Note:	This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Fiscal Year Ended February 28, 2019 (under IFRS)

April 10, 2019

Company name:	**FamilyMart UNY Holdings Co., Ltd.**
Listing:	Tokyo Stock Exchange and Nagoya Stock Exchange
Securities code:	8028
URL:	http://www.fu-hd.com/english/index.html
Representative:	Koji Takayanagi, Representative Director and President
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Scheduled date of Ordinary General Meeting of Shareholders:	May 28, 2019
Scheduled date to commence dividend payments:	May 7, 2019
Scheduled date of the submission of annual securities report:	May 29, 2019
Preparation of supplementary material on financial results:	Yes
Holding of financial results presentation meeting:	Yes (for institutional investors and analysts)

(Yen amounts are rounded to the nearest million, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended February 28, 2019 (from March 1, 2018 to February 28, 2019)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Gross operating revenue		Core operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
February 28, 2019	617,174	(3.1)	51,553	23.7	4,225	(28.1)	57,316	56.8
February 28, 2018	637,013	–	41,671	–	5,874	–	36,552	50.4

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal year ended						
February 28, 2019	45,370	34.8	52,536	21.7	89.64	–
February 28, 2018	33,656	55.9	43,180	52.3	66.45	–

	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of core operating profit to gross operating revenue
	%	%	%
Fiscal year ended			
February 28, 2019	8.2	0.3	8.4
February 28, 2018	6.3	0.3	6.5

(Reference) Share of profit (loss) of investments accounted for using equity method:
Fiscal year ended February 28, 2019: ¥(2,070) million
Fiscal year ended February 28, 2018: ¥906 million

Notes:
1. The core operating profit is disclosed as an earnings indicator, which represents the amount after subtracting cost of sales and selling, general and administrative expenses from gross operating revenue.
2. Starting from the third quarter of the fiscal year ended February 28, 2019, the businesses of UNY CO., LTD. and its subsidiaries have been classified as discontinued operations. As a result, the amounts of gross operating revenue, core operating profit and profit before tax no longer include discontinued operations, presenting only the amounts for continuing operations.
3. The Company conducted a 4-for-1 share split of its common shares on March 1, 2019, and basic earnings per share has been calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 28, 2018.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
February 28, 2019	1,372,117	589,737	568,762	41.5	1,123.78
February 28, 2018	1,731,787	588,659	543,235	31.4	1,073.29

Notes: 1. In the second quarter of the fiscal year ended February 28, 2019, the provisional accounting treatments related to a business combination were finalized, and figures for the fiscal year ended February 28, 2018 have been restated accordingly.

2. The Company conducted a 4-for-1 share split of its common shares on March 1, 2019, and equity attributable to owners of parent per share has been calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 28, 2018.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended				
February 28, 2019	159,742	109,257	(156,234)	353,498
February 28, 2018	152,729	(49,502)	(37,875)	253,174

2. Cash dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2018	–	56.00	–	56.00	112.00
Fiscal year ended February 28, 2019	–	63.50	–	80.50	144.00
Fiscal year ending February 29, 2020 (Forecast)	–	20.00	–	20.00	40.00

	Total cash dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of parent (consolidated)
	Millions of yen	%	%
Fiscal year ended February 28, 2018	14,180	42.1	2.7
Fiscal year ended February 28, 2019	18,220	40.2	3.3
Fiscal year ending February 29, 2020 (Forecast)		40.5	

Note: The Company conducted a 4-for-1 share split of its common shares on March 1, 2019. The dividends per share stated above for the fiscal year ended February 28, 2018 and the fiscal year ended February 28, 2019 reflect the number of shares existing before the share split. Note that the dividends per share (forecast) for the second quarter-end and the fiscal year-end of the fiscal year ending February 29, 2020 reflect the number of shares existing after the share split.

3. Consolidated earnings forecasts for the fiscal year ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

(Percentages indicate year-on-year changes.)

	Gross operating revenue		Core operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 29, 2020	525,000	(14.9)	65,000	26.1	60,000	–	50,000	10.2	98.79

Notes: 1. The Company conducted a 4-for-1 share split of its common shares on March 1, 2019. The basic earnings per share stated above in the consolidated earnings forecasts has been calculated based on the number of issued shares (excluding treasury shares) existing after the share split.

2. As the Company is currently assessing the impact of the adoption of IFRS 16, the impact is not taken into account.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: None; Excluded: 2 companies: UNY CO., LTD., UNY (HK) CO., LIMITED

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: Yes
(ii) Changes in accounting policies due to other reasons: None
(iii) Changes in accounting estimates: Yes

Note: Please refer to "Changes in accounting policies" on page 19 and "Changes in accounting estimates" on page 20 in "(6) Notes to consolidated financial statements" of "5. Consolidated Financial Statements and Significant Notes Thereto" for details.

(3) Number of issued shares (ordinary shares)

a. Total number of issued shares at end of the period (including treasury shares)

As of February 28, 2019	506,849,252 shares
As of February 28, 2018	506,849,252 shares

b. Number of treasury shares at end of the period

As of February 28, 2019	735,996 shares
As of February 28, 2018	709,712 shares

c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

For the fiscal year ended February 28, 2019	506,125,541 shares
For the fiscal year ended February 28, 2018	506,455,135 shares

Note: The Company conducted a 4-for-1 share split of its common shares on March 1, 2019, and total number of issued shares at end of the period (including treasury shares), number of treasury shares at end of the period, and average number of shares outstanding during the period have been calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 28, 2018.

(Reference) Summary of Non-consolidated Financial Results (under Japanese GAAP)

(Yen amounts are rounded to the nearest million, unless otherwise noted)

1. Non-consolidated financial results for the fiscal year ended February 28, 2019 (from March 1, 2018 to February 28, 2019)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Gross operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
February 28, 2019	24,515	298.4	20,387	440.2	21,225	272.4	59,681	94.4
February 28, 2018	6,154	(96.5)	3,774	(83.7)	5,700	(78.7)	30,694	191.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
February 28, 2019	117.92	–
February 28, 2018	60.58	–

Note: The Company conducted a 4-for-1 share split of its common shares on March 1, 2019, and basic earnings per share has been calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 28, 2018.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Millions of yen
As of				
February 28, 2019	795,635	558,126	70.1	1,102.77
February 28, 2018	840,818	513,314	61.0	1,014.18

(Reference) Equity: As of February 28, 2019: ¥558,126 million
As of February 28, 2018: ¥513,314 million

Note: The Company conducted a 4-for-1 share split of its common shares on March 1, 2019, and net assets per share has been calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 28, 2018.

*** Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.**

*** Proper use of earnings forecasts, and other special items**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors. Please refer to the Attached Materials for matters relating to earnings forecasts on page 5.

Attached Material Index

1. Overview of Operating Results and Others

(1) Overview of operating results for the fiscal year ended February 28, 2019

During the fiscal year ended February 28, 2019 (March 1, 2018 to February 28, 2019), the Japanese economy sustained a moderate recovery trend supported by improvements in employment and income environments. However, the retail industry continued to face a severe business environment partly owing to the effects of such factors as intensifying competition across business categories, consumers' ongoing orientation toward lower prices, and labor shortages at stores and in logistics.

Under these circumstances, FamilyMart UNY Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") endeavored to innovate its retail business models. The Group also aims to be a social and lifestyle infrastructure provider indispensable to consumers' lives.

As a result, gross operating revenue for the fiscal year under review decreased by 3.1% year on year to ¥617,174 million, core operating profit increased by 23.7% to ¥51,553 million, profit before tax decreased by 28.1% to ¥4,225 million and profit attributable to owners of parent increased by 34.8% to ¥45,370 million.

Furthermore, a tender offer for the Company's shares of common stock by a wholly owned subsidiary of ITOCHU Corporation succeeded. As a result, the number of voting rights held by ITOCHU Corporation became a majority of the voting rights held by all shareholders, etc., of the Company, and accordingly the Company became a subsidiary of ITOCHU Corporation as of August 16, 2018. Looking forward, ITOCHU Corporation intends to strengthen collaboration with the Company while keeping the Company listed and its management autonomous, and therefore aims to build an appropriate governance structure that respects the independence of the Company as a listed company and a framework that is able to maximize synergies with the ITOCHU group.

