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

January 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 to file quarterly securities report: January 15, 2019
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 nine months of the fiscal year ending February 28, 2019 (from March 1, 2018 to November 30, 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	%
Nine months ended								
November 30, 2018	470,889	(1.7)	48,208	31.4	37,337	58.6	66,731	28.1
November 30, 2017	479,181	–	36,684	–	23,543	–	52,112	126.4

	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
Nine months ended						
November 30, 2018	56,476	16.5	63,630	9.5	446.33	–
November 30, 2017	48,470	134.5	58,111	126.3	382.79	–

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 ending 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.

(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					
November 30, 2018	1,701,584	627,823	581,694	34.2	4,597.31
February 28, 2018	1,731,787	588,659	543,235	31.4	4,293.16

Note: In the second quarter of the fiscal year ending 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. 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	–	63.50	–		
Fiscal year ending February 28, 2019 (Forecast)				63.50	127.00

Notes: 1. Revisions to the forecast of cash dividends most recently announced: None

2. There has been no change to the Company's initial dividend forecasts. Should these forecasts be revised in the future, prompt disclosure will be performed.

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
Fiscal year ending February 28, 2019	–	–	–	–	–	–	44,000	30.7	347.75

Notes: 1. Revisions to the earnings forecasts most recently announced: None

2. The effects of the transfer of a subsidiary on gross operating revenue, core operating profit and profit before tax are currently under examination, and forecasts will be promptly disclosed when they are finalized.

* 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 condensed quarterly 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 November 30, 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 November 30, 2018	183,071 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 nine months ended November 30, 2018	126,532,254 shares
For the nine months ended November 30, 2017	126,624,461 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.

Attached Material Index

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

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

(1) Information regarding operating results

During the first nine months of the fiscal year ending February 28, 2019 (March 1, 2018 to November 30, 2018), 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 owing to 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, 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.

In accordance with the October 2018 share transfer agreement between the Company and Don Quijote Holdings Co., Ltd., relating to changes in subsidiaries, the Company resolved to transfer all of the shares it owned in UNY CO., LTD. to Don Quijote Holdings Co., Ltd., in January 2019. Accordingly, the businesses of UNY CO., LTD. and its subsidiaries are classified as discontinued operations. Regarding gross operating revenue, core operating profit and profit before tax, the amounts for continuing operations excluding discontinued operations are stated, with the results for the same period of the previous fiscal year similarly reclassified.

As a result, gross operating revenue for the period under review decreased by 1.7% year on year to ¥470,889 million, core operating profit increased by 31.4% to ¥48,208 million, profit before tax increased by 58.6% to ¥37,337 million and profit attributable to owners of parent increased by 16.5% to ¥56,476 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).

Regarding brand integration, all domestic Circle K and Sunkus stores discontinued their operations on November 30, 2018, and the brand conversion 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 of merchandise and logistics operations centering on ready-to-eat meals by utilizing the domestic network of approximately 17,000 stores.

To enhance product competitiveness, the Group renewed freshly-ground coffee, delicatessens, 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. 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 fish dishes which are present on the dinner table particularly often. Supported by the combined efforts of TV commercials, expanded sales space, and sales promotions, sales are substantially higher year on year.

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. In addition to eliminating the need for inspections of products when they are delivered and expanding the number of stores with self-checkout cash registers, we have started to roll out “cash counter” machines in stores with a view to reducing the time spent by staff on cash management.

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. In September 2018, the Group opened the FamilyMart JA Hitachi Okukuji store, a store bringing together Hitachi Life Agricultural Cooperative Association and FamilyMart that aims to offer a place as local community and a rich lineup of special products of the region.

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. Through these services, where demand is expected to expand in the future, we are seeking to promote cashless payments in the domestic settlement market and enhance customer convenience.

The total number of stores operated in Japan was 16,660 (including 917 stores operated by three domestic area franchisers) as of November 30, 2018. The total number of stores operated overseas in Taiwan, Thailand, China, Vietnam, Indonesia, the Philippines and Malaysia was 7,338 and the aggregate number of FamilyMart chain stores worldwide totaling both domestic and overseas stores was 23,998 as of the same date.

As a result, gross operating revenue of the convenience store business segment decreased by 6.2% year on year to ¥403,157 million, segment profit (core operating profit) increased by 29.3% to ¥49,120 million, and segment profit (profit attributable to owners of parent) increased by 67.2% to ¥20,315 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.

