Fiscal 2018 Management Plan

—Accelerated Pursuit of New Growth—

Fiscal 2018 Priority Measures

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

Total investment for FY2018 ¥140.0 billion

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

1 Improvement of quality at existing stores

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

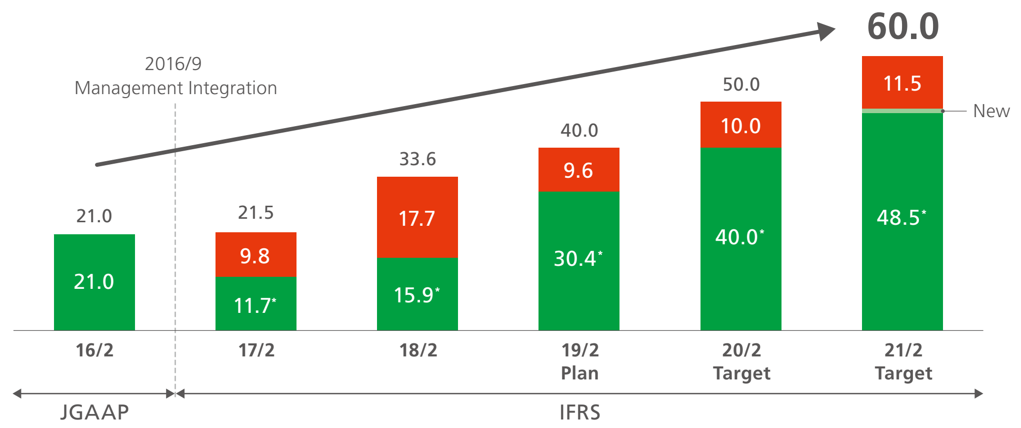
2 Creation of new revenue-generating businesses

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

Earnings Growth Scenario

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

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

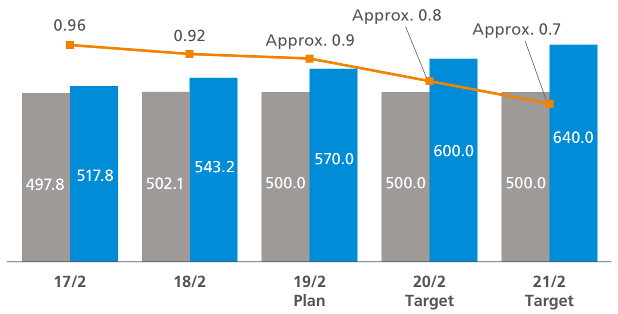


* Includes adjustments and HD

Interest-Bearing Liabilities and the D/E Ratio

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

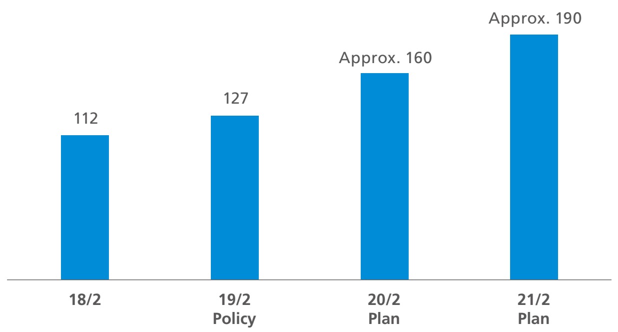
■ Interest-bearing liabilities ■ Shareholders' equity D/E ratio (times)
(¥ billion)



Dividend Policy

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

■ Dividend per share (¥)



Establishing high-quality stores

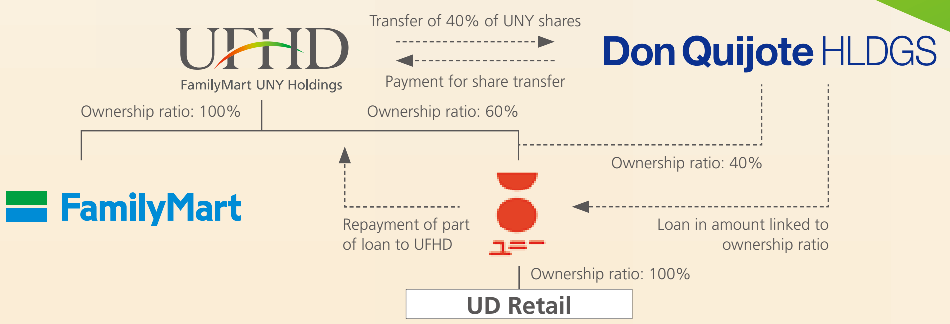
Accelerated Pursuit of New Growth

Capital and Business Alliance with Don Quijote Holdings

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

Aim of the Capital and Business Alliance

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



Establishment of UD Retail

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

Opening of Double-Branded Stores

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

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Joint Trial Using FamilyMart Stores

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

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

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

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

Establishment of UFI FUTECH

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

Creating new revenue-generating businesses

Entrenchment of Relationship through Joint Tender Offer Bid for Pocket Card

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

Conversion of UCS into a Wholly Owned Subsidiary of UNY

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

Completion of Convenience Store Brand Integration

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

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

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