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Consolidated Financial Results for the First Three Months of the Fiscal Year Ending February 28, 2019 (under IFRS)

July 12, 2018

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 to file quarterly securities report: July 13, 2018
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly 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 first three months of the fiscal year ending February 28, 2019 (from March 1, 2018 to May 31, 2018)

(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	%
Three months ended								
May 31, 2018	316,578	2.0	20,347	7.8	20,851	59.9	17,200	87.4
May 31, 2017	310,306	202.1	18,871	66.2	13,038	83.6	9,178	123.6

	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
Three months ended						
May 31, 2018	13,705	61.7	16,478	16.0	108.31	–
May 31, 2017	8,473	141.8	14,211	123.9	66.91	–

Notes: 1. In the first half ended August 31, 2017, the provisional accounting treatments related to a business integration were finalized, and figures for the three months ended May 31, 2017 have been restated accordingly.

2. 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) 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					
May 31, 2018	1,805,185	592,332	549,463	30.4	4,342.46
February 28, 2018	1,732,506	589,377	543,235	31.4	4,293.16

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 ending February 28, 2019	–				
Fiscal year ending February 28, 2019 (Forecast)		63.50	–	63.50	127.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2019 (from March 1, 2018 to February 28, 2019)

(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
Six months ending August 31, 2018	645,100	1.8	42,500	1.3	37,800	11.2	22,500	0.6	177.82
Fiscal year ending February 28, 2019	1,270,200	(0.4)	77,300	16.7	67,100	134.3	40,000	18.8	316.12

Note: Revisions to the earnings forecasts most recently announced: None

*** 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: 1 company: 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: None

Note: Please refer to "Changes in accounting policies" in "(6) Notes to consolidated financial statements" of "2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto" on page 15 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 May 31, 2018	126,712,313 shares
As of February 28, 2018	126,712,313 shares

b. Number of treasury shares at end of the period

As of May 31, 2018	179,570 shares
As of February 28, 2018	177,428 shares

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

For the three months ended May 31, 2018	126,533,995 shares
For the three months ended May 31, 2017	126,640,001 shares

*** Quarterly financial results reports are exempt from quarterly reviews 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.

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1. Qualitative Information Regarding Financial Results for the First Three Months

Consolidated financial results for the first three months of the fiscal year ending February 28, 2019 were as follows.

(1) Information regarding operating results

During the first three months of the fiscal year ending February 28, 2019 (March 1, 2018 to May 31, 2018), the Japanese economy was on a path of gradual recovery mainly due to the improved employment and income environments. In the retail industry, improved consumer confidence continued.

Under these circumstances, FamilyMart UNY Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") endeavored to innovate its retail business models, which take full advantage of the Group's unique management resources, by adhering to the Group principles of "Everyday Fun and Fresh." The Group also aims to be a social and lifestyle infrastructure provider indispensable to consumers' lives.

As a result, gross operating revenue for the period under review increased by 2.0% year on year to ¥316,578 million, core operating profit increased by 7.8% to ¥20,347 million, profit before tax increased by 59.9% to ¥20,851 million and profit attributable to owners of parent increased by 61.7% to ¥13,705 million.

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. To improve quality at existing stores, the company is enhancing product competitiveness, improving store operating procedures and reinforcing store foundations (completing brand conversion, advancing build-and-scrap (B&S) initiatives, renovating existing stores, implementing localized sales promotion).

In brand conversion, a cumulative total of 3,973 stores had been converted by May 31, 2018. Daily sales and number of customers are both trending higher year on year at converted stores. In addition to leveraging the Group's domestic network of roughly 17,000 stores, the Group plans to generate further synergies by integrating product ranges and distribution, particularly in ready-to-eat meals.

To enhance product competitiveness, the Group renewed desserts, chilled noodles, salads and other product categories, aiming to improve the intrinsic value of ready-to-eat meals and create a merchandise lineup tailored to changes in the market. In addition, cumulative sales of FAMIMA CAFÉ Frappe products reached more than 100 million units in April 2018. The Group pioneered serving frappe products at convenience stores with the launch of these products in June 2014 and it has added new flavors each year since then. In the current fiscal year, the Group launched a string of new frappe products, including Galactica Grape Frappe and Fantasy Peach Frappe, which have been very popular with customers, particularly women.