As for products, 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 addition, under the Prepared Dish Project launched with Kanemi Co., Ltd., in spring 2018, we have been remodeling food sales areas to strengthen the quality and product lineup of prepared dishes and instant food products, areas where demand is growing. We followed the remodeled of the PIAGO Kasamatsu store, the APITA Shin-Moriyama store, and the PIAGO Higashikariya store, with the renewal and reopening of the APITA Ito store and the APITA Nagoya Kita store in November 2018.

As for promotion, 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-City, Kanagawa Prefecture.

As for its initiatives to establish a new retail business, the Group converted six existing stores of UNY CO., LTD. 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., and newly opened them in February and March 2018.

In October 2018, we completed the relocation of our head office from Inazawa City, Aichi Prefecture, to the multi-purpose high-rise building “Global Gate” in Nagoya City.

The number of APITA and PIAGO stores of UNY CO., LTD., combined with MEGA Don Quijote UNY stores, was 194 as of November 30, 2018.

As a result, gross operating revenue of the general merchandise store business segment increased by 5.1% year on year to ¥550,445 million, segment profit (core operating profit) increased by 14.5% to

¥22,598 million, and segment profit (profit attributable to owners of parent) decreased by 46.2% to ¥10,302 million.

In the third quarter of the fiscal year ending February 28, 2019, the businesses of UNY CO., LTD. and its subsidiaries within the general merchandise store business segment have been classified as discontinued operations.

(2) Explanation of financial position

(i) Assets, liabilities and equity

Assets were ¥1,701,584 million, a decrease of ¥30,203 million compared with the end of the fiscal year ended February 28, 2018. This was primarily due to decreases in cash and cash equivalents and trade and other receivables of continuing operations. Assets of UNY CO., LTD. and its subsidiaries classified as discontinued operations, are reclassified to assets held for sale.

Liabilities were ¥1,073,762 million, a decrease of ¥69,367 million compared with the end of the fiscal year ended February 28, 2018. This was primarily due to decreases in deposits received as well as bonds and borrowings of continuing operations. Liabilities of UNY CO., LTD. and its subsidiaries classified as discontinued operations, are reclassified to liabilities directly associated with assets held for sale.

Equity was ¥627,823 million, an increase of ¥39,164 million compared with the end of the fiscal year ended February 28, 2018. This was primarily due to an increase in retained earnings.

(ii) Cash flows

Cash and cash equivalents (hereafter “cash”) at the end of the third quarter of the fiscal year ending February 28, 2019 was ¥208,025 million, a decrease of ¥45,149 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 ¥87,284 million, a decrease of ¥35,506 million compared with the first nine months of the fiscal year ended February 28, 2018. This was primarily due to a decreased amount of increase in deposits received compared with the same period of the previous fiscal year offsetting the increase due to recognition of profit before income taxes.

Cash flows from investing activities
Net cash used in investing activities was ¥29,384 million, a decrease of ¥6,680 million compared with the first nine months of the fiscal year ended February 28, 2018. This was primarily due to proceeds from sales of shares of subsidiaries and a decrease in purchase of non-current assets in conjunction with the reorganization of group companies and others.

Cash flows from financing activities
Net cash used in financing activities was ¥80,658 million, an increase of ¥56,619 million compared with the first nine months of the fiscal year ended February 28, 2018. This was primarily due to an increase in repayments of loans payable.

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

The earnings forecasts for the fiscal year ending February 28, 2019 are unchanged from the forecasts announced on January 4, 2019.

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 November 30, 2018
Assets		
Current assets		
Cash and cash equivalents	253,174	208,025
Trade and other receivables	259,654	129,384
Other financial assets	19,463	13,793
Inventories	55,558	19,989
Other current assets	24,838	20,401
Subtotal	612,686	391,592
Assets held for sale	4,485	482,529
Total current assets	617,171	874,121
Non-current assets		
Property, plant and equipment	393,596	281,095
Investment property	137,004	10,524
Goodwill	156,557	155,506
Intangible assets	66,252	59,195
Investments accounted for using equity method	23,956	24,030
Leasehold deposits	122,917	90,841
Other financial assets	153,279	136,625
Retirement benefit asset	1,758	470
Deferred tax assets	45,697	55,880
Other non-current assets	13,599	13,298
Total non-current assets	1,114,615	827,464
Total assets	1,731,787	1,701,584