In accordance with the October 2018 share transfer agreement between the Company and Pan Pacific International Holdings Corporation (former Don Quijote Holdings Co., Ltd.), in conjunction with changes in subsidiaries, the Company transferred all of the shares it owned in UNY CO., LTD. to Pan Pacific International Holdings Corporation, on January 4, 2019.

Operating results by business segment were as follows.

(i) Convenience store business

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

Regarding brand integration, all domestic Circle K and Sunkus stores discontinued their operations on November 30, 2018, and the brand integration of those stores to FamilyMart stores was completed. Since September 2016, the company has been working as one to promote this brand conversion, and these efforts resulted in a cumulative total of 5,003 stores being converted. Daily sales and customer numbers at converted stores are rising year on year. Following the completion of the integration, we aim to continue to generate further benefits from the integration such as creating of merchandise including ready-to-eat meals and streamlining logistics operations by utilizing the domestic network of more than 16,000 stores.

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

To enhance the efficiency of store operations, the Group is promoting radical reforms aimed at easing the burden on store staff and improving the efficiency of their work to address labor shortages. In the fiscal year ended February 28, 2019, we launched an initiative to eliminate the need for inspections of the number of products, seeking to reduce the time spent by staff on work when deliveries are made. In addition, we increased the number of stores with self-checkout cash registers and started to roll out "cash counter" machines with a view to reducing the time spent by staff on cash management. Looking to reduce the burden on staff, we also introduced labor-saving storage drawer racks and other store fixtures. Our survey of franchised stores undertaken in the fiscal year ended February 28, 2019, indicated substantial growth in the number of store where the burden on staff had been reduced.

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

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

To promote CSR activities, we held an event "Famima Kodomo Shokudo" (FamilyMart children's restaurants) in five stores in the Kanto region as an initiative to encourage interaction between regions and support the children who hold the future in their hands. In addition to using in- store spaces to providing children and their parents who live near an outlet with opportunities for meals and communication, the project offers activities that include allowing children to operate cash registers and visits to store back yards, thereby at the same time deepening understanding of FamilyMart.

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

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

As a result, gross operating revenue of the convenience store business segment decreased by 5.9% year on year to ¥527,719 million, segment profit (core operating profit) increased by 24.7% to ¥53,550 million, and segment loss (loss attributable to owners of parent) was ¥4,280 million (loss attributable to owners of parent was ¥1,285 million in the fiscal year ended February 28, 2018).

(ii) General merchandise store business

In the fiscal year ended February 28, 2019, all shares of UNY CO., LTD. owned by the Company were transferred to Pan Pacific International Holdings Corporation, and the businesses of UNY CO., LTD. and its subsidiaries in the general merchandise store business segment were classified as discontinued operations.

Gross operating revenue of the general merchandise store business segment decreased by 10.9% year on year to ¥640,140 million, segment profit (core operating profit) increased by 25.1% to ¥29,444 million, and segment profit (profit attributable to owners of parent) decreased by 36.2% to ¥11,291 million. Note that it has been restated in the consolidated statement of profit or loss as "profit from discontinued operations." For details, please refer to segment information on page 22.

(2) Overview of financial position for the fiscal year ended February 28, 2019

(i) Assets, liabilities and equity

Total assets were ¥1,372,117 million, a decrease of ¥359,669 million from the end of the fiscal year ended February 28, 2018. This was primarily due to a decrease in assets associated with sale of UNY CO., LTD. and its subsidiaries, despite an increase in cash and cash equivalents.

Total liabilities were ¥782,380 million, a decrease of ¥360,748 million from the end of the fiscal year ended February 28, 2018. This was primarily due to a decrease in liabilities associated with sale of UNY CO., LTD. and its subsidiaries.

Total equity was ¥589,737 million, an increase of ¥1,079 million from the end of the fiscal year ended February 28, 2018. This was primarily due to an increase in retained earnings, despite a decrease in non-controlling interests associated with sale of UNY CO., LTD. and its subsidiaries.

(ii) Cash flows

Cash flow positions in the fiscal year ended February 28, 2019 are as follows.

Cash flows from operating activities

Cash and cash equivalents (hereafter “cash”) provided by operating activities was ¥159,742 million, an increase of ¥7,013 million compared with the fiscal year ended February 28, 2018. This was primarily due to an increase in trade and other receivables, despite an increased amount of decrease in deposits received compared with the fiscal year ended February 28, 2018.

Cash flows from investing activities

Net cash provided by investing activities was ¥109,257 million (¥49,502 million of cash used in the fiscal year ended February 28, 2018). This was mainly due to an increase in cash flows from investing activities as a result of collection of loans receivable related to UNY CO., LTD. and its subsidiaries, which were classified as discontinued operations.

Cash flows from financing activities

Net cash used in financing activities was ¥156,234 million, an increase of ¥118,358 million compared with the fiscal year ended February 28, 2018. This was primarily due to an increase in repayments of borrowings.

As a result, cash at the end of the fiscal year ended February 28, 2019 was ¥353,498 million, an increase of ¥100,324 million compared with the end of the fiscal year ended February 28, 2018.

Cash flow indicators for the Group are as follows.

	36th fiscal year (from March 1, 2016 to February 28, 2017)	37th fiscal year (from March 1, 2017 to February 28, 2018)	38th fiscal year (from March 1, 2018 to February 28, 2019)
Ratio of equity attributable to owners of parent (%)	31.1	31.4	41.5
Market value ratio of equity attributable to owners of parent (%)	52.1	59.1	117.1
Interest-bearing debt to cash flow ratio (years)	5.97	3.29	2.02
Interest coverage ratio (times)	33.8	51.2	46.2

Notes: The calculating formulas of above indicators are as follows.

Ratio of equity attributable to owners of parent: equity attributable to owners of parent / total assets

Market value ratio of equity attributable to owners of parent: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flows

Interest coverage ratio: operating cash flows / interest expenses paid

1. Each indicator was calculated using consolidated-basis financial data.
2. Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of issued shares at the end of the period.
3. Operating cash flows uses the net cash provided by operating activities of the consolidated statement of cash flows. Interest-bearing debt includes all liabilities as recorded on the consolidated statement of

financial position on which interest is paid. Moreover, the interest payment uses the interest paid on the consolidated statement of cash flows.

(3) Outlook for the next fiscal year

Concerning the economic outlook, a gradual recovery is forecast to continue for the next fiscal year given the continuously improving employment and income environments. However, the business environment surrounding the retail industry is somewhat uncertain in Japan due to concerns such as the intensifying competition beyond the framework of business categories, the possible decline in consumer confidence affected by consumers' deep-rooted orientation to thriftiness and the impact of more acute labor shortages.

Under these circumstances, the Group endeavored to innovate its retail business models. The Group also aims to be a social and lifestyle infrastructure provider indispensable to consumers' lives.

As a result, the earnings forecasts for the fiscal year ending February 29, 2020 are as follows; gross operating revenues of ¥525,000 million (decreased by 14.9% year over year), core operating profit of ¥65,000 million (increased by 26.1%) and profit attributable to owners of parent of ¥50,000 million (increased by 10.2%) on a consolidated basis.

For measures to be implemented in the next fiscal year, please refer to "3. Management policy" on page 9.

(4) Basic policy on profit distribution and cash dividends for the fiscal year ended February 28, 2019 and the next fiscal year

The Company considers returning its profits to the shareholders to be an important management policy. The Company abides by a fundamental policy of stably distributing consolidated performance growth-based results on a continuing basis with regard to cash dividends. The Company's payout ratio target will be 40% on a consolidated basis. For dividends of surplus, there is a stipulation in the Articles of Incorporation that the Company distributes dividends twice every year, that is, one interim dividend and one year-end dividend. The organ that determines these dividends from surplus is the Board of Directors.

Based on this policy, for cash dividends for the fiscal year ended February 28, 2019, the Company has resolved to pay an interim dividend of ¥63.5 per share. In addition, the year-end dividend has been set at ¥80.5 per share, and the annual dividend amounts to ¥144 per share.

