



# ANNUAL REPORT 2017



**Everyday Fun and Fresh.**

**FamilyMart UNY Holdings Co., Ltd.**



# To Continue Providing

# New Value

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Competition in the retail sector has continued to intensify. Amid changes in society, it has become necessary to offer consumers a wide range of choices for not only products and services but also how they shop for them, in order to satisfy diverse consumer needs. Players in the retail sector must continue to create new value to sustain growth and beat back competition from different business formats.



**1973**  
Opened first convenience store

## More familiar, more convenient

### Built a Store Network with Small Retail Zones

**1978**  
Opened first franchised store

**2006**  
Store in each prefecture of Japan



**2012**  
Opened first integrated store with other retail format (drugstore)

**2013**  
Total chain stores surpassed 10,000 locations



### The Value We Have Provided

## Multifaceted support of everyday lives

### Variety of Store Formats Tailored to Retail Zones

**1975**  
Opened large suburban store as society became more automobile centric

**1980**  
Opened first Circle K store  
Opened first Sunkus store



**1971**  
UNY CO., LTD. established through a merger between Hoteiya Co., Ltd. and Nishikawaya Chain Co., Ltd.

As an operator of a convenience store franchise, FamilyMart has focused on enhancing the familiarity and convenience that is valued by its customers, while staying one step ahead of the evolving needs of society.

## Expanded Products and Services

**1999**

Launched ATM services

**2000**

Introduced Famiport Multimedia Terminals

**2007**

Launched T-POINT Loyalty Program

Issued Famima T Card



**2001**

Began selling fried chicken as a key item in product lineup



September 2016  
FamilyMart UNY Holdings  
Co., Ltd. Established

Formerly a clothing store, UNY has consistently provided high-value products and services through its wide variety of store formats and sales floors, while staying in tune with the lifestyles and shopping needs of customers living in the community.

## Benefiting Daily Lives

**1979**

Began handling private brands

**1988**

Began issuing UNY Group Card (currently UCS Card) for the group



**2010**

Began handling Prime ONE, a private brand that focuses on value





1973

Opened first convenience store



1971

UNY Co., Ltd. established through a merger between Hoteiya Clothing Store Co., Ltd. and Nishikawayama Co., Ltd.



## To Continue Providing New Value

FamilyMart UNY Holdings was established in September 2016 through the merger of two companies. In a rapidly changing business environment in the retail sector, we will forge ahead as a retail group that provides new value, by coalescing the management resources of each operating company and working in unison as a group.

Group Principles

## Everyday Fun





Number of stores in Japan  
and overseas

Approx. **25,000**

Number of customers visit  
our stores daily

Approx. **21** million

**and Fresh**

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

**September 2016**  
**FamilyMart UNY Holdings**  
**Co., Ltd. Established**





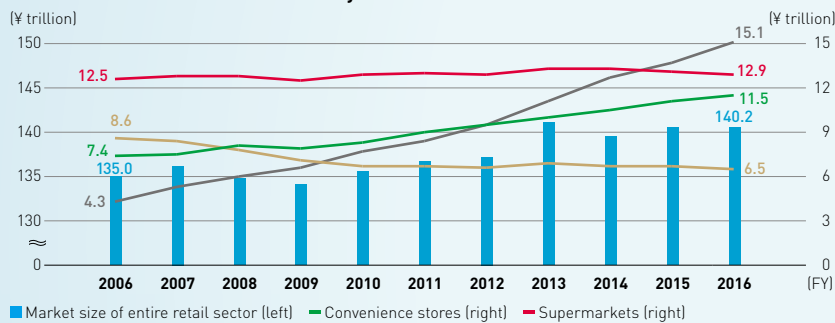
# Value Creation Models

## Competitive Environment

### ■ Competition in Retail Industry Intensifying

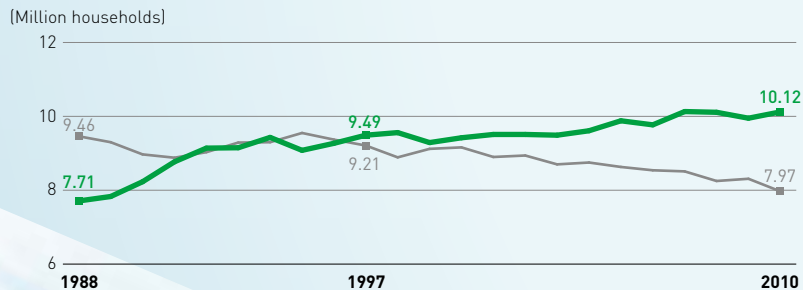
In accordance with changes in the social fabric, people's lifestyles and shopping needs are diversifying and becoming more complex. As Japan's population trends downward, in the retail industry, which is said to have a market value of around ¥140 trillion, and the competition to gain market share that has already broken down the barrier both among business categories and between the virtual (Internet) and real markets is intensifying.

### Retail Sector and Market Size by Format



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

### Increase in Double-income Households



Source: The figures until and including 2001 are compiled from the Special Survey of the Labour Force Survey, Ministry of Internal Affairs and Communications and the figures for 2002 onwards are compiled from the Labour Force Survey (Detailed Tabulation), Ministry of Internal Affairs and Communications

### Social Issues/ Society's Needs

- Changes in the social fabric
- Changes in lifestyles/  
shopping styles
- Consumer needs that change on a  
daily basis
- Need for safe and reliable products
- Decline in working population

### Improvement of Value Provided:

- Improvement of  
product quality
- Strengthening of product  
lineup and services with  
unique value

### Group Business Resources

FamilyMart UNY Group

Recognized Management Issues



Based on its “Everyday Fun and Fresh” Group principles, the FamilyMart UNY Holdings Group develops business along two main axes, its convenience store (CVS) and general merchandise store (GMS) businesses. To continue to provide new value to its customers in its aim to remain as an essential “social and lifestyle infrastructure provider,” the Group is leveraging its business resources to the fullest extent while conducting enhancements and improvements on a daily basis.

### Expansion of Customer Contact Points:

- Promotion of overall dominance
- Expansion of contact point opportunities that cross real/virtual boundaries

### Solving Social Issues/ Satisfying Social Needs

- Easing the workload burden in store operations and management [P29](#)
- Ensuring safety and reliability in products and business operations
- Economic growth of local communities
- Reduction of environmental footprint in business operations, etc.

## Improve Competitiveness

### Expansion of Proposal Capabilities:

- Expansion of store features
- High-quality store operations and management

- Optimized store networks depending on retail zones
- Human resources (head office employees/part-time store employees/store staff, etc.)
- Accumulated and inherited business expertise [P24](#)
- Relationships with business partners [P31](#)
- Relationships with local communities [P39](#)

Toward  
a Social  
and Lifestyle  
Infrastructure  
Provider

Enhancing Corporate Value

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### Editorial Policy

In its inaugural Annual Report 2017, FamilyMart UNY Holdings Co., Ltd. provides details of the growth strategies outlined in its Medium-Term Management Plan 2017 "Activation—Everyday IMPROVE—." In providing an explanation of its strategies, the Company also comments on its business environment and strengths as well as social issues that need to be addressed.

### 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 are 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.



### Profile of Koji Takayanagi, President

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Born in 1951, Shizuoka Prefecture

Graduated from Faculty of Science and Engineering,  
Waseda University

Joined ITOCHU Corporation in 1975

Having worked as general manager of the Energy Trade  
Department and director in charge of corporate planning,  
became executive vice president of ITOCHU Corporation  
and president of its Food Company in 2015. Participated  
in the management integration of FamilyMart and UNY  
Group Holdings

Assumed post of FamilyMart UNY Holdings president  
and executive officer on March 1, 2017

Assumed post of representative director and president  
on May 25, 2017





## Embarking on a new beginning, we look forward to further growth.

I took up the post of representative director and president following the Ordinary General Meeting of Shareholders held on May 25, 2017. Until that time, I had been involved in the management integration of the FamilyMart UNY Holdings Group as a stakeholder of both FamilyMart and the UNY Group. Now, when I actually survey the retail sales front line from a management perspective, I feel the freshness gained from being there, which our customers' feedback conveys in real time. On the other hand, I feel the heavy responsibilities of being in a tough business in which we might even lose the justification for our existence if we do not continue to respond to our customers' needs, which change on a daily basis, and raise our competitiveness.

In addition to the diversification in consumer needs and shopping styles, the environment in which the retail sector operates is witnessing increasingly intense competition that is crossing business category boundaries, such as the rise of the Internet mail order business. These circumstances demand that we in the retail business category, who have real stores at our disposal, further demonstrate our strength of having customers actually come to visit our stores and derive enjoyment from a shopping experience in which they see and touch the merchandise.

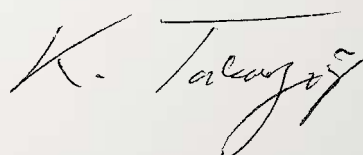
In addition, amid the decline in the working population and the diversified ways of working, we recognize that another urgent issue is to improve our productivity. In light of these circumstances, we must leverage the many business resources we possess, including the store networks, human resources, and expertise we have gained through the management integration, and concentrate our efforts and create synergies across the Group in the years ahead. In addition, we will work on overall optimization by actively investing for the future and by the appropriate allocation of business resources to bring about the realization of sustainable growth as a group.

In April 2017, we launched a medium-term management plan that established the direction in which we should be aiming as a new company. We will complete the integration, which is of essential significance, at an early stage and continue to grow into a group in which all of the Company's stakeholders gain an unprecedented sense of value.

Having embarked on our new beginning, I ask that you look forward to the growth of the FamilyMart UNY Holdings Group in the years ahead.

June 2017

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



President Takayanagi provides an overview of management's medium- to long-term growth strategies.



## Top Priorities for “Complete Integration”

Since the management integration of September 2016, FamilyMart UNY Holdings has been making progress with two forms of integration as a top priority.

One is the integration of the convenience store brands. By having added the Circle K and Sunkus stores to FamilyMart, the store network is roughly 1.5 times the size of that prior to the management integration, and in terms of scale, it has at once become one of the top convenience store networks in Japan. In stores where brand conversion has already been completed, sales have also increased significantly, and clear effects have emerged. To give added impetus to brand conversion, and for more franchised stores to enjoy the benefits as soon as possible, we plan to bring about brand integration in a form

that moves up the completion date to half a year earlier than originally planned.

Another form of integration is realizing the maximization of synergies from having combined the strengths of the operating companies. While taking advantage of their respective business characteristics and business resources, both of the companies that are delivering on this management integration have been offering unique value to their customers. In the years to come, both businesses will not just be pursuing the provision of new value—they will build a solid management foundation by creating synergies between the businesses centered on the holding company.

## Maximizing Synergies, Growing as a Group

In April 2017, we launched a medium-term management plan that runs through fiscal 2020, centered on “complete integration.” “Everyday IMPROVE,” which has been adopted as the plan’s slogan, encapsulates my

determination to ingrain an awareness that building up improvements on a daily basis while improving our competitiveness will lead to reforms across the entire organization.

Over the four years of the medium-term management plan, every effort will be made to complete brand integration and to promote profit growth after a round of investment over the first and second halves, respectively, in our convenience store (CVS) business. As far as our general merchandise store (GMS) business, energies will be directed toward remodeling and closing stores over the first half, and ramping up earnings power over the second half.

A key area of focus is the enhancement of store quality. In the CVS business, in addition to strengthening store features and services, we will further reinforce our competitive edge in Japan's three largest metropolitan areas, where we have a high share in terms of the number of stores. Through these efforts, we aim to make the store network, which already is integral to social and lifestyle infrastructure, even more competitive.

In the GMS business, our plan is to allocate business resources on a priority basis to strengthen existing stores. Whereas food item sales are steady in the GMS business, in the areas of clothing and household-related products the taking on of further challenges not tied to existing concepts is needed. By actively implementing a raft of initiatives, including the provision of themed store spaces and collaboration with other retail formats that will attract more customers to our stores, we will continue efforts geared toward revitalization. In particular, we will give priority to bolstering our foundation in the Chukyo metropolitan area, where our brand power and market share are high.

We will also actively invest business resources in superior business domains where future growth can be expected. We will advance innovative features and services, including in fields that enable stores to be utilized as bases, specifically: the building of financial services and of next-generation settlement methods; the development of new, health-themed products; the strengthening of

e-commerce (EC) as well as measures aimed at senior citizens and home deliveries; and the utilization of artificial intelligence (AI). In these cases, while maximizing the business attributes at our disposal, such as the store network and infrastructure as well as the 24-hour operation of our convenience stores, we will also give consideration to working with outside business operators.

In addition to steadily carrying out the aforementioned business plans, another role expected of a holding company is the maximization of the synergies within the Group as a whole. While promoting supply chain integration, we are devising ways to reduce ingredient procurement costs as well as logistics costs and are expecting to be able to create synergies of somewhere between ¥5.0 billion and ¥7.0 billion in a single fiscal year in fiscal 2017 and 2018 and, factoring in the effects of system integration, of the order of ¥8.0–¥10.0 billion from fiscal 2019 onward. In the medium to long term, we will also promote the creation of new added value by the mutual development of products and services and by the joint development of products. In the years to come, we will press ahead with realizing active human resource exchanges and synergies by, for example, facing the challenges of entering into new businesses by means of Groupwide organizations and the appropriate allocation of human resources through holding company leadership.

As quantitative targets under the medium-term management plan, we have set consolidated profit attributable to owners of the parent of ¥60.0 billion and consolidated ROE of 10% for fiscal 2020, the final year of the plan. Given the process of advancing structural upgrades as a newly integrated company, and the decision to bring forward brand integration of the CVS business by half a year, an investment burden is anticipated in fiscal 2017 and 2018. However, we believe that major profit growth can be expected from fiscal 2019 onward.

## 18/2 Numerical Targets (Consolidated, IFRS)

	17/2	18/2	20/2 (target)
<b>PL</b>			
Gross operating revenues	843.8	1,237.3	—
Operating profit	32.7	41.2	—
Profit attributable to owners of the parent	18.3	24.0	60.0
<b>BS</b>			
Total assets	1,662.9	1,714.1	—
Interest-bearing liabilities	497.9	540.4	—
Shareholders' equity	514.8	539.6	—
D/E ratio (times)	1.0	1.0	—
Net debt equity ratio (times)	0.6	0.6	—
ROE (%)	4.7	4.5	10.0

Constantly creating new value, we will continue to help customers make their lives more fun and fresh every day

## Three “Reforms” and “Enhancements”

Through the management integration, the Company gained a position from which to aim for the leading market share as a retail group in Japan. At the present time, however, we remain a challenger, and there are many areas that should be improved or thoroughly addressed. In this context, I have summarized three “reforms” and three “enhancements” that act as guidelines to be thoroughly addressed in steadily implementing the medium-term management plan.

First, the “reforms” are cited as business type, store, and awareness reforms. The awareness reform in particular is the most important as well as the most difficult. This is not something that we want to be able to do at some future date, as from this moment on we will for the first time be able to complete major reforms through the accumulation of continuous thoughts and ideas about how to change something little by little. As for business type and store reforms, we have the GMS business in mind. Since the GMS business involves different business environments and strengths for each individual store, the merely lumping together and implementing of measures conceived by the head office carries with it the possibility that we will be unable to fully respond to customer needs. Be it the types of businesses, be it the store type and location, we have to consider the various options

with flexible thinking and figure out what is best for our customers.

Next, we have deemed the areas of the three “enhancements” to be merchandise, features and services, and efficiency. In recent years, not only the need to improve our merchandise has become a matter of concern, but also the social issue of the decline in the working population has emerged. Having a network of approximately 18,000 stores in Japan and a CVS business that is deeply rooted in local communities, we have been thinking that streamlining store operations through the utilization of the latest technologies would greatly contribute to improving the competitiveness of the chain.

In strengthening store features and services, a key point will be collaboration with outside business operators, including the ITOCHU Group. Especially with regard to features and services other than merchandising, including finance and EC, it is reasonable to proceed in collaboration with people who possess advanced expertise and knowledge, and in this sense I believe there is benefit to be gained from leveraging the ITOCHU Group’s networks. Should this type of collaboration be judged effective in revitalizing stores and enhancing quality, we will utilize outside networks and expertise to the fullest extent while applying the principles of competition.

## Toward Sustainable Growth

Finally, with regard to financial strategy, we intend to strengthen our fund procurement capabilities to promote strategic investment in growth fields. With the aim of improving our credit rating from the current A+ to AA-, we are working to reduce the balance of interest-bearing debt. Although we have to a certain extent made progress with adjustments to the balance sheet by decreasing the number of stores in the GMS business and the dissolution of unprofitable businesses both before and after the management integration, we will consider streamlining store assets, as there are still many Company-owned assets. We will also work to improve cash flow from operating activities and are aiming to improve the D/E ratio from 1.0 times at the end of fiscal 2016 to 0.7 times at the end of fiscal 2020.

With regard to investment over the course of fiscal 2017, we are planning for a Group total investment of

approximately ¥150.0 billion. Of this total, the ¥130.0 billion investment in the CVS business will primarily be for brand conversion and investments in new stores, while the roughly ¥20.0 billion for the GMS business will mainly be for investments in the remodeling of existing stores. As for the establishment of new GMS stores in the years ahead, should there be prime cases, we will make careful selection and consider investment on the premise that investment return criteria are fully met.

Prepared based on the newly applied International Financial Reporting Standards (IFRS), the consolidated results forecast for fiscal 2017 is gross operating revenues of ¥1,237.3 billion, operating profit of ¥41.2 billion, and profit attributable to owners of the parent of ¥24.0 billion.

Regarding the distribution of profits to shareholders, in the form of dividend payments, as a matter of the highest priority, the Company’s fundamental policy is one of





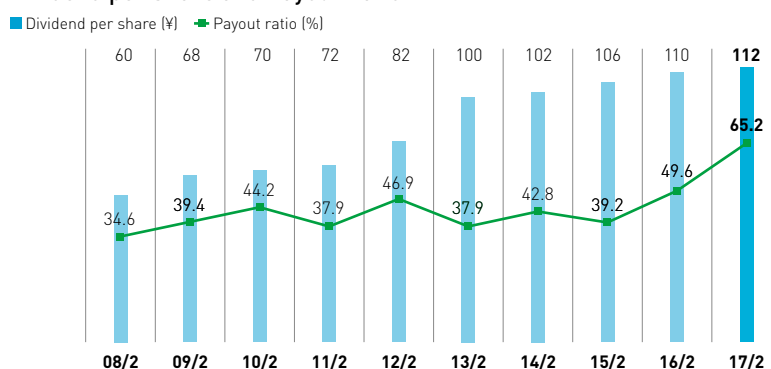
stable, long-term distribution of dividends to shareholders in line with consolidated performance growth. We are working toward a consolidated payout ratio of 40% and have set a lower limit of ¥112 for the annual dividend per share in the fiscal year ending February 28, 2018.

Our Group principles of “Everyday Fun and Fresh” represent our commitment to constantly create new value and continue to help customers make their lives more fun and fresh every day. Under the holding company structure, Mr. Takashi Sawada, who has a wealth of experience in the retail sector, and Mr. Norio Sako, who has thorough knowledge of frontline operations, spearhead

the CVS and GMS businesses, respectively, while leveraging their personal attributes as well as those of their businesses, the Company will confront a competitive environment of increasing severity. In the position to exercise control over each operating company, I will amass the Group’s collective strengths and devote all of my efforts to accomplish growth toward becoming a retailer that provides unprecedented value.

I would like to take this opportunity to express my heartfelt gratitude to all stakeholders in anticipation of their valued ongoing support of FamilyMart UNY Holdings, which has embarked on a new beginning.

#### Dividend per Share and Payout Ratio



Medium-Term  
Management Plan 2017

# “Activation”

Initiatives of the Medium-Term Management Plan

## —Moving Toward a Complete Integration—

### 1. Allocate management resources with the aim of growth

- Enhancement of store quality
- Further reinforcement in areas with a high competitive edge
- Further transition toward superior business domains
- Appropriate allocation of human resources

### 2. Add new store features that leverage strengths

New growth fields: Finance, EC/Omni-channel, Senior citizens/home delivery

- Establish customer foundation and promote compatibility with smart devices (smartphones)
- Advance actual stores to function as a contact point with customers
- Cultivate measures aimed at loyal customers by leveraging customer data
- Resolve last-mile issues

### 3. Maximize synergies

- Integration of CVS
- Centralize employee divisions
- Cooperation between GMS and CVS

### 4. Implement financial strategies that support continuous growth

- Strengthen and promote diverse fund-raising methods, carry out strategic investments in growth fields
- Work toward a consolidated payout ratio of 40%

# — Everyday IMPROVE —

## Investment Plan by Business Segment (2018/2)

CVS Business Total

**¥130.0 billion**

- Investment in brand-converted stores
- Investment in new and existing stores
- System investment, etc.

Comprehensive  
Group Total

**¥150.0 billion**

GMS Business Total

**¥20.0 billion**

- Remodeling/repair investment
- Investment in new stores, etc.

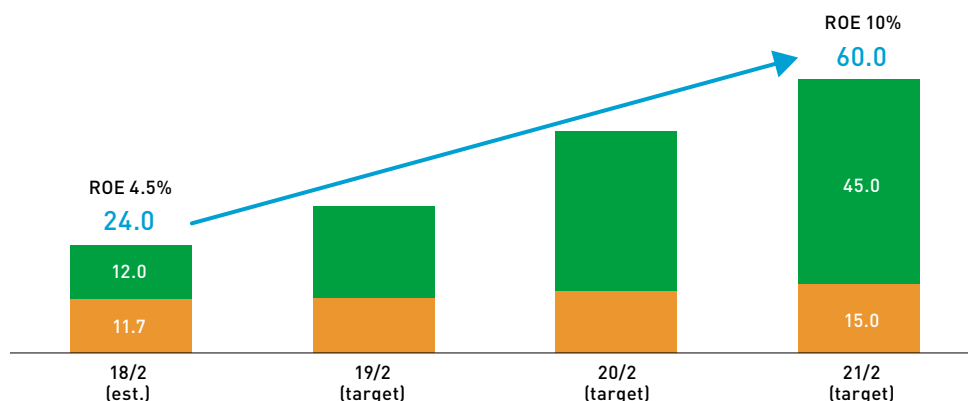
## 2018/2 Numerical Targets

2018/2 (est.)		2021/2 (target)	
Gross operating revenues	¥1,237.3 billion	Profit attributable to owners of the parent	¥60.0 billion
Operating profit	¥41.2 billion	ROE	10%
Profit attributable to owners of the parent	¥24.0 billion		
ROE	4.5%		

## Graphic Target of Net Income Growth

(¥ billion)

■ CVS  
■ GMS



## Business Strategies

### Convenience Store Business Message from the President



## Takashi Sawada

Representative Director and President,  
FamilyMart Co., Ltd.

### Contending for Business That Has Great Potential

My name is Takashi Sawada, and I was appointed representative director and president of FamilyMart Co., Ltd. in September 2016. Since taking up my post, I have naturally been making my way around franchised stores in Japan but also to many other stores, including overseas bases, as well as production and distribution bases in the course of seeing and hearing about the situation at the front line. I am surprised that convenience stores have even greater potential than I had imagined.

In the case of the FamilyMart stores in Japan alone, we attract approximately 15 million customers every day, so it is no exaggeration to say that the FamilyMart store network is now playing a role as part of social and lifestyle infrastructure. As they are a small type of business, the major attribute of convenience stores is their ability to respond flexibly and rapidly to the needs of their local communities and customers, and I believe that approach has limitless potential. I would like to express my heartfelt gratitude for having been given the opportunity to work hard with many other “family” members who are involved in the same business on such a front line. At the same time, to make all of our stakeholders happy and content, I believe I have to grow FamilyMart into a strong, attractive chain at any cost.

### Formulation of Strategy Focusing on “For Our Customers, For Our Franchised Stores”

In my opinion, an important action guideline in management is to ascertain what the most important factors for a company are and to engage earnestly without ever losing sight of those factors. The source of our business is

“making every store visit an enjoyable experience for our customers,” and I am very much aware of the responsibility imposed on the head office to support franchised stores, which come into contact with customers on a daily basis, so that they are able to operate the stores in a better environment. Including its franchise owners and store staff, FamilyMart has approximately 200,000 invaluable co-workers across Japan, and I believe that growing in partnership with those people, who more than anyone else are familiar with a region’s features, represents a growth strategy for the future of the chain. Accordingly, in our recently formulated medium-term management plan, we decided on important measures from the perspective of a strategy focusing on “what the head office can do for our customers, for our franchised stores.”

A matter of some priority is to carry out the brand integration of Circle K and Sunkus into FamilyMart. We are progressing the work at an accelerated pace to be able to finish conversion by the end of August 2018, half a year earlier than was originally planned. Integrating the brands of a chain of more than 6,000 stores in the short timeframe of only two years represents a major project unequalled anywhere in the world. Drawing on the expertise accumulated through past experience and conducting a general mobilization of business partner networks and the efforts of people and organizations, we are aiming for early completion.

As of the end of May 2017, we had already completed brand conversion at 1,583 stores. Including strong growth in daily sales, positive effects have steadily appeared in stores that have been newly converted to FamilyMart. Not only linking the benefits of scale to the overall growth of the chain by expanding the store network, in our capacity as the head office we will give our full support so that franchised stores



# CVS

## Convenience Store Business

**Starting with stores, our customer contact points, we will face challenges through “Companywide collaboration” to grow into a strong chain.**

that have newly joined FamilyMart will be able to reap the benefits of the conversion and draw up their own strategies for further growth as soon as possible.

Having now become one of the leading companies in the industry in terms of the total number of chain stores in Japan, we will change course toward the strategy of store quality enhancement in order to become the No. 1 chain not only in terms of quantity but also in quality. To that end, we cited the realization of three major improvements—ready-to-eat item, marketing, and operational improvements—under the medium-term management plan.

In the situation in which workforce shortages are becoming more acute as the size of the working population declines, reviews of store operations are an urgent issue. Through store manager training sessions and meetings held directly with franchised stores or local employees throughout the country following my appointment as president, I acquired first-hand experience of the need for reviews. We have newly launched an Transformation Department as an organization, reporting directly to me, to propose major reforms of store operations. Regarding operational reforms at stores as Companywide priority issues, the new office is serving as a central point for monitoring the introduction of new technologies and taking steps from a number of points of view.

