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# FamilyMart UNY Holdings Co., Ltd.



## Financial Review of 3<sup>rd</sup> quarter of FY2017

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**Cautionary Statement:**

This report contains forward-looking statements, including the Company's strategies, future business plans, and projections. Such forward-looking statements are not based on historical facts and involve known and unknown risks and uncertainties that relate to, but are not necessarily confined to, such areas as economic trends and consumer preferences in Japan and abrupt changes in the market environment. Accordingly, the actual business performance of the Company may substantially differ from the forward-looking statements in this report.

# Overview of Consolidated Financial Results for 3<sup>rd</sup> Quarter of FY2017(IFRS)

Note: Core operating income = Operating revenue - Cost of sales - Selling, general and administrative expenses

(¥ billion)	FY2016 3Q	FY2017 3Q		FY2017 Full year
	Results	Results	YoY	Forecasts
Gross operating revenues	526.0	950.8	80.7%	1,242.0
Core Operating income (equivalent to operating income under Japanese GAAP)	45.7	57.5	25.9%	66.5
Other income	2.1	7.6	251.7%	8.0
Other expenses	15.9	17.8	12.4%	41.8
Profit attributable to owners of the parent	20.6	48.4	134.5%	33.0

◆ Factor behind increases in core operating income

(CVS and GMS businesses progress as planned)

- Strong progress in conversion of CKS brand stores in CVS business
- Benefits of store cost reduction measures in GMS business

◆ Factor behind increases in profit attributable to owners of the parent

- Recording of deferred tax assets due to application of consolidated tax payment system (¥15.7 billion)
- Gain on sales of idle assets in the GMS business (¥3.5 billion)

Additional impairment on fixed assets (approx. ¥16.0 billion worth) planned to be conducted in fourth quarter to resolve future issues

B/S ¥ billion	Total assets	FY2016	FY2017 3Q	
		Results	Results	Inc./dec.
		1,667.0	1,752.0	84.9

◆ Amortization associates with management integration

- 20-year amortization in CVS business \*Amortization of intangible assets amounted to ¥1.8billion in FY2017 3Q

# Overview of Consolidated Financial Results for 3<sup>rd</sup> Quarter of FY2017(IFRS)

**(Reference) Year-on-year comparisons including those with the FY2016 1H financial results of the former UNY Group Holdings**

(¥ billion)	FY2016	FY2017	
	3Q	3Q	FYI/YoY
	Results	Results	
Gross operating revenues	949.5	950.8	0.1%
Core Operating income (equivalent to operating income under Japanese GAAP)	66.0	57.5	(12.9%)
Profit attributable to owners of the parent	27.7	48.4	74.6%

Note: Core operating income = Operating revenue - Cost of sales - Selling, general and administrative expenses  
(equivalent to operating income under Japanese GAAP)

## ◆ Major factors behind increases / decreases

### - Reasons for changes in core operating income

Primary cause increased expenses including amortization of intangible assets in the CVS business (¥1.8 billion) and merger expenses (¥6.3 billion)

Profit relatively unchanged year on year when excluding these increased expenses and slump in sales of CKS stores (pre-conversion)

### - Factors behind increase in profit attributable to owners of the parent

Benefits of consolidated tax payment system, recording of deferred tax assets (¥15.7 billion)

## 3<sup>rd</sup> Quarter Financial Results (IFRS) and Overview of Operations of the CVS Business

	Segment total	FY2017 3Q		FY2016 3Q
		F M (non-consolidated)	Taiwan F M	Segment total
Gross operating revenues	429.9	361.1	45.2	
Core Operating income (equivalent to operating income under Japanese GAAP)	37.9	31.1	5.1	48.6
Profit attributable to owners of the parent	12.1	*12.8	2.2	

\* Excludes ¥3.3 billion in dividends received from famima.com (currently UFI FUTECH)