To improve store operating procedures, the Group is pushing ahead with radical reforms to support operations at franchised stores, including improving the efficiency of store staff practices to address labor shortages. The Group has already introduced a system that eliminates the need to check the number of products delivered to stores and the Group plans to continue reducing work processes and make them more efficient.

To reinforce store foundations, the Group is creating a network of high-quality stores by advancing its B&S policy in store development, focusing on repositioning stores by administrative unit (town layout). In May 2018, the Group opened FamilyMart Kono Kitamae Senshu Dori store, which is combined with Hearts, a supermarket operated by Fukui Co-op. The store offers a wider choice of locally sourced fresh produce, as well as a kids room, baby room and a dine-in area to support the local community.

In sales promotion, the Group is with leading manufacturers on promotional tie-ups. In April 2018, the Group launched a major sales campaign with Lotte Co., Ltd., including the exclusive sales of new products in roughly 50 product categories ahead of wider market release. Also, the Group launched a sales campaign based on a competition between sales of FAMICHIKI and Chargrilled Chicken in March 2018. The latter product category registered the most sales volume during the campaign period and was sold at a special discount price of ¥80 (including tax) for one day only on

May 18. The sales campaign helped to lift sales volume of Chargrilled Chicken to near record levels at FamilyMart stores.
In new businesses, the Group launched a next-generation coin-operated laundry service called Famima Laundry in March 2018. The service, which combines FamilyMart stores and coin-operated laundry services, is designed to reduce the burden of housework, which is growing against the background of changes in the social structure such as increases in dual-earner households and single-occupancy households. Also, the Group signed a basic agreement on a business tie-up with Airbnb in May 2018 to encourage uptake and growth in Japan's lodging sector and further stimulate tourism demand. The Group aims to support the spread of the locally-oriented lodging market across Japan and thereby contribute to the development of regional communities.
Meanwhile, the Group's efforts to promote diversity were recognized by the Japan Productivity Center, which presented FamilyMart with an Award for Excellence in the 3rd Working Women's Empowerment Awards. Going forward, the Group will further sophisticate its working style in which the full demonstration of its diverse workforce's abilities will lead to increased productivity.
The total number of stores operated in Japan was 16,989 (including 920 stores operated by three domestic area franchisers) as of May 31, 2018. The total number of stores operated overseas in Taiwan, Thailand, China, Vietnam, Indonesia, Philippines and Malaysia was 7,013 and the aggregate number of FamilyMart chain stores worldwide totaling both domestic and overseas stores was 24,002 as of the same date.

As a result, gross operating revenue of the convenience store business segment decreased by 6.9% year on year to ¥133,348 million, segment profit (core operating profit) increased by 14.2% to ¥13,648 million, and segment profit (profit attributable to owners of parent) increased by 94.6% to ¥6,752 million.