In terms of products, we are also giving added impetus to the structural reform of ready-to-eat items, which was launched in fiscal 2014, and aiming to further improve their quality. On the marketing side, we are implementing strategic marketing via a cross-organizational Marketing Committee. On the basis of these three major improvements, we will create a chain providing new added value that goes beyond convenience.

### **Taking on Competition through “Companywide Collaboration”**

According to the medium-term management plan, the convenience store business embodies the slogan “Companywide collaboration.” To become a strong chain that is more competitive than ever, it will be necessary for FamilyMart, which has taken its first, innovative steps as a new company, to amass the organizational strengths at its disposal and take on competition with a sense of speed that far exceeds other chains.

Based on this thinking, in addition to the measures cited in the management plan, we will also be advancing modifications with regard to the head office’s organization. To return to our opening point of a frontline perspective, which can be said to form the backbone of the retail industry, we will ingrain a “frontline first approach” as our corporate culture, and each department within the Company will upgrade their structures to cooperate toward the same goal.

In addition, we are also focusing on improving work environments that will enable people—that most important of business resources—to fully demonstrate their abilities. Part of these efforts include the recent establishment of a Human Resource Development Office, responsible for the education and training of supervisors (SVs) who will support franchised store operations, and a Diversity Promotion Office to encourage human resource diversity.

Amid intensifying competition that is crossing business category boundaries, all of us at the head office and at franchised stores will work together to create better FamilyMart stores. At the same time, we will continue to face up to challenges so that, in the near future, we can show everyone that we have transformed ourselves into a chain that leaves the competition trailing far behind when it comes to quality.

## Convenience Store Business

# Medium-Term Growth Strategy

FamilyMart (FM) is currently advancing the brand conversion from Circle K and Sunkus (CKS) stores to FamilyMart. To leverage and grow its network of approximately 18,000 stores in Japan, the Company is focusing on increasing the competitiveness of its stores through improvements. In addition to enhancements ranging from strengthened product lineups to improved marketing initiatives, the Company is addressing the optimization of store operations as an important management issue.

## Environment Surrounding the CVS Business

### Competitive Environment

The share of the three major convenience store chains in terms of the number of stores in Japan is rising to around 90%, and the existential value that the store networks presents as infrastructure is increasing. It can be said that the phase is being reached at which bringing about an improvement in the "quality" of an individual store depends on to what extent that store is capable of fulfilling its many functions as a "base."

### Social Issues/ Society's Needs

- Decline in working population
- Diversification of lifestyles and diversification of needs

Recognized Management Issues

### CVS Business Model

#### Expansion of customer contact points

- Optimization of store network

#### Improvement of value provided

- Improvement in quality of products/services

#### Expansion of proposal capabilities

- Enhancement of store features

### Distinctive Business Resources

- Optimized store networks depending on retail zones
- Accumulated and inherited business expertise
- Relationships with business partners

FamilyMart

## “Companywide Collaboration—Becoming an Even More Competitive Chain”

### 1. Prompt Completion of Brand Conversion

- Complete conversion by end of August 2018, half-year ahead of schedule
- Further increase number of brand-converted stores through investment in existing CKS stores
- Increase daily sales at brand-converted stores

### 2. Realization of Three Major Improvements

#### ① Ready-to-eat item improvement

- Further improve product strength in order to create “Fun & Fresh” products
- Carry out large-scale capital investment in such areas as manufacturing plants for ready-to-eat items

#### ② Marketing improvement

- Provide products that meet the needs of customers in a prompt manner and within an effective timeframe
- Maximize advertising activities, including sales promotion materials and television commercials
- Form organizations to carry out strategic marketing activities

#### ③ Operational improvement

- Streamline store operations to reduce workload
- Reduce store operations through utilization of AI and IoT technologies

### Numerical Targets

	2017/2		2018/2 (est.)	
	FM	CKS	FM	CKS
<b>Business performance (Non-consolidated)</b>				
Average daily sales at total stores (¥ thousand)	522	425	528	408
Growth rate of average daily sales of existing stores (%)	0.8	[2.1]	1.2	0.0
Gross profit ratio (%)	27.44	26.25	27.93	26.58
Store openings (stores)	831	—	796	—
Converting CKS stores to FM brand (stores)	829	—	2,600	—
Number of stores	12,089	4,912	14,885	1,861
<b>Segment P/L (IFRS)</b>				(¥ billion)
Gross operating revenues	484.5		555.8	
Profit attributable to owners of the parent	11.1		12.0	

### Solving Social Issues/ Satisfying Social Needs

- Easing the workload burden in store operations and management
- Ensuring safety and reliability

Sustainable Growth

# Brand Integration

with Circle K and Sunkus



## Aims of Brand Conversion

In past integrations with other convenience store chains, FamilyMart has taken special care in their conversion to the FamilyMart brand. The conversions require a considerable amount of work that goes well beyond simply changing store names, and these efforts entail products and services, store operations, logistics, and systems. We undertake these activities because they lead to business

growth overall owing to the benefits of operating stores under a unified brand, which include greater brand recognition and economies of scale through area domination. More than anything else, the biggest reason for undertaking brand conversions is our basic policy of providing identical products and uniform services as well as quality to our customers.

## Overview of Brand Conversion

As of August 31, 2016, there were 6,295 convenience stores operating under the Circle K and Sunkus brands across the nation. Of this number, we aim to convert more than 5,000 outlets, including scrap-and-build locations, to the FamilyMart brand by the end of August 2018.

Through management integration, the total number of chain stores has risen to approximately 18,000 locations, creating Japan's largest network of convenience stores with top market shares in 15 prefectures including Tokyo, Osaka, and Aichi.

## Brand Conversion Schedule

<b>February 2016</b>	FamilyMart Co., Ltd. and Circle K Sunkus Co., Ltd. enter into an absorption-type merger agreement, with FamilyMart Co., Ltd. designated as the surviving company
<b>September 2016</b>	Brand conversions begin and pick up momentum in December

<b>February 2017</b>	Complete introduction of FamilyMart products at Circle K and Sunkus stores
<b>February 2017</b>	Finish converting 829 Circle K and Sunkus stores to the FamilyMart brand
<b>August 2018</b>	<b>Plan to finish the brand conversion</b>



Through management integration, convenience stores that had been operated under the Circle K and Sunkus brands are being unified under the FamilyMart brand. We have accordingly been working to convert these brands since September 2016.

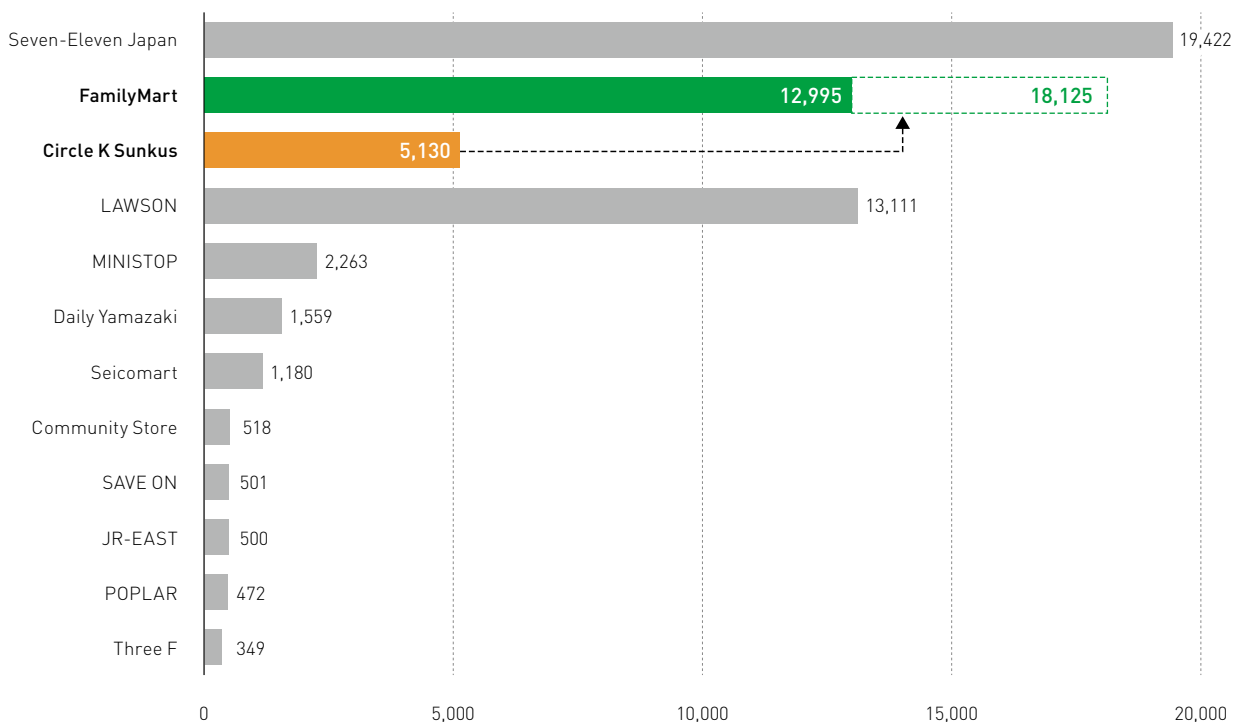
FamilyMart has successfully converted other brands on several occasions in the past.

The experience and knowledge gained through this process will allow us to quickly realize economies of scale—one of the main objectives of the brand conversion.



### Major Convenience Store Chains (number of domestic stores)

(Includes stores under area franchisers, at end of February 2017)



Source: Convenience Store Sokuho, Ryutsu Sangyo Shinbunsha

# Accumulated Business Know-how: Brand Conversion

FamilyMart brand conversion projects can be traced back to 2009 when the am/pm brand was converted. Through trial and error, we have accumulated and passed down knowledge related to brand conversions, establishing an effective method for building out high-quality store networks under the FamilyMart brand.

## Our first foray into a major brand conversion

### Integration with am/pm

Having turned am/pm Japan Co., Ltd. into a subsidiary in 2009, FamilyMart completed the conversion of 733 am/pm stores to the FamilyMart brand in just under two years. Representing the largest such undertaking at that time, work to integrate brands began with the creation of a schedule based on process analysis.

Meetings were held with construction companies to remodel chain stores; materials were procured; and infrastructure was updated to integrate merchandise, distribution, and IT systems. In parallel, FamilyMart's franchise contracts were explained to newly converted franchisees. A major reason for the successful conversion was getting the franchisees to agree to change their store signage to FamilyMart, along with efforts to share our philosophy and strategic direction with them.

## Conversion knowledge becoming more sophisticated

### Integration with Cocostore

In October 2015, FamilyMart made Cocostore Corporation, which operated convenience stores under different brands like Cocostore and Everyone, a subsidiary. In contrast with am/pm, which built a chain store network aimed to dominate the Tokyo metropolitan area, Cocostore focused its chain store operations on outlying regions, including remote islands. Accordingly, the entire FamilyMart Group worked together to successfully pull off this brand conversion project.

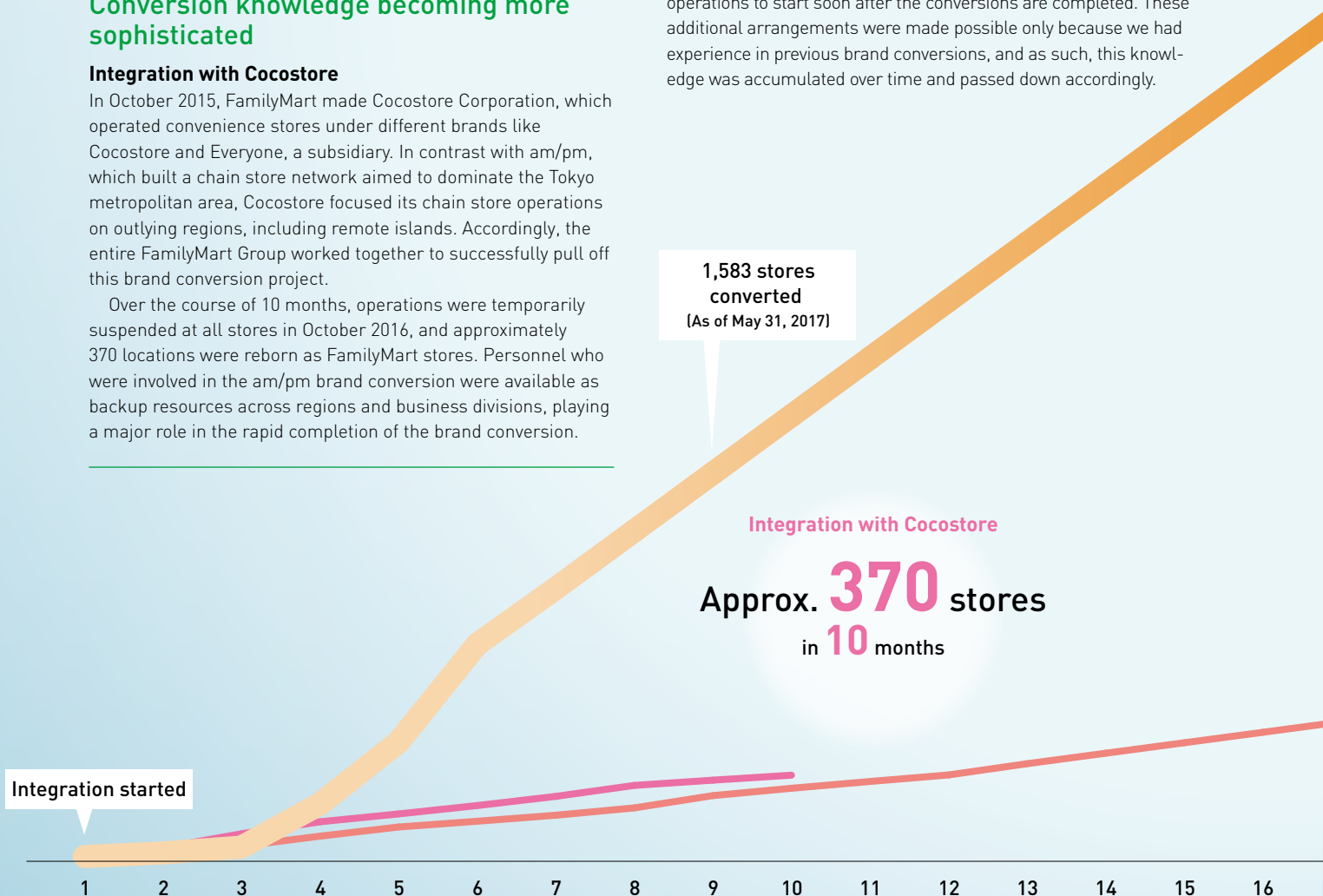
Over the course of 10 months, operations were temporarily suspended at all stores in October 2016, and approximately 370 locations were reborn as FamilyMart stores. Personnel who were involved in the am/pm brand conversion were available as backup resources across regions and business divisions, playing a major role in the rapid completion of the brand conversion.

## The largest undertaking of its time leveraging past experience

### Integration with Circle K Sunkus

The brand conversion project currently underway for Circle K and Sunkus differs from previous projects in terms of the sheer number of convenience stores involved. This large-scale brand conversion of more than 6,000 stores between each chain is a challenge without precedent anywhere else in the world. The plan is to carry out this major project in the short timeframe of two years. The project will involve everyone who has the accumulated knowledge and understanding of previous brand conversions.

In a completely new endeavor, three remodeling patterns will be deployed based on store specifications in a bid to accelerate the process and make it possible to speed up the conversion process. Moreover, information was gathered beforehand about differences in terminology and systems used in store operations, and this information facilitated the creation of training programs that will allow operations to start soon after the conversions are completed. These additional arrangements were made possible only because we had experience in previous brand conversions, and as such, this knowledge was accumulated over time and passed down accordingly.

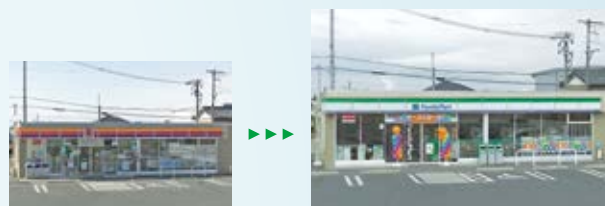


## Integration with Circle K and Sunkus

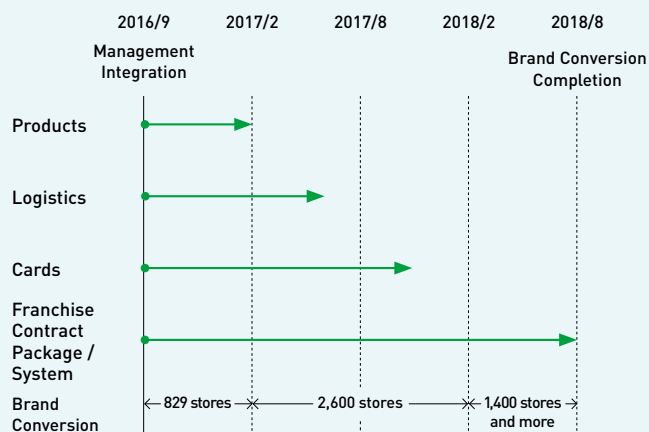
**5,000**  
and more stores  
in **2** years

## Synergies from Brand Conversions

In September 2016, the first converted store was reopened, and by the end of May 2017, 1,583 locations had been converted to the FamilyMart brand. At the converted stores, daily sales are substantially higher than prior to the brand conversion. At the same time, economies of scale are being leveraged from our network of 18,000 stores, making it possible to reduce purchasing costs and construction material costs through joint procurement. In addition, we anticipate significant synergies from the integration, such as optimized delivery routes in distribution.



## Timetable for Brand Conversion



## Integration with am/pm

**733** stores  
in **2** years

## Investing Business Resources

In order to complete the brand conversion by August 2018, FamilyMart has set up an integration headquarters and reassigned about 400 head office employees to support roles. At the FamilyMart Head Office, a number of personnel with diverse backgrounds have experience in previous brand conversions. In addition to personnel with brand conversion experience, employees from a wide range of operating companies have joined the integration headquarters to push this project forward.

## Store Networks Lead to Better Quality

The objective of the brand conversion is more than just expanding the number of stores. Convenience stores have considerable potential. As social and lifestyle infrastructure, our convenience store network, now larger as a result of brand conversions, can be leveraged to provide new functions and services to customers in line with their diverse needs. This is our vision of the future for FamilyMart stores.

To connect this considerable domestic infrastructure of 18,000 convenience stores to growth for the entire Group, we must improve the competitiveness of each store, in other words, the quality of each store. Passing along and building on the various knowledge about the tangible and intangible (i.e., products and services) learned in previous brand conversions, we aim to be the leading chain of convenience stores in terms of quality, as a network with the same FamilyMart signage on all of our stores.





## Improving Product Quality via Structural Reforms in Ready-To-Eat Items

### Ready-to-Eat Items: Key to Improving Competitiveness

FamilyMart believes improving the quality of ready-to-eat items has a direct impact on the competitiveness of the chain stores. With this in mind, we have structurally reformed ready-to-eat items since fiscal 2014. Of the products on display in our stores, ready-to-eat items must show high quality, such as freshness, seasonality and trendiness, in tune with their strong immediacy. Ready-to-eat items also define the uniqueness of chain stores, and can be the reason for a customer to visit a convenience

store. A majority of customers buy something else in addition to ready-to-eat items, underscoring how important these products are to the profitability of a chain store. Through structural reforms to ready-to-eat items, with sweeping reforms to all processes, from the planning, development and production of products to their sale, FamilyMart has put in place a system for consistently supplying attractive, high-value ready-to-eat items.

### Constant Innovation in Ready-to-Eat Items

We first began innovating our standard products. Focusing on ingredients, preparation methods, and appearance, we conducted a complete review of the supply chain, from the procurement of ingredients to the equipment used in the

production process, and quality management. By taking a fresh approach to product development, we aim to improve product attributes and continue providing our customers with fresh, high-quality products in fiscal 2017.

#### Upgrading Ready-to-Eat Items: Sandwiches



##### Insistence on the ingredients

Sandwich bread baked with butter\* developed in-house; an offering that boasts a soft texture and the natural flavor of baked bread

##### Insistence on the preparation methods

Minimizing the use of food additives and natural colorings to ensure a natural taste in the preparation of egg salads and ham

##### Insistence on the texture

Introducing machines that employ a circular blade that rotates when slicing at all plants to ensure a soft and fresh cross-section presentation of sandwich bread

\* Excluding certain products



## Rationalizing Our Production and Distribution Bases

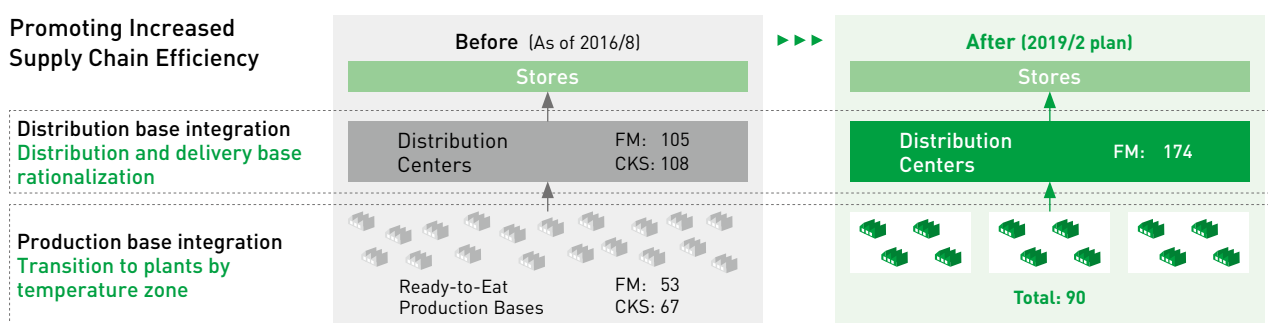
FamilyMart is reforming the structure of its entire supply chain, including business partners. From fiscal 2016, we plan to spend ¥35 billion over a three-year period on capital investment at producers of ready-to-eat products with the aim of improving profitability through product quality and efficiency gains. Specifically, FamilyMart is switching from integrated plants that produce a wide variety of products to plants aligned to the temperature zones of products, such as plants specialized in rice products such as rice balls and boxed lunches, and plants specialized in chilled products such as pastas and salads. By reducing the number of items produced and concentrating on the production of these fewer products, we will improve product quality and production efficiency at the same time. In

addition, this will lead to better earnings at the plants and enable strategic capital investments.

Moreover, FamilyMart will accelerate the transition of production plants to FamilyMart-only plants by consigning the production of products to these plants throughout the entire year without preference for busy or quiet periods.

At the same time, FamilyMart will streamline the ready-to-eat production bases that handled products for Circle K and Sunkus in line with management integration. Leading with brand integration, products were unified in the very short period of six months. On the logistics front, the bases of Circle K and Sunkus have already been upgraded as logistics and distribution centers, creating a more efficient supply chain.

### Promoting Increased Supply Chain Efficiency



## Positive Cycle Leads to Quality Improvements

The ultimate objective of structural reforms in ready-to-eat items is to sustain a positive cycle that facilitates quality improvements overall through new investments in innovation, as earnings growth from higher-quality

products returns to the supply chain for ready-to-eat items. Encouraged by the tangible and intangible outcomes had to date, we will continue to implement structural reforms for improving the quality of our products.





## Improving Earnings by Strategic Marketing

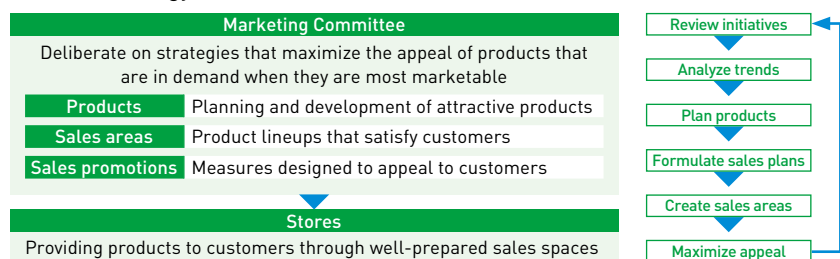
### Marketing in Conjunction with Products

We are promoting a variety of marketing measures in a more strategic manner than ever to reliably link improvements in product appeal with improvements in profitability throughout the chain. Firstly, as part of our organizational reform efforts, we centralized marketing-related functions at the Head Office and unified them under the Marketing Committee effective from February 2017. A system was then established by which we cooperate and collaborate on the processes from product planning and development to sales in conjunction with marketing activities.

Chaired by President Takashi Sawada, the Marketing Committee proposes weekly sales promotion schedules after having collaborated on product development schedules and sales plans. Based on seasonal factors and trends, we select

products from which sales growth can be expected, aiming to develop sales promotions through the most effective methods according to the characteristics of the products. Amid steps to expand and upgrade our lineup of high-quality products by promoting the structural reform of ready-to-eat products, we will clearly demonstrate our policy of creating sales floors at franchised stores that represent our sales front line while linking these initiatives to sales in a definitive manner.

#### Product Strategy, Sales Promotion, and Communication Coordination



### Marketing That Leverages Famima T Card

Collecting purchasing information acquired through point card usage—information that is then consolidated and analyzed as customer marketing data—the Company leverages the information in product development and sales promotions. In addition to enabling cardholders to accrue points depending on the amounts spent on purchases, the Famima T Card first issued in 2007, is a useful marketing tool that encourages card members to visit stores and make purchases, such as by offering them special prices and printing product coupons on register receipts.

Recognizing the importance of increasing the number of card members and the frequency of card use, the Company is working to diversify settlement methods and improve convenience, for example, by newly adding electronic money and debit card functions. As of February 28, 2017, membership had increased by two million people compared with the end of the previous fiscal year, to 11.34 million, and the usage rate had risen to approximately 40%.

\* The T-POINT Loyalty Program to which the Famima T Card belongs is administered by Culture Convenience Club (CCC) Co., Ltd. and is one of the largest shared loyalty programs in Japan. As of the end of February 2017, approximately 630 thousand stores operated by 168 companies participated in the T-POINT Loyalty Program, which has approximately 62 million members.



## Commitment to Maximization of Franchised Store Profit

Based on the recognition that the realization of uniform, high-quality operations and management at all stores will lead to the growth of the entire chain, the Company is improving the support of its franchised stores with the aim of enhancing store operation and management levels as well as reducing workload.

Particular emphasis is being placed on the systematization of all types of education and training. Covering each of the previously mentioned strategies, including products and marketing, we have developed a training system—geared toward supervisors (SVs), who are the points of contact with franchised stores, and store managers, who are at the

forefront of store operations and management—to thoroughly encompass the sales floors that form the front line.