F M : FamilyMart

C K S : Circle K Sunkus

	FY2017 3Q			
	F M	Inc./dec.	C K S	Inc./dec.
Average daily sales at all stores (¥ thousand)	524	(1)	389	(42)
Average daily sales at existing stores (¥ thousand)	527	1	391	(39)
Growth rate of average daily sales at existing stores	(0.3%)	—	(5.4%)	—
※Growth rate of daily sales at existing stores, including converted stores	1.8% (528thousand)			
Gross profit ratio	27.57%	0.03%	26.45%	0.09%
Store openings	390	(175)	—	—
CKS brand conversion	2,183	—	—	—

- Brand conversion completed for total of 3,012 CKS stores, including 829 converted in FY2016
- Daily sales of converted stores is ¥524,000 (10% higher than before conversion)

## 3<sup>rd</sup> Quarter Financial Results (IFRS) and Overview of Operations of the GMS Business

(¥ billion)	FY2017 3Q			(Reference) FY2016 3Q
	Segment total	UNY (non- consolidated)	UCS	Segment total
Gross operating revenues	523.7	448.9	13.2	
Core Operating income (equivalent to operating income under Japanese GAAP)	19.7	17.0	2.9	17.6
Profit attributable to owners of the parent	19.1	17.5	1.5	

		FY2017 3Q	
		Results	Inc./dec.
Business Performance : UNY (non- consolidated)	Y-o-y change in existing store sales	(0.8%)	—
	Clothing	0.0%	—
	Household goods	0.9%	—
	Food	(0.8%)	—
	Gross profit ratio	23.5%	0.3%
	Store opening	1	(1)
	Store closures	13	(1)
	Number of stores	198	(18)

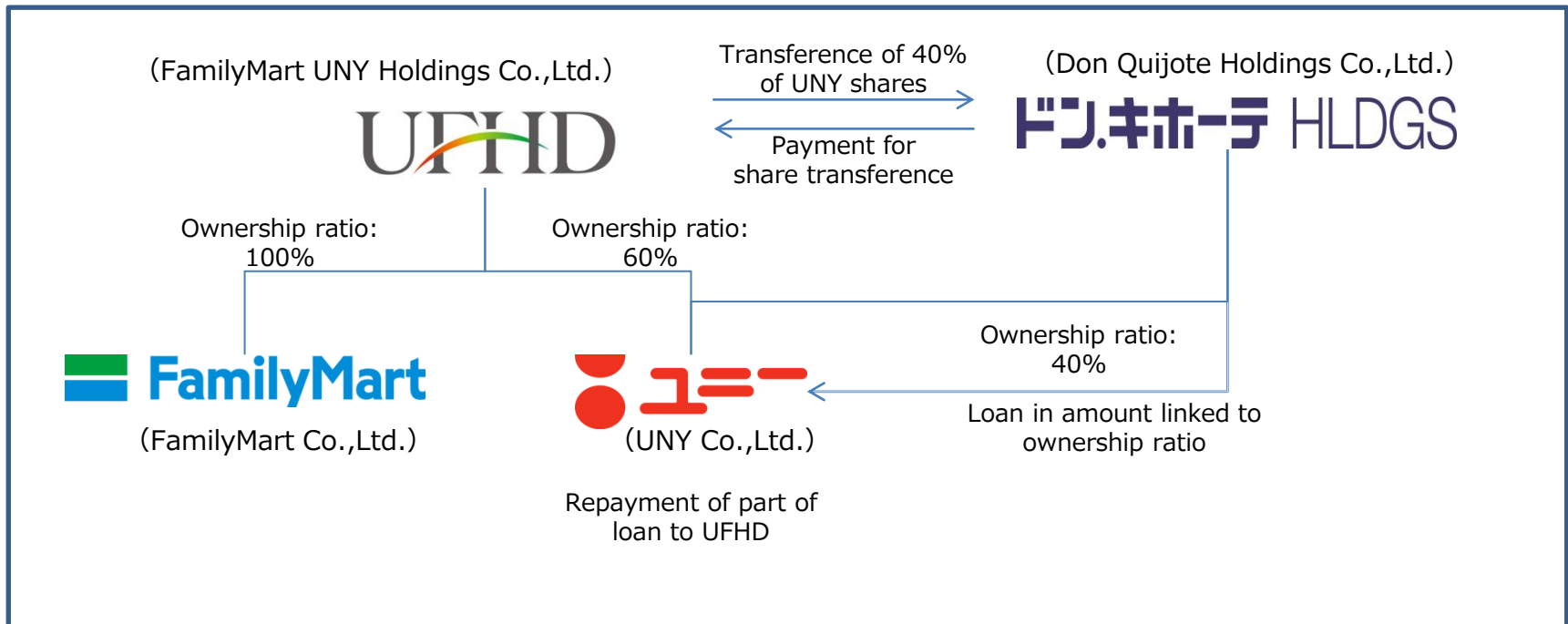
# Capital and Business Alliance with Don Quijote Holdings