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	288,744	212,393
Deposits received	152,155	96,258
Bonds and borrowings	48,864	46,115
Lease obligations	27,160	28,794
Income taxes payable	7,885	4,873
Other current liabilities	57,802	27,956
Subtotal	582,611	416,389
Liabilities directly associated with assets held for sale	–	267,700
Total current liabilities	582,611	684,090
Non-current liabilities		
Bonds and borrowings	332,282	228,767
Lease obligations	93,843	89,977
Other financial liabilities	53,732	15,593
Retirement benefit liability	16,970	17,008
Provisions	51,979	33,500
Other non-current liabilities	11,711	4,828
Total non-current liabilities	560,517	389,672
Total liabilities	1,143,128	1,073,762
Equity		
Share capital	16,659	16,659
Capital surplus	236,785	236,747
Treasury shares	(1,104)	(1,171)
Other components of equity	15,925	10,696
Retained earnings	274,970	318,763
Total equity attributable to owners of parent	543,235	581,694
Non-controlling interests	45,424	46,129
Total equity	588,659	627,823
Total liabilities and equity	1,731,787	1,701,584

(2) Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Continuing operations		
Gross operating revenue	479,181	470,889
Cost of sales	(112,397)	(108,124)
Operating gross profit	366,784	362,765
Selling, general and administrative expenses	(330,100)	(314,557)
Share of profit (loss) of investments accounted for using equity method	(551)	1,881
Other income	3,550	5,187
Other expenses	(16,966)	(18,287)
Finance income	2,463	1,943
Finance costs	(1,636)	(1,595)
Profit before tax	23,543	37,337
Income tax expense	7,846	10,411
Profit from continuing operations	31,390	47,749
Discontinued operations		
Profit from discontinued operations	20,723	18,983
Profit	52,112	66,731
Profit attributable to		
Owners of parent	48,470	56,476
Non-controlling interests	3,642	10,256
Profit	52,112	66,731
Earnings per share		
Basic earnings per share (Yen)		
Continuing operations	228.87	352.52
Discontinued operations	153.92	93.81
Total	382.79	446.33
Diluted earnings per share (Yen)		
Continuing operations	–	–
Discontinued operations	–	–
Total	–	–

Reconciliation of core operating profit

(Millions of yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Gross operating revenue	479,181	470,889
Cost of sales	(112,397)	(108,124)
Selling, general and administrative expenses	(330,100)	(314,557)
Core operating profit	36,684	48,208

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)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Profit	52,112	66,731
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	7,545	(2,946)
Remeasurements of defined benefit plans	(1,530)	–
Share of other comprehensive income of investments accounted for using equity method	(12)	(12)
Total of items that will not be reclassified to profit or loss	6,002	(2,958)
Items that may be reclassified to profit or loss		
Cash flow hedges	(78)	(44)
Exchange differences on translation of foreign operations	100	(51)
Share of other comprehensive income of investments accounted for using equity method	(25)	(49)
Total of items that may be reclassified to profit or loss	(4)	(143)
Other comprehensive income, net of tax	5,999	(3,101)
Comprehensive income	58,111	63,630
Comprehensive income attributable to		
Owners of parent	54,541	53,700
Non-controlling interests	3,569	9,930
Comprehensive income	58,111	63,630

(4) Condensed quarterly consolidated statement of changes in equity

First nine months of the fiscal year ended February 28, 2018 (from March 1, 2017 to November 30, 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	–	–	–	66	(78)	7,614
Total comprehensive income	–	–	–	66	(78)	7,614
Purchase of treasury shares	–	–	(28)	–	–	–
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	–	(418)	–	–	–	–
Other	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(285)
Transfer from other components of equity to non-financial assets	–	–	–	–	6	–
Total transactions with owners	–	(418)	(247)	–	6	(285)
Balance as of November 30, 2017	16,659	236,590	(689)	(296)	264	15,558

(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, 2017	–	8,203	256,414	517,842	15,555	533,398
Profit	–	–	48,470	48,470	3,642	52,112
Other comprehensive income	(1,530)	6,071	–	6,071	(73)	5,999
Total comprehensive income	(1,530)	6,071	48,470	54,541	3,569	58,111
Purchase of treasury shares	–	–	–	(28)	–	(28)
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	–	–	–	(418)	19,623	19,205
Other	–	–	37	37	–	37
Transfer from other components of equity to retained earnings	1,530	1,245	(1,245)	–	–	–
Transfer from other components of equity to non-financial assets	–	6	–	6	–	6
Total transactions with owners	1,530	1,251	(15,396)	(14,810)	26,948	12,138
Balance as of November 30, 2017	–	15,525	289,488	557,574	46,073	603,647

