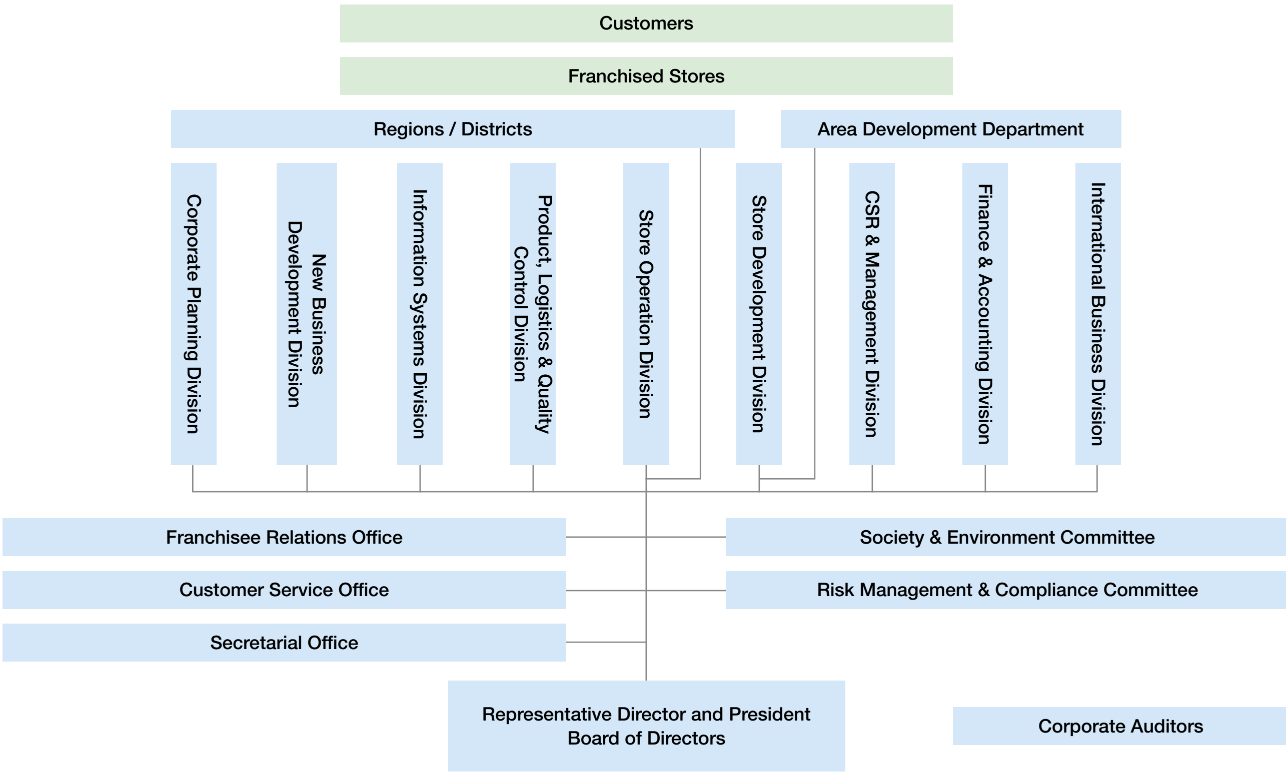
FamilyMart UNY Holdings Co., Ltd.

(As of August 1, 2019)



FamilyMart Co., Ltd.

(As of August 1, 2019)



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.

FamilyMart Co., Ltd.

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