(ii) General merchandise store business

UNY CO., LTD. is tackling tasks under the slogan of "NEW UNY―Change Our Awareness, Sales Floors and Stores―," and its initiatives include changing the mindset of employees thorough execution of customer-first practices; providing new value by developing new sales floors and merchandising options; and taking on new, potentially profitable store formats free from stereotypes.
In merchandise, the Group added new products to its range of UNY original Mama Pocket Satchels 2019 model, a product line designed using feedback from experienced mothers, and began releasing them out from April 2018. Also, UNY's Daisy Lab, where female employees are tasked with conducting product development from a woman's perspective, launched a collection of 20 summer gift items titled "My Premium Orders" that consists of various carefully selected gourmet foods in small portions. Advance orders for the gifts started in May 2018. In addition, Tasty Low-Sodium Well-Seasoned Chinese Cabbage Kimchi in the Group's Style ONE Healthy private label series, which was launched as a range of healthy options in June 2014, received the gold prize in May 2018 at the 4th JSH Low-Sodium Food Awards sponsored by the Low-Sodium Committee of The Japanese Society of Hypertension (JSH).
In promotion, the Group implemented the UCS Premium Ticket campaign, in which UCS card members are provided with 5% discount tickets on any day chosen by card members during the period from the 1st to the 15th of every month. Also, as part of increased efforts to enhance benefits to UCS and uniko card members and secure customers, from the current fiscal year, the Group is offering UCS and uniko card members an extra "5% Discount Reward Day" on the 29th of each month. Previously, this promotion was only available on the 19th and 20th of each month.
In store development, in March 2018 the Group held the grand opening of APITA Food Market and APITA TERRACE Yokohama Tsunashima, a compact shopping center with 60 specialist stores, as a commercial facility inside Tsunashima SST, a next-generation urban smart city in Yokohama-shi, Kanagawa.
In store vitalization, the Group reopened the renovated APITA Shin-Moriyama store in April 2018. KUSAMURA BOOKS opened in the store last year, and the latest renovation is to attract mainly fashion and general merchandise tenants to eight shops and to improve the directly managed food sales area, particularly delicatessen categories.
Sales at existing stores for the first three months of the fiscal year ending February 28, 2019 was at 100.2% over the same period of the previous fiscal year (increases of 2.8% and 0.2% for apparel and household goods, respectively, with a decrease of 0.3% for foods). Special reward days for loyal customers and other sales promotion campaigns were successful, supporting strong sales of spring

and summer items in the clothing category. Also, despite a pullback in sales of TV games from high levels in the previous fiscal year, sales of household goods were supported by firm sales of bedding and cosmetics. In the foods category, sales were sluggish due to lower prices for vegetables despite solid sales of packaged meat and other products. Meanwhile, the number of stores of UNY CO., LTD. was 192 as of May 31, 2018.
As for its initiatives to establish a new retail business, in February and March 2018, the Group implemented full renovation of six existing stores of UNY CO., LTD. and converted them into the double-branded MEGA Don Quijote UNY stores, which combined the strengths and expertise of UNY CO., LTD. with those of Don Quijote Holdings Co., Ltd. The new stores have made a solid start, bringing in a large number of customers from neighboring areas and other districts. Going forward, the Group will continue to attract customers from new segments and increase sales and profits, while also aiming to improve the medium- to long-term corporate value of UNY CO., LTD.

As a result, gross operating revenue of the general merchandise store business segment increased by 10.2% year on year to ¥184,655 million, segment profit (core operating profit) increased by 3.7% to ¥7,196 million, and segment profit (profit attributable to owners of parent) decreased by 16.3% to ¥3,997 million.

(2) Explanation of financial position

(i) Assets, liabilities and equity

Assets were ¥1,805,185 million, an increase of ¥72,679 million compared with the end of the fiscal year ended February 28, 2018. This was primarily due to increases in cash and cash equivalents and trade and other receivables.
Liabilities were ¥1,212,853 million, an increase of ¥69,724 million compared with the end of the fiscal year ended February 28, 2018. This was primarily due to an increase in deposits received.
Equity was ¥592,332 million, an increase of ¥2,955 million compared with 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.

(ii) Cash flows

Cash and cash equivalents (hereafter "cash") at the end of the first quarter of the fiscal year ending February 28, 2019 was ¥313,684 million, an increase of ¥60,510 million compared with the end of the fiscal year ended February 28, 2018. The respective cash flow positions and the factors thereof are as follows.

Cash flows from operating activities
Net cash provided by operating activities was ¥104,411 million, a decrease of ¥3,445 million compared with the first three months of the fiscal year ended February 28, 2018. This primarily reflected to a factor that the amount of increase in deposits received decreased compared with the same period of the previous fiscal year while accounts payable – trade increased in the convenience store business.

Cash flows from investing activities
Net cash used in investing activities was ¥7,327 million, a decrease of ¥5,026 million compared with the first three months of the fiscal year ended February 28, 2018. This was primarily due to expenditure for purchase of additional investment securities and proceeds from sales of shares of subsidiaries in conjunction with the reorganization of group companies and others.