First nine months of the fiscal year ending February 28, 2019 (from March 1, 2018 to November 30, 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	–	–	–	(112)	(65)	(2,598)
Total comprehensive income	–	–	–	(112)	(65)	(2,598)
Purchase of treasury shares	–	–	(69)	–	–	–
Disposal of treasury shares	–	1	1	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	(38)	–	–	–	–
Other	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(2,446)
Transfer from other components of equity to non-financial assets	–	–	–	–	(7)	–
Total transactions with owners	–	(37)	(68)	–	(7)	(2,446)
Balance as of November 30, 2018	16,659	236,747	(1,171)	(678)	156	11,218

(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, 2018	–	15,925	274,970	543,235	45,424	588,659
Profit	–	–	56,476	56,476	10,256	66,731
Other comprehensive income	–	(2,775)	–	(2,775)	(326)	(3,101)
Total comprehensive income	–	(2,775)	56,476	53,700	9,930	63,630
Purchase of treasury shares	–	–	–	(69)	–	(69)
Disposal of treasury shares	–	–	–	2	–	2
Dividends	–	–	(15,121)	(15,121)	(2,634)	(17,754)
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	–	–	(38)	(6,646)	(6,683)
Other	–	–	(8)	(8)	54	46
Transfer from other components of equity to retained earnings	–	(2,446)	2,446	–	–	–
Transfer from other components of equity to non-financial assets	–	(7)	–	(7)	–	(7)
Total transactions with owners	–	(2,454)	(12,682)	(15,241)	(9,225)	(24,466)
Balance as of November 30, 2018	–	10,696	318,763	581,694	46,129	627,823

(5) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Cash flows from operating activities		
Profit before tax from continuing operations	23,543	37,337
Depreciation and amortization	40,779	43,021
Impairment losses	10,138	10,977
Share of loss (profit) of investments accounted for using equity method	551	(1,881)
Decrease (increase) in trade and other receivables	2,066	3,980
Decrease (increase) in inventories	199	499
Increase (decrease) in trade and other payables	10,481	3,838
Increase (decrease) in deposits received	(17,249)	(48,296)
Increase or decrease in retirement benefit asset or liability	2,250	79
Other	15,990	6,759
Subtotal	88,748	56,314
Interest and dividends received	2,514	1,209
Interest paid	(2,159)	(2,041)
Income taxes paid	(4,764)	(2,428)
Income taxes refund	4,484	2,396
Cash flows from operating activities of discontinued operations	33,966	31,834
Net cash provided by (used in) operating activities	122,790	87,284
Cash flows from investing activities		
Purchase of property, plant and equipment and investment property	(31,592)	(24,011)
Proceeds from sale of property, plant and equipment and investment property	3,220	1,086
Purchase of intangible assets	(6,343)	(2,968)
Payments for leasehold deposits and construction assistance fund	(14,221)	(13,688)
Proceeds from collection of leasehold deposits and construction assistance fund	9,505	6,292
Purchase of investments	(7,725)	(4,093)
Proceeds from sale and redemption of investments	4,853	4,545
Proceeds from acquisition of business	700	–
Proceeds from disposal of businesses	–	3,617
Other	(3,612)	(1,602)
Cash flows from investing activities of discontinued operations	9,151	1,438
Net cash provided by (used in) investing activities	(36,064)	(29,384)

(Millions of yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Cash flows from financing activities		
Proceeds from issuance of bonds and borrowings	107,746	99,091
Repayments of bonds and borrowings	(98,434)	(127,103)
Repayments of lease obligations	(20,843)	(22,209)
Payments for purchase of treasury shares	(28)	(69)
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	101,024	(12,427)
Net cash provided by (used in) financing activities	(24,039)	(80,658)
Effect of exchange rate changes on cash and cash equivalents	348	143
Net increase (decrease) in cash and cash equivalents	63,035	(22,614)
Cash and cash equivalents at beginning of period	188,289	253,174
Cash and cash equivalents included in assets held for sale	–	(22,535)
Cash and cash equivalents at end of period	251,324	208,025

(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 nine months of the fiscal year ending February 28, 2019 was calculated based on the estimated average annual effective tax rate.