With regard to dividends per share (based on the number of shares existing after the share split) for the fiscal year ending February 29, 2020, we plan to pay an interim dividend of ¥20 per share and a year-end dividend of ¥20 per share, and as a result, the annual dividend will be ¥40 per share.

The Company has decided to apply the restriction on consolidated dividends.

(5) Business risks

In the Group's businesses, etc., matters that may have a material impact on investors' judgments mainly include the following ones.

While forward-looking statements are included in this section, these matters were determined as of February 28, 2019.

(i) Economic situations

The Group develops convenience store business. Depending on changes in economic situations such as business conditions, consumption trends and other factors, or changes in the situation of competition with competitors within the Group's own industry or with retail companies from other industries, in Japan and abroad where the Group operates the businesses, the Group's execution of its businesses, operating results, financial conditions, etc. may be affected.

(ii) Natural disasters

In Japan and abroad where the Group operates the businesses, if natural disasters including plague, earthquake and extreme weather, in addition to unexpected fire disasters, acts of terrorism and wars, cause any damage to stores, suspension of commodity supply to stores, and other situation that disturbs the continuation of operation of stores, the Group’s execution of the businesses, operating results, financial conditions and others may be affected.

(iii) Franchise system

The Group has adopted the franchise system in the convenience store business, one of its principal businesses, and provides “FamilyMart System,” which the Company has developed and owns, to franchisees. In the event that any act that infringes this system, or legal violation, misconduct or other act by a franchisee or business partner brings a suspension of transactions, disrepute to the chain, or the like, the Group’s execution of the businesses, operating results, financial conditions and others may be affected.

In addition, if erosion of a trusting relationship between the Group and franchisees causes a situation where franchise agreements with many franchisees are terminated, the Group’s execution of the businesses, operating results, financial conditions and others may be affected.

(iv) Safety of foods, etc.

In the convenience store business, the Group principally sells foods to consumers. In the event that a severe product-related accident, etc. including food poisoning, product tampering and mislabeling occur, the Group’s execution of the businesses, operating results, financial conditions and others may be affected. In addition, other than foods, the Group also offers products for consumers’ life such as clothes and daily necessities. In the event that any serious accident, including recall, occurs in these products, the Group’s execution of the businesses, operating results, financial conditions and others may be affected.

The Group ensures safety and security of foods and other products by setting quality control standards, establishing the consistent quality control structure from manufacturing to sales together with business partners, and other means.

(v) Impact of laws and regulations, etc.

In Japan and abroad where the Group operates the businesses, the Group applies company acts, financial instruments and exchange acts, tax laws, labor standards acts (including other laws and regulations, etc. concerning labor management), food-related laws, anti-monopoly acts and subcontracting acts, and laws and regulations, etc. concerning environments and others, and has obtained administrative permits and approvals, etc. Based on the recognition that legal compliance is an extremely important corporate responsibility, the Group ensures legal compliance by strengthening the compliance structure. However, even if such measures are taken, the Group may not be able to avoid compliance-related risks or the risk that its social credibility may be damaged, including personal misconduct of an officer or employee.

If any unexpected change in these laws and regulations and permits and approvals, etc. related to operation of stores and others, difference of opinions with authorities, or the like result in an increase in expenses to respond to the change or restrictions on operation of stores, among others, in the future, the Group’s execution of the businesses, operating results, financial conditions and others may be affected.

In addition, although any lawsuit, etc. that have a material impact on the Group’s operating results have not been brought at present, if a lawsuit, etc. that have an impact on operating results or a material social impact occur and a decision adverse to the Group and its business is made, the Group’s execution of the businesses, operating results, financial conditions and others may be affected.

(vi) Handling of personal information

The Group collects and possesses personal information on customers and others in the course of business. In the event that an accident related to the leak of personal information or the like takes place, the Group’s execution of the businesses, operating results, financial conditions and others may be affected.

To prevent unauthorized access to personal information and leakage of personal information among others, the Group takes organizational, personnel, physical and technical safety control measures that are generally considered highly reliable, and exercises necessary and appropriate supervision over employees handling personal information.

(vii) Information system

The Group has built an information system among the Group, business partners and stores. If a failure of this information system, an abuse of the system or similar improper act causes a situation that disturbs execution of operations, etc., the Group's execution of the businesses, operating results, financial conditions and others may be affected.

The Group has established security measures for the information system.

(viii) Human resources

In Japan and abroad where the Group operates the businesses, human resources for execution of the businesses, including communicating with customers and other various stakeholders, are essential. In the event that it becomes difficult to acquire appropriate human resources due to fiercer competition for personnel in each business, among others, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

(ix) Management of receivables

The Group provides deposits and guarantees to lessors in the course of business. In the event that it becomes difficult to collect these deposits and guarantees due to deterioration in a lessor's financial conditions or the like, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

(x) Impairment

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

2. Status of Corporate Group

The Group (the Company and its subsidiaries and associates) consists of the Company (FamilyMart UNY Holdings Co., Ltd.), 27 subsidiaries and 19 associates and joint ventures, totaling 47 companies, and operates Convenience store business, General merchandise store business and other related business, etc.

The business activities of the Group and positions of each companies relating to these businesses as of February 28, 2019 are outlined below.

Segment name	Business	Names of major subsidiaries and associates
Convenience store business (43 companies)	Convenience store business	◎ FamilyMart Co., Ltd. * Okinawa FamilyMart Co., Ltd. (Okinawa Prefecture) * Minami Kyushu FamilyMart Co., Ltd. (Kagoshima and Miyagi Prefectures) ◎ Taiwan FamilyMart Co., Ltd. (Taiwan) * Central FamilyMart Co., Ltd. (Thailand) * Shanghai FamilyMart Co., Ltd. (China) * Guangzhou FamilyMart Co., Ltd. (China) * Suzhou FamilyMart Co., Ltd. (China)
	Others	◎ famima Retail Service Co., Ltd. (Store-related service business including accounting administration service) ◎ UFI FUTECH Co., Ltd. (Fintech-related service business) ◎ SENIOR LIFE CREATE Co., Ltd. (Home-delivery catering services business) ◎ EVENTIFY INC. (Entertainment business) * POCKET CARD CO., LTD. (Credit card business) * LIVE VIEWING JAPAN Inc. (Entertainment business)
General merchandise store business (2 companies)	Others	◎ Kanemi Co., Ltd. (Manufacture, process and sale of delicatessen products, etc.)

Note: ◎ indicates subsidiaries, and * indicates associates and joint ventures.

(General merchandise store business)

All the shares held in UNY (HK) CO., LIMITED have been sold during the first quarter of the fiscal year ended February 28, 2019, leading to said company being excluded from the scope of consolidation.

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

(Change in the parent company and other subsidiaries and associates)

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

The Company belongs to the ITOCHU Group that consists of ITOCHU Corporation and its subsidiaries and associates, and receives cooperation including advice and support for the commodity supply system from the said company.

Please note that, in the general merchandise store business, Kanemi Co., Ltd. is slated to be excluded from the scope of consolidation as a result of partial transfer of shares scheduled on April 12, 2019. Please refer to “Additional information” on page 31 for more information.

3. Management policy

(1) Basic management policy

While endeavoring to innovate its retail business models, the Group also aims to be an indispensable part of consumers' lives through providing infrastructures for society and individual lifestyles.

(2) Target management indicators

With the aim of improving the profitability of stores, the Company regards daily sales and gross profit ratio as key indicators. In addition, the Company endeavors to increase profit attributable to owners of parent by striving to achieve higher quality of stores through aggressive investments in existing stores.

(3) Management strategies for the medium to long term and issues to address

Regarding the business environment surrounding the retail industry, the outlook is expected to remain unclear, owing to such factors as the intensifying competition transgressing conventional boundaries of business categories, weaker consumption sentiment from a persistent tendency of budget-mindedness, and impact of deepening labor shortages. In addition, customer needs have diversified and the creation of products or services deriving from new ideas is required. Moreover, the call for corporate social responsibility for the provision of safe and secure foods and an appropriate response to environmental issues has been intensifying.