## (1) Capital Alliance

Cash influx of more than ¥100.0 billion due to payments for transference of UNY shares and refinancing of UNY from Don Quijote Holdings (amount linked to ownership ratio) on November 21, 2017

Effective debt equity ratio of 0.71 times on November 30, 2017 (0.96 times on February 28, 2017)

Reduced risk exposure related to UNY, investments in future growth for expanding the scope of operations in financial and distribution fields currently being examined



# Capital and Business Alliance with Don Quijote Holdings

## (2) Business Alliance



After  
renovation



Conversion to double-name stores: Establishment of wholly owned subsidiary of UNY to operate converted stores  
→ Separate management from UNY stores and measure benefits, convert six stores in February and March 2018

Target 50% increase in sales after conversion  
(total sales for six stores: Approx. ¥17.0 billion → ¥27.0 billion)

Verify successful initiatives at converted stores and select future conversion candidates

Formulation of more detailed measures (joint product development, joint procurement, joint promotions, etc., with Don Quijote Holdings) to be commenced after opening of all six converted stores

## Application of Consolidated Tax Payment System and Resolution of Future Issues

Utilization of tax benefits of consolidated tax payment system, impairment on store assets in the CVS business and the GMS business

### 1. Consolidated tax payment system

Recording of deferred tax assets of ¥15.7 billion in third quarter through application of consolidated tax payment system to account for tax losses associated with transference of UNY shares to Don Quijote Holdings

(Reference) Scope of application of consolidated tax payment system: FamilyMart Co., Ltd., and its wholly owned subsidiary

### 2. Resolution of future issues

Prevention of future impairment losses; rigorous evaluation of potential value of fixed assets of both businesses with eye to end of fiscal year to resolve future issues; impairment losses totaling approximately ¥16.0 billion on assets with low potential value to be conducted in the CVS business in fourth quarter as explained when announcing 1H financial results. Additional impairment planned to be conducted in the GMS business after rigorous evaluation of assets performed in light of alliance with Don Quijote Holdings

(¥ billion)	FY2017 9M	FY2017 Full-Year
	Results	Forecasts
Other expenses	17.8	41.8
CVS business	16.7	34.6
GMS business	1.2	7.2
Adjustments	(0.1)	-



# Full-Year Forecasts for Consolidated Performance in FY2017(IFRS)

Note: Core operating income = Operating revenue - Cost of sales - Selling, general and administrative expenses

(¥ billion)	FY2017 Full year		
	Forecasts	YoY	VS. forecasts (10/11)
Gross operating revenues	1,242.0	47.2%	—
Core Operating income (equivalent to operating income under Japanese GAAP)	66.5	19.5%	—
Other income	8.0	106.2%	5.6
Other expenses	41.8	53.1%	5.1
Profit attributable to owners of the parent	33.0	52.9%	2.0
CVS business	(0.8)	—	—
GMS business	17.5	78.1%	2.0
Adjustments	16.3	—	—