Cash flows from financing activities
Net cash used in financing activities was ¥36,078 million, an increase of ¥6,815 million compared with the first three months of the fiscal year ended February 28, 2018. This was primarily due to an increase in repayments of long-term borrowings.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The earnings forecasts for the first six months and full-year for the fiscal year ending February 28, 2019 are unchanged from the forecasts announced on April 11, 2018.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed quarterly consolidated statement of financial position

(Millions of yen)

	As of February 28, 2018	As of May 31, 2018
Assets		
Current assets		
Cash and cash equivalents	253,174	313,684
Trade and other receivables	259,654	275,237
Other financial assets	19,463	18,486
Inventories	55,558	55,190
Other current assets	24,838	30,176
Subtotal	612,686	692,773
Assets held for trading	4,485	1,443
Total current assets	617,171	694,216
Non-current assets		
Property, plant and equipment	393,596	395,349
Investment property	137,004	136,412
Goodwill	155,763	155,316
Intangible assets	66,252	64,624
Investments accounted for using equity method	23,956	26,463
Leasehold deposits	122,917	118,337
Other financial assets	153,279	153,425
Retirement benefit asset	1,758	1,833
Deferred tax assets	47,209	44,911
Other non-current assets	13,599	14,299
Total non-current assets	1,115,334	1,110,969
Total assets	1,732,506	1,805,185

(Millions of yen)

	As of February 28, 2018	As of May 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	288,744	316,370
Deposits received	152,155	221,462
Bonds and borrowings	48,864	39,771
Lease obligations	27,160	28,606
Income taxes payable	7,885	4,122
Other current liabilities	57,802	56,532
Total current liabilities	582,611	666,862
Non-current labilities		
Bonds and borrowings	332,282	318,898
Lease obligations	93,843	93,968
Other financial liabilities	53,732	52,740
Retirement benefit liability	16,970	16,922
Provisions	51,979	52,321
Other non-current liabilities	11,711	11,141
Total non-current liabilities	560,517	545,990
Total liabilities	1,143,128	1,212,853
Equity		
Share capital	16,659	16,659
Capital surplus	236,785	236,788
Treasury shares	(1,104)	(1,126)
Other components of equity	15,925	15,407
Retained earnings	274,970	281,735
Total equity attributable to owners of parent	543,235	549,463
Non-controlling interests	46,143	42,869
Total equity	589,377	592,332
Total liabilities and equity	1,732,506	1,805,185

(2) Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	Three months ended May 31, 2017	Three months ended May 31, 2018
Gross operating revenue	310,306	316,578
Cost of sales	(134,888)	(142,836)
Operating gross profit	175,418	173,742
Selling, general and administrative expenses	(156,548)	(153,396)
Share of profit (loss) of investments accounted for using equity method	(1,103)	444
Other income	938	5,810
Other expenses	(5,801)	(5,540)
Finance income	723	613
Finance costs	(591)	(822)
Profit before tax	13,038	20,851
Income tax expense	(3,860)	(3,652)
Profit	9,178	17,200
Profit attributable to		
Owners of parent	8,473	13,705
Non-controlling interests	705	3,495
Profit	9,178	17,200
Earnings per share		
Basic earnings per share (Yen)	66.91	108.31
Diluted earnings per share (Yen)	–	–

Reconciliation of core operating profit

(Millions of yen)

	Three months ended May 31, 2017	Three months ended May 31, 2018
Gross operating revenue	310,306	316,578
Cost of sales	(134,888)	(142,836)
Selling, general and administrative expenses	(156,548)	(153,396)
Core operating profit	18,871	20,347

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) Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	Three months ended May 31, 2017	Three months ended May 31, 2018
Profit	9,178	17,200
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	5,193	(286)
Share of other comprehensive income of investments accounted for using equity method	11	(1)
Total of items that will not be reclassified to profit or loss	5,204	(287)
Items that may be reclassified to profit or loss		
Cash flow hedges	(23)	(40)
Exchange differences on translation of foreign operations	(109)	(356)
Share of other comprehensive income of investments accounted for using equity method	(39)	(39)
Total of items that may be reclassified to profit or loss	(171)	(435)
Other comprehensive income, net of tax	5,033	(721)
Comprehensive income	14,211	16,478
Comprehensive income attributable to		
Owners of parent	13,473	13,299
Non-controlling interests	738	3,179
Comprehensive income	14,211	16,478