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

The Group has set out to tackle four challenges: enhancing support for franchisees, to which the highest priority is given; strengthening stores' earnings power; implementing digital solutions; and promoting collaboration with Pan Pacific International Holdings Corporation. Initiatives for each challenge are carried out with a sense of urgency.

To enhance support for franchisees, the Group is intensively promoting investments to make store operations more efficient, including installment of self-checkout machines and a new type of purchase-order terminal, while addressing the issues of labor shortages, increasing labor expenses and other costs by systematically expanding the use of staffing from partner staffing companies to a country-wide scale. In addition, the Group is launching an experiment for different hours of operation, while also upgrading employee benefits and other programs geared to franchisees, fostering better dialogue between franchised stores and the chain headquarters. Moreover, as initiatives to reduce franchised stores' losses on unsold items, the Group is working to lengthen shelf life of ready-to-eat meals and reinforce advance-order sales of boxed lunches and seasonal products.

To strengthen stores' earnings power, the Group is working to enhance product competitiveness by revamping its core products of ready-to-eat meals, such as rice balls, boxed lunches and fast-food items, further improving the essential value of products, as well as proactively installing new fixtures including expansion of the sales space for frozen foods and installation of a new type of coffee machine in all of its stores. Furthermore, the Group will tap new customer segments by reviewing product pricing levels and extending their reach, thereby taking action in anticipation of the consumption tax hike slated for October 2019. The Group is also creating a network of high-quality stores by redoubling efforts to open stores in Japan's three major metropolitan areas while advancing its build-and-scrap (B&S) strategy in store development focusing on repositioning stores by administrative unit. Going forward, the Group aims to offer convenience stores that most closely resonate with local customers by stepping up locality-based initiatives such as development of region-specific products, store creation and regional sales promotions.

To implement digital solutions, the Group is aiming to start providing its proprietary digital currency smartphone app FamiPay around July 2019. In addition, we will expand on our open-use strategy with respect to business involving bar-code-based payment and loyalty points and promote digital strategy to embark on new forms of business that draw on data.

To promote collaboration with Pan Pacific International Holdings Corporation, the Group is continuing to take on initiatives with respect to jointly developing products and services, coordinating efforts in the financial services sector, and engaging in joint expansion overseas in respective fields of business.

4. Basic Stance towards the Selection of Accounting Standards

The Group has adopted IFRS (International Financing Reporting Standards) from the fiscal year ended February 28, 2017, in order to improve international comparability and the convenience of financial information in capital markets.

5. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated statement of financial position

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Assets		
Current assets		
Cash and cash equivalents	253,174	353,498
Trade and other receivables	259,654	147,750
Other financial assets	19,463	12,857
Inventories	55,558	17,956
Other current assets	24,838	25,822
Subtotal	612,686	557,884
Assets held for sale	4,485	45,981
Total current assets	617,171	603,865
Non-current assets		
Property, plant and equipment	393,596	254,540
Investment property	137,004	12,105
Goodwill	156,557	142,732
Intangible assets	66,252	56,833
Investments accounted for using equity method	23,956	23,224
Leasehold deposits	122,917	89,813
Other financial assets	153,279	115,580
Retirement benefit asset	1,758	–
Deferred tax assets	45,697	60,879
Other non-current assets	13,599	12,547
Total non-current assets	1,114,615	768,253
Total assets	1,731,787	1,372,117

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	288,744	210,903
Deposits received	152,155	132,500
Bonds and borrowings	48,864	39,723
Lease obligations	27,160	26,270
Income taxes payable	7,885	4,659
Other current liabilities	57,802	27,998
Subtotal	582,611	442,053
Liabilities directly associated with assets held for sale	–	8,891
Total current liabilities	582,611	450,944
Non-current liabilities		
Bonds and borrowings	332,282	173,152
Lease obligations	93,843	82,831
Other financial liabilities	53,732	14,489
Retirement benefit liability	16,970	15,281
Provisions	51,979	36,812
Other non-current liabilities	11,711	8,873
Total non-current liabilities	560,517	331,436
Total liabilities	1,143,128	782,380
Equity		
Share capital	16,659	16,659
Capital surplus	236,785	236,747
Treasury shares	(1,104)	(1,185)
Other components of equity	15,925	6,773
Retained earnings	274,970	309,768
Total equity attributable to owners of parent	543,235	568,762
Non-controlling interests	45,424	20,975
Total equity	588,659	589,737
Total liabilities and equity	1,731,787	1,372,117

(2) Consolidated statement of profit or loss

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Continuing operations		
Gross operating revenue	637,013	617,174
Cost of sales	(154,292)	(141,764)
Operating gross profit	482,721	475,410
Selling, general and administrative expenses	(441,050)	(423,857)
Share of profit (loss) of investments accounted for using equity method	906	(2,070)
Other income	5,070	6,077
Other expenses	(42,700)	(51,665)
Finance income	3,053	2,409
Finance costs	(2,126)	(2,079)
Profit before tax	5,874	4,225
Income tax expense	12,520	20,574
Profit from continuing operations	18,394	24,798
Discontinued operations		
Profit from discontinued operations	18,158	32,517
Profit	36,552	57,316
Profit attributable to:		
Owners of parent	33,656	45,370
Non-controlling interests	2,896	11,946
Profit	36,552	57,316
Earnings per share		
Basic earnings per share (Yen)		
Continuing operations	31.31	43.42
Discontinued operations	35.14	46.22
Total	66.45	89.64
Diluted earnings per share (Yen)		
Continuing operations	–	–
Discontinued operations	–	–
Total	–	–

Reconciliation of core operating profit

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Gross operating revenue	637,013	617,174
Cost of sales	(154,292)	(141,764)
Selling, general and administrative expenses	(441,050)	(423,857)
Core operating profit	41,671	51,553

Note: Core operating profit, which represents the amount after subtracting cost of sales and selling, general and administrative expenses from gross operating revenue, is an earnings indicator unique to the Company, and is not required to be disclosed under IFRS.

(3) Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Profit	36,552	57,316
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	8,546	(5,094)
Remeasurements of defined benefit plans	(1,354)	1,198
Share of other comprehensive income of investments accounted for using equity method	(14)	(17)
Total of items that will not be reclassified to profit or loss	7,178	(3,914)
Items that may be reclassified to profit or loss		
Cash flow hedges	(149)	(210)
Exchange differences on translation of foreign operations	(542)	(576)
Share of other comprehensive income of investments accounted for using equity method	142	(80)
Total of items that may be reclassified to profit or loss	(550)	(866)
Other comprehensive income, net of tax	6,628	(4,780)
Comprehensive income	43,180	52,536
Comprehensive income attributable to		
Owners of parent	40,404	41,327
Non-controlling interests	2,776	11,209
Comprehensive income	43,180	52,536

(4) Consolidated statement of changes in equity

(Millions of yen)

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of March 1, 2017	16,659	237,008	(441)	(361)	336	8,228
Profit	–	–	–	–	–	–
Other comprehensive income	–	–	–	(204)	(133)	8,435
Total comprehensive income	–	–	–	(204)	(133)	8,435
Purchase of treasury shares	–	–	(41)	–	–	–
Disposal of treasury shares	–	0	4	–	–	–
Dividends	–	–	–	–	–	–
Increase (decrease) by business combination	–	–	(223)	–	–	–
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	(224)	–	–	4	(1)
Other	–	0	(401)	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(401)
Transfer from other components of equity to non-financial assets	–	–	–	–	21	–
Total transactions with owners	–	(224)	(662)	–	25	(401)
Balance as of February 28, 2018	16,659	236,785	(1,104)	(565)	228	16,262
Profit	–	–	–	–	–	–
Other comprehensive income	–	–	–	(316)	(216)	(4,738)
Total comprehensive income	–	–	–	(316)	(216)	(4,738)
Purchase of treasury shares	–	–	(83)	–	–	–
Disposal of treasury shares	–	1	1	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	(39)	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–
Other	–	0	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(3,875)
Transfer from other components of equity to non-financial assets	–	–	–	–	(7)	–
Total transactions with owners	–	(37)	(82)	–	(7)	(3,875)
Balance as of February 28, 2019	16,659	236,747	(1,185)	(881)	5	7,649