Moreover, in an environment in which the decline in the working population continues to become a social issue, the Company has been strengthening its staff and competitiveness through hiring support from the Head Office and an award system as well as the opening of the FamilyMart School as a new initiative in April 2017. Training specialists from the Head Office are dispatched to franchised stores and training facilities all over Japan and are in charge of training programs geared to the proficiency levels of store staff.

## Initiatives for Making Store Operations More Efficient

As “social and lifestyle infrastructure,” convenience stores are expanding their functions while store operations are becoming more complex. As the labor force continues to decline, we are working on comprehensive operational reforms under the newly organized Transformation Department so that we will remain able to operate efficient stores.

### Pushing Forward Operational Reforms That Target Workload Reduction by Half

Through 24-hour measurement surveys conducted during store operations and the distribution of questionnaires to stores, we took stock of our entire store operations and defined the direction of operational reforms with the aim of reducing the workload by half over the medium to long term. In order for store staff to learn by themselves about the order placement support system (SHOPS) that helps reduce ordering times by 30 to 40% while also preventing shortages of items, we created guides in the form of manga and simplified manuals relating to services being expanded. Through these and other means, we have

initiated steps to increase the efficiency of major operations that impose a heavy burden. In fiscal 2017, we will promote comprehensive operational reforms in our stores, such as service operation reforms that will include the installation of new point-of-sale (POS) systems to enable the simplification of register operations.



### Enhancing the Quality of Store Management and Operations

Over the long term, we would like to maximize the streamlining of store operations while utilizing advanced technologies such as artificial intelligence (AI). As a result, we will create environments that will allow franchised stores to concentrate on their original task of high-quality

store operations and management. The ultimate goal of the store operational reforms is to improve the competitiveness of individual stores and link that competitiveness with the overall growth of the entire chain by investing sufficient management resources in new services.





## Basic Policy for Domestic Store Openings

### Emphasis on Quality in New Stores

As of the end of February 2017, FamilyMart's domestic network totaled 18,125 convenience stores with the addition of the Circle K and Sunkus brands, including domestic area franchisers. FamilyMart has created a top-class network of convenience stores in Japan with strong area dominance, as shown by its top shares in 15 prefectures, including Tokyo, Osaka and Aichi. The Company has transitioned to a phase targeting profit growth while adding quality to the scale achieved through the management integration. With this in mind, we aim to enhance functionality as social and lifestyle infrastructure based on a basic policy of opening quality stores.

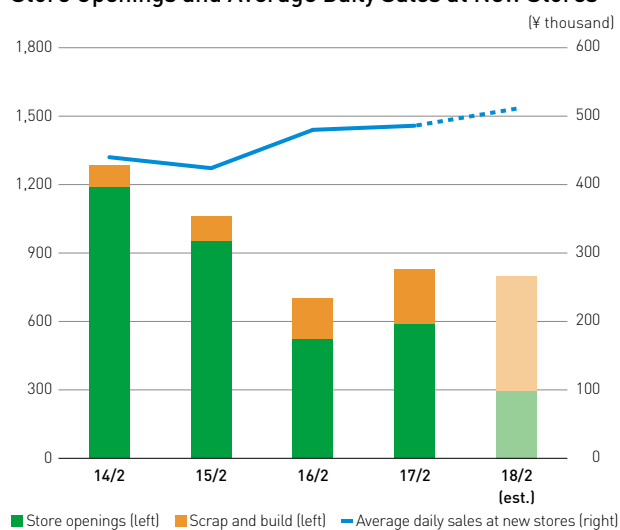
We have adopted a stricter threshold for opening new stores, setting a minimum for projected daily sales based on scientific analysis as a prerequisite for opening a new store. All prospective locations for new convenience stores are screened by the Head Office with the objective of minimizing the risk of impairment losses in the future.

At the same time, FamilyMart will aggressively scrap and build existing stores, redoubling efforts to improve store conditions that lead to higher daily sales, such as by expanding parking lots and sales floor spaces. Eat-in spaces, rolled out in earnest from 2013, now number over 5,000 locations as of the end of February 2017. We plan to increase the number of convenience stores with eat-in spaces because they tend

to increase daily sales, enhancing the competitiveness of each store.

Moreover, FamilyMart has been working to reduce the cost of opening new stores, such as by lowering the cost of construction materials, putting in place a system that keeps costs as low as possible for opening stores with the ability to generate profits.

### Store Openings and Average Daily Sales at New Stores



### Stores Integrated with Other Formats

FamilyMart is opening more stores that are integrated with other formats as an evolution of the convenience store format. In addition to collaborating with drugstores, pharmacies, supermarkets, and bookstores, FamilyMart

is also working more closely with railway operators that have shopping areas in train stations. While leveraging our accumulated expertise, we aim to enhance convenience in the development of competitive store formats.

## Growing with Franchised Stores

For a franchise convenience store operator, franchisees are important business partners in charge of operating actual stores under franchise agreements. FamilyMart regards its relationships with franchisees as an intangible resource essential to growth across the entire chain, and takes strategic measures to ensure growth for both franchisees and the Head Office.



## Growth of Franchisees Leads to Growth of the Chain

In the convenience store business, franchisees and the Head Office work independently of each other while conducting business through a cooperative relationship based on mutual trust. Franchisees manage the product lineup, sales floor design, staff training and other aspects of store operations. The Head Office supports the franchisees by providing trademarks, operational know-how, and information/logistics systems (i.e., the franchise package).

Franchisees pay a certain percentage of gross profits, depending on their contract terms, as a royalty for the value of these support services. From an earnings perspective, the growth of franchisees is an essential driver of growth across the entire chain. It is also vital that we maintain and enrich our relationships with franchisees because of our mutual interest in improving the quality of products and services and brand value.

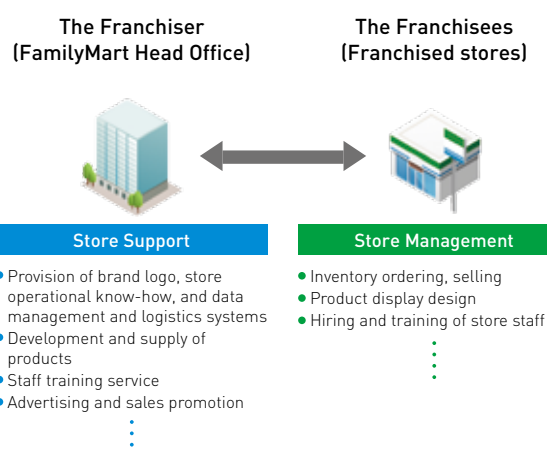
## New Franchise Agreement

In September 2016, FamilyMart introduced a new franchise agreement, whereby a portion of store operation costs is offset by the Head Office. The new agreement adjusts the royalty percentage that franchisees pay to the Head Office, and the Head Office reimburses franchisees for a portion of losses on unsold food with the aim of strengthening the lineup of ready-to-eat items, a key product that draws customers into stores. FamilyMart will also subsidize a certain percentage of utility costs, and give each franchise chain store ¥1.2 million per year as assistance for store management. This system is designed to reduce the economic burden of store operations while increasing the earnings of each store. As of May 2017, this new franchise agreement has taken effect

## Encouraging Management of Multiple Stores

In 2001, FamilyMart was the first convenience store operator to introduce a system that encourages the management of multiple store locations. FamilyMart has created a framework for providing complete support to franchisees, from staff training to management, in addition to incentives. As of the end of February 2017, approximately 70% of all stores were operated as part of the

## FamilyMart's Franchise System



at approximately 10,000 FamilyMart convenience stores, and it is being rolled out to former Circle K and Sunkus locations as they are converted to FamilyMart stores.

## Main Points of Change in New Franchise Agreement

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

multiple-store management system. Franchisees benefit by managing multiple stores, because it distributes business risk and increases operational efficiency. FamilyMart will enhance its support system for franchisees keen to expand business, by supporting the development of multiple store locations.





## Overseas Convenience Store Business

### Overseas Network

**6,375** stores

in seven countries and regions



#### Thailand

1st store opened	1993
Number of stores	1,138
Market share	8%
	(No. 3 market position)
Franchise ratio	15%



#### Taiwan

1st store opened	1988
Number of stores	3,071
Market share	29%
	(No. 2 market position)
Franchise ratio	90%



#### Malaysia

1st store opened	2016
Number of stores	4



#### Indonesia

1st store opened	2012
Number of stores	70



## FamilyMart's Presence Overseas

Ever since opening its first store in Taiwan in 1988, FamilyMart has aggressively developed business overseas. As a chain of convenience stores that originated in Japan, FamilyMart has placed no restrictions on its overseas

development, building business models optimized to local regions. Through cooperation with local business partners, FamilyMart now operates 6,375 convenience stores in seven countries and regions in Asia as of the end of February 2017.

## Approach to Overseas Business Development

At FamilyMart, we flexibly select methods and locations for developing operations overseas in tune with local economic conditions and in compliance with the laws and regulations of the country or region. On creating a convenience store model optimized to the stage of development of local retail sectors and logistics networks, the likelihood of business success is increased when the

knowledge and know-how of FamilyMart in Japan is combined with local business partners who are well-versed in local lifestyles, food culture, business customs, and laws. In the countries and regions where it currently has operations, FamilyMart develops the overseas convenience store business using joint ventures and licensing contract models.

## Business Development Commences in Malaysia

In November 2016, we opened our first convenience store in Malaysia within the capital city of Kuala Lumpur. Our business partner there, QL Resources, is a leading Malaysian company that produces food, including livestock and marine processing. We will combine the warm hospitality nurtured in customer

interactions by FamilyMart in Japan with our product development expertise (including ready-to-eat items) and operational know-how for convenience stores in overseas locations, which has been built up over nearly 30 years since 1988. We aim to be a convenience store loved by everyone in Malaysia.



## Business Strategies

### General Merchandise Store Business Message from the President



### Norio Sako

Representative Director and President,  
UNY CO., LTD.

#### Aiming to Achieve Earnings Growth by “Going Back to Our Starting Point”

Since the time of its founding, UNY has striven to operate its stores in line with the corporate philosophy of “providing services that help customers realize better lifestyles.” Taking quality and affordability as our motto, we have earned high marks for the quality of our products. A high percentage of customers use our in-house credit cards, suggesting that UNY is their shopping location of choice, even among their many available options. The current management integration reawakened my impression that the employees who work for the Company in regions where we operate feel a sense of pride at being members of UNY. The connections with local communities that we have developed over many years of operation are essential Company assets, and I see it as my mission to meet the expectations of these stakeholders.

Our medium-term management plan, which concludes in fiscal 2020, calls for us to further strengthen ties between our stores and local communities. This idea is encapsulated in the slogan “Going Back to Our Starting Point.” Customers making purchases is the essence of retailing. We plan to focus our energies on how employees working on sales floors should think and act, and on ensuring that individual store initiatives are supported by headquarters with the same perspective.

#### Taking on Challenges in the “New GMS Retailing”

UNY operates 210 stores (as of February 28, 2017), some 70% of which are concentrated in the Nagoya metropolitan area. We believe that reinforcing these existing stores is of major importance to our business growth targets. To begin with, in the first two years of our medium-term management plan, we will reconstruct existing businesses and focus on renovating stores to enhance their appeal. When creating stores, our focus will be on shifting the emphasis of individual purchasing behavior from “making purchases for consumption’s sake” to “making purchases to realize more abundant lifestyles.” Notably, we will expand sales areas that concentrate on “experience-based consumption” of the sort not possible in the Internet world. At stores we have already renovated, we have appropriately adjusted the sales floor areas for clothing and household products and attracted excellent tenants. As a result, in addition to specialty stores, we have begun to experience the positive effects of attracting customers to sales areas we manage directly. We are also considering new store formats, such as small supermarkets focused on foods. By dispensing with the in-store preparation of side dishes and other items, we aim to achieve more efficient store operations and create a highly profitable store format.

# GMS

General Merchandise Store Business

## Going back to our starting point and creating stores that impress our customers

On the other hand, around the timing of the management integration we are also undertaking difficult decisions, such as closing unprofitable stores and withdrawing from unprofitable businesses. The decision to close stores can be particularly difficult because of the impact on customers and employees in the region, but we are determined to face the challenges in “new retailing” that will involve reestablishing our earnings foundation. We will concentrate management resources at existing stores and look forward to meeting stakeholders’ expectations with the newly revamped UNY.

### Organizational Reforms, Changes in Awareness

We have undertaken sweeping organizational reforms as part of our medium-term management plan. One of UNY’s traditional strengths has been individual store management emphasizing sales floors that are in close proximity to the customer. As the scale of our business grew, ambiguities had arisen in the sharing of roles between stores and headquarters support, resulting in organizational complexity. To address this reality, we have cut the number of departments by half, slimming our organization and strengthening store authority. As a result, we have created a structure that facilitates swift decision-making and execution, as well as the meeting of targets.

To achieve organizational reform in the true sense, we recognize that changing the awareness of the people who work in the organization is essential. In addition to human resources who are familiar with our business and who have a strong desire to address the issues local communities face and meet their needs, through the management integration we have the opportunity to collaborate with people from a variety of backgrounds. The seeds of reform sown through the integration are beginning to sprout, resulting in unprecedented reforms for employees, as well as the Company.

Achieving management integration just at the time when we were searching for a new business model provides us with a major opportunity to make a new start. By leveraging resources from both within and outside the Group, I am committed to putting UNY on a growth trajectory.

## GMS Business

# Medium-Term Growth Strategy

Regarded as the main axis of the GMS business, UNY enjoys a particular dominance in the Chukyo metropolitan area and is developing business while respecting its connections with local communities. Amid the major changes that the business environment surrounding the retail industry is undergoing, UNY is regarding the management integration as an opportunity to create synergies and is thus advancing the reinforcement of its business foundation to realize the establishment of “New Retailing.”

## Environment Surrounding the GMS Business

### Competitive Environment

Amid the sluggish growth in market scale in the retail industry as a whole, there is an ongoing customer shift to business categories that have targeted the small retail zones affected by changes in the social fabric and consumption patterns. Amid intensifying competition from Internet mail order companies and specialist retail sectors, each company in the GMS business is forced to shift to a unique business model.

### Social Issues/ Society's Needs

- Changes in the social fabric
- Growing needs for product reliability/safety

Recognized Management Issues

UNY

### GMS Business Model

#### Expansion of customer contact points

- Optimization of store network/store spaces

#### Improvement of provided value

- Improvement in quality of products/services

#### Expansion of proposal capabilities

- Store format/sales floor innovation

### Distinctive Business Resources

- Relationships with local communities
- Accumulated and inherited business know-how



## “Going Back to Our Starting Point— Establishing Stores for Our Customers and Headquarters for Our Stores”

### 1. Reconstruction of Existing Businesses

- Raise profitability of existing stores
- Bolster sales floor for food products, appropriately adjust sales floor area for clothing and household products
- Improve operational efficiency of stores through reinforced monitoring

### 2. Establishment of Management Foundation

- Promote selection and concentration
- Improve balance sheet (reduce interest-bearing debt)
- Improve in-house systems
- Develop human resources

### 3. Preparation for Establishment of “New Retailing”

- Construct new business model (model for conversion of existing stores, model for opening new stores)
- Realize integrated synergies (product development, FamilyMart service spot expansion, etc.)
- Improve sales floor for side dishes

#### Numerical Targets

	(¥ billion)	
	2017/2	2018/2 (est.)
<b>Business performance (Non-consolidated) (Japanese GAAP)</b>		
Gross operating revenues	742.0	712.1
Net sales	699.8	669.9
Y-o-y change in existing store sales (after day-of-the-week adjustment) (%)	(1.0)	(0.6)
Gross profit ratio (%)	23.2	23.7
Operating income	13.8	14.5
Net income	(56.5)	8.6
Interest-bearing liabilities	235.6	200.0
Number of stores	210	196
<b>Segment P/L (IFRS)</b>		
Gross operating revenues	360.7	683.1
Profit attributable to owners of the parent	6.9	11.7

2017/2: Full-year basis for business performance, 2H for segment P/L

#### Solving Social Issues/ Satisfying Social Needs

- Contributing to local economy through local production/local consumption, etc., and business activities

Sustainable Growth



## Establishing a Presence as “New Retailing”



### Implementing Offensive and Defensive Strategies

With a focus on the development of Apita, which offers a wide array of products in medium-sized retail zones, and Piago, which offers everyday products such as food and daily necessities, UNY is committed to the careful selection of store sizes and store types, as well as brands that are aligned with the needs of local consumers. With the creation of a value chain that can secure the highest quality products, our customers have come to appreciate the high quality of our food in particular.

Our medium-term management plan targets the building of “new retailing,” and our aim is to shift to a unique business format that our customers will prefer. We aim to put earnings back on track in the second half of the period covered by the medium-term management plan, implementing offensive and defensive strategies as we rebuild our existing businesses and strengthen our operational base.

Key to our defensive strategies is the streamlining of operations through the closing of unprofitable stores and

the reorganization of unprofitable businesses. We expect to close a total of 36 stores by February 2019, which marks the end of the first half of the plan period. On the offensive side, we are revitalizing existing stores through remodeling. We are optimizing directly operated sales areas and floor space for food, which could prove highly profitable, and through our work with highly competitive tenants, we are proving our commitment to producing highly profitable retail spaces that can serve as a model for the chain as a whole. With an eye toward cooperating with businesses in different types of industries, we are focused on the development of new services and remain committed to creating stores that stand out from the competition and encourage customers to visit.



Kusamura Books, APITA Kagamihara Store

### Organizational Reform and the Creation of Synergies through Management Integration

Through management integration with FamilyMart we are considering cooperation in areas such as systems, logistics, and procurement. We intend to work further toward creating new synergies that can contribute to improved convenience for our customers, including the establishment of service spots offering convenience store services at UNY stores.

We are continuing to promote organizational reform, alongside the initiatives of creating Group synergies. One of the defining characteristics of the GMS business is that

each store is different, be it in the brands that sell well, the size of the store, or the presence of special characteristics and challenges. In such an environment, the head office organization also became rather complex as it sought to offer support to each of these stores. As part of the reorganization, a certain amount of authority to make decisions has been left to the individual stores. Restructuring the head office organization, which is charged with formulating strategies and overseeing management, is a key part of the preparatory efforts involved in building “new retailing.”

## Growing with the Local Community

For retailers offering products vital to everyday living, including food and daily necessities, growth requires the development of a business that caters to the needs of the community in which the store exists. However, we at UNY recognize that our relationship with the community is more than just this. We continue to focus on our position as lifestyle infrastructure, with development of the chain linked to growth in the local community.



## A Chain Deeply Rooted in the Local Community

The UNY predecessor was launched with small stores in Aichi and Kanagawa prefectures. As the chain expanded its network of stores, the company prioritized the opening of stores in peripheral areas where it was able to establish a distribution network and had gained knowledge of the eating and lifestyle habits of local residents. This resulted in the formation of what is now a dominant store network in the Chukyo region. These areas are expected to see a population influx over the medium to long term. Given an environment in which a retail business needs to

carve out its own identity, it appears increasingly important for such companies to forge close ties with members of the local community. We also believe it is vital to recognize our role in the economy and the employment situation of the local community, including in regard to part-time employees with long records of service in sales. As we deepen our ties with customers through a number of loyalty strategies, we remain committed to promoting initiatives that contribute to the development of each and every local community.

## Listening to Our Customers

The UCS Card, UNY's house credit card, not only accrues points in line with customer purchases, but also offers expanded benefits and preferences for members, contributing to its popularity in areas in which stores are being developed. In addition to using member purchasing data in the formulation of strategies, including in regard to sales floor design and product development, we are also focused on accelerating the advancement of loyalty rewards for members.

Amid growing interest in food safety and reliability, our supply chain focuses on locally produced products and we are actively promoting local production and consumption initiatives. As a chain with strong ties to the local community, we aim to steadily increase the number of visitors to our stores by offering products with a strong sense of local content and style.



## Becoming a Focal Point for the Local Community

As we build a new kind of retail business, we believe it vital to understand and respond to both the needs and challenges of the local community. The remodeling of our stores includes the creation of store areas incorporating new ideas, such as spaces where local customers can stop by for reasons other than shopping. More specifically, we envision tenants including cultural facilities, bookstores, and medical and health-related

establishments. We aim to be a place where residents can get together to socialize, as well as a company primed for growth and one that enjoys the support of these same local communities.

# Corporate Governance and Internal Control System

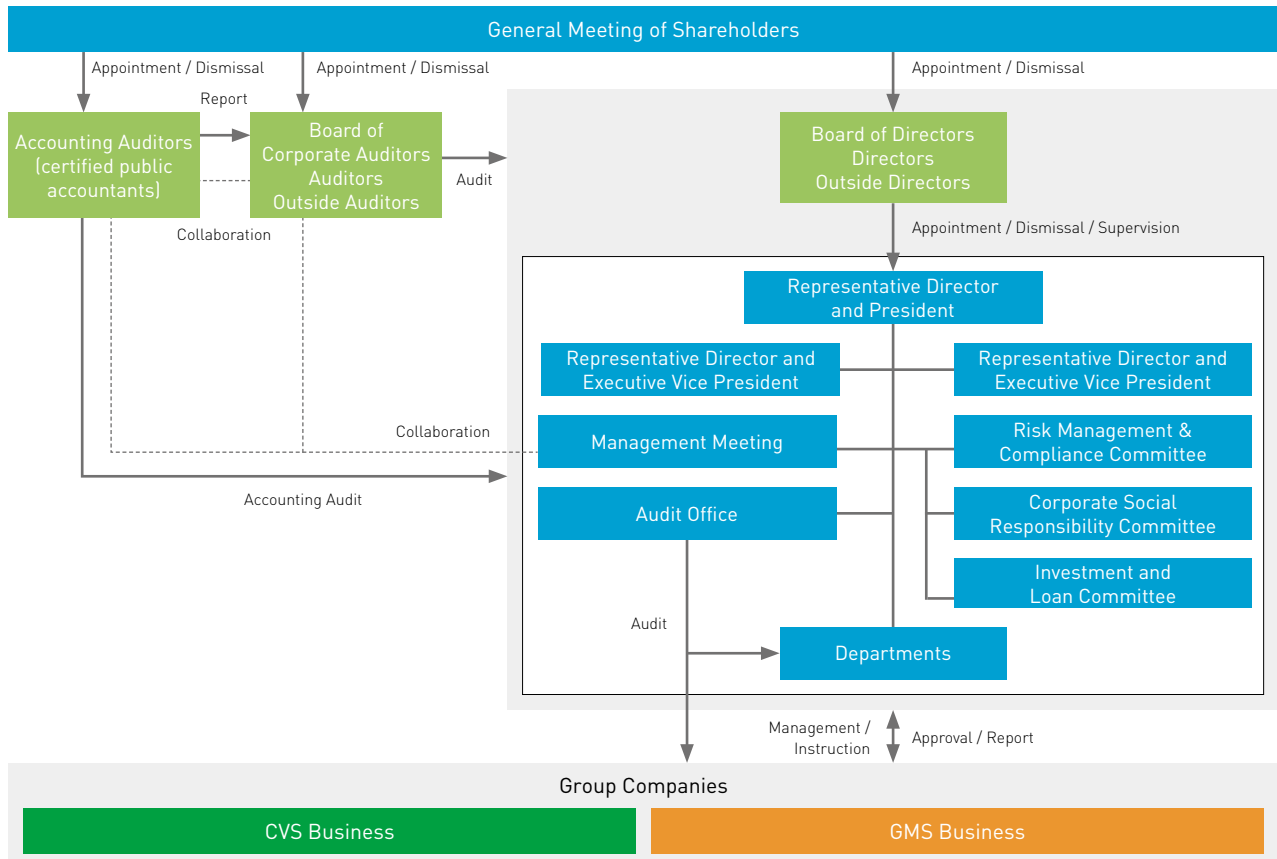
## Basic Policies

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.

## Corporate Governance System

(As of June 1, 2017)



### Management Meeting

The Management Meeting is a consultative committee chaired by the representative director and president that allows representative directors to seek advice when making resolutions on important matters related to the business execution of the Company and of Group companies. This committee is a forum to deliberate on implementation policies and plans for management in general based on policies approved by the Board of Directors. In addition, at the Management Meeting, the representative directors decide what measures will be submitted to the Board of Directors for resolution.

The Management Meeting convened 10 times in fiscal 2016 (September 1, 2016–February 28, 2017)

### Board of Directors

In fiscal 2016, important resolutions and decisions by the Board of Directors included the following.

October 2016: Approved transfer of business of subsidiary (NAGAI Co., Ltd.)

February 2017: Decided to voluntarily adopt International Financial Reporting Standards (IFRS)



## Corporate Governance of FamilyMart UNY Holdings (Holding Company)

As of June 1, 2017, FamilyMart UNY Holdings' Board of Directors consists of 11 directors (all current directors are male and two are outside directors) that make decisions regarding important matters affecting the Company's business operations at the monthly (in principle) meetings of the Board of Directors and perform supervisory duties. In addition, the Company has adopted the executive officer system to speed up the making of decisions concerning operations and expedite their execution. Executive officers are nominated and assigned an area of responsibility via resolution by the Board of Directors, and they carry out business execution in their area of responsibility. We have also set up the Risk Management & Compliance Committee to coordinate risk management systems and strengthen our mechanisms for the observance of all laws and ethical norms. Furthermore, a specialist department has been established to construct an effective internal control system and entrench corporate governance. The term of office of directors is one year.

The Company's internal auditing unit is the Audit Office, which reports directly to the representative director and president. The Audit Office conducts internal audits from the perspective of the efficiency of business execution, risk management, and compliance. It also carries out thorough checks on the progress of

improvement measures based on issues identified and proposals made during the course of audits. Moreover, the Audit Office coordinates with internal auditing units at Group companies to share information and opinions.

As of June 1, 2017, the Board of Corporate Auditors consisted of five members (four are male and one is female; of the current Board of Corporate Auditors, four members are outside corporate auditors). The corporate auditors attend meetings of the Board of Directors and other high-level managerial meetings and review documents on important resolutions to monitor the state of the Company's business operations and financial position and thereby audit the execution of duties by directors. In addition, corporate auditors maintain close coordination with the Audit Office to collect information, and regular liaison meetings are held with corporate auditors from Group companies to promote governance on a Groupwide level. The term of office of corporate auditors is four years.