(4) Condensed quarterly consolidated statement of changes in equity

First three months of the fiscal year ended February 28, 2018 (from March 1, 2017 to May 31, 2017)

(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	–	–	–	(200)	(23)	5,223
Total comprehensive income	–	–	–	(200)	(23)	5,223
Purchase of treasury shares	–	–	(7)	–	–	–
Disposal of treasury shares	–	0	1	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	13	–	–	–	–
Change in treasury shares arising from change in equity in entities accounted for using equity method	–	–	(0)	–	–	–
Other	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(199)
Transfer from other components of equity to non-financial assets	–	–	–	–	(4)	–
Total transactions with owners	–	13	(7)	–	(4)	(199)
Balance as of May 31, 2017	16,659	237,021	(448)	(562)	310	13,252

(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	–	–	8,473	8,473	705	9,178
Other comprehensive income	–	5,000	–	5,000	33	5,033
Total comprehensive income	–	5,000	8,473	13,473	738	14,211
Purchase of treasury shares	–	–	–	(7)	–	(7)
Disposal of treasury shares	–	–	–	1	–	1
Dividends	–	–	(7,094)	(7,094)	(148)	(7,242)
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	–	–	13	261	274
Change in treasury shares arising from change in equity in entities accounted for using equity method	–	–	–	(0)	–	(0)
Other	–	–	1	1	–	1
Transfer from other components of equity to retained earnings	–	(199)	199	–	–	–
Transfer from other components of equity to non-financial assets	–	(4)	–	(4)	–	(4)
Total transactions with owners	–	(203)	(6,894)	(7,091)	113	(6,978)
Balance as of May 31, 2017	–	13,000	257,993	524,225	16,406	540,631

First three months of the fiscal year ending February 28, 2019 (from March 1, 2018 to May 31, 2018)

(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, 2018	16,659	236,785	(1,104)	(565)	228	16,262
Profit	–	–	–	–	–	–
Other comprehensive income	–	–	–	(212)	(28)	(167)
Total comprehensive income	–	–	–	(212)	(28)	(167)
Purchase of treasury shares	–	–	(22)	–	–	–
Disposal of treasury shares	–	0	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	4	–	–	–	–
Other	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(154)
Transfer from other components of equity to non-financial assets	–	–	–	–	42	–
Total transactions with owners	–	4	(22)	–	42	(154)
Balance as of May 31, 2018	16,659	236,788	(1,126)	(777)	243	15,941

(Millions of yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of March 1, 2018	–	15,925	274,970	543,235	46,143	589,377
Profit	–	–	13,705	13,705	3,495	17,200
Other comprehensive income	–	(406)	–	(406)	(315)	(721)
Total comprehensive income	–	(406)	13,705	13,299	3,179	16,478
Purchase of treasury shares	–	–	–	(22)	–	(22)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(7,086)	(7,086)	(6)	(7,092)
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	–	–	4	(6,501)	(6,497)
Other	–	–	(8)	(8)	54	46
Transfer from other components of equity to retained earnings	–	(154)	154	–	–	–
Transfer from other components of equity to non-financial assets	–	42	–	42	–	42
Total transactions with owners	–	(112)	(6,940)	(7,070)	(6,453)	(13,523)
Balance as of May 31, 2018	–	15,407	281,735	549,463	42,869	592,332