(Millions of yen)

	Equity attributable to owners of parent					
	Other components of equity					
	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
Balance as of March 1, 2017	–	8,203	256,414	517,842	15,555	533,398
Profit	–	–	33,656	33,656	2,896	36,552
Other comprehensive income	(1,350)	6,748	–	6,748	(120)	6,628
Total comprehensive income	(1,350)	6,748	33,656	40,404	2,776	43,180
Purchase of treasury shares	–	–	–	(41)	–	(41)
Disposal of treasury shares	–	–	–	4	–	4
Dividends	–	–	(14,188)	(14,188)	(3,640)	(17,828)
Increase (decrease) by business combination	–	–	–	(223)	10,965	10,742
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	4	–	(220)	19,366	19,146
Other	–	–	37	(365)	401	37
Transfer from other components of equity to retained earnings	1,350	950	(950)	–	–	–
Transfer from other components of equity to non-financial assets	–	21	–	21	–	21
Total transactions with owners	1,350	974	(15,101)	(15,012)	27,092	12,080
Balance as of February 28, 2018	–	15,925	274,970	543,235	45,424	588,659
Profit	–	–	45,370	45,370	11,946	57,316
Other comprehensive income	1,227	(4,043)	–	(4,043)	(737)	(4,780)
Total comprehensive income	1,227	(4,043)	45,370	41,327	11,209	52,536
Purchase of treasury shares	–	–	–	(83)	–	(83)
Disposal of treasury shares	–	–	–	2	–	2
Dividends	–	–	(15,121)	(15,121)	(15,834)	(30,954)
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	–	–	(39)	(6,646)	(6,684)
Disposal of subsidiaries	–	–	–	–	(13,203)	(13,203)
Other	–	–	(552)	(552)	25	(527)
Transfer from other components of equity to retained earnings	(1,227)	(5,102)	5,102	–	–	–
Transfer from other components of equity to non–financial assets	–	(7)	–	(7)	–	(7)
Total transactions with owners	(1,227)	(5,109)	(10,571)	(15,799)	(35,658)	(51,457)
Balance as of February 28, 2019	–	6,773	309,768	568,762	20,975	(589,737)

(5) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Cash flows from operating activities		
Profit before tax from continuing operations	5,874	4,225
Depreciation and amortization	54,588	59,397
Impairment losses	29,838	34,741
Share of loss (profit) of investments accounted for using equity method	(906)	2,070
Decrease (increase) in trade and other receivables	(973)	3,600
Decrease (increase) in inventories	(1,682)	1,689
Increase (decrease) in trade and other payables	14,220	1,660
Increase (decrease) in deposits received	(7,120)	(11,453)
Increase or decrease in retirement benefit asset or liability	2,399	157
Other	14,738	20,427
Subtotal	110,974	116,514
Interest and dividends received	3,268	2,007
Interest paid	(2,749)	(3,461)
Income taxes paid	(5,353)	(2,402)
Income taxes refund	4,485	2,723
Cash flows from operating activities of discontinued operations	42,103	44,360
Net cash provided by (used in) operating activities	152,729	159,742
Cash flows from investing activities		
Purchase of property, plant and equipment and investment property	(40,463)	(30,284)
Proceeds from sale of property, plant and equipment and investment property	5,234	1,399
Purchase of intangible assets	(8,434)	(4,618)
Payments for leasehold deposits and construction assistance fund	(20,234)	(19,124)
Proceeds from collection of leasehold deposits and construction assistance fund	9,472	7,620
Purchase of investments	(8,489)	(4,250)
Proceeds from sale and redemption of investments	5,530	8,745
Proceeds from acquisition of business	700	–
Proceeds from disposal of businesses	–	3,617
Other	(290)	(1,529)
Cash flows from investing activities of discontinued operations	7,471	147,681
Net cash provided by (used in) investing activities	(49,502)	109,257

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Cash flows from financing activities		
Proceeds from issuance of bonds and borrowings	145,832	132,891
Repayments of bonds and borrowings	(137,139)	(221,719)
Repayments of lease obligations	(28,650)	(34,754)
Payments for purchase of treasury shares	(41)	(83)
Purchase of interests in subsidiaries from non–controlling shareholders	(55)	(202)
Dividends paid	(14,188)	(15,121)
Dividends paid to non–controlling interests	(3,593)	(2,634)
Increase (decrease) in commercial papers	(96,000)	–
Other	333	16
Cash flows from financing activities of discontinued operations	95,626	(14,627)
Net cash provided by (used in) financing activities	(37,875)	(156,234)
Effect of exchange rate changes on cash and cash equivalents	(466)	(778)
Net increase (decrease) in cash and cash equivalents	64,885	111,988
Cash and cash equivalents at beginning of period	188,289	253,174
Cash and cash equivalents included in assets held for sale	–	(11,665)
Cash and cash equivalents at end of period	253,174	353,498

(6) Notes to consolidated financial statements

Notes on going concern assumption

Not applicable.

Reporting entity

The Company is a stock company located in Japan. The address of its registered head office is 3 chome 1–21, Shibaura, Minato–ku, Tokyo. The Company's consolidated financial statements with the fiscal closing date at the last day of February are composed of accounts of the Company and its subsidiaries together with the Group's attributable share of the results of associates and joint ventures. The Company's parent company is ITOCHU Corporation.

The Group's main business areas are convenience stores and general merchandise stores. In the convenience store business, FamilyMart Co., Ltd. and area franchisers in Japan and abroad have been developing mainly chain stores including "FamilyMart" convenience stores. In the general merchandise store business, UNY CO., LTD. plays a central part in operation of general merchandise businesses including retailing, specialty stores and financial services. During the fiscal year ended February 28, 2019, the Company sold all shares of UNY CO., LTD. it held. Consequently, businesses of the said company and its subsidiaries were classified as discontinued operations. The relevant specific information and details of each business are as described in the note "Segment information."

Basis of preparation

(1) Compliance with IFRS

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to the provisions set forth in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976), since the Group meets the requirements for a "Specified Company Complying with Designated International Accounting Standards" prescribed in Article 1–2 of the ordinance.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on an acquisition cost basis, except for specific financial instruments and other items that are measured at fair value.

(3) Functional currency and presentation currency

The Group's financial statements are presented in Japanese yen, which is also the Company's functional currency, and figures are rounded to the nearest million yen.

Changes in accounting policies

The significant accounting policies for the consolidated financial statements of the Group have not changed from the fiscal year ended February 28, 2018 except for the following accounting standard. The Group applied the following standard starting from the fiscal year ended February 28, 2019.

IFRS		Outline of a new standard and amendments
IFRS 15	Revenue from Contracts with Customers	Amendment concerning accounting treatment for revenue recognition

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (hereinafter, "IFRS 15" collectively), from the fiscal year ended February 28, 2019.

In the adoption of IFRS 15, the Group has adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application, which is allowed as the transition approach.

In accordance with IFRS 15, with regard to contracts with customers, the Group recognizes revenue by applying the following steps (except for interest and dividend revenue, etc. under IFRS 9 and lease payments receivable under IAS 17).

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group, as a retail chain, operates convenience stores and general merchandise stores.

The Group undertakes contractual obligations, such as preparation for opening stores, offering of know–how on operation and licensing of trademark, etc., provision of services including training and accounting–related administrative services, rental of store fixtures for sales, signboards, information systems, etc., to convenience store franchisees. Since these activities are closely interlinked and cannot be performed separately as distinct services, the Group determines that the activities, except for lease transactions, are a single performance obligation. This performance obligation is considered to be satisfied over time as the services are provided. However, because the transaction price is a variable royalty based on operating gross profit of the store, revenue is recognized over the contract term as the operating gross profit is generated.

The Group sells consumer goods including foods and daily necessities to customers visiting stores. Once products are handed over to customers, the Group judges the control of these goods to be transferred and recognizes the revenue from the sale of said goods.