For accounting auditors, the Company has entered into an agreement with Deloitte Touche Tohmatsu LLC and is subject to audits under the Companies Act and the Financial Instruments and Exchange Act. Accounting auditors audit the financial statements from the position of an independent third party, and the Company discusses the results of the audit after receiving it.

## Groupwide Level Corporate Governance

The Group employs a holding company system and consists of the holding company, FamilyMart UNY Holdings, as well as 42 subsidiaries and 29 affiliates and jointly controlled companies, making for a total of 72 companies. These companies develop operations in the convenience store (CVS) business, the general merchandise store (GMS) business, and peripheral businesses. The Business Management Division has been established as an organization that is responsible for advancing management plans in the CVS and GMS businesses and for promoting Groupwide synergies. The CVS Business Department and the GMS Business Department have been placed under the jurisdiction of the Business Management Division.

As the holding company, FamilyMart UNY Holdings respects the autonomy of Group companies while also dispatching directors and corporate auditors to these companies as necessary to maintain an understanding of the state of management and promote appropriate operations. As part of this process, the Company seeks to perform governance of and offer managerial guidance to Group companies based on the Affiliate Management Regulations. In addition, management guidance contracts have been included with principal Group companies to ensure the appropriateness of operations.

The Affiliate Management Regulations put forth clear policies for corporate governance and define the items related to important managerial decisions by Group companies that require advance approval from the Company.

Moreover, a list of matters needing to be reported to the Company is provided. Group companies are thus obligated to issue appropriate reports to the Company.

FamilyMart UNY Holdings respects the autonomy of Group companies with regard to important internal control matters and assists these companies in establishing and implementing internal control systems. This approach is designed to facilitate management based on the unique circumstances of individual companies. In addition, Group companies are expected to formulate regulations matched to their business model and develop frameworks based on these regulations. Group companies are also provided with training and education. Furthermore, we promote coordination between the internal audit units of Group companies and the Audit Office of the Company while holding regular liaison meetings between the corporate auditors of Group companies and the Company to allow for further information sharing and coordination. These initiatives are geared toward constructing internal control systems on the Groupwide level.

The Audit Office carries out audits of Company divisions while also conducting and overseeing audits of Group companies. Through these activities, the Audit Office is able to monitor both the Company and Group companies and thereby ensure that appropriate internal control systems have been established while providing guidance in this regard. Periodic reports are issued by the Audit Office to the Board of Directors and the Board of Corporate Auditors with regard to status for internal control throughout the Group.

## Board of Directors and Executive Officers

(As of June 1, 2017)



### 1 Representative Director and President

#### Koji Takayanagi

1975/4 Joined ITOCHU Corporation  
 2004/4 Chief Operating Officer of Energy Trade Division of ITOCHU Corporation  
 2005/6 Executive Officer of ITOCHU Corporation  
 2008/4 Managing Executive Officer and President of Chemical, Forest Products & General Merchandise Company of ITOCHU Corporation  
 2008/6 Managing Director of ITOCHU Corporation  
 2009/4 Managing Director, Chief Corporate Planning Officer of ITOCHU Corporation  
 2012/4 Director and Senior Managing Executive Officer of ITOCHU Corporation  
 2015/4 Representative Director, Executive Vice President and President of Food Company of ITOCHU Corporation  
 2016/5 Director of UNY CO., LTD.  
 2017/3 President and Executive Officer of the Company  
 2017/5 Representative Director and President of the Company (current)

### 2 Representative Director and Executive Vice President

#### Isamu Nakayama

##### Assistant to President

1981/4 Joined ITOCHU Corporation  
 2004/4 General Manager of Oilseeds, Oils & Fats Department of ITOCHU Corporation  
 2010/4 Executive Officer and Senior Vice President of Food Company of ITOCHU Corporation  
 2012/4 Managing Executive Officer and Executive Vice President of Food Company and Chief Operating Officer of Provisions Division of ITOCHU Corporation  
 2013/1 President and Executive Officer of the Company  
 2013/5 Representative Director and President of the Company  
 2016/9 Representative Director and Executive Vice President of the Company  
 2016/9 Representative Director and Chairman of FamilyMart Co., Ltd. (current)  
 2017/3 Director of UNY CO., LTD. (current)  
 2017/5 Representative Director and Executive Vice President of the Company (current)

### 3 Representative Director and Executive Vice President

#### Norio Sako

##### General Manager of Business Management Division and General Manager of GMS Business Department

1980/3 Joined UNY CO., LTD.  
 2006/5 Executive Officer of UNY CO., LTD.  
 2008/5 Director and Executive Officer of UNY CO., LTD.  
 2011/5 Managing Director and Managing Executive Officer of UNY CO., LTD.  
 2012/5 Senior Managing Director and Senior Managing Executive Officer of UNY CO., LTD.  
 2013/2 Director of UNY Group Holdings Co., Ltd. Representative Director and President of UNY CO., LTD. (current)  
 2015/3 Representative Director and President of UNY Group Holdings Co., Ltd.  
 2016/9 Representative Director and Executive Vice President of the Company  
 2017/5 Representative Director and Executive Vice President, General Manager of Business Management Division and General Manager of GMS Business Department of the Company (current)

### 4 Director, Executive Vice President and Executive Officer

#### Takashi Sawada

##### General Manager of CVS Business Department, Business Management Division

1981/4 Joined ITOCHU Corporation  
 1998/11 Director and Executive Vice President of FAST RETAILING CO., LTD.  
 2003/2 Founded and assumed role as President and Representative Director of Kiacor Corporation  
 2005/10 Founded and assumed role as Representative Director, President and Chief Executive Officer of Revamp Corporation  
 2016/3 Advisor of the Company  
 2016/4 Representative Director and Chairman of Revamp Corporation  
 2016/5 Director and Chairman of Revamp Corporation (current)  
 2016/5 Director, Senior Managing Executive Officer and Assistant to President of the Company  
 2016/9 Representative Director and President of FamilyMart Co., Ltd. (current)  
 2017/5 Director, Executive Vice President and Executive Officer, General Manager of CVS Business Department, Business Management Division of the Company (current)

### 5 Director, Senior Managing Executive Officer

#### Toshio Kato

##### General Manager of Corporate Planning Division

1983/3 Joined the Company  
 2003/3 Executive Officer and General Manager of Kita-Kanto District of the Company  
 2007/5 Director, Managing Executive Officer, General Manager of Operation Division and Supervisor of Customer Service Office and Franchisee Relations Office of the Company  
 2011/3 Managing Director, Managing Executive Officer, General Manager of Corporate Planning Division and General Manager of Corporate Planning Department of the Company  
 2015/3 Director, Senior Managing Executive Officer, General Manager of Store Operation Division, General Manager of Information Systems Division and Supervisor of Customer Service Office and Franchisee Relations Office of the Company  
 2016/9 Director, Senior Managing Executive Officer and General Manager of Corporate Planning Division of the Company (current)  
 2017/3 Director, Senior Managing Executive Officer, General Manager of General Planning Division of FamilyMart Co., Ltd. (current)

### 6 Director, Senior Managing Executive Officer

#### Jiro Koshida

##### General Manager of Corporate Management Division

1979/3 Joined UNY CO., LTD.  
 2006/5 Executive Officer of UNY CO., LTD.  
 2009/5 Director and Executive Officer of UNY CO., LTD.  
 2011/5 Managing Director and Managing Executive Officer of UNY CO., LTD.  
 2012/5 Senior Managing Director and Senior Managing Executive Officer of UNY CO., LTD.  
 2013/2 Senior Managing Director and Chief Financial Officer of UNY Group Holdings Co., Ltd.  
 2015/3 Director and Senior Executive Officer of UNY Group Holdings Co., Ltd.  
 2016/8 Director, Senior Executive Officer, Director of Accounting & Finance Division of UNY CO., LTD.  
 2016/9 Director, Senior Managing Executive Officer and General Manager of Corporate Management Division of the Company (current)



## 7 Director, Senior Managing Executive Officer

### Shuichi Takeuchi

General Manager assistant to CVS Business Department, Business Management Division

1991/11 Joined Circle K Japan Co., Ltd.  
 2011/3 Executive Officer and General Manager of Region Department-V of Circle K Sunkus Co., Ltd.  
 2012/5 Director and General Manager of Sales Department of Circle K Sunkus Co., Ltd.  
 2013/2 Representative Director and President of Circle K Sunkus Co., Ltd.  
 2013/5 Director of UNY Group Holdings Co., Ltd.  
 2016/9 Director, Senior Managing Executive Officer and General Manager of Integration Promotion Division of FamilyMart Co., Ltd.  
 2017/1 Director, Senior Managing Executive Officer and General Manager of CKS Sales Promotion Division of FamilyMart Co., Ltd. (current)  
 2017/5 Senior Managing Executive Officer and General Manager assistant to CVS Business Department, Business Management Division of the Company (current)  
 2017/6 Director, Senior Managing Executive Officer and General Manager, and Assistant to President of FamilyMart Co., Ltd. (current)

## 8 Director, Managing Executive Officer

### Kunihiro Nakade

General Manager of Finance Division and Business Investigation Department, Chairman of Investment and Loan Committee

1980/4 Joined ITOCHU Corporation  
 2012/4 Executive Officer and Deputy General Manager of General Accounting Control Division of ITOCHU Corporation  
 2015/4 Managing Executive Officer and General Manager of General Accounting Control Division of ITOCHU Corporation  
 2016/5 Advisor of the Company  
 2016/5 Director, Managing Executive Officer, General Manager of Management Division, Chairman of Risk Management & Compliance Committee, Chairman of Business Process Improvement Committee, and Chairman of Corporate Social Responsibility Committee of the Company  
 2016/9 Director, Managing Executive Officer, General Manager of Finance Division, General Manager of Business Investigation Department and Chairman of Investment and Loan Committee of the Company (current)  
 2016/9 Director, Managing Executive Officer and General Manager of Finance Division of the Company  
 2017/3 Director, Managing Executive Officer, General Manager of Finance Division and Management Division, Chairman of Risk Management & Compliance Committee and Corporate Social Responsibility Committee of the Company  
 2017/4 Director, Managing Executive Officer, General Manager of Finance Division and Business Investigation Department, Chairman of Investment and Loan Committee of the Company (current)

## 9 Director, Senior Executive Officer

### Jun Takahashi

#### General Manager of General Affairs and Human Resources Division, Chairman of Corporate Social Responsibility Committee and Risk Management & Compliance Committee

1989/6 Joined Circle K Japan Co., Ltd.  
 2010/5 Director and General Manager of Sales Department of Circle K Sunkus Co., Ltd.  
 2013/2 Director, Group Strategic Headquarters Director and Store Development Department Director of UNY Group Holdings Co., Ltd.  
 2014/5 Director, Executive Officer, Group Strategic Headquarters Director and Store Development Department Director of UNY Group Holdings Co., Ltd.  
 2016/2 Director, Executive Officer, Group Strategic Headquarters Director and Planning & Policy Department Director of UNY Group Holdings Co., Ltd.  
 2016/9 Director, Senior Executive Officer, General Manager of General Affairs and Human Resources Division, Chairman of Corporate Social Responsibility Committee, and Chairman of Risk Management & Compliance Committee of the Company (current)

## 10 Outside Director

### Akihiro Watanabe

2002/10 Visiting Professor at the Graduate School of Business Administration of Kobe University (current)  
 2004/4 Founded GCA and assumed role as Representative Director  
 2008/3 Founded GCA Savian Group Corporation (currently GCA Corporation) and assumed role as Representative Director (current)  
 2016/5 Outside Director of FamilyMart Co., Ltd.  
 2016/9 Outside Director of the Company (current)

## 11 Outside Director

### Takashi Saeki

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

## Managing Executive Officers

### Isao Kubo

### Naoyoshi Tsukamoto

## Senior Executive Officers

### Teruo Kuramata

### Makoto Sugiura

### Eiji Morita

### Hiroshi Sawada

## Executive Officers

### Tomoaki Ikeda

### Kazutaka Hiramatsu

### Mikio Nishiwaki

### Seiichiro Takeshita

### Yoshiharu Kanoda



## Corporate Auditors

(As of June 1, 2017)



### 1 Standing Outside Corporate Auditor

#### Yasuhiro Baba

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

#### Responsibilities and Important Positions Concurrently Held in Other Corporations

Corporate Auditor of FamilyMart Co., Ltd.  
Corporate Auditor of UNY CO., LTD.

### 2 Standing Corporate Auditor

#### Akira Ito

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

### 3 Outside Corporate Auditor

#### Mika Takaoka

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

#### Responsibilities and Important Positions Concurrently Held in Other Corporations

Professor of the College of Business, Rikkyo University  
Outside Director of TSI HOLDINGS CO., LTD.  
Outside Director of MOS FOOD SERVICES, INC.  
Outside Director of Kyodo Printing Co., Ltd.

### 4 Outside Corporate Auditor

#### Shuji Iwamura

2011/8 Chief Prosecutor of the Nagoya High Public Prosecutors Office  
2012/10 Registered as attorney at law (current)  
2012/10 Advisor to NAGASHIMA, OHNO & TSUNEMATSU (current)  
2013/5 Corporate Auditor of the Company (current)

#### Responsibilities and Important Positions Concurrently Held in Other Corporations

Advisor to NAGASHIMA, OHNO & TSUNEMATSU  
Outside Corporate Auditor of Riken Corporation  
Outside Corporate Auditor of Canon Electronics Inc.  
Outside Corporate Auditor of HOKKAIDO BANK, LTD.

### 5 Outside Corporate Auditor

#### Naotaka Nanya

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

#### Responsibilities and Important Positions Concurrently Held in Other Corporations

Outside Corporate Auditor of CKD Corporation



## Outline of the Company's Corporate Governance

### Reasons for Adopting Current System

As a company that has adopted a company-with-corporate-auditors system, the Company ensures the effective working of the supervisory and monitoring functions and the transparency of decision-making through effective management supervision by corporate auditors including outside corporate auditors. In addition to its corporate governance structure, which relies on this management supervision by corporate auditors, the Company selects two highly independent outside directors with the goal of

reinforcing and improving the effectiveness of management oversight by the Board of Directors and the transparency of decision-making. The Company's corporate governance structure in its present state, based on the Board of Directors including the outside director and the Board of Corporate Auditors in which outside corporate auditors comprise a majority, is fully consistent with the building of a highly transparent system that we believe should be established.

### Status of the Outside Director and Outside Corporate Auditors

The Company has two outside directors and four outside corporate auditors.

From the position of an outsider with specialized knowledge, the outside director makes decisions regarding important matters affecting the Company's business operations and monitors directors' performance of their duties by attending Board of Directors' meetings. The outside director also fulfills a certain role to improve corporate governance and raise enterprise value.

From their position as outsiders with specialized knowledge, outside corporate auditors monitor directors'

performance of their duties by attending Board of Directors' meetings. Outside corporate auditors also play a role in raising the effectiveness of management oversight and in improving the Company's corporate governance and raising enterprise value.

Of the two outside directors and four outside corporate auditors, outside directors Akihiro Watanabe and Takashi Saeki, outside corporate auditors Mika Takaoka, Shuji Iwamura, and Naotaka Nanya fulfill the requirements for independent officers as defined by the Tokyo Stock Exchange and have been registered as such by said exchange.

### 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
Akihiro Watanabe	Akihiro Watanabe has abundant experience acquired through his involvement in various M&A transactions, such as integrating the management of domestic and foreign companies as well as through his years of experience as an outside director of domestic and foreign companies, including the Company. We have determined that Mr. Watanabe can be expected to provide valuable opinions and advice based on these experiences and his deep knowledge as an M&A and accounting professional (i.e., a certified public accountant in Japan and the United States) and in public company management. Also, as Mr. Watanabe fulfills the conditions for being an independent director and there is no possibility of a conflict of interest arising with general shareholders, he has been selected as an independent director.
Takashi Saeki	Takashi Saeki has served as an outside director of the Company as well as a consultant to directors, outside director, and outside corporate auditor at other companies. We have thus determined that Mr. Saeki can be expected to provide valuable opinions and advice based on his abundant experience and significant insight as a corporate manager. Also, as Mr. Saeki fulfills the conditions for being an independent director and there is no possibility of a conflict of interest arising with general shareholders, he has been selected as an independent director. Mr. Saeki serves as a director and advisor of TOHO GAS Co., Ltd. The Group conducts standard gas use transactions as well as gas fee money transfer transactions with this company, but the amounts of these transactions immaterial.

#### Outside Corporate Auditors

Name	Reason for appointment
Yasuhiro Baba	Yasuhiro Baba has been engaged in accounting and finance tasks at another company for many years. We have thus determined that Mr. Baba can be expected to perform rigorous audits of the Company's management based on his wealth of experience and insight into the accounting and finance fields.
Mika Takaoka	Mika Takaoka possesses a wealth of specialized insight and knowledge regarding economics and management accumulated through her experience as a university professor. We have thus determined that Mrs. Takaoka can be expected to perform rigorous audits of the Company's management. Also, as she fulfills the conditions for being an independent director and there is no possibility of a conflict of interest arising with general shareholders, she has been selected as an independent auditor.
Shuji Iwamura	Shuji Iwamura has served as an outside corporate auditor at the Company as well as at other companies and possesses a wealth of experience and insight as a legal specialist. We have thus determined that Mr. Iwamura can be expected to perform rigorous audits of the Company's management. Also, as he fulfills the conditions for being an independent director and there is no possibility of a conflict of interest arising with general shareholders, he has been selected as an independent auditor.
Naotaka Nanya	Naotaka Nanya has a wealth of experience and insight as a legal specialist. We have thus determined that Mr. Nanya can be expected to perform rigorous audits of the Company's management. Also, as he fulfills the conditions for being an independent director and there is no possibility of a conflict of interest arising with general shareholders, he has been selected as an independent auditor.

## Evaluation of Board of Directors' Effectiveness

Questionnaires on the effectiveness of the Board of Directors were issued to all of the Company's directors and corporate auditors. Responses were then compiled to analyze and evaluate the Board of Directors. Through this process, it was found that the Board of Directors was generally functioning properly with regard to its structure, proceedings, agenda items, and support systems, and it was thus determined that the Board of Directors was sufficiently effective.

At the same time, a number of issues were identified. In part as a consequence of the September 2016 management integration, opinions were received as to how to

improve the effectiveness of the holding company system. In addition, requests were made regarding the schedule for holding Board of Directors' meetings along with requests for the improvement of meeting materials and more effective provision of these materials. It was also stated that outside directors should play a greater role in the nomination and dismissal of members of senior management.

Based on the results of this evaluation, we will continue working to improve the effectiveness of the Board of Directors.

## Remuneration for Directors, Corporate Auditors, and Independent Auditors

Remuneration for directors and corporate auditors is approved at a General Meeting of Shareholders, within predetermined monetary limits.

Remuneration for directors comprises two elements: a basic monthly salary and a fund-based cumulative payment made at the time of retirement. The basic monthly salary comprises a fixed sum and an element based on consolidated net earnings for the term in question—in other words, a performance-linked payment. Part of this basic monthly salary is paid to executive employees

under a management stock ownership plan.

Remuneration of part-time directors comprises a fixed sum only, which is a basic monthly salary.

Remuneration for standing corporate auditors also comprises two elements: a fixed monthly payment of a basic salary and a fund-based cumulative payment made at the time of retirement.

Compensation for part-time corporate auditors is a fixed payment only, comprising the monthly basic salary.

### Remuneration for Executives

	Total paid (¥ million)	Total paid in various forms (¥ million)				No. of payments
		Basic salary	Stock options	Bonuses	Retirement benefit recipients	
Directors (excluding outside directors)	319	319	—	—	—	14
Corporate auditors (excluding outside corporate auditors)	18	18	—	—	—	2
Outside directors	12	12	—	—	—	3
Outside corporate auditors	27	27	—	—	—	5

## Remuneration of Accounting Auditors

The remuneration 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 remuneration they received can be found below.

Names of the certified public accountants that executed duties:

Masahiro Ishizuka, Koichi Okubo, and Haruko Nagayama, Deloitte Touche Tohmatsu LLC

### Compensation for Corporate Auditors

	Fiscal 2015		Fiscal 2016	
	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	106	—	64	2
Consolidated subsidiaries	9	—	217	4
Total	116	—	281	6

Note: Non-audit services consist of the preparation of comfort letters and other duties.

## Messages from Outside Directors

### Facing the Challenge to Create New Value through Merger

Appointed as an outside director at the FamilyMart Co., Ltd. General Meeting of Shareholders held in May 2016, I have been engaged in the holding company's governance activities on an ongoing basis, even after the completion of management integration. Speaking personally, I also have experience in management integration with an overseas company as president of a Japanese company. Now, I am having what can be said to be the rare experience of engaging in management integration at two different companies at the same time where I serve as director.

What I sense through my efforts when involved in such undertaking is that synergies are the most important factors in management integration, and that the most important issue is whether new value can be created through integration. The role of a holding company's board of directors is to monitor the existence of synergistic value creation by its operating companies. With regard to FamilyMart UNY Holdings, I expect that the operating companies have clear quantitative goals and create new value through management integration, including building on minor achievements.

Outside Director

**Akihiro Watanabe**



New value has indeed been generated through the management integration in the form of synergies of scale. Scale is something that enables greater risk taking. Leveraging the fact that the growth stage of the Company has been accelerated through the integration, I would like to not only realize cost synergies but also boldly take on the challenges toward the creation of new value over and above that resulting from the synergies of scale.

### Maintaining the Perspective of Responding to Needs on the Front Line

Having been given the opportunity to serve in the role of outside director for UNY Group Holdings Co., Ltd. since 2014, I have also been fortunate enough to become involved in the new company's management as a member of its Board of Directors.

The retail sector's business environment is changing at a rapid rate and with increasing severity. Improvements in the holding company's governance functions responsible for strategy formulation are essential for the Group to achieve sustainable development under such circumstances.

I believe that there are points to which the FamilyMart UNY Group should pay particular heed. First and foremost, since the businesses of both companies are frontline oriented, the Group must not lose that perspective. In addition, in the phase immediately following management integration, there is a need for a watchful eye to be kept on creating the mechanisms that will give rise to synergistic effects, where the organizations fuse together seamlessly, and wide-ranging knowledge derived from different backgrounds and experiences is organically pooled.

Outside Director

**Takashi Saeki**



Involved for many years in the management of a city gas business, I have also been assisting in the development of local communities through public offices such as business associations. Drawing on those experiences, I would like to contribute in some small way so that both businesses in the FamilyMart UNY Group, which are now in the process of becoming part of the social infrastructure, grow into a company that creates innovative services based on the needs of local communities.

## Internal Control System

The Company has the Risk Management & Compliance Committee as an advisory body to the President, and the Committee reviews the establishment (streamlining and

operation) of internal controls based on the Basic Policy. The Standing Corporate Auditors also attend the Committee to deliver their opinion.

## Compliance

The Risk Management & Compliance Committee monitors the status of compliance by receiving reports from the Compliance Committee at each 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.

Pursuant to the shift to a holding company of the Company in September 2016, the Company formulated the FamilyMart UNY Group Code of Conduct and has

disseminated it to all officers and employees of the entire Group. All officers and employees have submitted a written oath regarding their ethical and regulatory compliance. The Code stipulates the blocking of relations with antisocial groups.

In addition, in December 2016, the internal reporting system, which had been practiced at UNY Group Holdings Co., Ltd., was extensively developed as FamilyMart UNY Group's Internal Reporting System to promote the system to rectify violations of compliance or prevent infringements.

## Risk Management

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

management regarding the risks concerned.

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

## 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 group-wide 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 in the Management Rules regarding Associated Companies, and conduct deliberations on significant matters pertaining to the subsidiaries in the Company's Board of Directors meetings and in the Management Meeting, etc.

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

## Internal Audit

The Audit Office (which is directly controlled by the President), monitors the status of audits on compliance, risk management, the propriety of financial reporting

(J-SOX) of the Company and the respective group companies, and conducts audits on the internal control systems based on the Basic Policy.



## Effectiveness of auditing by Corporate Auditors

The Board of Corporate Auditors of the Company consists of five Corporate Auditors (including four Outside Corporate Auditors) and held 13 meetings during the fiscal year under review. The Corporate Auditors receive reports on significant audit-related matters and discuss and resolve such matters. Two dedicated employees are placed at the Corporate Auditors' Secretariat to assist the duties of the Corporate Auditors.

Pursuant to the audit plan established at the Board of Corporate Auditors, every Corporate Auditor attends the Board of Directors' meetings and the Standing Corporate Auditor attends the Management Meeting, the Risk Management & Compliance Committee, and other important meetings. Meanwhile, the Corporate Auditors enhance the effectiveness of their auditing by checking documents regarding important approvals and holding regular meetings with the Representative Directors

(monthly), etc. In addition, the Corporate Auditors receive reports, etc. regarding the status of the internal reporting system, etc., and further hold regular meetings with the Audit Office (monthly) to exchange information and receive reports on the results of its audits. Furthermore, the Corporate Auditors are provided opportunities to receive reports regarding the progress of the accounting audit and the results of auditing on the subsidiaries from the Accounting Auditors, and discuss significant items, etc. with the Accounting Auditors.

The Corporate Auditors of the Company regularly conduct "Group Corporate Auditors' Liaison Conferences" (semiannually) with the Corporate Auditors of the group companies and share information such as the auditing policy through training and discussions, as well as ensure the enhanced dissemination of group-wide internal controls.

## Investor Relations Activities

### Basic Policies for Investor Relations Activities and Disclosure

The Company is committed to ensuring that its investor relations activities respect its policy of simple and forth-right disclosure characterized by accuracy, promptness, and impartiality. Under the strong leadership of the president, the Company holds biannual financial results review meetings, conducts overseas investor relations

activities, meets individually with investors and analysts, and proactively provides information through its corporate website and various publications. Going forward, we will work to further enhance our investor relations activities.

### Major Investor Relations Activities

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, factory tours
Overseas IR activities	Visits to important investors in the U.S., Europe, and Asia for briefing sessions
Briefings for individual investors	About 300 times
Domestic and international conferences hosted by securities companies	About 10 times
Major communication tools	<ul style="list-style-type: none"> <li>• Annual report</li> <li>• Semi-annual reports for individual shareholders (published after the second quarter and fiscal year-end)</li> </ul>

\* Contents and numbers of activities include those of former FamilyMart.