- ◆ Forecast for profit attributable to owners of the parent
  - CVS business: Loss of ¥0.8 billion projected in light of impairment losses totaling ¥16.0 billion on fixed assets to be conducted in fourth quarter to resolve future issues (no change from previously announced forecasts)
  - GMS business: Increase of ¥2.0 billion projected due to unplanned gains on sales of idle assets recorded in third quarter (upward revision)
  - Adjustments: Recording of deferred tax assets of ¥15.7 billion in third quarter through application of consolidated tax payment system (no change from previously announced forecasts) Upward revision to full-year forecast for profit attributable to owners of the parent released on October 11, 2017, to reflect the above

## 【Reference】3rd Quarter (17/9-11) YoY (IFRS)

### ■ Consolidated

¥ billion	FY2016 3Q(9-11)	FY2017 3Q(9-11)		
	Results	Results	YoY	Inc./dec.
Gross operating revenues	314.5	317.2	0.8%	2.6
Core operating income	17.5	15.6	(10.9%)	(1.9)
Profit attributable to owners of the parent	8.6	26.1	200.2%	17.4

### ■ CVS segment

¥ billion	FY2016 3Q(9-11)	FY2017 3Q(9-11)		
	Results	Results	YoY	Inc./dec.
Gross operating revenues	136.9	136.3	(0.5%)	(0.6)
Core operating income	10.8	8.7	(18.7%)	(2.0)
Profit attributable to owners of the parent	3.6	(0.2)	-	(3.9)

### ■ GMS segment

¥ billion	FY2016 3Q(9-11)	FY2017 3Q(9-11)		
	Results	Results	YoY	Inc./dec.
Gross operating revenues	178.3	182.4	2.3%	4.1
Core operating income	6.8	6.7	(2.0%)	(0.1)
Profit attributable to owners of the parent	4.8	9.6	98.6%	4.7

Note: Core operating income = Operating revenue - Cost of sales - Selling, general and administrative expenses  
(equivalent to operating income under Japanese GAAP)

## [Reference] Quantitative Targets for CVS Business (IFRS)

		FY2017 Full year			
		Segment total	YoY	F M (non-consolidated)	YoY
Segment P/L ¥ billion	Gross operating revenues	555.6	14.7%	474.9	20.6%
	Core operating income	42.4	(2.3%)	34.9	1.5%
	Profit attributable to owners of the parent	(0.8)	—	2.1	(65.7%)

Note: Core operating income = Operating revenue - Cost of sales - Selling, general and administrative expenses  
(equivalent to operating income under Japanese GAAP)

F M : FamilyMart C K S : Circle K Sunkus		FY2016 Full yaer		FY2017 Full year			
		F M	C K S	F M	YoY	C K S	Inc./dec.
Business Performance F M(non- consolidated)	Average daily sales at all stores (¥ thousand)	522	425	524	2	388	(37)
	Growth rate of average daily sales at existing stores	0.8%	(2.1%)	(0.1%)	—	(3.8%)	—
	Gross profit ratio	27.44%	26.25%	27.51%	0.07%	26.38%	0.13%
	Store opening	831	—	600	(231)	—	—
	CKS brand conversion	829	—	2,600	1,771	—	—
	Number of stores	12,089	4,912	14,739	2,650	1,650	(3,262)

## 【Reference】 Quantitative Targets for GMS Business (IFRS)

		FY2017 Full year					
		Segment total	YoY	UNY(non-consolidated)	YoY	UCS	YoY
Segment P/L ¥ billion	Gross operating revenues	688.6	90.9%	596.3	88.5%	18.4	62.6%
	Core operating income	24.2	96.7%	19.2	91.9%	4.2	78.0%
	Profit attributable to owners of the parent	17.5	78.1%	16.0	59.7%	1.8	13.9%

Note: Core operating income = Operating revenue - Cost of sales - Selling, general and administrative expenses (equivalent to operating income under Japanese GAAP)

		FY2016 Full year Results	FY2017 Full year	
			Forecasts	Inc./dec.
Business performance: UNY (non-consolidated)	Y-o-y change in existing store sales	(1.0%)	(1.3%)	—
	Gross profit ratio	23.2%	23.6%	0.4%
	Store opening	2	1	(1)
	Store closures	20	15	(5)
	Number of store	210	196	(14)