When the performance obligations are identified, the following indicators are taken into account in the determination of whether the Group conducts a transaction as a principal or agent:

- Whether the Group has principal responsibility for providing the goods or services to the customer or for fulfilling the order
- Whether the Group has inventory risk before or after the customer order, during shipping or on return
- Whether the Group has discretion in establishing prices directly or indirectly

When the Group conducts transactions as a principal, trading prices are presented at the gross amount of consideration received from customers. When the Group conducts transactions as an agent for the benefit of a third party, trading prices are presented at the net amount calculated by deducting the amount collected for the benefit of the third party from the gross amount of consideration received from customers.

Consideration paid to customers such as price concessions, discounts and rebates is deducted from the transaction price.

If the Group grants customers an option to acquire additional goods or services and provides them with a material right, the transaction price is allocated with this provision deemed as a separate performance obligation, and revenue is recognized when the future goods or services are transferred or the option is extinguished.

The adoption of this standard does not have a material impact on the consolidated financial statements of the Group.

Changes in accounting estimates

In the preparation of consolidated financial statements, the management is required to make judgments, estimates and assumptions that affect application of accounting policies as well as amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the fiscal period in which the estimates are changed and in future periods that are affected.

Accounting estimates and judgments that significantly affect the amounts in these consolidated financial statements are the same as those used for the consolidated financial statements for the fiscal year ended February 28, 2018 except for the following accounting standards.

<u>Changes in useful lives</u>

During the fiscal year ended February 28, 2018, as part of the establishment of next–generation store systems, FamilyMart Co., Ltd. (convenience store business) entered into an agreement to replace assets such as point–of–sale (POS) systems. Accordingly, for tools, furniture, and fixtures held by the company that are expected to be retired, their useful lives have been shortened and the change is applied prospectively.

As a result of this change, for the fiscal year ended February 28, 2018, profit before tax decreased by ¥1,269 million.

During the fiscal year ended February 28, 2019, FamilyMart Co., Ltd. (convenience store business) decided to introduce new Store Activation Terminal (SAT; ordering terminal at stores) and the next version of fixtures for coffee for the purpose of enhancing stores' competitiveness. Accordingly, for tools, furniture, and fixtures held by the company that are expected to be retired, their useful lives have been shortened and the change is applied prospectively.

As a result of this change, for the fiscal year ended February 28, 2019, profit before tax decreased by ¥4,728 million.

Changes in presentation

Consolidated statement of profit or loss

The amount after adding or subtracting cost of sales, selling, general and administrative expenses, share of profit (loss) of investments accounted for using equity method, other income and other expenses from gross operating revenue was presented as "operating profit" until the fiscal year ended February 28, 2018. However, this presentation is no longer provided from the first quarter of the fiscal year ended February 28, 2019, and the consolidated statement of profit or loss for the fiscal year ended February 28, 2018 is reclassified.

This change was made because the Group has judged that the change will help provide information that more highly fits for purposes to users of consolidated financial statements, as a result of review of presentation of consolidated financial statements in light of disclosure practices in the industry to which the Group belongs, in the wake of the start of disclosure of the amount after subtracting cost of sales and selling, general and administrative expenses from gross operating revenue as segment profit (loss) (core operating profit) to serve as an important management indicator in segment information (please refer to "Segment information").

Profit or loss from businesses classified as discontinued operations is presented on the consolidated statement of profit or loss, net of income tax expenses, separately from the profit from continuing operations. Regarding businesses classified as discontinued operations, reclassification was made on the consolidated statement of profit or loss, consolidated statement of cash flows, and relevant notes to consolidated financial statements for the fiscal year ended February 28, 2018.

Segment information

Information about operating segments

The reportable segments of the Group are constituent units of the Group for which separate financial information is available and which are subject to periodic examination by the Board of Directors and management meetings of the Company for the purpose of deciding the allocation of management resources and evaluating business results.

The Group has adopted a holding company structure. The Company, as a holding company, conducts planning and general management of the Group's business strategies and each subsidiary develops business activities. The Group consists of segments by business and has determined that "convenience store business" and "general merchandise store business" are its reportable segments, taking into account the business form and merchandise, services, etc. that it offers.

In the "convenience store business," FamilyMart Co., Ltd. and area franchisers in Japan and abroad have been developing chain stores including "FamilyMart" convenience stores. In the "general merchandise store business," UNY CO., LTD. plays a central part in operation of general merchandise businesses including retailing, specialty stores and financial services.

Due to the transfer of all of the shares the Company owned in UNY CO., LTD. in January 2019, in preparing the consolidated statement of profit or loss, gross operating revenue, profit or loss, etc., of UNY CO., LTD. and its subsidiaries for the fiscal year ended February 28, 2018 have been reclassified to discontinued operations. In accordance with this, the amounts pertaining to this business, which were previously included in the "general merchandise store business" reportable segment, have been moved to "reclassified to discontinued operations."

Change in profit or loss of reportable segments (addition of an earnings indicator)

For profit or loss of reportable segments, the amount based on profit attributable to owners of parent was used previously. However, since management integration and business restructuring implemented in prior years have reached a certain point, the Group has determined to newly utilize profit after subtracting cost of sales and selling, general and administrative expenses from gross operating revenue (the Company uses the unique name "core operating profit" for this profit) for the purposes of decision–making on allocation of resources to segments and assessment of business performance of segments from the first quarter of the fiscal year ended February 28, 2019, in light of disclosure practices in the industry to which the Group belongs, and thereby to also newly disclose this earnings indicator.

Reclassification was also made for the fiscal year ended February 28, 2018.

Segment revenue and business results

Profit or loss of reportable segments is calculated based on profit attributable to owners of parent.

Fiscal year ended February 28, 2018 (from March 1, 2017 to February 28, 2018)

(Millions of yen)

	Reportable segments			Reclassified to discontinued operations (Note 5)	Other adjustments (Note 1)	Consolidated
	Convenience store business	General merchandise store business (Note 5)	Total			
Gross operating revenue						
External revenue	558,673	716,626	1,275,300	(638,287)	1	637,013
Intersegment revenue	2,207	2,142	4,349	–	(4,349)	–
Total	560,880	718,768	1,279,649	(638,287)	(4,349)	637,013
Segment profit (loss) (core operating profit)	42,934	23,531	66,465	(24,579)	(215)	41,671
Share of profit (loss) of investments accounted for using equity method	1,166	(258)	908	(1)	–	906
Other income	1,693	7,906	9,598	(4,665)	136	5,070
Other expenses	(41,596)	(7,355)	(48,951)	6,218	33	(42,700)
Finance income	2,956	229	3,184	(220)	89	3,053
Finance costs	(2,047)	(2,001)	(4,048)	482	1,440	(2,126)
Profit before tax	5,106	22,051	27,157	(22,765)	1,482	5,874
Segment profit (loss) (profit attributable to owners of parent)	(1,285)	17,708	16,423	–	17,234	33,656
Other items						
Depreciation and amortization	(53,719)	(11,452)	(65,171)	10,593	(9)	(54,588)
Impairment losses (Note 2)	(29,130)	(4,259)	(33,389)	3,552	–	(29,838)
Income tax expense	(3,498)	(4,341)	(7,838)	4,607	15,752	12,520
Segment assets	1,158,185	522,646	1,680,831	–	50,956	1,731,787
Investments accounted for using equity method	23,698	258	23,956	–	–	23,956
Capital expenditures (Note 3)	85,240	8,449	93,689	(6,851)	21	86,860

Notes:
1. Adjustments to segment profit (loss) (core operating profit) of negative ¥215 million include unallocated corporate expenses and elimination of intersegment transactions, which are mostly general and administrative expenses that are not attributable to reportable segments. Adjustments to segment profit (loss) (profit attributable to owners of parent) of ¥17,234 million include unallocated corporate expenses and elimination of intersegment transactions, which are mostly income tax expenses (credit) of ¥15,718 million that are not attributable to reportable segments. This was due to the recording of deferred tax assets in conjunction with the application for the adoption of the consolidated tax payment system in the fiscal year ended February 28, 2018. Adjustments to segment assets of ¥50,956 million mainly include unallocated corporate assets of ¥123,997 million, elimination of intersegment receivables and payables of negative ¥58,784 million and other of negative ¥14,256 million. The unallocated corporate assets are mostly cash and cash equivalents that are not attributable to reportable segments.
2. Impairment losses principally relate to property, plant and equipment, intangible assets and goodwill for non–profitable stores and stores to be closed in the convenience store business and the general merchandise store business and are included in "other expenses" in the consolidated statement of profit or loss.
3. Capital expenditures relate to property, plant and equipment, investment property and intangible assets.