Biannual financial results review meetings for domestic institutional investors and securities analysts



Ready-to-eat product factory tour for domestic institutional investors and securities analysts

## Retail Sector Data

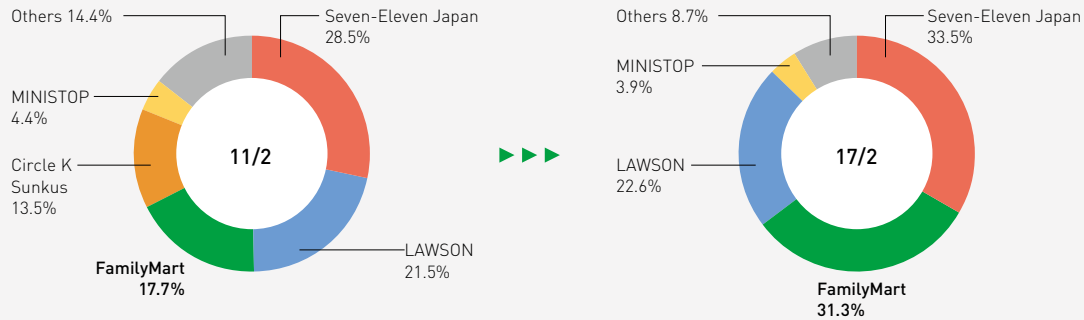
### Sales of Retail Sector

(¥ billion)

	11/3	12/3	13/3	14/3	15/3	16/3	17/3
Entire retail sector	135,564	136,709	137,184	141,136	139,466	140,565	<b>140,275</b>
Department stores	6,726	6,723	6,649	6,893	6,702	6,792	<b>6,561</b>
Supermarkets	12,851	12,977	12,905	13,250	13,293	13,147	<b>12,965</b>
Convenience stores	8,265	8,975	9,542	10,017	10,544	11,127	<b>11,518</b>

### Number of Domestic Stores of Major Convenience Store Chains (includes area franchised stores)

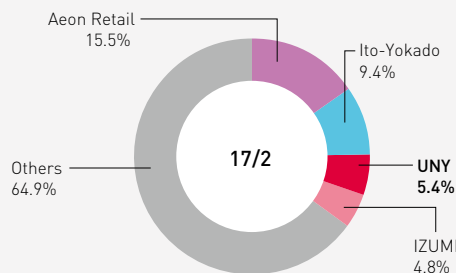
	11/2	Share [%]	17/2	Share [%]
Seven-Eleven Japan	13,232	28.5	<b>19,422</b>	<b>33.5</b>
<b>FamilyMart</b>	8,248	17.7	<b>18,125</b>	<b>31.3</b>
Circle K Sunkus	6,274	13.5		
LAWSON	9,994	21.5	<b>13,111</b>	<b>22.6</b>
MINISTOP	2,042	4.4	<b>2,263</b>	<b>3.9</b>
Others	6,693	14.4	<b>5,079</b>	<b>8.7</b>
3 major chains	31,474	67.7	<b>50,658</b>	<b>87.4</b>
Total	46,483	100.0	<b>58,000</b>	<b>100.0</b>



### Sales at Major Superstores

(¥ billion)

	11/2	12/2	13/2	14/2	15/2	16/2	17/2
Aeon Retail	1,564	2,017	1,978	1,961	1,935	1,990	<b>2,006</b>
Ito-Yokado	1,349	1,334	1,302	1,280	1,253	1,255	<b>1,219</b>
<b>UNY</b>	775	750	730	732	705	716	<b>699</b>
IZUMI	457	470	489	509	530	580	<b>618</b>
Others	8,705	8,405	8,404	8,766	8,867	8,604	<b>8,421</b>
Total	12,851	12,977	12,905	13,250	13,293	13,147	<b>12,965</b>



Sources: Current Survey of Commerce, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry; and documents released by each company

## Convenience Store Sector Data

Major Convenience Store Chains (number of domestic stores, includes area franchised stores)

	11/2	12/2	13/2	14/2	15/2	16/2	17/2	YoY difference
Seven-Eleven Japan	13,232	14,005	15,072	16,319	17,491	18,572	19,422	850
<b>FamilyMart</b>	<b>8,248</b>	<b>8,834</b>	<b>9,481</b>	<b>10,547</b>	<b>11,328</b>	<b>11,656</b>	<b>12,995</b>	<b>1,339</b>
am/pm	469							
Cocostore	813	772	731	693	656	405		
Circle K Sunkus	6,274	6,169	6,242	6,359	6,353	6,350	5,130	(1,220)
LAWSON	9,994	10,457	11,130	11,606	12,276	12,395	13,111	716
MINISTOP	2,042	2,105	2,192	2,218	2,151	2,221	2,263	42
Daily Yamazaki	1,624	1,644	1,617	1,571	1,574	1,548	1,559	11
Seicomart	1,100	1,132	1,154	1,160	1,161	1,184	1,180	(4)
Community Store	285	303	313	448	594	520	518	(2)
SAVE ON	567	577	582	600	605	578	501	(77)
JR-EAST	431	454	502	506	506	505	500	(5)
POPLAR	700	700	713	655	525	518	472	(46)
Three F	704	710	679	641	558	539	349	(190)
Total	46,483	47,862	50,408	53,323	55,778	56,991	58,000	1,009

\* FamilyMart merged with am/pm in March 2010, with Cocostore in December 2015, and with Circle K Sunkus in September 2016.  
(Reference) Total number of stores of FamilyMart and Circle K Sunkus: 18,125 (As of February 28, 2017)

### Total Store Sales (non-consolidated)

	11/2	12/2	13/2	14/2	15/2	16/2	17/2	(¥ billion)
<b>FamilyMart</b>	<b>1,440</b>	<b>1,534</b>	<b>1,584</b>	<b>1,721</b>	<b>1,860</b>	<b>2,005</b>	<b>3,009</b>	
Circle K Sunkus	855	896	878	895	928	936		
Seven-Eleven Japan	2,947	3,280	3,508	3,781	4,008	4,291	4,515	
LAWSON	1,502	1,621	1,693	1,758	1,932	1,960	2,027	

### Growth Rate of Average Daily Sales of Existing Stores (non-consolidated)

	11/2	12/2	13/2	14/2	15/2	16/2	17/2	(%)
<b>FamilyMart</b>	<b>(0.2)</b>	<b>4.4</b>	<b>(1.6)</b>	<b>(0.4)</b>	<b>(2.2)</b>	<b>1.3</b>	<b>0.8</b>	
Circle K Sunkus	(1.4)	3.1	(4.8)	(3.1)	(3.6)	(0.9)	(2.1)	
Seven-Eleven Japan	2.2	6.7	1.3	2.3	2.4	2.9	1.8	
LAWSON	0.8	5.4	0.0	(0.2)	(1.0)	1.4	(0.2)	

Sources: Convenience Store Sokuho, Ryutsu Sangyo Shinbunsha for number of stores; Retail Statistical Yearbook, Ministry of Economy, Trade and Industry; and documents released by each company

# Convenience Store Business: FamilyMart Co., Ltd.

## Business Performance (Non-consolidated)

	16/2				17/2				18/2 (est.)			
	FamilyMart		Circle K / Sunkus		FamilyMart		Circle K / Sunkus		FamilyMart		Circle K / Sunkus	
		YoY difference		YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Average daily sales at all stores (¥ thousand)	516	8	431	[1]	522	6	425	[6]	528	6	408	[17]
Number of customers	914	±0	699	[15]	911	[3]	682	[17]	910	[1]		
Spending per customer (¥)	565	9	616	12	573	8	624	8	581	8		
Average daily sales at existing stores (¥ thousand)	517	5	431	[4]	523	6	424	[7]	533	10	408	[16]
Number of customers	916	[5]	699	[19]	914	[2]	680	[19]	917	3		
Spending per customer (¥)	565	9	616	11	571	6	624	8	581	10		
Growth rate of average daily sales of existing stores (%)	1.3	—	[0.9]	—	0.8	—	[2.1]	—	1.2	—	0.0	—
Average daily sales at new stores (¥ thousand)	480	56	463	62	486	6	—	—	511	25	—	—

\* While Circle K Sunkus after brand conversion is included in figures for total FamilyMart stores, it is not included in figures for existing stores and newly opened stores.

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

												[¥ million]	
FamilyMart		16/2						17/2				18/2 (est.)	
		Sales		Gross profit ratio (%)				Sales		Gross profit ratio (%)		Gross profit ratio (%)	
			YoY (%)	Share (%)		YoY difference		YoY (%)	Share (%)		YoY difference		YoY difference
	Fast food	112,275	9.3	5.6	45.39	1.12	120,773	7.6	5.7	45.43	0.04		
	Daily food	557,559	7.3	28.0	35.98	[0.30]	585,632	5.0	27.9	35.77	[0.21]		
	Processed food	505,178	7.1	25.3	38.25	[0.09]	531,746	5.3	25.3	37.50	[0.75]		
	Liquor	84,696	7.2	4.2	24.65	[0.21]	87,237	3.0	4.2	24.58	[0.07]		
	Food sub-total	1,175,013	7.4	58.9	37.86	[0.06]	1,238,152	5.4	58.9	37.46	[0.40]		
	Non-food	596,265	4.0	29.9	15.71	[0.16]	622,144	4.3	29.6	15.75	0.04		
	Cigarettes	477,367	4.9	23.9	10.80	0.02	500,434	4.8	23.8	10.81	0.01		
	Services	33,060	[2.2]	1.7	9.48	[0.93]	33,479	1.3	1.6	9.26	[0.22]		
	E-commerce	189,527	9.0	9.5	5.32	0.53	207,122	9.3	9.9	5.54	0.22		
	Total	1,993,867	7.2	100.0	27.68	[0.12]	2,100,899	5.4	100.0	27.44	[0.24]	27.93	0.49

\* The figure above does not reflect the performance results of Automatic Super Delice machines and Cocostore before conversion to FamilyMart stores.

											(¥ million)
Circle K Sunkus	16/2				17/2				18/2 (est.)		
	Sales		Gross profit ratio (%)		Sales		Gross profit ratio (%)		Gross profit ratio (%)		
		YoY		YoY difference		YoY		YoY difference		YoY difference	
Total	936,710	0.9	26.40	—	898,485	[4.1]	26.25	[0.15]	26.58	0.33	



## Profile of Stores

### Number of Stores

		14/2		15/2		16/2		17/2		18/2 (est.)	
		Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference
Company-owned stores		386	[11]	416	30	347	[69]	356	9	427	71
Type 1		6,071	596	6,360	289	6,424	64	6,588	164		
Type 2		3,323	423	3,738	415	4,063	325	5,145	1,082		
Franchised stores		9,394	1,019	10,098	704	10,487	389	11,733	1,246	14,458	2,725
FamilyMart stores (non-consolidated)		9,780	1,008	10,514	734	10,834	320	12,089	1,255	14,885	2,796
Franchised stores								373	373	161	[212]
Company-owned stores								4,539	4,539	1,700	[2,839]
Circle K Sunkus stores (non-consolidated)								4,912	4,912	1,861	[3,051]
Domestic total (non-consolidated)		9,780	1,008	10,514	734	10,834	320	17,001	6,167	16,746	[255]
Okinawa FamilyMart Co., Ltd.		232	12	251	19	269	18	318	49		
Minami Kyushu FamilyMart Co., Ltd.		333	29	337	4	353	16	405	52		
Hokkaido FamilyMart Co., Ltd.*1		68	10	75	7	47	[28]	—	[47]		
JR KYUSHU RETAIL, INC.		134	7	151	17	153	2	183	30		
Sunkus Nishi-Shikoku*2								63	63	—	—
Circle K Shikoku*2								155	155	—	—
Domestic area franchised stores		767	58	814	47	822	8	1,124	302	937	[187]
Domestic chain stores		10,547	1,066	11,328	781	11,656	328	18,125	6,469	17,683	[442]
Taiwan		2,897	46	2,952	55	2,985	33	3,071	86	3,160	89
South Korea		7,925	[76]	—	[7,925]	—	—	—	—	—	—
Thailand		1,070	264	1,193	123	1,109	[84]	1,138	29	1,132	[6]
Shanghai		792	51	893	101	980	87	1,150	170	1,272	122
Guangzhou		142	[4]	161	19	185	24	215	30	254	39
Suzhou		93	23	106	13	135	29	169	34	191	22
Hangzhou		34	17	55	21	76	21	115	39	141	26
Chengdu		26	11	36	10	53	17	64	11	79	15
Shenzhen		6	6	22	16	32	10	57	25	84	27
Wuxi		2	2	25	23	44	19	69	25	84	15
Beijing				5	5	14	9	21	7	40	19
Dongguan				3	3	11	8	15	4	15	—
China sub-total		1,095	106	1,306	211	1,530	224	1,875	345	2,160	285
United States		9	—	8	[1]	—	[8]	—	—	—	—
Vietnam		28	[11]	71	43	87	16	122	35	174	52
Indonesia		12	7	21	9	27	6	70	43	100	30
The Philippines		39	39	91	52	108	17	95	[13]	85	[10]
Malaysia		—	—	—	—	—	—	4	4	19	15
Overseas area franchised stores		13,075	375	5,642	[7,433]	5,846	204	6,375	529	6,830	455
Total area franchised stores		13,842	433	6,456	[7,386]	6,668	212	7,499	831	7,767	268
Total chain stores		23,622	1,441	16,970	[6,652]	17,502	532	24,500	6,998	24,513	13

[Reference] 1. Number of Circle K and Sunkus stores before the management integration (non-consolidated): 14/2: 5,612 stores, 15/2: 5,990 stores, 16/2: 5,991 stores

2. Number of Circle K and Sunkus stores before the management integration (including area franchised stores): 14/2: 6,359 stores, 15/2: 6,353 stores, 16/2: 6,350 stores

\* 1 Hokkaido FamilyMart was integrated with FamilyMart Co., Ltd. on March 1, 2016.

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

## Number of Stores by Region

■ FamilyMart  
■ Circle K / Sunkus

Total: **18,125** stores in Japan  
(Includes area franchised stores)

As of February 28, 2017

Nagasaki		Fukuoka	
161	—	512	52
Saga		Oita	
80	—	120	—
Kumamoto		Miyazaki	
204	—	123	—
Okinawa		Kagoshima	
318	—	282	—

Yamaguchi		Shimane		Tottori		Kyoto		Fukui	
99	—	66	—	70	—	265	89	111	55
Hiroshima		Okayama		Hyogo		Shiga		Toyama	
245	33	148	112	452	139	123	44	114	66
Ehime		Kagawa		Osaka		Gifu		Nagano	
129	132	121	17	1,186	296	157	262	168	121
Kochi		Tokushima		Nara		Aichi		Yamanashi	
57	56	72	21	116	32	828	990	88	—
Wakayama		Mie		Shizuoka		Kanagawa		Saitama	
101	26	208	237	321	301	837	274	Tokyo	
								2,084	520
								Chiba	
								556	109

Ishikawa		Aomori		Iwate	
117	180	77	172	124	67
		Akita		Miyagi	
		87	87	278	99
		Yamagata		Fukushima	
		119	42	171	13
		Tochigi		Ibaraki	
		190	44	306	39

Hokkaido	
99	149

## Number of Store Openings and Closures (Non-consolidated)

	14/2	15/2	16/2	17/2			18/2 (est.)		
	FamilyMart			Total	FamilyMart	Circle K Sunkus	Total	FamilyMart	Circle K Sunkus
Number of stores	9,780	10,514	10,834	17,001	12,089	4,912	16,746	14,885	1,861
Opening	1,284	1,061	703	831	831	—	796	796	—
Converting Cocostore stores to FM brand	—	—	83	144	144	—	—	—	—
Re-location	96	110	182	244	244	—	500	500	—
Converting CKS stores to FM brand	—	—	—	829	829	—	2,600	2,600	—
Closure*	276	327	383	1,589	452	1,137	3,869	600	3,269
Net increase/decrease	1,008	734	320	71	1,208	(1,137)	(473)	2,796	(3,269)

\* Figures for closure of Circle K Sunkus stores include closures that occurred following the conversion to the FamilyMart brand.

## New Franchise Contracts

### Types of FamilyMart Franchise Contracts (From September 2016)

(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		1) 10% of monthly losses from food waste for amounts between ¥100,000 and ¥300,000 2) 50% for amounts between ¥300,000 and ¥500,000 3) 15% for amounts exceeding ¥500,000			
Support for utilities		90% for amounts below ¥3.6 million per year			
Store management support		¥1.2 million per year			

\* Net sales less cost of sales

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

### FamilyMart's Franchise System

FamilyMart Co., Ltd., as the franchiser, collaborates closely with all of its franchisees to foster mutual trust and a collaborative relationship so that both parties may achieve business growth. Our franchisees are responsible for store management, including the ordering of their own inventories, the arranging of their product displays, and the hiring and training of their staff. For our part, we supply not only our brand name and logo but also

full store management support services, including store operational know-how and the shared use of data management and logistics systems. In return for this support, the Company receives royalty income consisting of a certain percentage of each franchisee's gross margin. The rate differs according to the type of franchise contract.

### Major Store Operation Systems

Multiple-Store Promotion System (1FC Contracts)	Multiple-Store Promotion System (2FC Contracts)	Step-Up Program for Franchisees on 2FC Contracts
This incentive-based support system encourages franchisees operating one store to take on multiple stores.	Under this system, which is geared toward expanding franchise store operations, FamilyMart's Head Office provides all store infrastructure, thereby allowing franchisees to hold down the outlay of funds. Irrespective of the initial type of operating contract, franchisees can take on the management of multiple stores.	This program enables franchisees on 2FC 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.

\* Not applicable to certain stores

### Major Support Systems for Franchisees

Family Membership Promotion System	Newly Independent Franchisee Support System Intern Employee Independence System	Senior Citizen Franchisee System	2FC-N Contract Funds Partial Loan System	FamilyMart Store Staff Independent Franchisee Support System
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\* Not applicable to certain stores

## General Merchandise Store Business: UNY CO., LTD.

## Sales Growth

[%]

	16/2			17/2			18/2 (est.)
	1H	2H	Full year	1H	2H	Full year	
Y-o-y change in existing store sales (after day-of-the-week adjustment)	1.9	0.1	1.0	(1.1)	(0.9)	(1.0)	[0.6]
Clothing	(1.1)	(1.0)	(1.1)	(1.0)	(2.0)	(1.5)	
Household goods	(2.9)	(2.8)	(2.8)	(0.2)	(0.5)	(0.4)	
Food	3.6	0.9	2.2	(0.9)	0.2	(0.3)	
Y-o-y change in existing store sales	1.9	0.1	1.0	(0.3)	(1.3)	(0.8)	
Number of customers	(0.6)	(2.5)	(1.6)	(1.3)	(1.2)	(1.3)	
Average spending per customer	2.6	2.7	2.7	1.3	0.8	1.0	
Y-o-y change in all store sales	2.1	1.1	1.6	(1.2)	(3.3)	(2.3)	
Clothing	(2.2)	(1.2)	(1.7)	(2.1)	(5.5)	(3.8)	
Household goods	(3.3)	(2.8)	(3.1)	(3.2)	(11.5)	(7.6)	
Food	4.4	2.4	3.4	(0.4)	(0.3)	(0.3)	

## Sales by Product Category

[¥ million]

	14/2			15/2			16/2			17/2		
		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)
Clothing	108,655	(3.1)	14.8	99,975	(8.0)	14.2	98,274	(1.7)	13.7	94,535	(3.8)	13.5
Women's clothing	29,653	(2.5)	4.0	27,103	(8.6)	3.8	26,736	(1.4)	3.7	25,757	(3.7)	3.7
Children's clothing	14,320	(5.8)	2.0	12,948	(9.6)	1.8	12,619	(2.5)	1.8	12,486	(1.1)	1.8
Men's clothing	19,936	(0.7)	2.7	18,898	(5.2)	2.7	18,933	0.2	2.6	19,459	2.8	2.8
Shoes, bags and accessories	17,368	(2.3)	2.4	15,758	(9.3)	2.2	15,662	(0.6)	2.2	12,456	(20.5)	1.8
Underwear	27,376	(4.5)	3.7	25,266	(7.7)	3.6	24,322	(3.7)	3.4	24,375	0.2	3.5
Household goods	115,744	(2.4)	15.8	109,246	(5.6)	15.5	105,901	(3.1)	14.8	97,881	(7.6)	14.0
Household goods	21,021	(1.7)	2.9	16,689	(20.6)	2.4	15,907	(4.7)	2.2	11,812	(25.7)	1.7
General merchandise	94,722	(2.5)	12.9	92,556	(2.3)	13.1	89,994	(2.8)	12.6	86,069	(4.4)	12.3
Foods	496,355	1.7	67.8	484,962	(2.3)	68.7	501,236	3.4	69.9	499,502	(0.3)	71.4
Fresh food	291,841	1.9	39.8	286,898	(1.7)	40.7	298,368	4.0	41.6	296,121	(0.8)	42.3
Processed food	204,513	1.4	27.9	198,064	(3.2)	28.1	202,868	2.4	28.3	203,381	0.3	29.1
Commodity supplies	328	(11.7)	0.0	679	107.2	0.1	833	22.6	0.1	869	4.3	0.1
Other	11,332	2.5	1.5	10,905	(3.8)	1.5	10,748	(1.4)	1.5	7,033	(34.6)	1.0
Total	732,416	0.3	100.0	705,770	(3.6)	100.0	716,994	1.6	100.0	699,822	(2.4)	100.0

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

[¥ million]

	14/2			15/2			16/2			17/2		
		YoY (%)	Existing store sales*1 (%)		YoY (%)	Existing store sales*1 (%)		YoY (%)	Existing store sales*1 (%)		YoY (%)	Existing store sales*1 (%)
Apita	476,953	0.0	(0.1)	462,024	(3.1)	(3.4)	470,247	1.8	0.9	465,950	(0.9)	(0.9)
Piagio	242,225	0.8	1.2	231,601	(4.4)	(2.2)	234,922	1.4	1.1	228,617	(2.7)	(1.2)
U-Home*2	10,831	(0.4)	(3.0)	10,195	(5.9)	(2.9)	9,796	(3.9)	0.1	3,905	(60.1)	—
Total	730,010	0.3	0.3	703,821	(3.6)	(2.9)	714,965	1.6	1.0	698,473	(2.3)	(1.0)

\*1. The growth ratio of existing store sales is after day-of-the-week adjustment.

\*2. UNY CO., LTD. withdrew from home center business and closed all 11 U-Home stores from June to August in 2016.



## Gross Profit Ratio by Product Category

(%)

	14/2		15/2		16/2		17/2		18/2 (est.)	
		Increase / Decrease		Increase / Decrease		Increase / Decrease		Increase / Decrease		Increase / Decrease
Clothing	37.5	(0.7)	36.7	(0.8)	36.3	(0.4)	35.6	(0.7)		
Household goods	27.7	(0.2)	27.8	0.1	27.4	(0.4)	26.0	(1.4)		
Food	20.5	0.2	20.5	—	20.5	—	20.4	(0.1)		
Total	24.1	(0.2)	23.9	(0.2)	23.7	(0.2)	23.2	(0.5)	23.7	0.5

## Profile of Stores

### Number of Stores by Store Type

	14/2		15/2		16/2		17/2	
		Increase / Decrease		Increase / Decrease		Increase / Decrease		Increase / Decrease
Apita	97	1	98	1	97	(1)	97	—
Piagio	121	—	117	(4)	120	3	113	(7)
U-Home*	11	1	11	—	11	—	—	(11)
Total	229	2	226	(3)	228	2	210	(18)

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

### Number of Store Openings and Closures

	14/2		15/2		16/2		17/2	
		Increase / Decrease		Increase / Decrease		Increase / Decrease		Increase / Decrease
Number of stores	229	2	226	(3)	228	2	210	(18)
Opening	5	—	6	—	8	—	2	—
Closure	3	—	9	—	6	—	20	—

### Profile of Store Openings and Closures

	Store name	Location	Retail space (Directly operated)		Date of opening / closure
Opening	Lake Walk Okaya (Apita Okaya): rebuilding store	Nagano Prefecture	27,000m <sup>2</sup>	(10,200m <sup>2</sup> )	July 23, 2016
	Apita Kanazawabunko: rebuilding store	Kanagawa Prefecture	11,500m <sup>2</sup>	(6,300m <sup>2</sup> )	September 16, 2016
Closure*	Apita Fujieda	Shizuoka Prefecture	8,400m <sup>2</sup>	(6,400m <sup>2</sup> )	June 26, 2016
	Apita Kasagake	Gunma Prefecture	13,200m <sup>2</sup>	(9,700m <sup>2</sup> )	February 19, 2017
	Piagio Daiyuzan	Kanagawa Prefecture	9,200m <sup>2</sup>	(8,300m <sup>2</sup> )	May 15, 2016
	Piagio Toyosato	Shiga Prefecture	3,700m <sup>2</sup>	(2,900m <sup>2</sup> )	August 21, 2016
	Piagio Seki	Gifu Prefecture	7,800m <sup>2</sup>	(6,500m <sup>2</sup> )	January 22, 2017
	Piagio Kawamoto	Saitama Prefecture	3,200m <sup>2</sup>	(2,900m <sup>2</sup> )	February 12, 2017
	Piagio Nanao	Ishikawa Prefecture	8,500m <sup>2</sup>	(7,200m <sup>2</sup> )	February 12, 2017
	Piagio Ako	Mie Prefecture	4,300m <sup>2</sup>	(3,500m <sup>2</sup> )	February 12, 2017
	Piagio La Foods Core Nakata	Shizuoka Prefecture	900m <sup>2</sup>	(900m <sup>2</sup> )	February 12, 2017
	U-Home Yahagi	Aichi Prefecture	4,200m <sup>2</sup>	(4,200m <sup>2</sup> )	June 5, 2016
	U-Home Kagamihara	Gifu Prefecture	6,800m <sup>2</sup>	(6,800m <sup>2</sup> )	June 12, 2016
	U-Home Toyosato	Shiga Prefecture	2,700m <sup>2</sup>	(2,700m <sup>2</sup> )	June 19, 2016
	U-Home Agui	Aichi Prefecture	6,100m <sup>2</sup>	(6,100m <sup>2</sup> )	June 26, 2016
	U-Home Inazawa	Aichi Prefecture	5,900m <sup>2</sup>	(5,900m <sup>2</sup> )	July 3, 2016
	U-Home Shinshiro	Aichi Prefecture	2,900m <sup>2</sup>	(2,900m <sup>2</sup> )	July 10, 2016
	U-Home Nishiyamato	Nara Prefecture	4,400m <sup>2</sup>	(4,400m <sup>2</sup> )	July 17, 2016
	U-Home Okehazama	Aichi Prefecture	2,000m <sup>2</sup>	(1,900m <sup>2</sup> )	July 24, 2016
	U-Home Anjo	Aichi Prefecture	6,300m <sup>2</sup>	(6,300m <sup>2</sup> )	July 31, 2016
	U-Home Ureshino	Mie Prefecture	2,900m <sup>2</sup>	(2,900m <sup>2</sup> )	August 14, 2016
	U-Home Yamatokoriyama	Nara Prefecture	8,900m <sup>2</sup>	(8,900m <sup>2</sup> )	August 14, 2016