The Group applied the following standard starting from the first quarter of the fiscal year ending 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 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 nine months of 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 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.
Profit or loss from businesses classified as discontinued operations are presented on the condensed quarterly 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 were made on the condensed quarterly consolidated statement of profit or loss, condensed quarterly consolidated statement of cash flows, and relevant notes to condensed quarterly consolidated financial statements for the first nine months of 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.

Due to the share transfer agreement in which the Company resolved to transfer all of the shares it owned in UNY CO., LTD., in preparing the condensed quarterly consolidated statement of profit or loss, gross operating revenue, profit or loss, etc., of UNY CO., LTD. and its subsidiaries for the first nine months of the fiscal year ended February 28, 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."

<u>Change in profit or loss of reportable segments (addition of an earnings indicator)</u>

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 ending 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 first nine months of the previous fiscal year.

First nine months of the fiscal year ended February 28, 2018 (from March 1, 2017 to November 30, 2017)

(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	428,642	522,206	950,847	(471,666)	0	479,181
Intersegment revenue	1,346	1,515	2,862	–	(2,862)	–
Total	429,988	523,721	953,709	(471,666)	(2,861)	479,181
Segment profit (loss) (core operating profit)	37,984	19,743	57,726	(20,888)	(154)	36,684
Share of profit (loss) of entities accounted for using equity method	(292)	(273)	(565)	13	–	(551)
Other income	1,178	6,506	7,683	(4,169)	36	3,550
Other expenses	(16,775)	(1,278)	(18,053)	960	127	(16,966)
Finance income	2,378	156	2,534	(161)	90	2,463
Finance costs	(1,545)	(1,316)	(2,860)	173	1,052	(1,636)
Profit before tax	22,928	23,538	46,466	(24,073)	1,150	23,543
Segment profit (loss) (profit attributable to owners of parent)	12,151	19,150	31,301	–	17,169	48,470
Other items						
Depreciation and amortization	(40,268)	(8,197)	(48,465)	7,693	(7)	(40,779)
Impairment losses (Note 2)	(10,056)	(191)	(10,247)	109	–	(10,138)
Income tax expense	(8,375)	(3,149)	(11,524)	3,351	16,019	7,846
Segment assets	1,162,897	547,295	1,710,192	–	41,149	1,751,342
Investments accounted for using equity method	22,507	243	22,750	(243)	–	22,507
Capital expenditures (Note 3)	63,718	6,011	69,729	–	9	69,738

Notes:

1. Adjustments to segment profit (loss) (core operating profit) of negative ¥154 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 ¥17,169 million include unallocated corporate expenses and elimination of intersegment transactions, which are mostly adjustments of ¥15,781 million to income tax expenses 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 third quarter of the fiscal year ended February 28, 2018.
   Adjustments to segment assets of ¥41,149 million mainly include unallocated corporate assets of ¥107,908 million, elimination of intersegment receivables and payables of negative ¥52,503 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 second quarter of the fiscal year ending 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.

First nine months of the fiscal year ending February 28, 2019 (from March 1, 2018 to November 30, 2018)

(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	400,111	548,892	949,003	(478,115)	0	470,889
Intersegment revenue	3,046	1,553	4,599	–	(4,599)	–
Total	403,157	550,445	953,602	(478,115)	(4,598)	470,889
Segment profit (loss) (core operating profit)	49,120	22,598	71,718	(22,262)	(1,248)	48,208
Share of profit (loss) of entities accounted for using equity method	1,881	4	1,885	(4)	–	1,881
Other income	1,128	3,857	4,986	(3,709)	3,911	5,187
Other expenses	(17,964)	(3,346)	(21,311)	3,226	(203)	(18,287)
Finance income	1,914	155	2,069	(121)	(5)	1,943
Finance costs	(1,449)	(1,878)	(3,327)	821	911	(1,595)
Profit before tax	34,630	21,391	56,021	(22,049)	3,366	37,337
Segment profit (loss) (profit attributable to owners of parent)	20,315	10,302	30,617	812	25,047	56,476
Other items						
Depreciation and amortization	(42,105)	(9,091)	(51,196)	8,187	(11)	(43,021)
Impairment losses (Note 2)	(10,914)	(148)	(11,063)	86	–	(10,977)
Income tax expense	(11,559)	(4,131)	(15,690)	4,420	21,681	10,411
Segment assets	1,129,426	521,220	1,650,646	1,354	49,585	1,701,584
Investments accounted for using equity method	24,030	231	24,261	(231)	–	24,030
Capital expenditures (Note 3)	43,753	8,249	52,002	–	576	52,578