4. In the second quarter of the fiscal year ended February 28, 2019, the provisional accounting treatments related to a business combination were finalized, and the figures have been restated accordingly.
5. Reclassifications of gross operating revenue, profit or loss, etc. of UNY CO., LTD. and its subsidiaries in the general merchandise store business were made in "Reclassified to discontinued operations." The segment information after the reclassifications comprises gross operating revenue, profit or loss, etc. of Kanemi Co., Ltd. and others.

Fiscal year ended February 28, 2019 (from March 1, 2018 to February 28, 2019)

(Millions of yen)

	Reportable segments			Reclassified to discontinued operations (Note 4, 5)	Other adjustments (Note 1)	Consolidated
	Convenience store business	General merchandise store business (Note 4)	Total			
Gross operating revenue						
External revenue	524,173	638,200	1,162,373	(545,208)	9	617,174
Intersegment revenue	3,545	1,940	5,486	–	(5,486)	–
Total	527,719	640,140	1,167,859	(545,208)	(5,477)	617,174
Segment profit (loss) (core operating profit)	53,550	29,444	82,993	(29,565)	(1,875)	51,553
Share of profit (loss) of investments accounted for using equity method	(2,070)	4	(2,066)	(4)	–	(2,070)
Other income	2,005	4,525	6,530	(15,481)	15,027	6,077
Other expenses	(49,782)	(6,097)	(55,879)	4,462	(248)	(51,665)
Finance income	2,361	184	2,545	(146)	11	2,409
Finance costs	(1,898)	(2,142)	(4,041)	968	993	(2,079)
Profit before tax	4,165	25,918	30,083	(39,766)	13,907	4,225
Segment profit (loss) (profit attributable to owners of parent)	(4,280)	11,291	7,011	1,360	36,999	45,370
Other items						
Depreciation and amortization	(58,188)	(10,273)	(68,461)	9,089	(25)	(59,397)
Impairment losses (Note 2)	(33,173)	(2,331)	(35,504)	763	–	(34,741)
Income tax expense	(5,298)	(6,735)	(12,033)	9,516	23,091	20,574
Segment assets	1,141,809	35,135	1,176,944	–	195,173	1,372,117
Investments accounted for using equity method	23,224	–	23,224	–	–	23,224
Capital expenditures (Note 3)	60,601	9,794	70,395	(8,926)	581	62,050

Notes:
1. Adjustments to segment profit (loss) (core operating profit) of negative ¥1,875 million include unallocated corporate expenses and elimination of intersegment transactions, which are mostly general and administrative expenses that are not attributable to reportable segments. Adjustments to segment profit (loss) (profit attributable to owners of parent) of ¥36,999 million include unallocated corporate expenses and elimination of intersegment transactions, which are mostly income tax expenses (credit) of ¥20,298 million that are not attributable to reportable segments. This was due to the recording of deferred tax assets for tax loss carryforwards on loss on sale of shares, etc. arising from the sale of all shares of UNY CO., LTD. held by the Company in the fiscal year ended February 28, 2019. The income tax expenses (credit) are included in "profit from continuing operations" in the consolidated statement of profit or loss in consideration of the cause of the tax loss carryforwards and others.
   Adjustments to segment assets of ¥195,173 million mainly include unallocated corporate assets of ¥259,214 million, elimination of intersegment receivables and payables of negative ¥49,784 million and other of negative ¥14,256 million. The unallocated corporate expenses are mostly cash and cash equivalents that are not attributable to reportable segments.
2. Impairment losses principally relate to property, plant and equipment, intangible assets, goodwill and investments accounted for using equity method for non–profitable stores and stores to be closed in the convenience store business and the general merchandise store business and are included in "other expenses" in the consolidated statement of profit or loss.
3. Capital expenditures relate to property, plant and equipment, investment property and intangible assets.

4. Reclassifications of gross operating revenue, profit or loss, etc. of UNY CO., LTD. and its subsidiaries in the general merchandise store business were made in “Reclassified to discontinued operations.” The segment information after the reclassifications comprises gross operating revenue, profit or loss, etc. of Kanemi Co., Ltd. and others.
5. Segment profit (profit attributable to owners of parent) of ¥1,360 million in “Reclassified to discontinued operations” was due to the inclusion of effects of accounting for discontinuation of depreciation of UNY CO., LTD. and its subsidiaries in “Reclassified to discontinued operations” in the presentation as a result of the application of IFRS 5.

Business combination and loss of control

Fiscal year ended February 28, 2018 (from March 1, 2017 to February 28, 2018)

Acquisition of Kanemi Co., Ltd. as a subsidiary through purchase of additional shares

The Company resolved, at the meeting of the Board of Directors held on June 29, 2017, to acquire shares in an associate, Kanemi Co., Ltd. (“Kanemi”), from ITOCHU Corporation and nine individuals, and make it a subsidiary. The agreement on the share transfer was entered into on July 7, 2017, and Kanemi became a subsidiary on July 20, 2017.

(1) Overview of the business combination

(i) Name of the acquiree and its business

Name of the acquiree:	Kanemi Co., Ltd.
Outline of the business:	Operation of retail stores selling sushi, fried food, and sozai (prepared dishes), and production of convenience store bento (boxed lunches)

(ii) Date of the business combination

July 20, 2017

(iii) Ratio of voting rights acquired

Ratio of voting rights held immediately before the business combination:	26.05%
Ratio of voting rights additionally acquired at the date of business combination:	26.42%
Ratio of voting rights held after the acquisition:	52.47%

(iv) Major reason for the business combination

The business combination is expected to further improve the overall profitability of the Group while striving to expand sales through the following measures: – Kanemi and UNY CO., LTD. work together to raise competitiveness across sales floors for food products by reforming Kanemi’s sales floors for prepared dishes in the stores of UNY CO., LTD. – Kanemi and FamilyMart Co., Ltd. cooperate to raise the quality and expand sales of ready–to–eat products which Kanemi produces for FamilyMart Co., Ltd., by sharing know–how and jointly reviewing the production process.

(v) Background on the acquisition of control of the acquiree

The Company acquired the majority of voting rights through the acquisition of shares with cash as consideration.

(2) Fair value of consideration paid as of the acquisition date and amounts recognized for each major category of acquired assets and assumed liabilities

The Company conducted provisional accounting treatment in the fiscal year ended February 28, 2018. This accounting treatment was finalized in the second quarter of the fiscal year ended February 28, 2019.

(Millions of yen)

	Provisional	Retrospective adjustment	Finalized
Fair value of consideration paid (cash)	8,733	–	8,733
Fair value of existing equity	8,611	–	8,611
Total	17,345	–	17,345
Recognized amounts of acquired assets and assumed liabilities			
Current assets	16,443	–	16,443
Non–current assets	17,678	(1,512)	16,165
Total assets	34,121	(1,512)	32,609
Current liabilities	(8,680)	–	(8,680)
Non–current liabilities	(189)	–	(189)
Total liabilities	(8,869)	–	(8,869)
Recognized amounts of acquired assets and assumed liabilities (net)	25,252	(1,512)	23,739
Non–controlling interests (Note)	(12,002)	719	(11,283)
Goodwill	4,095	793	4,889

Note: Non–controlling interests are measured by the percentage of interests owned by non–controlling shareholders to the recognized amounts of identifiable net assets.

Acquisition–related costs of the business combination were ¥16 million and all the costs were recognized as “selling, general, and administrative expenses.”

The major components of goodwill arising from the business combination include the effects of synergy with existing businesses and excess profitability expected to arise from the acquisition. Goodwill recognized is not future–deductible for tax purposes.

(3) Gain on step acquisition

The Company held 26.05% equity interests in Kanemi at the date of acquisition and remeasured them at the fair value as of the acquisition date. As a result, gain on step acquisition of ¥62 million is recognized due to the business combination. This gain is included in “other income” on the consolidated statement of profit or loss.