(5) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended May 31, 2017	Three months ended May 31, 2018
Cash flows from operating activities		
Profit before tax	13,038	20,851
Depreciation and amortization	15,921	16,807
Impairment losses	3,291	2,158
Share of loss (profit) of investments accounted for using equity method	1,103	(444)
Decrease (increase) in trade and other receivables	(23,658)	(15,754)
Decrease (increase) in inventories	(1,502)	(1,003)
Increase (decrease) in trade and other payables	13,329	23,605
Increase (decrease) in deposits received	86,166	69,913
Increase or decrease in retirement benefit asset or liability	(211)	(75)
Other	1,706	(8,963)
Subtotal	109,182	107,097
Interest and dividends received	1,235	576
Interest paid	(544)	(919)
Income taxes paid	(2,017)	(2,343)
Net cash provided by (used in) operating activities	107,856	104,411
Cash flows from investing activities		
Purchases of property, plant and equipment and investment property	(13,055)	(10,562)
Proceeds from sale of property, plant and equipment and investment property	1,720	984
Purchase of intangible assets	(529)	(1,241)
Payments for leasehold deposits and construction assistance fund	(3,912)	(2,022)
Proceeds from collection of leasehold deposits and construction assistance fund	1,627	2,053
Purchase of investments	–	(2,672)
Proceeds from sale and redemption of investments	1,056	216
Proceeds from disposal of businesses	–	3,617
Payments for disposal of businesses	–	(467)
Other	740	2,768
Net cash provided by (used in) investing activities	(12,354)	(7,327)

(Millions of yen)

	Three months ended May 31, 2017	Three months ended May 31, 2018
Cash flows from financing activities		
Proceeds from issuance of bonds and borrowings	31,453	65,884
Repayments of bonds and borrowings	(35,975)	(87,388)
Repayments of lease obligations	(6,766)	(7,460)
Payments for purchase of treasury shares	(7)	(22)
Purchases of interests in subsidiaries from non-controlling shareholders	(55)	–
Dividends paid	(7,094)	(7,086)
Dividends paid to non-controlling interests	(148)	(6)
Increase (decrease) in commercial papers	(11,000)	–
Other	330	0
Net cash provided by (used in) financing activities	(29,263)	(36,078)
Effect of exchange rate changes on cash and cash equivalents	16	(496)
Net increase (decrease) in cash and cash equivalents	66,255	60,510
Cash and cash equivalents at beginning of period	188,289	253,174
Cash and cash equivalents at end of period	254,544	313,684

(6) Notes to condensed quarterly consolidated financial statements

Notes on going concern assumption

Not applicable.

Changes in accounting policies

The significant accounting policies for the condensed quarterly consolidated financial statements of the Group have not changed from the previous fiscal year except for the following accounting standard.

Income tax expense for the first three months of the fiscal year ended February 28, 2019 was calculated based on the estimated average annual effective tax rate.

The Group applied the following standard starting from the quarter under review.

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

The Group adopted IFRS 15 “Revenue from Contracts with Customers” (issued in May 2014) and “Clarifications to IFRS 15” (issued in April 2016) (collectively, “IFRS 15”) from the first quarter of the fiscal year ending February 28, 2019.

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

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 with the 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 condensed quarterly consolidated financial statements of the Group.

Changes in presentation

Condensed quarterly 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 previous fiscal year. However, this presentation is no longer provided from the first quarter of the fiscal year ending February 28, 2019, and the condensed quarterly consolidated statement of profit or loss for the first three months of the fiscal year ended February 28, 2018 were 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 financial statements, as a result of review of presentation of condensed quarterly 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”).

In addition, the Group has newly disclosed reconciliation of core operating profit because it has judged that demonstrating the relation between the consolidated statement of profit or loss and segment information is useful for decision-making of investors.

Changes in accounting estimates

In the preparation of condensed quarterly 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 condensed quarterly consolidated financial statements are the same as those used for the consolidated financial statements for the previous fiscal year.

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.

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 under review 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 first three months of the previous fiscal year.