Notes:

1. Adjustments to segment profit (loss) (core operating profit) of negative ¥1,248 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 ¥25,047 million include unallocated corporate expenses and elimination of intersegment transactions, which are mostly adjustments of ¥22,521 million to income tax expenses that are not attributable to reportable segments. This was due to the recording of deferred tax assets for a deductible temporary difference on the Company's investment in UNY CO., LTD., following the resolution to transfer all shares of UNY CO., LTD. held by the Company. The income tax expenses (credit) are included in "profit from continuing operations" in the condensed quarterly consolidated statement of profit or loss in consideration of the cause of the deductible temporary difference and others.
   Adjustments to segment assets of ¥49,585 million mainly include unallocated corporate assets of ¥116,590 million, elimination of intersegment receivables and payables of negative ¥52,749 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 condensed quarterly 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 ¥812 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

First nine months of the fiscal year ending February 28, 2019 (from March 1, 2018 to November 30, 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 condensed quarterly consolidated statement of profit or loss.

Finalization of provisional accounting treatments related to business combination

The Company conducted provisional accounting treatment in the fiscal year ended February 28, 2018 for a business combination with Kanemi Co., Ltd. carried out in July 2017. This accounting treatment was finalized in the second quarter of the fiscal year ending February 28, 2019.

In line with the finalization of this provisional accounting treatment, the initial allocation of the acquisition cost was revised, resulting in a decrease of ¥1,512 million in deferred tax assets. Consequently, non-controlling interests decreased by ¥719 million and goodwill increased by ¥793 million.

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

(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.

Significant subsequent events

Transfer of shares of UNY CO., LTD. and collection of loans receivable

(1) Overview of transaction

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 Don Quijote Holdings Co., Ltd., and the transfer was completed on January 4, 2019. In conjunction with this transfer, the Company received repayment of loans receivable made by UNY CO., LTD. and its subsidiaries.

(2) Transfer price of the shares and ownership proportion before and after the share transfer

a.	Transfer price	¥28,200 million
b.	Share of voting rights before the transfer	60.0%
c.	Share of voting rights after the transfer	–% (Note)

Note: Due to the transfer of shares, the Company lost control over UNY CO., LTD. and its subsidiaries.

(3) Collection of loans receivable from UNY CO., LTD. and its subsidiaries

In conjunction with this share transfer, the Company received repayment of loans receivable of ¥160,860 million from UNY CO., LTD. and its subsidiaries on January 4, 2019.

(4) Impact on future results

The impact of this share transfer on the Company's consolidated results in the fiscal year ending February 28, 2019 is currently being calculated.

Prepayment of long-term loans payable

For the purpose of reducing interest-bearing liabilities, the Company prepaid ¥50,265 million in long-term loans payable (syndicated loans) as of December 28, 2018.

Share split

The Company resolved, at the meeting of the Board of Directors held on December 13, 2018, to conduct a share split as follows.

(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 will be instituted to the shares of common stock 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

(3) Impact on per share information

Per share information based on the assumption that the share split was implemented at the beginning of the fiscal year ended February 28, 2018 is as follows:

(Yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Basic earnings per share		
Continuing operations	57.22	88.13
Discontinued operations	38.48	23.45
Total	95.70	111.58

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

Acquisition of shares of Don Quijote Holdings Co., Ltd.

(1) Overview of transaction

The Company resolved, at the meeting of the Board of Directors held on October 11, 2018, to acquire the shares of common stock of Don Quijote Holdings Co., Ltd. by tender offer in accordance with the Financial Instruments and Exchange Act, and acquired the shares as of December 19, 2018, as follows.

(2) Acquisition value of the shares and ownership proportion before and after the share acquisition

a. Acquisition value ¥163 million

b. Proportion of voting rights owned before acquisition –%

c. Proportion of voting rights owned after acquisition 0.02%

(3) Impact on future results

This share acquisition does not have a material impact on the Company's consolidated results in the fiscal year ending February 28, 2019.