(4) Cash flows from the acquisition

(Millions of yen)

	Amount
Cash and cash equivalents paid for acquisition	(8,733)
Cash and cash equivalents held by the acquiree at the time of acquisition	9,434
Cash inflows from acquisition of subsidiary	700

(5) Impact on business results

Gross operating revenue of ¥52,065 million and loss attributable to owners of parent of ¥270 million arising from Kanemi on or after the date of acquisition are included in the Group’s consolidated statement of profit or loss. In addition, based on the assumption that the business combination was implemented at the beginning of the fiscal year ended February 28, 2019, the Group’s gross operating revenue and profit attributable to owners of parent (unaudited information) in the fiscal year ended February 28, 2019 were calculated to be ¥1,310,505 million and ¥33,392 million, respectively.

Fiscal year ended February 28, 2019 (from March 1, 2018 to February 28, 2019)

Sale of subsidiaries

(1) Sale of UNY (HK) CO., LIMITED

The Company entered into an agreement, on May 24, 2018, to transfer all shares of UNY (HK) CO., LIMITED held by the Company to Urban Kirin Limited, and sold the shares as of May 31, 2018. Consequently, gain on sale of investments in subsidiaries and associates of ¥3,884 million was recorded, and this gain on sale is included in “other income” in the consolidated statement of profit or loss.

(2) Sale of UNY CO., LTD. and its subsidiaries

The Company resolved, at the meeting of the Board of Directors held on October 11, 2018, to transfer all shares of UNY CO., LTD. held by the Company to Pan Pacific International Holdings Corporation (former Don Quijote Holdings Co., Ltd.), and the transfer was completed on January 4, 2019. In addition, in conjunction with this share transfer, the Company lost control over UNY CO., LTD. and its subsidiaries as of the same date.

(i) Major components of assets and liabilities as at the date of loss of control

(Millions of yen)

	Amount
Current assets	
Cash and cash equivalents	42,813
Trade and other receivables	145,811
Other financial assets	2,974
Inventories	37,910
Other current assets	6,184
Total current assets	235,692
Non–current assets	
Property, plant and equipment	113,434
Investment property	123,564
Intangible assets	3,610
Investments accounted for using equity method	231
Leasehold deposits	25,015
Other financial assets	7,881
Retirement benefit asset	1,530
Deferred tax assets	4,234
Other non–current assets	1,112
Total non–current assets	280,612
Total assets	516,304
Current liabilities	
Trade and other payables	144,891
Deposits received	17,338
Bonds and borrowings	160,860
Lease obligations	8
Income taxes payable	2,651
Other current liabilities	28,285
Total current liabilities	354,033
Non–current liabilities	
Bonds and borrowings	69,230
Lease obligations	9
Other financial liabilities	36,148
Provisions	19,886
Other non–current liabilities	8,462
Total non–current liabilities	133,735
Total liabilities	487,768

(ii) Cash flows from the loss of control

(Millions of yen)

	Amount
Cash and cash equivalents received as consideration for the loss of control	28,200
Cash and cash equivalents of subsidiaries over which control was lost	(42,813)
Payments for sale of shares of subsidiaries (Note)	(14,613)

Note: Payments for sale of shares of subsidiaries are included in "cash flows from investing activities of discontinued operations" under cash flows from investing activities in the consolidated statement of cash flows.

(iii) Gain or loss on the loss of control

Gain on sale of investments in subsidiaries and associates recognized in conjunction with the loss of control over UNY CO., LTD. and its subsidiaries was ¥11,079 million and included in "profit from discontinued operations" in the consolidated statement of profit or loss.

Earnings per share

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Profit attributable to ordinary shareholders of parent (Millions of yen)	33,656	45,370
Profit from discontinued operations attributable to ordinary shareholders of parent (Millions of yen)	17,797	23,395
Profit from continuing operations used to calculate basic earnings per share (Millions of yen)	15,859	21,975
Average number of common shares outstanding during the period (shares)	506,455,135	506,125,541
Basic earnings per share (Yen)		
Continuing operations	31.31	43.42
Discontinued operations	35.14	46.22
Total	66.45	89.64

Notes: 1. Diluted earnings per share is not presented since no potential shares exist.

2. The Company conducted a 4-for-1 share split of its common shares, effective March 1, 2019, and basic earnings per share has been calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 28, 2018.

Significant subsequent events

Share split

In accordance with resolution of the meeting of the Board of Directors held on December 13, 2018, the Company conducted a share split on March 1, 2019.

(1) Purpose of share split

The purpose of the share split is to increase the liquidity of the Company's shares and to expand its investor base by lowering the amount needed per investment unit.

(2) Overview of share split

a. Method of share split

With a record date of February 28, 2019, a 4-for-1 share split was instituted to the shares of common shares held by shareholders registered in the final shareholder register or in other registers on that date.

b. Increase in number of shares as a result of share split

Total number of issued shares prior to share split	126,712,313 shares
Increase in issued shares due to share split	380,136,939 shares
Total number of issued shares after share split	506,849,252 shares
Total number of authorized shares after share split	1,000,000,000 shares

c. Schedule for share split

Announcement of record date	February 13, 2019
Record date	February 28, 2019
Effective date	March 1, 2019

Earnings per share has been calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 28, 2018.

Absorption–type merger of a subsidiary

The Company resolved at the meeting of the Board of Directors held on April 10, 2019 to conduct an absorption-type merger of FamilyMart Co., Ltd., a wholly-owned subsidiary of the Company, and entered into the merger agreement as of the same date.

In addition, for partial amendments to the current Articles of Incorporation, including a change of the company name, the Company resolved to submit a proposal to the 38th Ordinary General Meeting of Shareholders to be held on May 28, 2019.

The Company is scheduled to change its company name from "FamilyMart UNY Holdings Co., Ltd." to "FamilyMart Co., Ltd." after the merger.

(1) Overview of transaction

a. Overview of the merged company and its business line

Name of the merged company	FamilyMart Co., Ltd.
Outline of the business:	Convenience store business through a franchise system

b. Schedule for merger

Board of Directors' meeting at which the merger was resolved	April 10, 2019
Conclusion of the merger agreement	April 10, 2019
Date of the merger (effective date)	September 1, 2019 (planned)

* Because this merger is a simplified merger as provided for in Article 796, paragraph 2 of the Companies Act for the Company, and a short form merger as provided for in Article 784, paragraph 1 of the said act for FamilyMart Co., Ltd., both companies will not hold a general meeting of shareholders for approval of the merger.

c. Method of merger

The merger is an absorption–type merger whereby the Company is the surviving company and FamilyMart Co., Ltd. is the absorbed company. After the merger, FamilyMart Co., Ltd. will be dissolved.

d. Company name after merger

FamilyMart Co., Ltd. (scheduled to change the name from FamilyMart UNY Holdings Co., Ltd. on September 1, 2019)

e. Other matters related to overview of transaction

The Company went through the management integration with former UNY Group Holdings Co., Ltd., and now has the management structure with the convenience store business being as the core business. In light of the current structure, the Company has decided to carry out the absorption-type merger of FamilyMart Co., Ltd. to further promote the management efficiency by simplifying the Group's composition and unifying the business administration of the Group.

Since FamilyMart Co., Ltd. is a wholly-owned subsidiary of the Company, neither issuance of shares nor delivery of cash, etc. are conducted in this merger.

The impact of this transaction on the consolidated financial statements is currently being calculated.

Additional information

Partial transfer of shares in Kanemi Co., Ltd.

(1) Overview of transaction

The Company decided, by resolution at the meeting of the Board of Directors held on February 27, 2019, to partially transfer shares held by the Company in Kanemi Co., Ltd. to Pan Pacific International Holdings Corporation and the transfer is scheduled to carry out on April 12, 2019.

(2) Share transfer price and share ownership before and after transfer

a.	Transfer price	¥7,892 million
b.	Proportion of voting rights owned before transfer	53.14%
c.	Proportion of voting rights owned after transfer	26.57% (Note)

Note: Due to this share transfer, the Company will lose control over Kanemi Co., Ltd.

(3) Impact on future results

The impact of this share transfer on the consolidated financial statements is currently being calculated.