First three months of the fiscal year ended February 28, 2018 (from March 1, 2017 to May 31, 2017)

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Consolidated
	Convenience store business	General merchandise store business	Total		
Gross operating revenue					
External revenue	143,039	167,267	310,306	–	310,306
Intersegment revenue	116	313	430	(430)	–
Total	143,155	167,581	310,736	(430)	310,306
Segment profit (loss) (core operating profit)	11,955	6,937	18,892	(21)	18,871
Share of profit (loss) of entities accounted for using equity method	(803)	(300)	(1,103)	–	(1,103)
Other income	671	304	975	(37)	938
Other expenses	(5,536)	(319)	(5,855)	54	(5,801)
Finance income	643	75	718	4	723
Finance costs	(507)	(437)	(944)	354	(591)
Profit before tax	6,424	6,259	12,683	354	13,038
Segment profit (loss) (profit attributable to owners of parent)	3,471	4,777	8,247	226	8,473
Other items					
Depreciation and amortization	(13,171)	(2,748)	(15,918)	(2)	(15,921)
Impairment losses (Note 2)	(3,253)	(38)	(3,291)	–	(3,291)
Income tax expense	(2,358)	(1,374)	(3,732)	(128)	(3,860)
Segment assets	1,229,733	528,746	1,758,479	5,013	1,763,492
Investments accounted for using equity method	13,884	8,571	22,456	–	22,456
Capital expenditures (Note 3)	18,491	1,368	19,859	3	19,862

Notes:

1. Adjustments to segment profit (loss) (core operating profit) of negative ¥21 million and adjustments to segment profit (loss) (profit attributable to owners of parent) of ¥226 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 assets of ¥5,013 million mainly include unallocated corporate assets of ¥72,564 million, elimination of intersegment receivables and payables of negative ¥53,295 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 and intangible assets 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 condensed quarterly consolidated statement of profit or loss.
3. Capital expenditures relate to property, plant and equipment, investment property and intangible assets.
4. In the first half ended August 31, 2017, the provisional accounting treatments related to a business integration were finalized, and the figures have been restated accordingly.

First three months of the fiscal year ending February 28, 2019 (from March 1, 2018 to May 31, 2018)

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Consolidated
	Convenience store business	General merchandise store business	Total		
Gross operating revenue					
External revenue	132,468	184,110	316,578	–	316,578
Intersegment revenue	880	545	1,425	(1,425)	–
Total	133,348	184,655	318,004	(1,425)	316,578
Segment profit (loss) (core operating profit)	13,648	7,196	20,844	(498)	20,347
Share of profit (loss) of entities accounted for using equity method	442	1	444	–	444
Other income	477	1,440	1,917	3,893	5,810
Other expenses	(4,496)	(958)	(5,454)	(86)	(5,540)
Finance income	568	47	615	(2)	613
Finance costs	(501)	(633)	(1,134)	312	(822)
Profit before tax	10,139	7,094	17,232	3,619	20,851
Segment profit (loss) (profit attributable to owners of parent)	6,752	3,997	10,749	2,956	13,705
Other items					
Depreciation and amortization	(13,714)	(3,090)	(16,804)	(2)	(16,807)
Impairment losses (Note 2)	(2,112)	(46)	(2,158)	–	(2,158)
Income tax expense	(2,662)	(326)	(2,989)	(663)	(3,652)
Segment assets	1,239,912	524,715	1,764,627	40,558	1,805,185
Investments accounted for using equity method	26,204	259	26,463	–	26,463
Capital expenditures (Note 3)	15,550	3,792	19,342	2	19,344

Notes:
1. Adjustments to segment profit (loss) (core operating profit) of negative ¥498 million and adjustments to segment profit (loss) (profit attributable to owners of parent) of ¥2,956 million include unallocated corporate expenses and elimination of intersegment transactions, which are mostly general and administrative expenses that are not attributable to reportable segments and other income.
   Adjustments to segment assets of ¥40,558 million mainly include unallocated corporate assets of ¥108,139 million, elimination of intersegment receivables and payables of negative ¥53,325 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 and intangible assets 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 condensed quarterly consolidated statement of profit or loss.
3. Capital expenditures relate to property, plant and equipment, investment property and intangible assets.

Loss of control

First three months of the fiscal year ending February 28, 2019 (from March 1, 2018 to May 31, 2018)

Sale of subsidiaries

Sale of UNY (HK) CO., LIMITED

The Company entered into an agreement, on May 24, 2018, to transfer all shares of UNY (HK) CO., LTD. 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.

Significant subsequent events

Not applicable.