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

# Consolidated Business Results

## Financial Summary

[¥ million]

		Japanese GAAP				IFRS		
		13/2	14/2	15/2	16/2	17/2	16/2	17/2
Fiscal year								
Gross operating revenues	FamilyMart	334,087	345,603	374,430	427,676	894,994	424,435	843,815
	UNY GHD	1,030,259	1,032,126	1,018,959	1,038,733			
Operating income / Operating profit	FamilyMart	43,107	43,310	40,417	48,734	56,047	35,354	32,764
	UNY GHD	35,020	25,328	20,237	22,367			
Ordinary income	FamilyMart	45,410	47,315	42,520	51,888	59,336		
	UNY GHD	33,423	25,066	20,488	21,657			
Profit attributable to owners of the parent	FamilyMart	25,020	22,611	25,672	21,067	19,007	17,763	18,350
	UNY GHD	30,471	7,440	[2,408]	[2,873]			
Capital expenditures	FamilyMart	60,480	93,256	111,717	68,534			90,831
	UNY GHD	47,472	77,959	65,720	66,670			
Depreciation and amortization	FamilyMart	19,005	24,459	30,918	32,835			47,341
	UNY GHD	33,133	35,412	37,232	37,633			
Net cash provided by operating activities	FamilyMart	64,638	60,843	71,837	97,985	77,990	93,776	83,351
	UNY GHD	37,032	35,385	57,842	84,212			
Net cash used in investing activities	FamilyMart	[46,236]	[64,377]	[53,674]	[61,566]	[62,962]	[62,756]	[30,657]
	UNY GHD	[107,341]	[60,523]	[53,335]	[46,852]			
Net cash (used in) provided by financing activities	FamilyMart	[16,088]	[21,054]	[21,375]	[17,394]	[6,965]	[16,824]	[4,916]
	UNY GHD	[63,056]	71,714	[6,833]	[12,986]			
Fiscal year-end								
Total assets	FamilyMart	526,758	588,136	666,244	730,295	1,643,923	728,976	1,662,892
	UNY GHD	832,321	950,166	952,584	973,233			
Total equity	FamilyMart	247,755	265,458	284,829	295,229	534,492	271,876	514,823
	UNY GHD	304,354	305,776	301,249	285,018			
Per share of common stock								
Total equity per share (¥)	FamilyMart	2,515.61	2,686.37	2,872.40	2,987.34	4,104.88	2,864.20	4,065.23
	UNY GHD	1,264.63	1,291.17	1,271.84	1,206.51			
Basic net income per share (¥)	FamilyMart	263.57	238.19	270.45	221.94	171.74	187.13	165.83
	UNY GHD	140.64	32.13	[10.47]	[12.49]			
Cash dividends applicable to the year (¥)	FamilyMart	100.00	102.00	106.00	110.00	112.00	110.00	112.00
	UNY GHD	24.00	24.00	20.00	20.00			
Ratios								
Equity ratio (%)	FamilyMart	45.3	43.4	40.9	38.8	31.6	37.3	31.0
	UNY GHD	35.4	31.3	30.7	28.5			
ROE (return on equity) (%)	FamilyMart	11.0	9.2	9.7	7.6	4.7	6.6	4.7
	UNY GHD	11.3	2.5	—	—			
ROA (return on total assets) (%)	FamilyMart	5.0	4.1	4.1	3.0	1.6	2.5	1.5
	UNY GHD	3.4	0.8	—	—			
PER (price earnings ratio) (times)	FamilyMart	14.8	19.0	20.0	24.4	39.9	29.0	41.4
	UNY GHD	4.7	18.8	—	—			
Payout ratio (%)	FamilyMart	37.9	42.8	39.2	49.6	65.2	58.8	67.5
	UNY GHD	17.1	74.7	—	—			

**(Reference) Year-on-Year Comparisons Including the Performance of UNY GHD in Fiscal 2015 2H (Based on Japanese GAAP)**

\* Differs from numerical values under corporate accounting procedures.

	16/2					17/2					(¥ million)
	1H		2H		Full year	1H	2H		Full year		(reference) 1H
	FamilyMart	FamilyMart	UNY GHD	Total		FamilyMart	FamilyMart UNY HD		(reference) YoY	(reference) YoY	UNY GHD
Gross operating revenues	209,597	218,079	528,002	746,081	955,679	211,493	683,501	(8.4%)	894,994	(6.3%)	509,327
Convenience store business						211,493	274,320		485,814		
General merchandise store business							410,564		410,564		
Eliminations / Corporate							(1,384)		(1,384)		
Operating gross profit	167,429	169,087	199,180	368,267	535,697	173,783	340,995	(7.4%)	514,779	(3.9%)	190,103
Selling, general and administrative expenses	139,076	148,705	187,139	335,844	474,921	147,267	311,464	(7.3%)	458,732	(3.4%)	182,714
Convenience store business						147,267	206,211		353,479		
General merchandise store business							106,525		106,525		
Eliminations / Corporate							(1,272)		(1,272)		
Operating income	28,353	20,381	12,041	32,422	60,776	26,516	29,531	(8.9%)	56,047	(7.8%)	7,388
Convenience store business						26,516	13,855		40,371		
General merchandise store business							15,579		15,579		
Eliminations / Corporate							95		95		
Non-operating income	2,050	3,246	1,817	5,063	7,114	2,919	4,206	(16.9%)	7,126	0.2%	1,891
Non-operating expenses	1,353	790	2,481	3,271	4,624	1,258	2,578	(21.2%)	3,836	(17.0%)	3,058
Ordinary income	29,050	22,837	11,377	34,214	63,265	28,177	31,159	(8.9%)	59,336	(6.2%)	6,221
Extraordinary income	100	691	2,459	3,150	3,251	556	371	(88.2%)	928	(71.4%)	7,447
Extraordinary loss	6,590	7,328	12,989	20,317	26,908	9,918	14,753	(27.4%)	24,672	(8.3%)	113,867
Loss on disposal of fixed assets	1,184	1,753	759	2,513	3,697	2,374	2,824	12.4%	5,198	40.6%	
Impairment loss	3,402	4,339	10,338	14,677	18,080	6,280	8,005	(45.5%)	14,286	(21.0%)	
Other	2,003	1,235	1,891	3,126	5,129	1,263	3,923	25.5%	5,187	1.1%	
Income before income taxes	22,561	16,200	847	17,047	39,608	18,815	16,777	(1.6%)	35,592	(10.1%)	(100,199)
Profit attributable to owners of the parent	13,081	7,986	(2,595)	5,390	18,471	10,642	8,365	55.2%	19,007	2.9%	(91,290)

## Financial Results of Major Subsidiaries

### FamilyMart Co., Ltd. (Non-consolidated) (Based on Japanese GAAP)

\* Differs from numerical values under corporate accounting procedures.

(¥ million)

	16/2				17/2					
	1H		2H		1H		2H		Full year	
	FamilyMart	Circle K Sunkus	FamilyMart+ Circle K Sunkus	Full year	FamilyMart	Circle K Sunkus	FamilyMart+Circle K Sunkus	(reference) YoY	(reference) YoY	(reference) YoY
Total store sales	1,006,730	478,907	1,456,442	2,942,081	1,066,299	478,064	1,464,998	0.6%	3,009,363	2.3%
Gross operating revenues	164,749	70,943	228,364	464,057	173,629	73,832	230,075	0.7%	477,537	2.9%
Income from franchised stores	115,881	49,500	157,912	323,295	121,863	49,343	155,460	(1.6%)	326,667	1.0%
Other operating revenues	12,479	5,895	18,670	37,045	14,593	5,740	20,426	9.4%	40,760	10.0%
Net sales	36,387	15,547	51,781	103,716	37,171	18,749	54,188	4.6%	110,109	6.2%
Operating gross profit	138,760	59,025	190,458	388,245	146,822	59,320	189,609	(0.4%)	395,751	1.9%
Selling, general and administrative expenses	113,444	53,651	171,129	338,224	123,805	52,485	176,702	3.3%	352,993	4.4%
Leasehold and office rents	53,478	24,087	78,718	156,284	56,217	24,271	81,403	3.4%	161,892	3.6%
Personnel expenses	19,912	9,442	30,322	59,677	21,989	9,906	31,165	2.8%	63,061	5.7%
Advertising expenses	8,876	2,337	12,265	23,479	10,884	1,815	12,861	4.9%	25,561	8.9%
Depreciation	12,735	8,047	21,927	42,710	14,456	6,389	18,533	(15.5%)	39,378	(7.8%)
Other	18,441	9,736	27,895	56,073	20,257	10,103	32,738	17.4%	63,100	12.5%
Operating income	25,316	5,374	19,329	50,020	23,016	6,834	12,906	(33.2%)	42,758	(14.5%)
Non-operating income	3,876	615	2,495	6,988	4,359	507	3,127	25.3%	7,994	14.4%
Non-operating expenses	890	306	1,241	2,438	1,172	345	1,210	(2.5%)	2,728	11.9%
Ordinary income	28,302	5,683	20,583	54,570	26,203	6,996	14,823	(28.0%)	48,023	(12.0%)
Extraordinary income	83	263	572	919	535	65	172	(70.0%)	772	(16.0%)
Extraordinary loss	7,122	6,913	12,663	26,700	10,494	43,541	21,036	66.1%	75,072	181.2%
Loss on disposal of fixed assets	1,058	88	1,654	2,800	2,328	1,648	2,931	77.2%	6,908	146.7%
Impairment loss	3,402	6,378	5,128	14,910	6,280	29,119	7,332	43.0%	42,732	186.6%
Loss on business of subsidiaries, affiliates and others	1,827	142	2,476	4,446	598	1,394	2,388	(3.6%)	4,380	(1.5%)
Other	834	304	3,404	4,543	1,286	11,379	8,384	146.2%	21,049	363.3%
Income before income taxes	21,263	(965)	8,492	28,790	16,244	(36,478)	(6,041)	—	(26,275)	—
Net income	13,785	(1,467)	2,602	14,920	9,908	(26,355)	(5,452)	—	(21,899)	—

\* Due to management integration, past financial results for Circle K Sunkus have been reformatted to match FamilyMart's method of presentation.



**UNY CO., LTD. (Non-consolidated) (Based on Japanese GAAP)**

(¥ million)

	16/2			17/2					
	1H	2H	Full year	1H	2H		Full year		
					YoY	YoY		YoY	
Gross operating revenues	370,350	387,591	757,941	366,406	(1.1%)	375,626	(3.1%)	742,032	(2.1%)
Net sales	350,230	366,764	716,994	345,829	(1.3%)	353,993	(3.5%)	699,822	(2.4%)
Y-o-y change in existing store sales (after day-of-the-week adjustment)	1.9%	0.1%	1.0%	(1.1%)	—	(0.9%)	—	(1.0%)	—
Other revenues	20,120	20,826	40,947	20,576	2.3%	21,633	3.9%	42,210	3.1%
Gross profit	82,443	87,214	169,657	76,518	(7.2%)	86,091	(1.3%)	162,609	(4.2%)
Gross profit ratio	23.5%	23.8%	23.7%	22.1%	(1.4%)	24.3%	0.5%	23.2%	(0.5%)
Operating gross profit	102,563	108,041	210,604	97,095	(5.3%)	107,724	(0.3%)	204,820	(2.7%)
Selling, general and administrative expenses	99,689	100,292	199,981	95,259	(4.4%)	95,694	(4.6%)	190,953	(4.5%)
Leasehold and office rents	12,028	12,153	24,181	11,490	(4.5%)	11,480	(5.5%)	22,970	(5.0%)
Personnel expenses	44,780	45,411	90,192	44,431	(0.8%)	43,780	(3.6%)	88,212	(2.2%)
Advertising expenses	5,748	5,754	11,503	5,223	(9.1%)	5,543	(3.7%)	10,766	(6.4%)
Depreciation	7,857	8,524	16,381	6,454	(17.9%)	5,899	(30.8%)	12,353	(24.6%)
Water, electricity and heating expenses	7,154	5,937	13,091	5,429	(24.1%)	4,974	(16.2%)	10,404	(20.5%)
Other	22,120	22,512	44,632	22,229	0.5%	24,016	6.7%	46,246	3.6%
Operating income	2,874	7,748	10,623	1,836	(36.1%)	12,030	55.3%	13,866	30.5%
Non-operating income	721	2,122	2,843	767	6.4%	2,835	33.6%	3,602	26.7%
Non-operating expenses	1,249	1,278	2,527	1,410	12.9%	2,132	66.8%	3,542	40.2%
Ordinary income	2,346	8,593	10,939	1,192	(49.2%)	12,733	48.2%	13,925	27.3%
Extraordinary income	3,032	694	3,726	1,017	(66.5%)	13	(98.0%)	1,030	(72.3%)
Extraordinary loss	1,895	6,462	8,357	56,013	—	10,604	64.1%	66,618	697.1%
Loss on disposal of fixed assets	438	698	1,136	699	59.4%	377	(45.9%)	1,076	(5.3%)
Impairment loss	1,350	5,212	6,563	54,444	—	9,526	82.7%	63,970	874.7%
Other	106	551	657	870	718.6%	700	27.1%	1,571	138.8%
Income before income taxes	3,483	2,824	6,308	(53,803)	—	2,142	(24.2%)	(51,661)	—
Net income	1,253	1,288	2,541	(54,323)	—	(2,275)	—	(56,599)	—

## Information on Major Companies

### Number of Consolidated Subsidiaries and Equity-method Affiliates (Based on IFRS)

	17/2		
	CVS business		GMS business
Number of consolidated subsidiaries	42	29	13
Number of equity-method affiliates	29	22	7
Total	71	51	20

### Financial Summary of Main Consolidated Subsidiaries in the CVS Business (Based on IFRS)

(¥ million)

	17/2	17/2					
	Shares* <sup>1</sup>	Gross operating revenues		Operating income		Net income	
		YoY		YoY		YoY	
[Reference] FamilyMart Co., Ltd. (non-consolidated)* <sup>2</sup>	100.00%	393,646		9,852		6,382	
Taiwan FamilyMart Co., Ltd.	50.00%	55,688	(4.5%)	5,878	(5.9%)	4,885	(2.3%)
famima.com Co., Ltd.	72.33%	9,843	10.2%	1,077	20.9%	727	31.1%
SENIOR LIFE CREATE Co., Ltd.	95.43%	8,501	7.4%	392	(32.8%)	248	(31.7%)

\*1. The figures for earnings contributions (shares) by affiliates and subsidiaries are as of February 28, 2017.

\*2. 17/2 for FamilyMart Co., Ltd. (non-consolidated) combines the first-half performance of FamilyMart Co., Ltd. before the management integration.

### Financial Summary of Main Consolidated Subsidiaries in the GMS Business (Based on IFRS)

(¥ million)

	17/2	17/2 2H					
	Shares*	Gross operating revenues		Operating income		Net income	
		YoY		YoY		YoY	
UNY CO., LTD. (non-consolidated)	100.00%	316,362		8,735		6,807	
99 ICHIBA Co., Ltd.	100.00%	6,651		17		0	
UCS CO., LTD.	81.35%	11,342		2,407		1,589	

\* The figures for earnings contributions (shares) by affiliates and subsidiaries are as of February 28, 2017.

### Financial Summary of Main Equity-method Affiliates (Based on IFRS)

(¥ million)

	17/2	17/2	
	Shares*	Net income	
		YoY	
Okinawa FamilyMart Co., Ltd.	48.98%	954	3.4%
Minami Kyushu FamilyMart Co., Ltd.	49.00%	60	(52.7%)
Central FamilyMart Co., Ltd.	49.00%	(1,956)	—
Shanghai FamilyMart Co., Ltd.	31.19%	1,117	(25.8%)

\* The figures for earnings contributions (shares) by affiliates and subsidiaries are as of February 28, 2017.

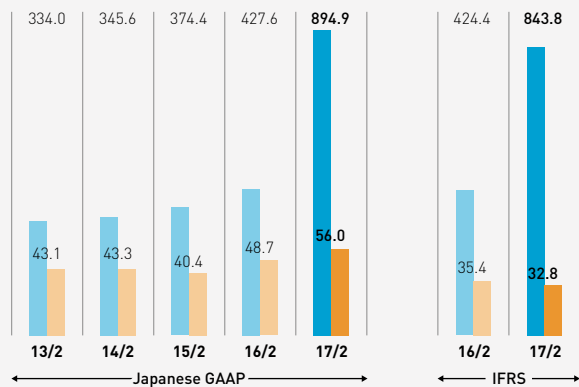
## Capital Expenditures (Based on IFRS)

					(¥ million)
		17/2			18/2 (est.)
		1H	2H	Full year	Full year
<b>FamilyMart Co., Ltd. (Non-consolidated)</b>					
Lease deposits		8,724	8,450	17,174	18,043
New stores		6,021	10,340	16,361	35,192
Existing stores		2,388	2,207	4,595	6,848
For stores		8,409	12,547	20,956	42,040
Head office investment		257	520	777	4,638
System investment		916	3,923	4,839	7,124
For head office		1,173	4,443	5,616	11,762
Lease		14,230	15,145	29,375	46,980
Total capital expenditure		32,538	40,585	73,123	118,828
<b>UNY CO., LTD. (Non-consolidated)</b>					
Future development			626	626	5,000
New stores			2,150	2,150	3,000
Existing stores			1,785	1,785	12,000
Total capital expenditure			4,560	4,560	20,000
<b>Consolidated total</b>					
Capital expenditure				90,831	
Depreciation				47,341	

## Consolidated Performance

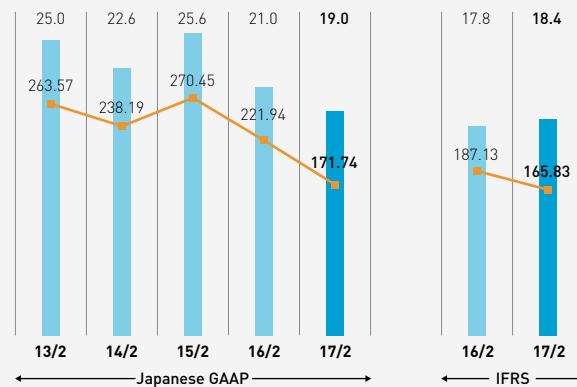
### Gross Operating Revenues and Operating Income / Operating Profit

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



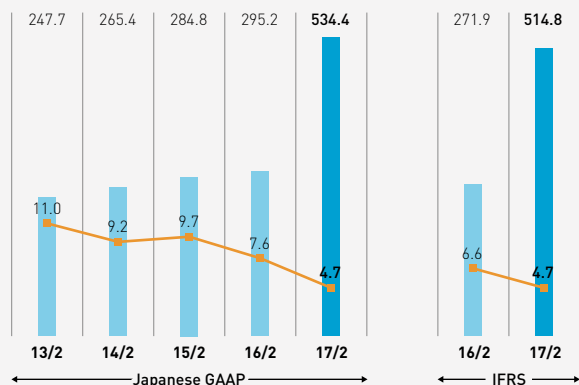
### Net Profit Attributable to Owners of the Parent and EPS

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



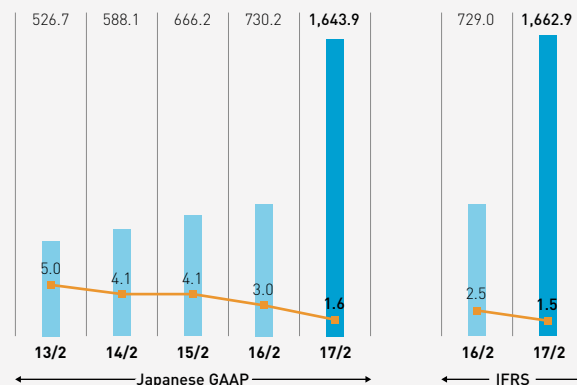
### Total Equity and ROE

■ Total equity (¥ billion) ■ ROE (%)



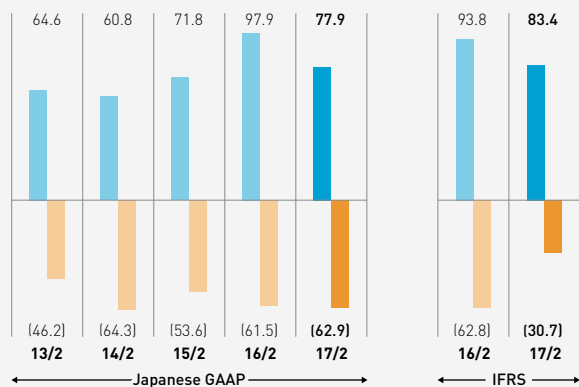
### Total Assets and ROA

■ Total assets (¥ billion) ■ ROA (%)



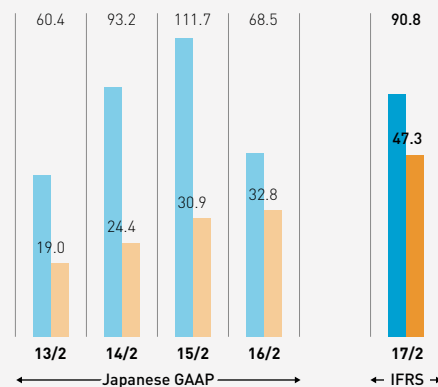
### Cash Flows

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



### Capital Expenditures and Depreciation and Amortization

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

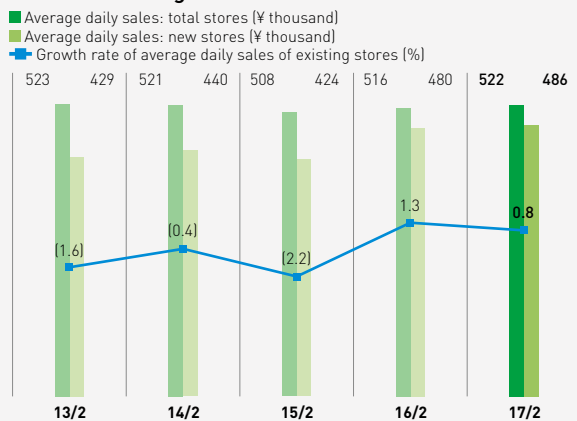




## Operating Data (Non-consolidated)

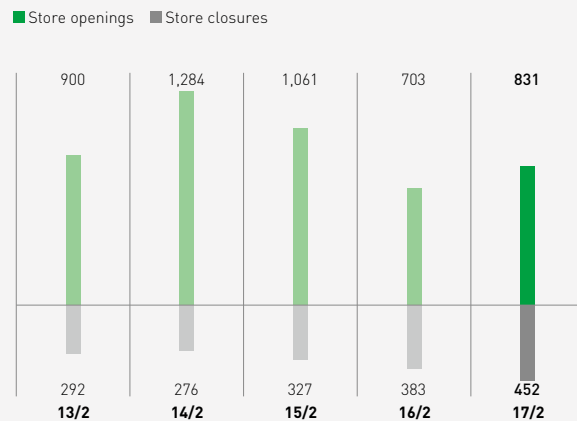
### CVS Business

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



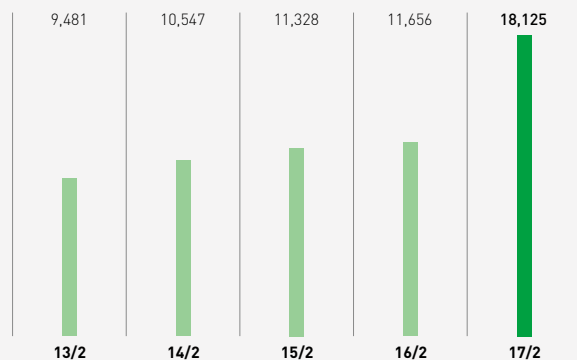
\* Circle K and Sunkus stores after brand conversion are included in figures for total stores, not included in figures for existing stores and newly opened stores.

#### Store Openings / Store Closures



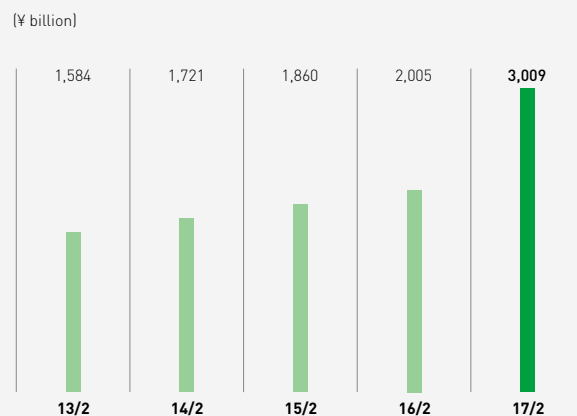
\* Circle K Sunkus stores are not included.

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



\* Figure for 2017/2 includes Circle K and Sunkus stores.

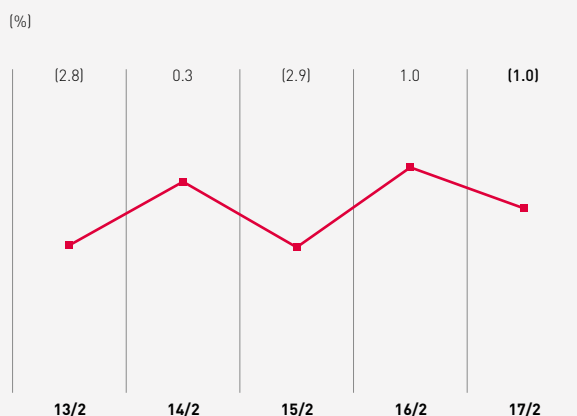
#### Total Store Sales



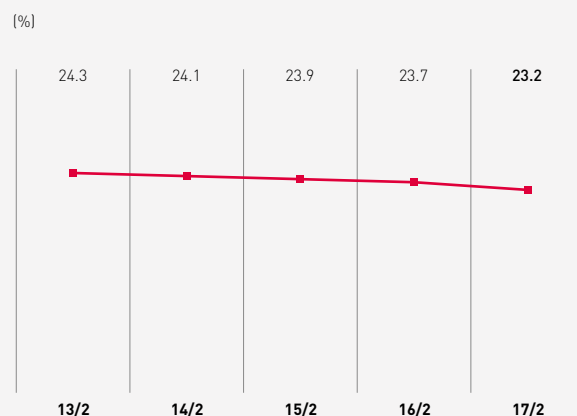
\* Figure for 2017/2 includes Circle K and Sunkus stores.

### GMS Business

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



#### Gross Profit Ratio



# Management's Discussion and Analysis

## Current Situation of the Corporate Group

The Group consists of a total of 72 companies: the Company (FamilyMart UNY Holdings Co., Ltd.), 42 subsidiaries, and 29 affiliates and jointly controlled companies. These companies develop operations in the convenience store business, the general merchandise store business, and peripheral businesses.

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

### Major Group Companies

Company name	Operations	Voting rights (%)	Relations to the Company
<b>Subsidiaries</b>			
FamilyMart Co., Ltd.* <sup>1</sup>	Convenience store business	100.00	Management guidance based on Group strategies, outsourcing transactions, officers holding concurrent positions at the Company
UNY CO., LTD.* <sup>1</sup>	General merchandise store business	100.00	Management guidance based on Group strategies, contracting transactions, officers holding concurrent positions at the Company
Taiwan FamilyMart Co., Ltd.* <sup>1</sup>	Convenience store business	50.00 (50.00)	
famima Retail Service Co., Ltd.	Accounting and other store-related services	100.00 (100.00)	
famima.com Co., Ltd.	E-commerce-related services	72.33 (72.33)	
UCS CO., LTD.* <sup>2</sup>	Credit card service business	81.35 (81.35)	Liability guarantee, officers holding concurrent positions at the Company
Sun Sougou Maintenance Co., Ltd.	Contracting of security, janitorial, and maintenance operations	100.00 (100.00)	
UNY (HK) CO., LIMITED	General merchandise store business	100.00 (100.00)	
34 other companies			
<b>Affiliates and Joint Ventures</b>			
Kanemi Co., Ltd.* <sup>2</sup>	Manufacture, processing, and wholesale of prepared dishes	26.04	
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	* <sup>5</sup>	
Guangzhou FamilyMart Co., Ltd.	Convenience store business	* <sup>5</sup>	
Suzhou FamilyMart Co., Ltd.	Convenience store business	* <sup>5</sup>	
POCKET CARD CO., LTD.* <sup>2*3</sup>	Credit card service business	15.01 (15.01)	
21 other companies			
<b>Other</b>			
ITOCHU Corporation* <sup>2*4</sup>	General trading company	35.10 (0.20)	Advice and support regarding product supply systems for convenience store business and general merchandise store business and other support

\*1. Company indicated is a specified subsidiary.

\*2. Company indicated submits annual securities reports.

\*3. The Group does not hold 20% of voting rights. However, as a result of taking into consideration the distribution status of voting rights, the attendance to Board, and transactions regarding famima T card business, the Group determines that it has significant influence.

\*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.

Effective September 1, 2016, the Company conducted an absorption-type merger whereby the Company was the surviving company and UNY Group Holdings Co., Ltd. UNY Group Holdings was the absorbed company as well as an absorption-type demerger whereby the Company was the demerged company and Circle K Sunkus Co., Ltd. (trade was changed to FamilyMart Co., Ltd., as of September 1, 2016), which was a former wholly owned subsidiary of UNY Group Holdings, was the succeeding company (the

absorption-type merger and the absorption-type demerger are collectively called the "management integration"). As the Company's convenience store business was transferred to Circle K Sunkus, the Group shifted to a holding company model in which the Company is the holding company.

The Group intends to improve its corporate value by consolidating the management resources of these companies and providing customers with original value through the management integration.

On September 1, 2016, the name of the newly integrated company was changed to FamilyMart UNY Holdings Co., Ltd., and the name of Circle K Sunkus Co., Ltd., was changed to FamilyMart Co., Ltd.

## Market Environment in Fiscal 2016

During fiscal 2016, the Japanese economy experienced a gradual recovery on the whole mainly due to the improved job market and a rise in wages. Meanwhile, a deep-rooted trend toward thriftiness among consumers was seen, and the improvement of consumer confidence was delayed, causing conditions in the retail industry to remain challenging.

Looking at the retail industry in Japan as a whole, the total amount of sales in the industry amounted to ¥140.2 trillion, down 0.2% year on year, in fiscal 2016. Sales by department stores were ¥6.5 trillion, down 3.4% year on year; sales by supermarkets came to ¥12.9 trillion, relatively unchanged year on year; and sales by convenience stores were ¥11.5 trillion, up 3.4% year on year. Meanwhile, e-commerce sales increased more than 10% from ¥13.7 trillion in fiscal 2015 to ¥15.1 trillion in fiscal 2016.

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

## Business Performance in Fiscal 2016

\* The Company adopted the International Financial Reporting Standards (IFRS) in fiscal 2016. Year-on-year comparisons use figures for the previous fiscal year that have been restated based on IFRS standards.

On September 1, 2016, the Group cut a fresh start following the management integration of FamilyMart Co., Ltd., and UNY Group Holdings Co., Ltd.

In fiscal 2016, operating revenues increased ¥419,380 million, or 98.8%, year on year, to ¥843,815 million, due to the management integration. Operating profit, however, decreased ¥2,590 million, or 7.3%, to ¥32,764 million, as a result of higher cost of sales and selling, general and administrative expenses.

Profit before income taxes decreased ¥2,347 million, or 6.5%, year on year, to ¥33,483 million.

After deducting income tax expenses and profit attributable to non-controlling interests, profit attributable to owners of the parent increased ¥587 million, or 3.3%, year on year, to ¥18,350 million.

### Operating Results (Consolidated, IFRS)

	16/2	17/2	YoY
Gross operating revenues	424,435	<b>843,815</b>	98.8%
Operating profit	35,354	<b>32,764</b>	[7.3%]
Profit attributable to owners of the parent	17,763	<b>18,350</b>	3.3%

(¥ million)

## Segment Initiatives and Performance

Performance by segment is as follows.

### Convenience Store Business

Based on the strategic theme of "Fun & Fresh," which focuses on these values to create an integrated value chain that encompasses partners in other industries, FamilyMart Co., Ltd., endeavors to improve quality for customers through initiatives in the areas of products, operations, and development with the aim of being a leading company in the retail industry in respect of quality.

In regard to merchandise, we continue to promote structural reforms in relation to ready-to-eat products to improve quality for the customer. These efforts include re-inventing products such as sandwiches, rice balls, and FAMIMA PREMIUM Chicken. In this way, we are working to develop original products and improve their quality. To better address diversifying household dining needs, we have considerably expanded the assortment of delicatessen products, such as FamiDelica cool Sozai (prepared dishes); prepared dishes storable at room temperature, such as chicken steak; and frozen food dishes since September 2016. In addition, over the period from June 2016 to February 2017, we held the "FAMICHIKI Great Thanks Festival" to celebrate the 10th anniversary of FAMICHIKI's debut. Due to such ongoing efforts to enhance our ready-to-eat products, sales of these products exceeded those from the previous fiscal year.

Since September 2016, we have moved forward with the integration of ready-to-eat products and various other FamilyMart and Circle K Sunkus brand product lines. By February 28, 2017, we had completed integrating all product lines under the FamilyMart brand. We intend to further accelerate the structural reforms for ready-to-eat products in order to provide customers with even higher quality products.

As for sales promotion, we held four Famima Festa campaigns, in April, July, and October 2016 and in January 2017, as well as the "Campaign Celebrating the

## Management's Discussion and Analysis

Integration,” which was held in conjunction with the foundation of the new company in September 2016. In addition, in March, July, November, and December 2016, we implemented the “Select Sale” campaign, which featured discounts on hot-selling items selected from various categories. All of these events contributed to improved sales.

In store operation, we worked together with franchisees to create customer-first stores, improve sales floor quality, and enhance store assets. We also have implemented stricter quality, service, and cleanliness (QSC) inspections to achieve our goal of being the no. 1 convenience store chain in terms of quality. In addition, we have committed to radically expanding the lineups of ready-to-eat products and enhancing the leadership capabilities of supervisors. Furthermore, we introduced a new franchise contract package in September 2016, under which part of the waste loss and utility costs of each store will be subsidized and a support fund for store management will be provided. This move was aimed at helping to cope with environment changes related to store operation, such as the gradual increase in store expenses and labor shortages. As of February 28, 2017, approximately 9,000 stores had changed over to the new package. We aim to increase daily sales and improve the level of store management by leveraging the new franchise contract package.

In store development, we are promoting strategic build-and-scrap (B&S) and build-and-build (B&B) policies with the aim of opening stores to achieve the sound growth of a network that exceeds 10,000 stores. The aggregate number of Cocostore brand stores that had been converted to FamilyMart brand stores reached 364, including 259 stores that were converted during fiscal 2016. Concerning the brand conversion of Circle K and Sunkus stores to FamilyMart stores, we simultaneously opened three stores—the FamilyMart Harumi Center Building, FamilyMart Showa Shiotsuke-dori 1-chome and FamilyMart Osaka Business Park stores—on September 1, 2016, successfully promoting brand conversion thereafter. The conversion of branding was completed at a total of 829 stores as of February 28, 2017, which exceeded the number previously planned.

At domestic area franchisers, the number of franchisees of Okinawa FamilyMart Co., Ltd., has exceeded 300 and the number of franchisees of Minami Kyushu FamilyMart Co., Ltd., has exceeded 400 due to the brand conversion from Cocostore to FamilyMart. Consequently, our operating base has been fortified in the respective regions.

In other domestic business operations, favorable performance was seen in home delivery of *bento* boxed lunches for senior citizens by SENIOR LIFE CREATE Co., Ltd., with a monthly record of more than two million meals in July 2016. Going forward, we will continue working to create an environment that supports active lifestyles by senior citizens through the provision of food.

In overseas businesses, our basic business format is the joint venture model in which the Company participates in corporate management through joint capital investment with local partners. We strive to maximize our share in profits and dividend income from these joint companies and work to ensure stable royalty income through the provision of know-how and support activities associated with licensing.

In Taiwan, we moved ahead with the opening of stores integrated with different types of business, such as drug stores, supermarkets, and restaurants that utilize Japanese know-how. We also promoted structural reforms involving our ready-to-eat products, re-invented fast food products, and introduced new products. Through these measures, daily sales grew favorably. In Thailand, we bolstered lineups of ready-to-eat products and fast food products, such as chilled boxed lunches, sandwiches, and rice balls. In addition, smooth progress was made in management improvement measures as evidenced by the renovation of store facilities, including the full remodeling of stores, and by sales promotions taking advantage of The 1 Card, which boosted daily sales. In China, daily sales exceeded that of the previous year mainly due to the utilization of TV commercials and point cards as well as the enhanced lineup of ready-to-eat products, which led to an increase in the number of customers. We are striving to further improve profits through measures such as expanding our store network. In Malaysia, we opened the FamilyMart Wisma Lim Foo Yong store in November 2016. Located in the capital city of Kuala Lumpur, this is the first FamilyMart store in Malaysia. By February 28, 2017, we had opened a total of four stores in this country.

The total number of stores operated in Japan was 18,125 (including 1,124 stores operated by five domestic area franchisers) as of February 28, 2017. The total number of stores operated overseas in Taiwan, Thailand, China, Vietnam, Indonesia, the Philippines, and Malaysia was 6,375 and the total number of FamilyMart stores worldwide, including both domestic and overseas stores, was 24,500 as of the same date.



As a result, gross operating revenues in the convenience store business increased by 14.1% year on year, to ¥484,461 million, whereas profit attributable to owners of the parent decreased by 37.5%, to ¥11,106 million.

#### Operating Results: CVS Business (IFRS)

	16/2	17/2	YoY
Gross operating revenues	424,435	<b>484,461</b>	14.1%
Segment profit	17,763	<b>11,106</b>	(37.5%)

	16/2	17/2	Increase / Decrease
Growth rate of average daily sales at existing stores (%)			
FamilyMart	1.3	<b>0.8</b>	—
Circle K Sunkus	[0.9]	<b>[2.1]</b>	—
Average daily sales at existing stores (¥ thousand)			
FamilyMart	517	<b>523</b>	6
Circle K Sunkus	431	<b>424</b>	[7]
Number of customers at existing stores			
FamilyMart	916	<b>914</b>	[2]
Circle K Sunkus	699	<b>680</b>	[19]
Average daily sales at existing stores (¥)			
FamilyMart	565	<b>571</b>	6
Circle K Sunkus	616	<b>624</b>	8

#### General Merchandise Store Business

UNY CO., LTD., vows to stay true to its mission of “delivering the greatest satisfaction each day to our customers,” even after the management integration. Accordingly, this company implemented various initiatives with the aim of becoming a retail business that is a familiar and trusted partner to customers in the regions in which it operates and to thereby realize its corporate vision of operating a “new lifestyle creation retail business.” During fiscal 2016, we exerted our full potential in advancing three specific initiatives for realizing our vision of a “new life-style creation retail business”: (1) Pursuing customer satisfaction through quality products with value exceeding their price, (2) Providing customers with new discoveries through weekly plans and proposals at sales floors, and (3) Aiming to make sales floors more attractive by increasing product lineups and introducing popular tenants.

For our products, since September 2016, we have added 12 low-salt type items to the Style ONE “Healthy” private label series of health-conscious products. The Daisy Lab, which is engaged in product development from a woman’s perspective led by female staff, launched four *Kodawari Makura* pillow items that were

co-developed with female staff at Nishikawa Living Inc. in December 2016.

In marketing, we conducted special campaigns in commemoration of the foundation of the new company, namely “GO! GO! Guam,” a campaign implemented at all the APITA and PIAGO stores in September 2016 that offered customers a chance to win a trip to Guam, and the “APITA Car Festa,” a campaign in which TOYOTA’s popular car models were made available at attractive prices at 46 APITA stores in Aichi, Mie, and Gifu prefectures. In addition, as part of our efforts for nurturing new businesses that create synergies with general supermarket stores, we opened the Yuyu Culture Center inside the APITA Inazawa store in September 2016. Furthermore, effective from October 2016, we expanded the service area and range of the contract coverage types for Smaden®, an electricity provision service that offers optimal pricing and that we are deploying in response to the deregulation of electricity sales. We thereby enhanced this service, which is now even more affordable.

As for development, we reopened the APITA Kanazawabunko store after its full renovation in September 2016. We intend to develop APITA Kanazawabunko into a store that is closely linked to local residents with enhanced product lineups, more affordable prices, and better service based on the concept of a “life-enriching store where you can find value day to day.” As part of the measures for revitalizing stores through increased investment in existing stores that UNY began advancing in fiscal 2016, we reopened the directly managed sales floor of the APITA Obu store in October 2016 after its full renovation, which is meant to provide a model example for renovations of medium-sized APITA stores. We introduced a new sales area for prepared dishes and sweets on the food sales floor and expanded the lineups of apparel and household goods with the goal of providing lifestyle proposals and the quality of a half-department store.

As for sales at existing stores, in the third quarter, sales of fall and winter apparel were sluggish from September to October 2016 mainly due to the adverse effects of the fall rain front, typhoons, and unusually high temperatures. Meanwhile, sales of beverages, ice cream, and other foodstuffs performed well during the third quarter. In November 2016, sales of winter apparel performed favorably in conjunction with the decline in temperatures, and sales of foodstuffs were buoyed by higher market prices for fruits and vegetables. In the fourth quarter, the high temperatures created difficult

conditions for apparel products and household goods, particularly seasonal items. Conversely, Christmas-related cosmetics and toys performed favorably. As for foodstuffs, strong sales were seen for crabs and other products that sell well around New Year's and for health-related products. However, sales of processed meat products suffered as did sales of Japanese-produced beef, which were affected by high market prices. Sales of fruits, vegetables, and prepared dishes remained stable throughout the period, contributing to firm overall sales.

The store count of UNY was 210 on February 28, 2017, with one new opening and seven closures during fiscal 2016.

UCS CO., LTD., promoted comprehensive credit purchase intermediation in the credit card business by implementing a bonus point campaign targeting UCS card members celebrating the foundation of FamilyMart UNY Holdings. UCS also worked to increase transaction volumes through coupon and promotion campaigns conducted with affiliates, such as restaurants and leisure facilities. In addition, we stepped up measures for promoting revolving payments in light of a new government credit policy. Meanwhile, in the financing business, transaction volume and outstanding balances remained stagnant due to the prolonged effect of the revisions to the Money Lending Business Act. With respect to e-money services, we worked to increase transaction volumes by expanding the scope of services for converting points from other businesses into uniko points while also implementing promotion campaigns, such as uniko charge campaigns and discount coupon present campaigns. In the insurance and leasing business, life insurance operations achieved solid performance centered on insurance counters, but non-life insurance operations targeting corporations struggled in the insurance agency field.

As a result, gross operating revenues in the general merchandise store business were ¥360,739 million and profit attributable to owners of the parent was ¥6,892 million.

## Operating Results: GMS Business (IFRS)

	16/2	17/2	YoY
Gross operating revenues	—	<b>360,739</b>	—
Segment profit	—	<b>6,892</b>	—

\* 2H for 17/2

	16/2	17/2	YoY
Sales by product category			
Clothing	98,274	<b>94,535</b>	(3.8%)
Household goods	105,901	<b>97,881</b>	(7.6%)
Food	501,236	<b>499,502</b>	(0.3%)
Commodity supplies	833	<b>869</b>	4.3%
Other	10,748	<b>7,033</b>	(34.6%)
Total	716,994	<b>699,822</b>	(2.4%)

## Financial Position

Total assets stood at ¥1,662,892 million on February 28, 2017, an increase of ¥933,916 million compared with the previous fiscal year-end.

Current assets were up ¥285,348 million from a year earlier as a result of increases in trade and other receivables and cash and cash equivalents.

Non-current assets increased ¥648,568 million from the previous fiscal year-end following higher property, plant and equipment; investment property; and leasehold deposits receivable.

Total liabilities amounted to ¥1,132,514 million on February 28, 2017, up ¥687,060 million from a year earlier.

Current liabilities were up ¥330,580 million compared with the previous fiscal year-end due to increases in trade and other payables and bonds and borrowings.

Non-current liabilities rose ¥356,481 million from a year earlier primarily due to an increase in bonds and borrowings.

Total equity increased ¥246,856 million from the previous fiscal year-end, coming to ¥530,378 million on February 28, 2017. This outcome was largely due to higher capital surplus.

As a result, the equity ratio was 31.0%, down from 37.3% in the previous fiscal year; return on equity was 4.7%, down from 6.6%; and total equity attributable to owners of the parent per share was ¥4,065.23.

## Cash Flows

### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥83,351 million, down ¥10,425 million year on year. This outcome was a result of increases in payables and deposits received associated with the management integration and the rise in store numbers in the convenience store business.

### Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥30,657 million, down ¥32,099 million year on year. Investments in stores increased due to efforts to convert Circle K and Sunkus brand stores into FamilyMart brand stores in the convenience store business as well as new store openings and existing store renovations in the convenience store and general merchandise store businesses. However, this increase was offset by the acquisition of cash held by subsidiaries through the management integration.

### Cash Flows from Financing Activities

Net cash used in financing activities was ¥4,916 million, down ¥11,909 million year on year. Although finance lease transactions associated with store investments increased, this increase was counterbalanced by the procurement of funds through bond issuances, among other factors.

As a result, cash and cash equivalents at the end of the fiscal year amounted to ¥188,289 million, up ¥49,253 million from a year earlier.

## Capital Expenditures

In fiscal 2016, the Company and its subsidiaries conducted capital expenditures totaling ¥90,831 million primarily for store investments, including those for new store openings and the renovation of existing stores in the convenience store business.

## Capital Expenditures

	16/2	17/2
Convenience store business	68,534	85,655
General merchandise store business	—	5,176
Eliminations / Corporate	—	0
Total	68,534	90,831

\* 16/2: Japanese GAAP, 17/2: IFRS

In the convenience store business, ¥49,563 million of capital expenditures was for new store openings and repairs and renovation of stores, ¥19,372 million was for leasehold deposits associated with store leases, and ¥16,718 million was for investments related to information systems. In the general merchandise store business, ¥4,695 million of capital expenditures was for new openings and repairs and renovations of stores, ¥106 million was for leasehold deposits associated with store leases, and ¥374 million was for investments related to information systems.

Aside from store closures, no material sales or retirements of equipment were conducted during fiscal 2016.

## Dividend Policies

The Company views returning profits to shareholders as an important management task. We maintain the basic policy of distributing profits to shareholders on a stable and continuous basis commensurate with the Company's consolidated operating performance. Guided by this basic policy, we target a consolidated payout ratio of 40%. In addition, a lower limit for annual dividend payments in fiscal 2017 has been set at ¥112 per share.

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

Based on the above policies, the Company has chosen to issue annual dividend payments of ¥112 per share for fiscal 2016 consisting of an interim dividend of ¥56 per share and a year-end dividend of ¥56 per share.

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

## Medium-to-Long-Term Strategies and Outlook for Fiscal 2017

The business environment surrounding the retail industry remains challenging in Japan due to changes in the social environment including the declining birthrate and the aging population and the intensification of competition that is spreading across business lines. In addition, customer needs have diversified, necessitating the creation of products and services derived from new ideas. Moreover, there has been a growing call for corporate social responsibility in providing safe and secure foods and in responding to environmental issues.

Under such circumstances, to win out in the harsh competitive environment, the Group is determined to aggressively pursue opportunities for further growth through the provision of original value by utilizing all of its management resources.

### Convenience Store Business

In the domestic convenience store business, we will endeavor to quickly complete the conversion of stores to the FamilyMart brand. We will also leverage economies of scale and create synergies in various areas, including through the reinforcement of product development and procurement capabilities; the consolidation of infrastructure, such as distribution centers; and the integration of information systems. As for merchandise, we will further enhance product lineups and conduct large-scale capital expenditures in plants manufacturing ready-to-eat products and in other facilities. In marketing, we will streamline our operating structure and utilize IT technologies to reduce the amount of work required to operate stores. As for store development, we will focus on structural reforms to strengthen our development capabilities in order to prevent the emergence of unprofitable stores.

In overseas businesses, we will further reinforce our operations in Asia, centering on emerging countries.

As for new businesses, in the healthcare and nursing field, we will develop products and services focused on health and reinforce and expand home delivery services rooted in local communities. In the finance business, we will develop financial services that take advantage of our convenience stores and establish next-generation payment schemes.

### General Merchandise Store Business

In the general merchandise store business, we will further exercise synergies through the organic combination of Groupwide sales channels and our accumulated business know-how while developing new store formats and utilizing the procurement capabilities and services of the convenience store business with a focus on the Nagoya metropolitan area.

We will pursue growth in the general merchandise store business through two growth strategies: an offensive growth strategy of bolstering profitable stores and a defensive growth strategy of which the core theme is the improvement of our profit structure.

As for the offensive growth strategy, we will promote the renovation of existing stores, enhance the lineups of prepared dishes via direct management, provide lifestyle proposals that bridge the gap between apparel and household goods, and advance the selection and concentration of our product lineups. By implementing these measures, we will improve our ability to attract customers based on the circumstances surrounding individual stores. Furthermore, we will create stores compatible with changes in the business environment to promote in-house measures for identifying prospective tenants and establish prototype stores.

As for the defensive growth strategy, we will concentrate management resources by closing unprofitable stores and withdrawing from unprofitable businesses.

### Consolidated Performance Forecast

For fiscal 2017, the Company is forecasting consolidated operating gross revenues of ¥1,237,300 million, up 46.6% year on year; operating profit of ¥41,200 million, up 25.7%; and profit attributable to owners of the parent of ¥24,000 million, up 30.8%.

### Earnings Forecast (Consolidated, IFRS)

	17/2	18/2	YoY
Gross operating revenues	843,815	1,237,300	46.6%
Operating profit	32,764	41,200	25.7%
Profit attributable to owners of parent	18,350	24,000	30.8%

## Operational and Other Risks

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

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

### (1) Economic Trends

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

### (2) Natural Disasters

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

### (3) Franchise System

In its convenience-store business, the Group engages franchisees to operate its stores under its proprietary "FamilyMart System." The Group's business performance and financial position could be adversely affected by any acts that disrupt the

operation of the system or by illegal or scandalous behavior involving franchisees and business partners that causes the suspension of business transactions or undermines public confidence in the chain.

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

### (4) Food Safety

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

The Group is committed to supplying safe food products through quality management standards and an integrated quality management system that encompasses everything from production to marketing created jointly with business partners.

### (5) Legal and Regulatory Changes

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

stores or by differences of opinion with regulators leading to increased costs and operational restrictions.

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

### (6) Handling of Personal Information

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

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

### (7) IT Systems

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

The Group has set up IT system safety mechanisms.



# Consolidated Financial Statements

## Consolidated Statement of Financial Position (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries  
As of the date of transition, February 29, 2016 and February 28, 2017

	Millions of yen		Thousands of U.S. dollars*	
	Date of transition (March 1, 2015)	2016 (February 29, 2016)	2017 (February 28, 2017)	2017 (February 28, 2017)
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and cash equivalents	¥126,752	¥139,036	¥ 188,289	\$ 1,681,152
Trade and other receivables	78,521	86,399	258,729	2,310,080
Other financial assets	12,082	13,656	27,254	243,339
Inventories	15,956	16,898	53,401	476,795
Other current assets	16,645	17,094	27,417	244,795
Subtotal	249,956	273,084	555,089	4,956,152
Assets held for sale			3,343	29,848
Total current assets	249,956	273,084	558,432	4,986,000
NON-CURRENT ASSETS:				
Property, plant and equipment	180,038	182,584	410,371	3,664,027
Investment property	9,746	8,820	180,160	1,608,571
Goodwill	6,526	11,483	49,356	440,679
Intangible assets	14,921	21,253	73,895	659,777
Investments accounted for using the equity method	13,522	13,653	23,563	210,384
Leasehold deposits receivable	65,108	67,801	140,226	1,252,018
Other financial assets	110,243	122,278	138,528	1,236,857
Assets for retirement benefits			927	8,277
Deferred tax assets	13,823	15,999	73,762	658,589
Other non-current assets	12,127	12,021	13,672	122,071
Total non-current assets	426,054	455,892	1,104,460	9,861,250
<b>TOTAL ASSETS</b>	¥676,009	¥728,976	¥1,662,892	\$14,847,250

\* 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 ¥112 to \$1, the approximate rate of exchange at February 28, 2017.

	Millions of yen		Thousands of U.S. dollars*	
	Date of transition (March 1, 2015)	2016 (February 29, 2016)	2017 (February 28, 2017)	2017 (February 28, 2017)
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Trade and other payables	¥130,366	¥144,562	¥ 279,074	\$ 2,491,732
Deposits received	100,412	113,326	159,957	1,428,188
Bonds and borrowings	4,162	4,370	117,147	1,045,955
Lease obligations	17,479	18,657	20,240	180,714
Income taxes payable	10,037	3,632	4,579	40,884
Other current liabilities	17,759	22,389	56,519	504,634
Total current liabilities	280,215	306,937	637,517	5,692,116
<b>NON-CURRENT LIABILITIES:</b>				
Bonds and borrowings	5,174	17,887	276,682	2,470,375
Lease obligations	71,251	71,942	83,812	748,321
Other financial liabilities	12,256	11,852	55,873	498,866
Liabilities for retirement benefits	12,024	14,643	15,245	136,116
Provisions	16,625	18,173	51,994	464,232
Other non-current liabilities	1,776	4,019	11,390	101,696
Total non-current liabilities	119,106	138,517	494,997	4,419,616
<b>TOTAL LIABILITIES</b>	<b>399,322</b>	<b>445,454</b>	<b>1,132,514</b>	<b>10,111,732</b>
<b>EQUITY:</b>				
Common stock	16,659	16,659	16,659	148,741
Capital surplus	13,706	13,705	237,160	2,117,500
Treasury shares	(8,772)	(8,784)	(441)	(3,938)
Other components of equity	3,981	5,408	8,267	73,813
Retained earnings	238,632	244,889	253,179	2,260,527
Total equity attributable to owners of the parent	264,206	271,876	514,823	4,596,634
Non-controlling interests	12,482	11,646	15,555	138,884
<b>TOTAL EQUITY</b>	<b>276,688</b>	<b>283,522</b>	<b>530,378</b>	<b>4,735,518</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>¥676,009</b>	<b>¥728,976</b>	<b>¥1,662,892</b>	<b>\$14,847,250</b>

## Consolidated Statement of Profit or Loss (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries  
For the years ended February 29, 2016 and February 28, 2017

	Millions of yen		Thousands of U.S. dollars*
	2016 (From March 1, 2015 to February 29, 2016)	2017 (From March 1, 2016 to February 28, 2017)	2017 (From March 1, 2016 to February 28, 2017)
<b>Gross operating revenues</b>	¥ 424,435	¥ 843,815	\$ 7,534,063
Cost of sales	(79,687)	(314,584)	(2,808,786)
<b>Gross profit</b>	344,748	529,231	4,725,277
Selling, general, and administrative expenses	(294,467)	(473,936)	(4,231,571)
Equity in earnings of associates and joint ventures	(397)	1,009	9,009
Other income	1,728	3,880	34,643
Other expenses	(16,259)	(27,420)	(244,821)
<b>Operating profit</b>	35,354	32,764	292,536
Finance income	2,375	3,301	29,473
Finance costs	(1,900)	(2,582)	(23,054)
<b>Profit before income taxes</b>	35,830	33,483	298,955
Income taxes	(14,847)	(12,416)	(110,857)
<b>Net profit</b>	¥ 20,983	¥ 21,067	\$ 188,098
<b>NET PROFIT ATTRIBUTABLE TO:</b>			
Owners of the parent	¥ 17,763	¥ 18,350	\$ 163,839
Non-controlling interests	3,220	2,717	24,259
Net profit	¥ 20,983	¥ 21,067	\$ 188,098
<b>EARNINGS PER SHARE (Yen and U.S. Dollars):</b>			
Basic earnings per share	¥ 187.13	¥ 165.83	\$ 1.48
Diluted earnings per share			

## Consolidated Statement of Comprehensive Income (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries  
For the years ended February 29, 2016 and February 28, 2017

	Millions of yen		Thousands of U.S. dollars*
	2016 (From March 1, 2015 to February 29, 2016)	2017 (From March 1, 2016 to February 28, 2017)	2017 (From March 1, 2016 to February 28, 2017)
<b>NET PROFIT</b>	¥20,983	¥21,067	\$188,098
<b>OTHER COMPREHENSIVE INCOME:</b>			
Items that will not be reclassified subsequently to profit or loss			
Financial assets measured at fair value through other comprehensive income	2,500	1,918	17,125
Remeasurements of defined benefit plans	(1,752)	398	3,554
Share of other comprehensive income of investments accounted for using the equity method	(26)	40	357
Total of items that will not be reclassified subsequently to profit or loss	722	2,356	21,036
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges		401	3,580
Exchange difference on translating foreign operations	(1,554)	1,350	12,054
Share of other comprehensive income of investments accounted for using the equity method	(547)	(133)	(1,188)
Total of items that may be reclassified subsequently to profit or loss	(2,102)	1,619	14,455
Total other comprehensive income, net of tax	(1,379)	3,975	35,491
<b>COMPREHENSIVE INCOME</b>	¥19,603	¥25,042	\$223,589
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent	¥17,935	¥21,812	\$194,750
Non-controlling interests	1,668	3,230	28,839
Comprehensive income	¥19,603	¥25,042	\$223,589

# Consolidated Statement of Changes in Equity (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries  
For the years ended February 29, 2016 and February 28, 2017

Millions of yen

	Equity attributable to owners of the parent											
	Common stock	Capital surplus	Treasury shares	Other components of equity				Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity	
				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
BALANCE, MARCH 1, 2015	¥16,659	¥ 13,706	¥(8,772)			¥3,981		¥3,981	¥238,632	¥ 264,206	¥12,482	¥276,688
Net profit									17,763	17,763	3,220	20,983
Other comprehensive income				(959)		2,679	(1,547)	173		173	(1,552)	(1,379)
Total comprehensive income				(959)		2,679	(1,547)	173	17,763	17,935	1,668	19,603
Purchase of treasury shares			(13)							(13)		(13)
Disposal of treasury shares		0	0							1		1
Cash dividends									(10,252)	(10,252)	(2,460)	(12,712)
Changes in ownership interests in subsidiaries that do not result in a loss of control		(1)								(1)	(43)	(44)
Transfer from other components of equity to retained earnings						(293)	1,547	1,254	(1,254)			
Total transactions with owners		(1)	(12)			(293)	1,547	1,254	(11,506)	(10,265)	(2,504)	(12,769)
BALANCE, FEBRUARY 29, 2016	16,659	13,705	(8,784)	(959)		6,366		5,408	244,889	271,876	11,646	283,522
Net profit									18,350	18,350	2,717	21,067
Other comprehensive income				661	401	1,993	407	3,462		3,462	513	3,975
Total comprehensive income				661	401	1,993	407	3,462	18,350	21,812	3,230	25,042
Purchase of treasury shares			(211)							(211)		(211)
Disposal of treasury shares		0	1							1		1
Cash dividends									(10,536)	(10,536)	(1,652)	(12,188)
Increase due to business combinations		226,761	8,553							235,313	5,678	240,991
Changes in ownership interests in subsidiaries that do not result in a loss of control		(3,306)								(3,306)	(1,901)	(5,207)
Changes in ownership interests in subsidiaries that result in a loss of control											(1,446)	(1,446)
Others									(61)	(61)		(61)
Transfer from other components of equity to retained earnings						(131)	(407)	(538)	538			
Transfer from other components of equity to non-financial assets					(65)			(65)		(65)		(65)
Total transactions with owners		223,455	8,343		(65)	(131)	(407)	(603)	(10,060)	221,135	679	221,814
BALANCE, FEBRUARY 28, 2017	¥16,659	¥237,160	¥ (441)	¥(298)	¥336	¥8,228		¥8,267	¥253,179	¥ 514,823	¥15,555	¥530,378

Thousands of U.S. dollars\*

	Equity attributable to owners of the parent											
	Other components of equity							Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total 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					
BALANCE, FEBRUARY 29, 2016	\$148,741	\$ 122,366	\$(78,429)	\$(8,563)		\$56,839		\$48,286	\$2,186,509	\$2,427,464	\$103,982	\$2,531,446
Net profit									163,839	163,839	24,259	188,098
Other comprehensive income				5,902	3,580	17,795	3,634	30,911		30,911	4,580	35,491
Total comprehensive income				5,902	3,580	17,795	3,634	30,911	163,839	194,750	28,839	223,589
Purchase of treasury shares			(1,884)							(1,884)		(1,884)
Disposal of treasury shares		0	9							9		9
Cash dividends									(94,071)	(94,071)	(14,750)	(108,821)
Increase due to business combinations		2,024,652	76,366							2,101,009	50,696	2,151,705
Changes in ownership interests in subsidiaries that do not result in a loss of control		(29,518)								(29,518)	(16,973)	(46,491)
Changes in ownership interests in subsidiaries that result in a loss of control											(12,911)	(12,911)
Others									(545)	(545)		(545)
Transfer from other components of equity to retained earnings						(1,170)	(3,634)	(4,804)	4,804			
Transfer from other components of equity to non-financial assets					(580)			(580)		(580)		(580)
Total transactions with owners		1,995,134	74,491		(580)	(1,170)	(3,634)	(5,384)	(89,821)	1,974,420	6,063	1,980,482
BALANCE, FEBRUARY 28, 2017	\$148,741	\$2,117,500	\$(3,938)	\$(2,661)	\$3,000	\$73,464		\$73,813	\$2,260,527	\$4,596,634	\$138,884	\$4,735,518

## Consolidated Statement of Cash Flows (IFRS)

FamilyMart UNY Holdings Co., Ltd. and Consolidated Subsidiaries  
For the years ended February 29, 2016 and February 28, 2017

	Millions of yen		Thousands of U.S. dollars*
	2016 (From March 1, 2015 to February 29, 2016)	2017 (From March 1, 2016 to February 28, 2017)	2017 (From March 1, 2016 to February 28, 2017)
<b>OPERATING ACTIVITIES:</b>			
Profit before income taxes	¥ 35,830	¥ 33,483	\$ 298,955
Depreciation and amortization	34,227	47,969	428,295
Impairment losses	8,752	14,671	130,991
Equity in earnings of associates and joint ventures	397	(1,009)	(9,009)
Decrease (increase) in trade and other receivables	(3,975)	(5,672)	(50,643)
Decrease (increase) in inventories	(1,462)	1,068	9,536
Increase (decrease) in trade and other payables	6,657	(21,925)	(195,759)
Increase (decrease) in deposits received	12,687	(3,481)	(31,080)
Increase (decrease) in assets and liabilities for retirement benefits	(49)	(563)	(5,027)
Other	17,078	30,005	267,902
Subtotal	110,141	94,547	844,170
Interests and dividends received	2,335	2,520	22,500
Interests paid	(1,905)	(2,464)	(22,000)
Income taxes paid	(16,794)	(11,251)	(100,455)
Net cash provided by operating activities	93,776	83,351	744,205
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment and investment property	(28,474)	(49,370)	(440,804)
Proceeds from sales of property, plant and equipment and investment property	1,503	2,060	18,393
Purchases of intangible assets	(6,392)	(7,052)	(62,964)
Payments of leasehold deposits receivable and construction assistance fund receivables	(18,875)	(27,391)	(244,563)
Collection of leasehold deposits receivable and construction assistance fund receivables	4,081	10,981	98,045
Purchases of investments	(11,553)	(1,522)	(13,589)
Proceeds from sales and redemption of investments	3,057	3,164	28,250
Proceeds from acquisition of business		36,339	324,455
Payments of acquisition of business	(11,689)	(0)	(0)
Proceeds from disposal of business	2,388	905	8,080
Payments for disposal of business	(1,935)	(2,481)	(22,152)
Other	5,133	3,709	33,116
Net cash used in investing activities	(62,756)	(30,657)	(273,723)
<b>FINANCING ACTIVITIES:</b>			
Proceeds from bonds and borrowings	41,956	129,235	1,153,884
Repayments of bonds and borrowings	(28,404)	(65,326)	(583,268)
Repayments of lease obligations	(18,476)	(40,299)	(359,813)
Purchases of treasury shares	(13)	(211)	(1,884)
Purchases of interests in subsidiaries from non-controlling shareholders		(6,585)	(58,795)
Cash dividends paid	(10,251)	(10,536)	(94,071)
Cash dividends paid to non-controlling shareholders	(2,317)	(1,846)	(16,482)
Increase (decrease) in commercial paper		(10,000)	(89,286)
Other	681	652	5,821
Net cash used in financing activities	(16,824)	(4,916)	(43,893)
<b>EFFECT OF FOREIGN EXCHANGE FLUCTUATION ON CASH AND CASH EQUIVALENTS</b>	(1,911)	1,474	13,161
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	12,285	49,253	439,759
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>	126,752	139,036	1,241,393
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	¥139,036	¥188,289	\$1,681,152



## History

1971	Feb.	The Nishikawaya Chain Co., Ltd., HOTEIYA Co., Ltd., UNY K.K., and Shin-meihin Co., Ltd. merge to form UNY CO., LTD.
1976	Dec.	UNY CO., LTD. lists its stock on the Nagoya Stock Exchange.
1978	Mar.	Seiyu Stores, Ltd. (current Seiyu GK) commences convenience store operations on a franchise system basis.
1981	Sept.	The Company's predecessor, Jonas Co., Ltd. (inactive at this time), acquires certain businesses and assets by way of transfer from Seiyu Stores, Ltd. and commences business after changing its name to FamilyMart Co., Ltd.
1984	Jan.	UNY CO., LTD. establishes CIRCLE K JAPAN Co., Ltd.
1987	Jun.	UNY (HK) CO., LIMITED opens UNY CITYPLAZA in Hong Kong.
	Oct.	The Company establishes Okinawa FamilyMart Co., Ltd. in Okinawa Prefecture
	Dec.	The Company lists its stock on the Second Section of the Tokyo Stock Exchange.
1988	Aug.	The Company establishes Taiwan FamilyMart Co., Ltd. in Taiwan
1989	Aug.	The Company lists its stock on the First Section of the Tokyo Stock Exchange.
1992	Sept.	The Company establishes Siam FamilyMart Co., Ltd. (current Central FamilyMart Co., Ltd.) in Thailand.
1993	Apr.	The Company establishes Minami Kyushu FamilyMart Co., Ltd. in Kagoshima Prefecture.
1997	Sept.	The Company acquires the stock of Libro Port Co., Ltd. (current famima Retail Service Co., Ltd.).
1998	Nov.	UNY CO., LTD. includes SUNKUS & ASSOCIATES INC. in its scope of consolidation as a subsidiary company following the acquisition of shares.
2000	May	The Company establishes famima.com Co., Ltd.
2002	Feb.	Taiwan FamilyMart Co., Ltd. lists its stock on the GreTai Securities Market, an over-the-counter stock market in Taiwan.
2004	May	The Company establishes Shanghai FamilyMart Co., Ltd. in Shanghai, China.
	Sept.	C&S Co., Ltd., CIRCLE K JAPAN Co., Ltd., and SUNKUS & ASSOCIATES INC. merger to form Circle K Sunkus Co., Ltd.
2006	Sept.	The Company establishes Guangzhou FamilyMart Co., Ltd. in Guangzhou, China.

2007	July	The Company establishes Suzhou FamilyMart Co., Ltd. in Suzhou, China.
2009	Dec.	The Company includes am/pm Japan Co., Ltd. in its scope of consolidation as a wholly owned subsidiary following the acquisition of shares.
2010	Mar.	The Company integrates with am/pm Japan Co., Ltd. by way of absorption merger.
2011	Apr.	The Company integrates with am/pm Kansai Co., Ltd. by way of absorption merger.
	Nov.	The Company establishes Hangzhou FamilyMart Co., Ltd. in Hangzhou, China.
	Dec.	The Company establishes Chengdu FamilyMart Co., Ltd. in Chengdu, China.
2012	Feb.	UNY CO., LTD. establishes UNY Group Holdings Co., Ltd. as a preparatory step toward its shift to a holding company framework.
	Apr.	The Company acquires stock of SENIOR LIFE CREATE Co., Ltd.
	Apr.	UNY CO., LTD. carries out a public tender for Circle K Sunkus Co., Ltd. with the goal of including the company in its scope of consolidation as a wholly owned subsidiary.
	Nov.	The Company establishes Philippine FamilyMart CVS, Inc. in the Republic of the Philippines.
	Nov.	The Company establishes Shenzhen FamilyMart Co., Ltd. in Shenzhen, China.
	Nov.	The Company establishes Shenzhen FamilyMart Co., Ltd. in Shenzhen, China.
2013	Feb.	UNY Group Holdings Co., Ltd. shifts to a holding company framework.
2014	Jan.	The Company establishes Wuxi FamilyMart Co., Ltd. in Wuxi, China.
	May	The Company establishes Beijing FamilyMart Co., Ltd. in Beijing, China.
	July	The Company establishes DONGGUAN FamilyMart Co., LTD. in Dongguan, China.
2015	Oct.	The Company includes Cocostore Corporation in its scope of consolidation as a wholly owned subsidiary following the acquisition of shares.
	Dec.	The Company integrates with Cocostore Corporation by way of absorption merger.
2016	Sep.	The Company changes its name to FamilyMart UNY Holdings Co., Ltd. following its integration with UNY Group Holdings Co., Ltd. by way of absorption merger. Circle K Sunkus Co., Ltd. changes its name to FamilyMart Co., Ltd. after assuming responsibility for the convenience store business.
	Sep.	The Company lists its stock on the First Section of the Nagoya Stock Exchange.

## Corporate Data / Investor Information

### Corporate Data

(As of February 28, 2017)

Corporate name	FamilyMart UNY Holdings Co., Ltd.
Head office	1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-6017, Japan Telephone: (81) 3-3989-7301
Incorporated	September 1, 1981
Paid-in capital	¥16,658 million
Fiscal year	March 1st to the last day of February
Objective of business	A holding company for operators of general merchandise stores and convenience stores, etc.
Group's net sales in Japan	¥3,977,067 million (Fiscal year ended February 2017)
Number of employees	16,601 (consolidated)
Authorized shares	250,000,000
Issued shares	126,712,313 (Treasury stock: 36,590 shares)
Number of shareholders	13,254
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, 2017)

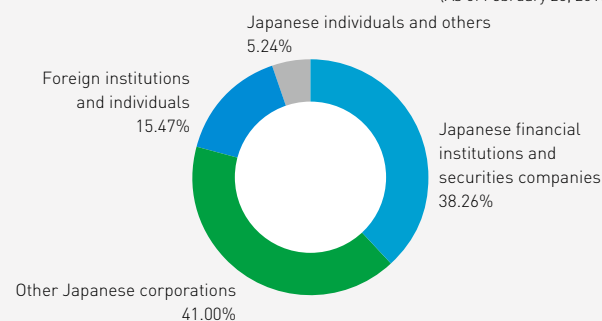
Name of Shareholders	Number of Shares (thousands)	Shareholdings (%)
ITOCHU Corporation	43,933	34.67
The Master Trust Bank of Japan, Ltd. (Trust account)	15,730	12.41
Japan Trustee Services Bank, Ltd. (Trust account)	7,822	6.17
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,061	2.41
NTT DOCOMO, INC.	2,930	2.31
Nippon Life Insurance Company	2,510	1.98
BNP Paribas Securities (Japan) Limited	2,078	1.64
Goldman Sachs Japan Co., Ltd.	1,763	1.39
STATE STREET BANK WEST CLIENT-TREATY 505234	1,603	1.26
Trust & Custody Services Bank, Ltd. (Trust Collateral Account)	1,350	1.06
<b>Total</b>	<b>82,785</b>	<b>65.33</b>

\*1. In addition to the above, the Company also holds 36,590 shares in treasury.

\*2. Figures under the shareholdings represent shares as a percentage of total number of issued shares.

### Distribution of Shares

(As of February 28, 2017)

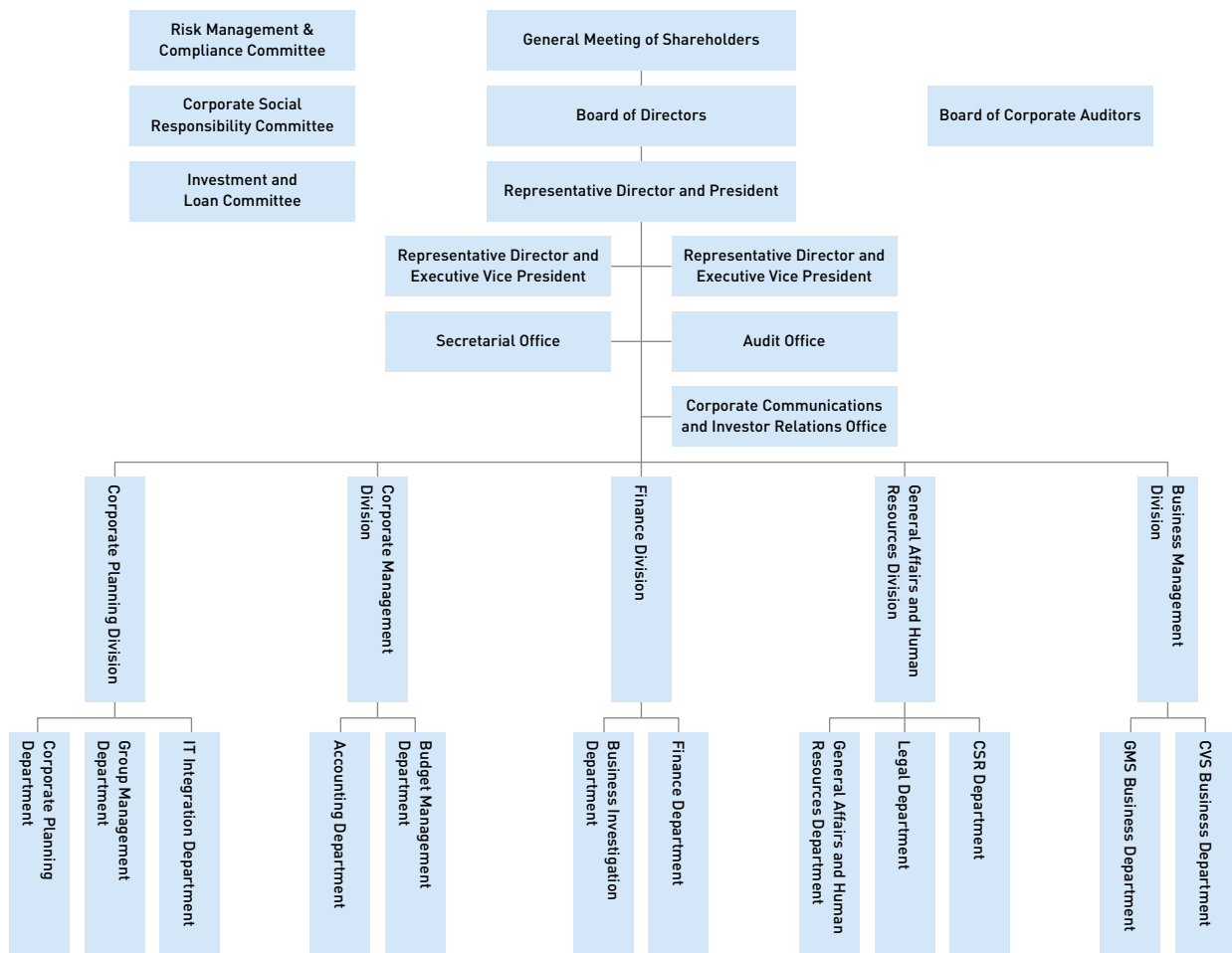


\* Excluding shares of less than one trading unit

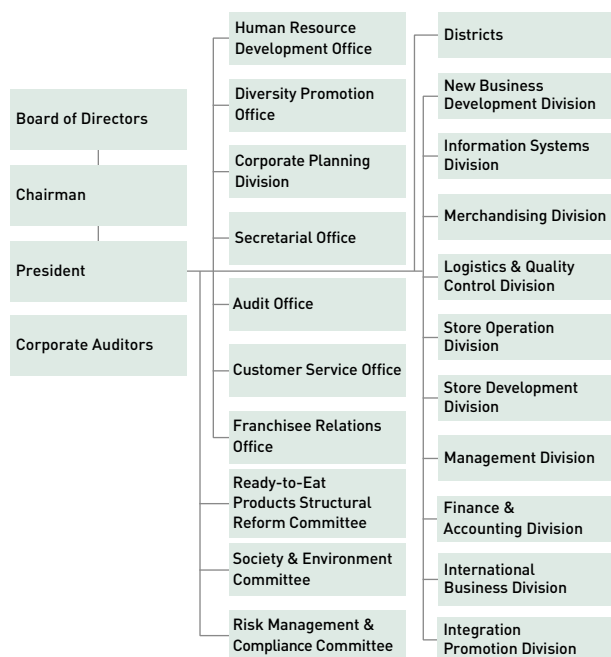
# Organization

[As of June 1, 2017]

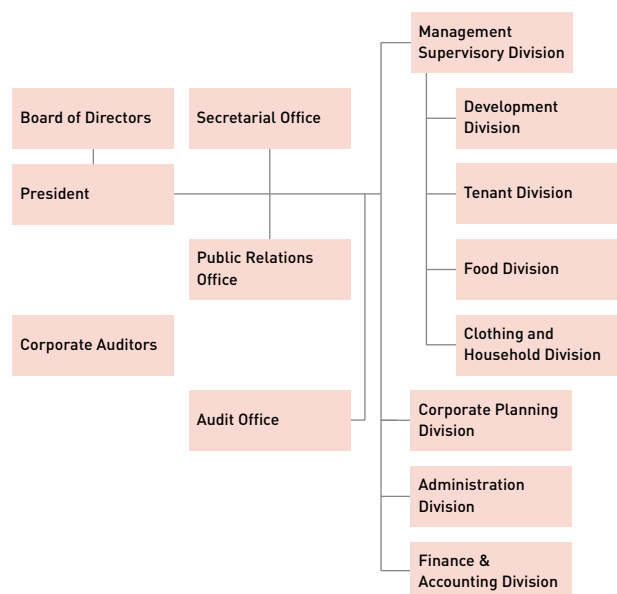
## FamilyMart UNY Holdings Co., Ltd.



## FamilyMart Co., Ltd.



## UNY CO., LTD.



## FamilyMart UNY Holdings Co., Ltd.

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